The following is the text of a report received from the Bank's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

November 13, 2009

The Directors
China Minsheng Banking Corp., Ltd.

UBS AG, Hong Kong Branch
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "***Financial Information***") of China Minsheng Banking Corp., Ltd. (the "***Bank***") and its subsidiaries (together, the "***Group***") set out in Sections I to VI below, for inclusion in the prospectus of the Bank dated November 13, 2009 (the "***Prospectus***") in connection with the initial listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated balance sheets as at December 31, 2006, 2007 and 2008 and June 30, 2009, the balance sheets of the Bank as at December 31, 2006, 2007 and 2008 and June 30, 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 (the "***Relevant Periods***"), and a summary of significant accounting policies and other explanatory notes.

The Bank was established in the People's Republic of China (the "***PRC***") on February 7, 1996 as a national joint-stock commercial bank with capital participation primarily from non-state-owned enterprises. Its establishment was approved by the State Council of the PRC and by the People's Bank of China (the "***PBOC***"). The Bank's common stock is listed on the PRC domestic A-share market.

As at the date of this report, the Bank has direct interests in the subsidiaries as set out in Note 23 of section VI below.

The financial statements of the Bank for the year ended December 31, 2006 have been prepared in accordance with Accounting Standards for Business Enterprises (issued by the Ministry of Finance of the PRC (the "***MOF***") before February 15, 2006), the Accounting Regulations for Financial Enterprises (issued by the MOF on November 27, 2001) and Financial Instruments Recognition and Measurement Provisions (issued by the MOF on August 30, 2005). The financial statements of the Bank for the years ended December 31, 2007 and 2008 have been prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards and the 38 specific accounting standards (issued by the MOF on February 15, 2006), and the implementation guidance and interpretations for the Accounting Standards for Business Enterprises subsequently released and other relevant rules and regulations issued by MOF. These financial statements of the Group for each of the years ended December 31, 2006, 2007 and 2008 are collectively referred to as the PRC GAAP Financial Statements. The PRC GAAP Financial Statements were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司). The financial statements of the principal subsidiaries of the Bank were audited by independent auditors as set out in Note 23 of Section VI below.

The Bank also prepared a set of its financial statements for the years ended December 31, 2006 and 2007 in accordance with International Financial Reporting Standards ("***IFRSs***") promulgated by the International Accounting Standards Board. The financial statements of the Bank for the years ended December 31, 2006 and 2007 prepared in accordance with IFRSs were audited by PricewaterhouseCoopers China limited (普華永道中國有限公司).

For the purpose of this report, the directors of the Bank have prepared consolidated financial statements of the Bank and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with IFRSs (the "***IFRS Financial Statements***"). The IFRS Financial Statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the IFRS Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Bank are responsible for the preparation and the true and fair presentation of the IFRS Financial Statements in accordance with IFRSs.

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the directors of the Bank are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information 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.

For the financial information for the six months ended June 30, 2008, the directors of the Bank are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section VI below which are in conformity with IFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the IFRS Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and of the Bank as at December 31, 2006, 2007 and 2008 and June 30, 2009 and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section VI below which are in conformity with IFRSs.

CHINA MINSHENG BANKING CORP., LTD.

I. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts expressed in millions of Rmb unless otherwise stated)

		Year ended December 31,			Six months ended June 30,	
	Note	2006	2007	2008	2008	2009
					(unaudited)	
Interest income	5	27,361	40,070	56,311	27,259	24,634
Interest expense	5	(11,193)	(17,490)	(25,931)	(12,563)	(10,684)
Net interest income		16,168	22,580	30,380	14,696	13,950
Fee and commission income	6	1,224	2,665	4,755	3,211	2,442
Fee and commission expense		(197)	(274)	(294)	(139)	(144)
Net fee and commission income		1,027	2,391	4,461	3,072	2,298
Net trading income/(loss)	7	202	425	185	(155)	23
Net gain/(loss) on disposal of available-for-sale securities		44	(124)	(53)	27	4,959
Impairment losses on assets	8	(2,214)	(2,265)	(6,518)	(1,615)	(2,851)
Operating expenses	9	(9,717)	(13,752)	(17,817)	(7,868)	(8,378)
Other operating expenses		(273)	(43)	(150)	(1)	(415)
Profit before income tax		5,237	9,212	10,488	8,156	9,586
Income tax expense	11	(1,479)	(2,877)	(2,595)	(2,110)	(2,207)
Net profit		3,758	6,335	7,893	6,046	7,379
Other comprehensive income:						
Available-for-sale securities	32	652	8,460	(4,654)	(1,197)	(3,317)
Available-for-sale securities — tax	32	(215)	(2,069)	1,170	312	824
Net other comprehensive income		437	6,391	(3,484)	(885)	(2,493)
Comprehensive income		4,195	12,726	4,409	5,161	4,886
Net profit attributable to:						
Equity holders of the Bank		3,758	6,335	7,885	6,041	7,374
Minority interest		—	—	8	5	5
		3,758	6,335	7,893	6,046	7,379
Comprehensive income attributable to:						
Equity holders of the Bank		4,195	12,726	4,401	5,156	4,881
Minority interest		—	—	8	5	5
		4,195	12,726	4,409	5,161	4,886
Earnings per share (expressed in Rmb per share)						
- basic	12	0.23	0.36	0.42	0.32	0.39
- diluted	12	0.23	0.36	0.42	0.32	0.39
Dividends						
Interim dividend declared	31	—	—	—	—	—
Final dividend proposed after the balance sheet date	31	—	3,620	1,506	—	—
		—	3,620	1,506	—	—

CHINA MINSHENG BANKING CORP., LTD.

II. CONSOLIDATED BALANCE SHEET
(All amounts expressed in millions of Rmb unless otherwise stated)

	Note	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
ASSETS					
Cash and due from banks and other financial institutions	13	11,564	11,986	17,648	24,080
Precious metals		—	417	110	243
Balances with central banks	14	105,205	106,992	181,878	134,641
Trading financial assets	15	—	2,572	4,405	7,261
Derivative financial assets	16	212	1,285	1,216	506
Placements with banks and other financial institutions	17	32,148	80,235	52,408	174,595
Loans and advances to customers	18	465,671	547,296	646,475	890,678
Investment securities:					
- available-for-sale	19	50,162	60,715	53,597	65,042
- held-to-maturity	19	40,302	45,816	38,716	46,494
- loans and receivables	19	10,228	47,449	37,066	38,516
Finance lease receivables	20	—	—	5,253	9,890
Property and equipment	21	5,692	6,387	6,973	7,124
Deferred income tax assets	22	747	64	1,079	2,520
Other assets	24	3,156	7,623	7,526	8,424
Total assets		725,087	918,837	1,054,350	1,410,014
LIABILITIES					
Deposits from customers	25	583,315	671,219	785,786	1,075,309
Due to and placements from banks and other financial institutions	26	91,821	150,253	160,248	221,090
Borrowings from foreign governments		430	436	391	389
Borrowings from other financial institutions		—	—	2,600	8,400
Derivative financial liabilities	16	392	1,444	1,239	483
Provisions		261	342	609	1,061
Debt securities in issue	27	21,691	33,920	33,999	28,877
Deferred income tax liabilities	22	250	1,370	—	—
Other liabilities	28	7,616	9,666	14,806	16,353
Total liabilities		705,776	868,650	999,678	1,351,962
EQUITY					
Share capital	29	10,167	14,479	18,823	18,823
Capital reserve	29	2,362	16,200	14,768	14,768
Surplus reserve	30	1,566	2,200	2,983	2,983
General reserve	30	3,000	5,800	8,001	8,001
Retained earnings		1,827	4,728	6,009	11,877
Reserve for fair value changes of available-for-sale securities	32	389	6,780	3,296	803
Capital and reserves attributable to the equity holders of the Bank		19,311	50,187	53,880	57,255
Minority interest in equity		—	—	792	797
Total equity		19,311	50,187	54,672	58,052
Total liabilities and equity		725,087	918,837	1,054,350	1,410,014

CHINA MINSHENG BANKING CORP., LTD.

III. BALANCE SHEET
(All amounts expressed in millions of Rmb unless otherwise stated)

	Note	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
ASSETS					
Cash and due from banks and other financial institutions	13	11,564	11,986	17,630	23,542
Precious metals		—	417	110	243
Balances with central banks	14	105,205	106,992	181,874	134,613
Trading financial assets	15	—	2,572	4,405	7,261
Derivative financial assets	16	212	1,285	1,216	506
Placements with banks and other financial institutions	17	32,148	80,235	52,408	174,595
Loans and advances to customers	18	465,671	547,296	646,443	890,378
Investment securities:					
- available-for-sale	19	50,162	60,715	53,597	65,042
- held-to-maturity	19	40,302	45,816	38,716	46,494
- loans and receivables	19	10,228	47,449	37,066	38,477
Investment in subsidiaries	23	—	—	2,775	2,775
Property and equipment	21	5,692	6,387	6,949	7,074
Deferred income tax assets	22	747	64	1,078	2,519
Other assets	24	3,156	7,623	5,874	6,560
Total assets		725,087	918,837	1,050,141	1,400,079
LIABILITIES					
Deposits from customers	25	583,315	671,219	785,814	1,075,015
Due to and placements from banks and other financial institutions	26	91,821	150,253	159,953	221,965
Borrowings from foreign governments		430	436	391	389
Derivative financial liabilities	16	392	1,444	1,239	483
Provisions		261	342	609	1,061
Debt securities in issue	27	21,691	33,920	33,999	28,877
Deferred income tax liabilities	22	250	1,370	—	—
Other liabilities	28	7,616	9,666	14,326	15,157
Total liabilities		705,776	868,650	996,331	1,342,947
EQUITY					
Share capital	29	10,167	14,479	18,823	18,823
Capital reserve	29	2,362	16,200	14,752	14,752
Surplus reserve	30	1,566	2,200	2,983	2,983
General reserve	30	3,000	5,800	8,000	8,000
Retained earnings		1,827	4,728	5,956	11,771
Reserve for fair value changes of available-for-sale securities	32	389	6,780	3,296	803
Total equity		19,311	50,187	53,810	57,132
Total liabilities and equity		725,087	918,837	1,050,141	1,400,079

CHINA MINSHENG BANKING CORP., LTD.

IV. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in millions of Rmb unless otherwise stated)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Reserve for fair value changes of available-for-sale securities	Total equity
Balance at January 1, 2006		7,259	4,169	1,183	1,200	1,704	(48)	15,467
Comprehensive income		—	—	—	—	3,758	437	4,195
Shares issued from capital reserve	29	1,815	(1,815)	—	—	—	—	—
Appropriation to surplus reserve	30	—	—	383	—	(383)	—	—
Appropriation to general reserve	30	—	—	—	1,800	(1,800)	—	—
Cash dividends relating to 2005		—	—	—	—	(363)	—	(363)
Stock dividends relating to 2005		1,089	—	—	—	(1,089)	—	—
Shares issued in connection with convertible bonds		4	10	—	—	—	—	14
Changes in equity component of convertible bonds		—	(2)	—	—	—	—	(2)
Balance at December 31, 2006		10,167	2,362	1,566	3,000	1,827	389	19,311
Balance at January 1, 2007		10,167	2,362	1,566	3,000	1,827	389	19,311
Comprehensive income		—	—	—	—	6,335	6,391	12,726
Capital injection	29	2,380	15,770	—	—	—	—	18,150
Shares issued from capital reserve	29	1,932	(1,932)	—	—	—	—	—
Appropriation to surplus reserve	30	—	—	634	—	(634)	—	—
Appropriation to general reserve	30	—	—	—	2,800	(2,800)	—	—
Balance at December 31, 2007		14,479	16,200	2,200	5,800	4,728	6,780	50,187

CHINA MINSHENG BANKING CORP., LTD.

IV. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
(All amounts in millions of Rmb unless otherwise stated)

		Attributable to the equity holders of the Bank							
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Reserve for fair value changes of available-for-sale securities	Minority interest	Total equity
Balance at January 1, 2008		14,479	16,200	2,200	5,800	4,728	6,780	—	50,187
Comprehensive income		—	—	—	—	7,885	(3,484)	8	4,409
Capital injection		—	—	—	—	—	—	780	780
Shares issued from capital reserve	29	1,448	(1,448)	—	—	—	—	—	—
Appropriation to surplus reserve	30	—	—	783	—	(783)	—	—	—
Appropriation to general reserve	30	—	—	—	2,201	(2,201)	—	—	—
Cash dividends relating to 2007	31	—	—	—	—	(724)	—	—	(724)
Stock dividends relating to 2007	31	2,896	—	—	—	(2,896)	—	—	—
Others		—	16	—	—	—	—	4	20
Balance at December 31, 2008		18,823	14,768	2,983	8,001	6,009	3,296	792	54,672
Balance at January 1, 2009		18,823	14,768	2,983	8,001	6,009	3,296	792	54,672
Comprehensive income		—	—	—	—	7,374	(2,493)	5	4,886
Cash dividends relating to 2008	31	—	—	—	—	(1,506)	—	—	(1,506)
Balance at June 30, 2009		18,823	14,768	2,983	8,001	11,877	803	797	58,052

CHINA MINSHENG BANKING CORP., LTD.

V. CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in millions of Rmb unless otherwise stated)

	Note	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008 (unaudited)	2009
Cash flows from operating activities						
Profit before income tax		5,237	9,212	10,488	8,156	9,586
Adjustments for:						
Impairment losses on assets		2,214	2,265	6,518	1,615	2,851
Depreciation and amortization		672	607	678	328	336
Gains on disposal of property and equipment and other long-term assets		—	—	(2)	(1)	(1)
Gain/(losses) from fair value changes		(42)	(44)	(206)	13	8
Net (gains)/losses on disposal of available-for-sale securities		(44)	124	53	(27)	(4,959)
Interest expense on debt securities in issue and other financing activities		525	1,104	1,457	678	761
Interest income from investment securities		(2,697)	(4,315)	(5,451)	(2,919)	(2,657)
Payment of income tax		(1,440)	(2,581)	(3,549)	(1,943)	(1,821)
Net changes in operating assets and liabilities:						
Net decrease/(increase) in due from banks and other financial institutions		(1,103)	1,897	(1,736)	708	1,783
Net decrease/(increase) in precious metals		—	(417)	307	236	(133)
Net increase in restricted balances with central banks		(14,341)	(35,963)	(3,173)	(30,878)	(22,667)
Net increase in trading financial assets		—	(2,222)	(2,091)	(1,764)	(2,910)
Net decrease/(increase) in placements with banks and other financial institutions		(3,945)	(48,087)	27,827	(38,366)	(122,129)
Net increase in loans and advances to customers		(74,373)	(83,663)	(104,741)	(57,121)	(246,544)
Net increase in other assets		(889)	(2,127)	(4,575)	(3,482)	(4,134)
Net increase in deposits from customers		94,482	87,904	114,567	89,185	289,523
Net increase in due to and placements from banks and other financial institutions		32,281	58,432	9,995	44,155	60,842
Net increase in other liabilities		2,018	3,845	6,836	4,027	599
Net cash from operating activities		38,555	(14,029)	53,202	12,600	(41,666)
Cash flows from investing activities						
Proceeds from investment securities		33,861	51,606	119,038	36,679	64,343
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		44	19	8	1	2
Purchase of investment securities		(50,745)	(94,449)	(96,242)	(43,691)	(80,362)
Payment for investment in subsidiaries	24	—	(2,600)	—	—	—
Purchase of property and equipment, intangible assets and other long-term assets		(1,006)	(1,360)	(1,686)	(810)	(1,260)
Net cash from investing activities		(17,846)	(46,784)	21,118	(7,821)	(17,277)
Cash flows from financing activities						
Proceeds from minority equity holders of subsidiaries		—	—	780	—	—
Borrowed from other financial institutions		—	—	2,600	—	8,120
Proceeds from issuance of debt securities		14,287	11,970	—	—	4,983
Proceeds from issuance of stock by private placement		—	18,150	—	—	—
Cash paid for debts		—	—	—	—	(12,666)
Cash paid for interest		(343)	(844)	(1,331)	(741)	(984)
Cash dividends paid		(345)	(18)	(724)	(724)	(1,506)
Cash received from other financing activities		—	—	15	—	—
Net cash from financing activities		13,599	29,258	1,340	(1,465)	(2,053)
Net increase/(decrease) in cash and cash equivalents		34,308	(31,555)	75,660	3,314	(60,996)
Cash and cash equivalents at beginning of the year/period		34,514	68,779	37,020	40,220	112,302
Effect of foreign exchange rate changes		(43)	(204)	(378)	(238)	28
Cash and cash equivalents at end of the year/period	33	68,779	37,020	112,302	43,296	51,334

CHINA MINSHENG BANKING CORP., LTD.

VI. NOTES TO THE FINANCIAL INFORMATION
(All amounts in millions of Rmb 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 February 7, 1996 with the approval of the State Council of the PRC and the People's Bank of China (the "***PBOC***"). The Bank issued 350,000,000 ordinary shares of A-share common stock in local currency Renminbi ("***Rmb***") in 2000 and the shares have been listed and traded on the Shanghai Stock Exchange since 2000.

As at June 30, 2009, the Bank has 28 branches and a sub-branch in Shantou, which directly reports to the Head Office. The Bank and its subsidiaries (together the "***Group***") provides retail and corporate banking, leasing and fund management services in China.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("***IFRS***"), the disclosures requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has 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 Information 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group for six months ended June 30, 2009 are as follows:

	Effective for annual periods beginning on or after
IFRS 3 (Revised) Business Combination	July 1, 2009
IAS 27 (Revised) Consolidated and Separate Financial Statements	July 1, 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	July 1, 2009
IFRIC 18 Transfers of Assets From Customers	July 1, 2009
Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions	January 1, 2010
Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	January 1, 2010
Amendment to IFRS 8 Operating Segments	January 1, 2010
Amendment to IAS 1 Presentation of Financial Statements	January 1, 2010
Amendment to IAS 7 Statement of Cash Flows	January 1, 2010
Amendment to IAS 17 Leases	January 1, 2010
Amendment to Appendix to IAS 18 Revenue	July 1, 2009
Amendment to IAS 36 Impairment of Assets	January 1, 2010
Amendment to IAS 38 Intangible Assets	July 1, 2009
Amendment to IAS 39 Financial Instrument: Recognition and Measurement	July 1, 2009
Amendment to IFRIC 9 Reassessment of Embedded Derivatives	July 1, 2009
Amendment to IFRIC 16 Interpretation Hedges of a Net Investment in a Foreign Operation	July 1, 2009

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the Group has control, that is having the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. 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 that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to insure consistency with the policies adopted by the Group.

In the Bank's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividend received and receivable.

2.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "interest expense" in the 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 Periods. 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.

2.4 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. For other services, fee and commission income are recognized when the transactions are completed.

2.5 Dividend income

Dividends are recognized in the income statement when the entity's right to receive payment is established.

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 financial assets 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.

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 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.

A financial asset is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial assets or a group of financial assets and financial liabilities is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis; or
- financial assets, contain one or more embedded derivatives which significantly modify the cash flows.

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: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) 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 and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

d Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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.

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 balance sheet 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:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans 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 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 balance sheet 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 liabilities. Management determine the classification of the Group's financial liabilities at initial recognition.

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.

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.

A financial liability is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities, or a group of financial assets and financial liabilities is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis; and
- financial liabilities contain one or more embedded derivatives significantly modify the cash flows.

Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognized in the income statement.

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

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices, including counterparty quotes and recent market transactions, and valuation technique, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option for the holder of a convertible bond, are treated as separate derivatives when their risks and economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

Changes in the fair values of derivatives are included in net trading income.

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 are therefore treated as derivatives held for trading with 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 balance sheet 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

Financial assets sold subject to repurchase agreements ("***Repos***") continue to be recognized, and are recorded as "Investment securities" or "Loans and advances to customers" as appropriate. The counterparty liability is included in "Due to and placement from banks" as appropriate. Financial assets purchased under agreements to resell ("***Reverse repos***") are not recognized, and are recorded as "Placements with banks and other financial institutions".

The difference between purchase and sale price is recognized as interest expense or interest income in the income statement over the life of the agreements using the effective interest method.

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 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Presidents and special management committees that make strategic decisions.

2.14 Foreign currency translation

a Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("***the functional currency***"). The financial statements are presented in Renminbi ("***Rmb***"), which is the Bank's functional and the Group's presentation currency and the lawful currency of the PRC.

b Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 equity.

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 equity.

2.15 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 costs 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 repairs 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	20 - 30 years
- Leasehold improvements	5 - 10 years
- Office equipment	5 - 10 years
- Transportation equipment	5 years

No depreciation is provided against construction in progress.

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

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

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 directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from provision for loan impairments and revaluation of certain financial assets and liabilities including derivative contracts. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

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.

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.

2.18 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.

2.19 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.

2.20 Leases

a Lease classification

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.

b Finance lease

The Group entered into finance lease transactions mainly as lessor.

When the Group is a lessor under finance leases, the present value of the lease payment receivable from the lessee is recognized as finance lease receivable. The difference between the receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using an interest rate which reflects a constant rate of return.

When the Group is a lessee under finance leases, the leased assets are capitalized initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in other liabilities. Finance charges are charged over the term of the lease using an interest rate which reflects a constant rate of return.

The Group adopts the same depreciation policy for the finance leased assets as those for which it has title rights.

c Operating lease

When the Group is the lessee under an operating lease, rental expenses are charged in operating expenses in the income statement on a straight-line basis over the period of the lease.

When the Group is the lessor under operating leases, the assets subject to the operating lease are accounted for as the Group's assets. Rental income is recognized as other operating income in the income statement on a straight-line basis over the lease term.

2.21 Contingent liabilities

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.

2.22 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.

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 balance sheet of the Group.

2.23 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.

Dividends for the year that are declared after the balance sheet date are dealt with in the dividends note.

2.24 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 banks, amounts due from banks and other financial institutions, and short-term government securities.

2.25 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 balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

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, and the operational 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.

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.

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 takes care of 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-balance sheet 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 CBRC's 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-balance sheet credit commitments as part of its overall credit management, applies credit limit management, and classifies key off-balance sheet 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.

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 insufficient reason to suspect that the principal and interest of loans can not 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 their normal income can not repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower can not repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery 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 review the changes of credit ratings of issuers of securities held by the Group and make 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.

The risk exposures to any borrower, including banks, are further classified into on and off-balance 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

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 deposit certificates, 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 that are customers.

(iii) Credit related commitments

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.

For the criteria that the Group uses to determine that there is an objective evidence of impairment loss, please refer to Note 2.7 of Section VI.

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 balance-sheet date on a case-by-case basis. In making such assessment, the Group considers the value of collaterals 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.

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.

Credit risk exposures relating to on-balance sheet assets are as follows:

	December 31,			June 30,
Group	**2006**	**2007**	**2008**	**2009**
Balances with central banks	105,205	106,992	181,878	134,641
Due from banks and other financial institutions	9,034	8,697	14,748	21,428
Placements with banks and other financial institutions	32,148	80,235	52,408	174,595
Trading financial assets	—	2,572	4,405	7,261
Derivative financial assets	212	1,285	1,216	506
Loans and advances to customers				
- Loans to corporate entities	397,813	448,755	539,186	767,538
- Loans to individuals	67,858	98,541	107,289	123,140
Investment securities				
- Debt securities	99,497	143,424	125,618	149,828
Finance lease receivables	—	—	5,253	9,890
Other assets	2,641	4,545	6,250	7,181
Subtotal	714,408	895,046	1,038,251	1,396,008

Credit risk exposures relating to off-balance sheet items are as follows:

Acceptances	70,853	96,624	145,005	306,435
Letters of guarantee	22,881	32,770	49,029	45,697
Unused credit card limits	9,635	26,574	28,140	27,873
Letters of credit	12,490	15,879	8,250	15,407
Irrevocable loan commitment	3,345	4,856	6,000	5,828
Finance lease commitment	—	—	475	912
Subtotal	119,204	176,703	236,899	402,152
Total	833,612	1,071,749	1,275,150	1,798,160

Credit risk exposures relating to on-balance sheet assets are as follows:

	December 31,			June 30,
Bank	**2006**	**2007**	**2008**	**2009**
Balances with central banks	105,205	106,992	181,874	134,613
Due from banks and other financial institutions	9,034	8,697	14,732	20,893
Placements with banks and other financial institutions	32,148	80,235	52,408	174,595
Trading financial assets	—	2,572	4,405	7,261
Derivative financial assets	212	1,285	1,216	506
Loans and advances to customers				
- Loans to corporate entities	397,813	448,755	539,163	767,264
- Loans to individuals	67,858	98,541	107,280	123,114
Investment securities				
- Debt securities	99,497	143,424	125,618	149,789
Other assets	2,641	4,545	4,621	5,339
Subtotal	714,408	895,046	1,031,317	1,383,374

Credit risk exposures relating to off-balance sheet items are as follows:

Bank	December 31, 2006	2007	2008	June 30, 2009
Acceptances	70,853	96,624	145,005	306,435
Letters of guarantee	22,881	32,770	49,029	45,697
Unused credit card limits	9,635	26,574	28,140	27,873
Letters of credit	12,490	15,879	8,250	15,407
Irrevocable loan commitment	3,345	4,856	6,000	5,828
Subtotal	119,204	176,703	236,424	401,240
Total	833,612	1,071,749	1,267,741	1,784,614

e ***Placements with banks and other financial institutions***

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Neither past due nor impaired	32,148	79,735	52,408	174,595
Past due but not impaired	—	500	—	—
Impaired	96	94	92	34
Gross	32,244	80,329	52,500	174,629
Less: allowance for impairment loss	(96)	(94)	(92)	(34)
Net	32,148	80,235	52,408	174,595

(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	December 31, 2006	2007	2008	June 30, 2009
Banks	17,011	22,224	30,324	165,468
Other financial institutions	15,137	57,511	22,084	9,127
	32,148	79,735	52,408	174,595

(ii) Past due but not impaired

The Group assessed the recoverability of the assets and believed no impairment was required.

(iii) Impaired

The Group has provided 100% allowances for placements with banks and other financial institutions which were impaired.

f Loans and advances to customers

Group	December 31, 2006	2007	2008	June 30, 2009
Neither past due nor impaired	460,595	542,766	643,219	891,798
Past due but not impaired	5,600	5,420	7,220	4,335
Impaired	5,893	6,773	7,921	7,801
Gross	472,088	554,959	658,360	903,934
Less: allowance for impairment loss				
- individual assessment	(3,472)	(3,494)	(3,990)	(4,404)
- collective assessment	(2,945)	(4,169)	(7,895)	(8,852)
	(6,417)	(7,663)	(11,885)	(13,256)
Net	465,671	547,296	646,475	890,678

Bank	December 31, 2006	2007	2008	June 30, 2009
Neither past due nor impaired	460,595	542,766	643,187	891,495
Past due but not impaired	5,600	5,420	7,220	4,335
Impaired	5,893	6,773	7,921	7,801
Gross	472,088	554,959	658,328	903,631
Less: allowance for impairment loss				
- individual assessment	(3,472)	(3,494)	(3,990)	(4,404)
- collective assessment	(2,945)	(4,169)	(7,895)	(8,849)
	(6,417)	(7,663)	(11,885)	(13,253)
Net	465,671	547,296	646,443	890,378

(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.

Group and Bank	Corporate loans	Individual loans	Total
December 31, 2006			
Pass	386,107	66,506	452,613
Special mention	7,968	14	7,982
	394,075	66,520	460,595
Group and Bank			
December 31, 2007			
Pass	440,983	96,508	537,491
Special mention	5,148	127	5,275
	446,131	96,635	542,766
Group			
December 31, 2008			
Pass	528,673	103,274	631,947
Special mention	10,468	804	11,272
	539,141	104,078	643,219

	Corporate loans	Individual loans	Total
Bank			
December 31, 2008			
Pass	528,650	103,265	631,915
Special mention	10,468	804	11,272
	539,118	104,069	643,187
Group			
June 30, 2009			
Pass	761,023	119,719	880,742
Special mention	10,616	440	11,056
	771,639	120,159	891,798
Bank			
June 30, 2009			
Pass	760,746	119,693	880,439
Special mention	10,616	440	11,056
	771,362	120,133	891,495

(ii) Past due but not impaired

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
December 31, 2006					
Loans to corporate entities	1,487	21	91	2,508	4,107
Loans to individuals	1,029	276	139	49	1,493
	2,516	297	230	2,557	5,600
December 31, 2007					
Loans to corporate entities	1,373	5	400	1,387	3,165
Loans to individuals	1,552	422	190	91	2,255
	2,925	427	590	1,478	5,420
December 31, 2008					
Loans to corporate entities	995	16	910	1,473	3,394
Loans to individuals	2,063	824	527	412	3,826
	3,058	840	1,437	1,885	7,220
June 30, 2009					
Loans to corporate entities	173	66	351	204	794
Loans to individuals	2,006	686	424	425	3,541
	2,179	752	775	629	4,335

(iii) Impaired Loans

Group and Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Loans to corporate entities	5,331	6,204	7,255	6,849
Loans to individuals	562	569	666	952
	5,893	6,773	7,921	7,801
% of total loans and advances	1.25%	1.22%	1.20%	0.86%
Allowance for impairment losses				
- Loans to corporate entities	(3,472)	(3,737)	(4,273)	(4,557)
- Loans to individuals	(389)	(389)	(426)	(624)
	(3,861)	(4,126)	(4,699)	(5,181)
Fair value of collateral held against impaired loans to corporate entities	1,320	1,239	2,166	1,881

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.

	2006	2007	2008	2009
Impaired loans and advances by type of guarantee:				
Unsecured loans	481	496	818	880
Guaranteed loans	3,492	3,171	2,320	2,381
Secured loan				
- Collateralized loans	1,533	2,788	4,066	4,230
- Pledged loans	387	318	717	310
Total	5,893	6,773	7,921	7,801

(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 Rmb5.87 billion, Rmb4.77 billion, Rmb5.73 billion and Rmb5.14 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

Within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less are as follows:

Group and Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Loans and advances to customers (overdue for 90 days or less)	452	317	273	226
% of total loans and advances	0.10%	0.06%	0.04%	0.03%

g Finance lease receivables

Group

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Neither past due nor impaired	—	—	5,310	9,654
Past due but not impaired	—	—	—	357
Gross	—	—	5,310	10,011
Less: allowance for impairment loss	—	—	(57)	(121)
Net	—	—	5,253	9,890

As at December 31, 2008 and June 30, 2009, finance lease receivables neither past due nor impaired were all categorized as "Pass" according to "Loan Risk Classification Guiding Principles" of the CBRC.

As at June 30, 2009, finance lease receivables past due but not impaired were overdue for 30 to 60 days.

h Debt securities

Rmb denominated securities are disclosed by issuer's credit risk classification.

Group and Bank

	December 31, 2006				
	Trading assets	Available-for-sale	Held-to-maturity	Loans and receivables	Total
Rmb securities					
Government and quasi-government bonds	—	33,226	37,418	7,238	77,882
Financial institutions bonds	—	1,761	779	2,990	5,530
Corporate bonds	—	4,088	—	—	4,088
Total	—	39,075	38,197	10,228	87,500

Group and Bank

	December 31, 2007				
	Trading assets	Available-for-sale	Held-to-maturity	Loans and receivables	Total
Rmb securities					
Government and quasi-government bonds	1,031	28,500	41,474	20,816	91,821
Financial institutions bonds	328	2,593	2,433	5,300	10,654
Financial institutions entrust products	—	—	—	21,333	21,333
Corporate bonds	1,213	8,594	—	—	9,807
Total	2,572	39,687	43,907	47,449	133,615

Group and Bank

	December 31, 2008				
	Trading assets	Available-for-sale	Held-to-maturity	Loans and receivables	Total
Rmb securities					
Government and quasi-government bonds	3,069	34,021	37,228	20,792	95,110
Financial institutions bonds	—	2,009	488	7,890	10,387
Financial institutions entrust products	—	—	—	8,384	8,384
Corporate bonds	1,336	7,948	—	—	9,284
Total	4,405	43,978	37,716	37,066	123,165

Group

	June 30, 2009				
	Trading assets	Available-for-sale	Held-to-maturity	Loans and receivables	Total
Rmb securities					
Government and quasi-government bonds	3,346	42,190	41,332	20,134	107,002
Financial institutions bonds	151	1,596	490	8,990	11,227
Financial institutions entrust products	—	—	—	9,392	9,392
Corporate bonds	3,764	15,383	4,132	—	23,279
Total	7,261	59,169	45,954	38,516	150,900

Bank

	June 30, 2009				
	Trading assets	Available-for-sale	Held-to-maturity	Loans and receivables	Total
Rmb securities					
Government and quasi-government bonds	3,346	42,190	41,332	20,134	107,002
Financial institutions bonds	151	1,596	490	8,990	11,227
Financial institutions entrust products	—	—	—	9,353	9,353
Corporate bonds	3,764	15,383	4,132	—	23,279
Total	7,261	59,169	45,954	38,477	150,861

The following tables show the Standard & Poor's rating on foreign currency securities.

Group and Bank

	December 31, 2006		
	Available-for-sale	Held-to-maturity	Total
Foreign currency securities			
AAA	3,968	624	4,592
AA- to AA+	786	312	1,098
A- to A+	4,552	522	5,074
Lower than A-	—	156	156
Unrated	586	491	1,077
Total	9,892	2,105	11,997

	December 31, 2007		
	Available-for-sale	Held-to-maturity	Total
Foreign currency securities			
AAA	4,278	511	4,789
AA- to AA+	618	447	1,065
A- to A+	5,397	640	6,037
Lower than A-	138	146	284
Unrated	41	165	206
Total	10,472	1,909	12,381

	December 31, 2008		
	Available-for-sale	Held-to-maturity	Total
Foreign currency securities			
AAA	1,986	280	2,266
AA- to AA+	287	191	478
A- to A+	3,262	375	3,637
Lower than A-	323	—	323
Unrated	—	154	154
Total	5,858	1,000	6,858

	June 30, 2009		
	Available-for-sale	Held-to-maturity	Total
Foreign currency securities			
AAA	1,593	—	1,593
AA- to AA+	120	299	419
A- to A+	3,390	241	3,631
Lower than A-	307	—	307
Unrated	239	—	239
Total	5,649	540	6,189

The Group's available-for-sale and held-to-maturity debt securities are individually assessed for impairment. The Group's impaired debt securities amounted to nil, nil, Rmb740 million and Rmb1,334 million as at December 31, 2006, 2007, 2008 and June 30, 2009. Allowance for impairment loss amounted to nil, nil, Rmb653 million and Rmb729 million respectively.

i Repossessed assets

Group and Bank

	December 31,			June 30,
	2006	2007	2008	2009
Buildings	211	189	945	934
Others	5	1	—	—
Total	216	190	945	934

Repossessed assets are sold as soon as practicable. Repossessed assets are classified as other assets in the consolidated balance sheet.

j 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.

(i) Geographical sectors

Financial assets other than investment securities

Group and Bank	Northern China	Eastern China	Southern China	Other locations	Total
December 31, 2006					
Balances with central banks	89,887	10,735	1,514	3,069	105,205
Due from banks and other financial institutions	3,820	2,274	2,288	652	9,034
Placements with banks and other financial institutions	19,082	3,382	4,324	5,360	32,148
Gross loans and advances to customers	159,511	150,157	81,462	80,958	472,088
Less: allowance for impairment losses	(4,070)	(1,101)	(678)	(568)	(6,417)
Financial assets, others	1,412	685	375	381	2,853
Total	269,642	166,132	89,285	89,852	614,911

Group and Bank	Northern China	Eastern China	Southern China	Other locations	Total
December 31, 2007					
Balances with central banks	93,228	7,097	2,077	4,590	106,992
Due from banks and other financial institutions	5,534	2,722	124	317	8,697
Placements with banks and other financial institutions	21,588	31,937	14,180	12,530	80,235
Gross loans and advances to customers	174,754	186,760	92,202	101,243	554,959
Less: allowance for impairment losses	(3,980)	(1,614)	(1,226)	(843)	(7,663)
Financial assets, others	2,959	1,359	698	814	5,830
Total	294,083	228,261	108,055	118,651	749,050

Group	Northern China	Eastern China	Southern China	Other locations	Total
December 31, 2008					
Balances with central banks	165,833	8,776	3,513	3,756	181,878
Due from banks and other financial institutions	9,162	2,563	2,295	728	14,748
Placements with banks and other financial institutions	27,540	12,248	8,736	3,884	52,408
Gross loans and advances to customers	191,011	236,412	95,388	135,549	658,360
Less: allowance for impairment losses	(5,051)	(3,251)	(1,796)	(1,787)	(11,885)
Finance lease receivables	5,253	—	—	—	5,253
Financial assets, others	6,415	498	99	454	7,466
Total	400,163	257,246	108,235	142,584	908,228

Bank	Northern China	Eastern China	Southern China	Other locations	Total
December 31, 2008					
Balances with central banks	165,832	8,776	3,513	3,753	181,874
Due from banks and other financial institutions	8,989	2,563	2,295	885	14,732
Placements with banks and other financial institutions	27,540	12,248	8,736	3,884	52,408
Gross loans and advances to customers	191,011	236,380	95,388	135,549	658,328
Less: allowance for impairment losses	(5,051)	(3,251)	(1,796)	(1,787)	(11,885)
Financial assets, others	4,953	335	98	451	5,837
Total	393,274	257,051	108,234	142,735	901,294

Group	Northern China	Eastern China	Southern China	Other locations	Total
June 30, 2009					
Balances with central banks	121,248	6,371	2,553	4,469	134,641
Due from banks and other financial institutions	5,464	5,289	7,729	2,946	21,428
Placements with banks and other financial institutions	59,320	35,544	26,115	53,616	174,595
Gross loan and advances to customers	317,062	291,491	93,895	201,486	903,934
Less: allowance for impairment losses	(5,743)	(3,893)	(1,469)	(2,151)	(13,256)
Finance lease receivables	9,890	—	—	—	9,890
Financial assets, others	6,595	707	223	162	7,687
Total	513,836	335,509	129,046	260,528	1,238,919

Bank	Northern China	Eastern China	Southern China	Other locations	Total
June 30, 2009					
Balances with central banks	121,220	6,371	2,553	4,469	134,613
Due from banks and other financial institutions	4,930	5,289	7,729	2,945	20,893
Placements with banks and other financial institutions	59,320	35,544	26,115	53,616	174,595
Gross loans and advances to customers	317,062	291,254	93,895	201,420	903,631
Less: allowance for impairment losses	(5,742)	(3,893)	(1,469)	(2,149)	(13,253)
Financial assets, others	5,367	93	223	162	5,845
Total	502,157	334,658	129,046	260,463	1,226,324

Financial Assets — debt securities

	Mainland China	North America	Europe	Other	Total
Group and Bank					
December 31, 2006					
Available-for-sale debt securities	42,848	4,971	838	310	48,967
Held-to-maturity securities	38,413	566	1,000	323	40,302
Loans and receivables	10,228	—	—	—	10,228
Total	91,489	5,537	1,838	633	99,497

	Mainland China	North America	Europe	Other	Total
Group and Bank					
December 31, 2007					
Trading financial assets	2,572	—	—	—	2,572
Available-for-sale debt securities	44,635	4,901	387	236	50,159
Held-to-maturity securities	44,167	329	932	388	45,816
Loans and receivables	47,449	—	—	—	47,449
Total	138,823	5,230	1,319	624	145,996
Group and Bank					
December 31, 2008					
Trading financial assets	4,405	—	—	—	4,405
Available-for-sale debt securities	47,083	2,476	237	40	49,836
Held-to-maturity securities	37,889	7	312	508	38,716
Loans and receivables	37,066	—	—	—	37,066
Total	126,443	2,483	549	548	130,023
Group					
June 30, 2009					
Trading financial assets	7,261	—	—	—	7,261
Available-for-sale debt securities	62,713	1,876	195	34	64,818
Held-to-maturity securities	46,126	—	154	214	46,494
Loans and receivables	38,516	—	—	—	38,516
Total	154,616	1,876	349	248	157,089
Bank					
June 30, 2009					
Trading financial assets	7,261	—	—	—	7,261
Available-for-sale debt securities	62,713	1,876	195	34	64,818
Held-to-maturity securities	46,126	—	154	214	46,494
Loans and receivables	38,477	—	—	—	38,477
Total	154,577	1,876	349	248	157,050

(ii) Industry sectors

Group and Bank	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
December 31, 2006							
Balances with central banks	105,205	—	—	—	—	—	105,205
Due from banks and other financial institutions	—	9,034	—	—	—	—	9,034
Placements with banks and other financial institutions	—	32,148	—	—	—	—	32,148
Loans to corporate entities	—	17,621	141,323	50,551	188,318	—	397,813
Loans to individuals	—	—	—	—	—	67,858	67,858
Investment securities — debt securities	71,812	23,597	1,356	—	2,732	—	99,497
Other financial assets	—	292	639	385	1,044	493	2,853
Total	177,017	82,692	143,318	50,936	192,094	68,351	714,408

Group and Bank	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
December 31, 2007							
Balances with central banks	106,992	—	—	—	—	—	106,992
Due from banks and other financial institutions	—	8,697	—	—	—	—	8,697
Placements with banks and other financial institutions	—	80,235	—	—	—	—	80,235
Loans to corporate entities	—	12,121	166,553	70,200	199,881	—	448,755
Loans to individuals	—	—	—	—	—	98,541	98,541
Investment securities — debt securities	76,406	58,424	3,105	—	5,489	—	143,424
Other financial assets	629	2,099	1,794	719	2,363	798	8,402
Total	184,027	161,576	171,452	70,919	207,733	99,339	895,046

Group	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
December 31, 2008							
Balances with central banks	181,878	—	—	—	—	—	181,878
Due from banks and other financial institutions	—	14,748	—	—	—	—	14,748
Placements with banks and other financial institutions	—	52,408	—	—	—	—	52,408
Loans to corporate entities	—	21,719	175,581	88,837	253,049	—	539,186
Loans to individuals	—	—	—	—	—	107,289	107,289
Investment securities — debt securities	96,771	20,809	3,167	—	4,871	—	125,618
Finance lease receivables	—	—	2,336	—	2,917	—	5,253
Other financial assets	3,069	595	2,112	583	5,217	295	11,871
Total	281,718	110,279	183,196	89,420	266,054	107,584	1,038,251

Bank	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
December 31, 2008							
Balances with central banks	181,874	—	—	—	—	—	181,874
Due from banks and other financial institutions	—	14,732	—	—	—	—	14,732
Placements with banks and other financial institutions	—	52,408	—	—	—	—	52,408
Loans to corporate entities	—	21,711	175,577	88,829	253,046	—	539,163
Loans to individuals	—	—	—	—	—	107,280	107,280
Investment securities — debt securities	96,771	20,809	3,167	—	4,871	—	125,618
Other financial assets	3,069	595	775	583	4,925	295	10,242
Total	281,714	110,255	179,519	89,412	262,842	107,575	1,031,317

Group	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
June 30, 2009							
Balances with central banks	134,641	—	—	—	—	—	134,641
Due from banks and other financial institutions	—	21,428	—	—	—	—	21,428
Placements with banks and other financial institutions	300	174,295	—	—	—	—	174,595
Loans to corporate entities	—	52,279	147,947	92,978	474,334	—	767,538
Loans to individuals	—	—	—	—	—	123,140	123,140
Investment securities — debt securities	108,339	21,609	6,558	1,444	11,878	—	149,828
Finance lease receivables	—	—	4,571	—	5,319	—	9,890
Other financial assets	3,347	2,235	939	315	8,112	—	14,948
Total	246,627	271,846	160,015	94,737	499,643	123,140	1,396,008

Bank	Government and quasi-government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
June 30, 2009							
Balances with central banks	134,613	—	—	—	—	—	134,613
Due from banks and other financial institutions	—	20,893	—	—	—	—	20,893
Placements with banks and other financial institutions	300	174,295	—	—	—	—	174,595
Loans to corporate entities	—	52,280	147,669	92,978	474,337	—	767,264
Loans to individuals	—	—	—	—	—	123,114	123,114
Investment securities — debt securities	108,339	21,570	6,558	1,444	11,878	—	149,789
Other financial assets	3,347	405	939	315	8,100	—	13,106
Total	246,599	269,443	155,166	94,737	494,315	123,114	1,383,374

(3) Market risk

The Group is exposed to market risk, which is the risk of loss to the Group's on- and off-balance sheet 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. In the Relevant Periods, 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 from 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 Treasure 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 ("***Minsheng Leasing***") is responsible for the monitoring and control of market risks on the funds positions of Minsheng Leasing, 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 following:

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.

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 top 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 did not engage in foreign exchange operations in the Relevant Periods, and the Group's exchange risks 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 Treasure 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 following table presents the Group and the Bank's foreign exchange risk exposures at the balance sheet dates. The carrying value of financial instruments denominated in foreign currencies have been converted into Rmb.

Group and Bank

December 31, 2006	RMB	USD	HKD	Others	Total
Cash and due from banks and other financial institutions	7,575	2,510	729	750	11,564
Balances with central banks	103,926	1,173	106	—	105,205
Placements with banks and other financial institution	29,716	2,107	140	185	32,148
Loans and advances to customers	453,931	10,357	625	758	465,671
Investment securities	88,694	11,790	208	—	100,692
Other financial assets	2,582	253	12	6	2,853
Total financial assets	686,424	28,190	1,820	1,699	718,133
Deposits from customers	560,395	19,467	2,174	1,279	583,315
Due to and placements from banks and other financial institutions	86,296	5,112	311	102	91,821
Debt securities in issue	21,691	—	—	—	21,691
Other financial liabilities	5,978	568	34	376	6,956
Total financial liabilities	674,360	25,147	2,519	1,757	703,783
Net on-balance sheet financial position	12,064	3,043	(699)	(58)	14,350
Foreign currency derivatives	(20)	(1,427)	1,465	(18)	—
Credit commitments	101,474	15,485	9	2,236	119,204

Group and Bank

December 31, 2007	RMB	USD	HKD	Others	Total
Cash and due from banks and other financial institutions	7,323	3,197	379	1,087	11,986
Balances with central banks	105,676	1,213	103	—	106,992
Placements with banks and other financial institution	79,465	657	94	19	80,235
Loans and advances to customers	533,626	12,684	255	731	547,296
Investment securities	141,599	12,239	27	115	153,980
Other financial assets	7,998	394	4	6	8,402
Total financial assets	875,687	30,384	862	1,958	908,891
Deposits from customers	648,775	18,735	1,925	1,784	671,219
Due to and placements from banks and other financial institutions	144,898	4,706	180	469	150,253
Debt securities in issue	33,920	—	—	—	33,920
Other financial liabilities	7,544	357	337	101	8,339
Total financial liabilities	835,137	23,798	2,442	2,354	863,731
Net on-balance sheet financial position	40,550	6,586	(1,580)	(396)	45,160
Foreign currency derivatives	12	(2,055)	1,667	402	26
Credit commitments	153,967	19,169	17	3,550	176,703

Group

December 31, 2008	RMB	USD	HKD	Others	Total
Cash and due from banks and other financial institutions	12,050	3,503	488	1,607	17,648
Balances with central banks	180,809	1,003	66	—	181,878
Placements with banks and other financial institution	52,324	—	84	—	52,408
Loans and advances to customers	640,033	5,893	6	543	646,475
Investment securities	122,522	6,754	—	103	129,379
Finance lease receivable	5,253	—	—	—	5,253
Other financial assets	11,486	258	1	236	11,981
Total financial assets	1,024,477	17,411	645	2,489	1,045,022
Deposits from customers	768,957	14,204	1,152	1,473	785,786
Due to and placements from banks and other financial institutions	157,664	2,232	59	293	160,248
Borrowings from other financial institutions	2,600	—	—	—	2,600
Debt securities in issue	33,999	—	—	—	33,999
Other financial liabilities	11,886	600	6	334	12,826
Total financial liabilities	975,106	17,036	1,217	2,100	995,459
Net on-balance sheet financial position	49,371	375	(572)	389	49,563
Foreign currency derivatives	18	(197)	922	(779)	(36)
Credit commitments	207,101	25,815	207	3,776	236,899

Bank

December 31, 2008	RMB	USD	HKD	Others	Total
Cash and due from banks and other financial institutions	12,032	3,503	488	1,607	17,630
Balances with central banks	180,805	1,003	66	—	181,874
Placements with banks and other financial institution	52,324	—	84	—	52,408
Loans and advances to customers	640,001	5,893	6	543	646,443
Investment securities	122,522	6,754	—	103	129,379
Other financial assets	12,632	258	1	236	13,127
Total financial assets	1,020,316	17,411	645	2,489	1,040,861
Deposits from customers	768,985	14,204	1,152	1,473	785,814
Due to and placements from banks and other financial institutions	157,369	2,232	59	293	159,953
Debt securities in issue	33,999	—	—	—	33,999
Other financial liabilities	11,402	600	6	334	12,342
Total financial liabilities	971,755	17,036	1,217	2,100	992,108
Net on-balance sheet financial position	48,561	375	(572)	389	48,753
Foreign currency derivatives	18	(197)	922	(779)	(36)
Credit commitments	206,626	25,815	207	3,776	236,424

Group	RMB	USD	HKD	Others	Total
June 30, 2009					
Cash and due from banks and other financial institutions	17,855	4,570	125	1,530	24,080
Balances with central banks	133,471	1,097	73	—	134,641
Placements with banks and other financial institution	173,431	410	106	648	174,595
Loans and advances to customers	884,553	5,470	3	652	890,678
Investment securities	143,863	6,080	109	—	150,052
Finance lease receivable	9,890	—	—	—	9,890
Other financial assets	14,806	237	2	271	15,316
Total financial assets	1,377,869	17,864	418	3,101	1,399,252
Deposits from customers	1,056,954	15,322	1,159	1,874	1,075,309
Due to and placements from banks and other financial institutions	219,393	1,180	37	480	221,090
Borrowings from other financial institutions	28,877	—	—	—	28,877
Debt securities in issue	8,400	—	—	—	8,400
Other financial liabilities	11,066	406	14	302	11,788
Total financial liabilities	1,324,690	16,908	1,210	2,656	1,345,464
Net on-balance sheet financial position	53,179	956	(792)	445	53,788
Foreign currency derivatives	6	(1,314)	1,137	310	141
Credit commitments	369,875	28,021	205	4,052	402,153

Bank	RMB	USD	HKD	Others	Total
June 30, 2009					
Cash and due from banks and other financial institutions	17,377	4,510	125	1,530	23,542
Balances with central banks	133,443	1,097	73	—	134,613
Placements with banks and other financial institution	173,431	410	106	648	174,595
Loans and advances to customers	884,253	5,470	3	652	890,378
Investment securities	143,824	6,080	109	—	150,013
Other financial assets	15,739	237	2	271	16,249
Total financial assets	1,368,067	17,804	418	3,101	1,389,390
Deposits from customers	1,056,660	15,322	1,159	1,874	1,075,015
Due to and placements from banks and other financial institutions	220,268	1,180	37	480	221,965
Debt securities in issue	28,877	—	—	—	28,877
Other financial liabilities	9,919	406	14	302	10,641
Total financial liabilities	1,315,724	16,908	1,210	2,656	1,336,498
Net on-balance sheet financial position	52,343	896	(792)	445	52,892
Foreign currency derivatives	6	(1,314)	1,137	310	141
Credit commitments	368,963	28,021	205	4,052	401,241

The foreign currency risk of the Group mainly arises from USD and HKD, which are closely related. Given a 1% change of exchange rate between a foreign currency and Renminbi, the potential impact on the pre-tax profits and equity as a result of the translation gain or loss on the foreign exchange exposures is presented as follows:

Group and Bank

	December 31,			June 30,
	2006 Gain/(loss) RMB	2007 Gain/(loss) RMB	2008 Gain/(loss) RMB	2009 Gain/(loss) RMB
1% upward change of foreign exchange rate	23	46	2	6
1% downward change of foreign exchange rate	(23)	(46)	(2)	(6)

In performing the exchange rate sensitivity analysis, the Group and Bank make the following general assumptions in defining business terms and financial parameters, and have not considered the following:

- changes after the balance sheet date, as the analysis is performed based on the static gap at the time point of the balance sheet date;
- the impact of exchange rate fluctuations on the customers' behaviors;
- the complicated relationship between complex structured products (e.g. embedded early redemption options and other derivative financial instruments) and exchange rate fluctuations; and
- the impact of exchange rate fluctuations on market prices.
- the impact of exchange rate fluctuations on off-balance sheet products.

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 increment), the Group has primarily managed its exposure to interest rate risk through the management of the maturity profile of its loans and deposits.

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 watches 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.

Group and Bank

December 31, 2006	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	6,667	2,367	—	—	2,530	11,564
Balances with central banks	105,205	—	—	—	—	105,205
Placements with banks and other financial institution	17,753	13,741	654	—	—	32,148
Loans and advances to customers	395,223	56,498	6,742	7,208	—	465,671
Investment securities	8,519	33,503	29,013	28,462	1,195	100,692
Other financial assets	2,105	—	—	—	748	2,853
Total financial assets	535,472	106,109	36,409	35,670	4,473	718,133
Financial liabilities:						
Deposits from customers	469,954	99,966	13,281	114	—	583,315
Due to and placements from banks and other financial institutions	77,790	14,008	23	—	—	91,821
Debt securities in issue	—	2,480	15,694	3,290	227	21,691
Other financial liabilities	2,851	—	—	430	3,675	6,956
Total financial liabilities	550,595	116,454	28,998	3,834	3,902	703,783
Total interest repricing gap	(15,123)	(10,345)	7,411	31,836	571	14,350

Group and Bank

December 31, 2007	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	7,521	1,176	—	—	3,289	11,986
Balances with central banks	106,992	—	—	—	—	106,992
Placements with banks and other financial institution	61,037	18,750	448	—	—	80,235
Loans and advances to customers	511,267	27,267	5,277	3,485	—	547,296
Investment securities	18,742	35,744	57,447	31,491	10,556	153,980
Other financial assets	5,274	769	260	20	2,079	8,402
Total financial assets	710,833	83,706	63,432	34,996	15,924	908,891
Financial liabilities:						
Deposits from customers	558,867	105,871	6,347	134	—	671,219
Due to and placements from banks and other financial institutions	142,090	8,119	—	44	—	150,253
Debt securities in issue	—	14,708	10,168	9,044	—	33,920
Other financial liabilities	4,900	—	—	436	3,003	8,339
Total financial liabilities	705,857	128,698	16,515	9,658	3,003	863,731
Total interest repricing gap	4,976	(44,992)	46,917	25,338	12,921	45,160

Group

December 31, 2008	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	12,406	2,342	—	—	2,900	17,648
Balances with central banks	181,878	—	—	—	—	181,878
Placements with banks and other financial institution	44,242	7,296	870	—	—	52,408
Loans and advances to customers	549,798	86,487	8,031	2,159	—	646,475
Investment securities	11,367	23,658	62,465	28,128	3,761	129,379
Finance lease receivables	5,253	—	—	—	—	5,253
Other financial assets	6,453	2,876	—	—	2,652	11,981
Total financial assets	811,397	122,659	71,366	30,287	9,313	1,045,022
Financial liabilities:						
Deposits from customers	533,734	165,613	85,674	765	—	785,786
Due to and placements from banks and other financial institutions	102,989	52,759	4,500	—	—	160,248
Borrowings from other financial institutions	500	2,100	—	—	—	2,600
Debt securities in issue	—	24,956	—	9,043	—	33,999
Other financial liabilities	7,044	13	84	294	5,391	12,826
Total financial liabilities	644,267	245,441	90,258	10,102	5,391	995,459
Total interest repricing gap	167,130	(122,782)	(18,892)	20,185	3,922	49,563

Bank

December 31, 2008	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	12,390	2,342	—	—	2,898	17,630
Balances with central banks	181,874	—	—	—	—	181,874
Placements with banks and other financial institution	44,242	7,296	870	—	—	52,408
Loans and advances to customers	549,797	86,456	8,031	2,159	—	646,443
Investment securities	11,367	23,658	62,465	28,128	3,761	129,379
Other financial assets	4,928	2,876	—	—	5,323	13,127
Total financial assets	804,598	122,628	71,366	30,287	11,982	1,040,861
Financial liabilities:						
Deposits from customers	533,776	165,613	85,660	765	—	785,814
Due to and placements from banks and other financial institutions	102,694	52,759	4,500	—	—	159,953
Debt securities in issue	—	24,956	—	9,043	—	33,999
Other financial liabilities	6,953	13	84	294	4,998	12,342
Total financial liabilities	643,423	243,341	90,244	10,102	4,998	992,108
Total interest repricing gap	161,175	(120,713)	(18,878)	20,185	6,984	48,753

Group

June 30, 2009	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	20,244	1,184	—	—	2,652	24,080
Balances with central banks	134,641	—	—	—	—	134,641
Placements with banks and other financial institution	167,760	6,835	—	—	—	174,595
Loans and advances to customers	752,391	131,880	4,323	2,084	—	890,678
Investment securities	17,505	23,749	78,957	29,617	224	150,052
Finance lease receivables	9,890	—	—	—	—	9,890
Other financial assets	7,709	5,186	—	—	2,421	15,316
Total financial assets	1,110,140	168,834	83,280	31,701	5,297	1,399,252
Financial liabilities:						
Deposits from customers	779,144	209,376	86,409	380	—	1,075,309
Due to and placements from banks and other financial institutions	167,582	26,208	27,300	—	—	221,090
Borrowings from other financial institutions	250	7,450	700	—	—	8,400
Debt securities in issue	—	16,250	—	12,627	—	28,877
Other financial liabilities	6,866	24	82	—	4,816	11,788
Total financial liabilities	953,842	259,308	114,491	13,007	4,816	1,345,464
Total interest repricing gap	156,298	(90,474)	(31,211)	18,694	481	53,788

Bank

June 30, 2009	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and due from banks and other financial institutions	19,709	1,184	—	—	2,649	23,542
Balances with central banks	134,613	—	—	—	—	134,613
Placements with banks and other financial institution	167,760	6,835	—	—	—	174,595
Loans and advances to customers	752,091	131,880	4,323	2,084	—	890,378
Investment securities	17,505	23,749	78,918	29,617	224	150,013
Other financial assets	5,885	5,186	—	—	5,178	16,249
Total financial assets	1,097,563	168,834	83,241	31,701	8,051	1,389,390
Financial liabilities:						
Deposits from customers	778,992	209,235	86,408	380	—	1,075,015
Due to and placements from banks and other financial institutions	168,457	26,208	27,300	—	—	221,965
Debt securities in issue	—	16,250	—	12,627	—	28,877
Other financial liabilities	6,818	24	82	—	3,717	10,641
Total financial liabilities	954,267	251,717	113,790	13,007	3,717	1,336,498
Total interest repricing gap	143,296	(82,883)	(30,549)	18,694	4,334	52,892

If the interest rates move in parallel for 100 basis points ("***bps***") from January 1, 2007, 2008, 2009 and July 1, 2009, the potential impact on the net interest income and equity for the relevant next year are as follows:

	December 31,			June 30,
	2006 Gain/(loss) RMB	2007 Gain/(loss) RMB	2008 Gain/(loss) RMB	2009 Gain/(loss) RMB
100 bps upward changes of interest rate	(165)	(125)	996	1,022
100 bps downward changes of interest rate	165	125	(996)	(1,022)

In performing the interest rate sensitivity analysis, the Group and Bank make the following general assumptions in defining business terms and financial parameters, and have not considered the following:

- changes after the balance sheet date, as the analysis is performed based on the static gap at the time point of the balance sheet date;
- the impact of interest rate fluctuations on the customers' behaviors;
- 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 fluctuations on off-balance sheet 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.

In the Relevant Periods, the Bank and the subsidiaries managed their respective liquidity risks separately and independently, and the Bank managed the liquidity risk of all its branches.

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.

In addition, the Bank limits its Rmb loan to deposit ratio at below 75% as required by the PBOC. As at June 30, 2009, the Bank was required to maintain 13.5% 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 Asset and Liability Management Commission of the Bank (the ALM Commission) is responsible for formulating liquidity risk management policies. The Assets and Liabilities Management Department under the ALM Commission is responsible for daily liquidity risk management through the following procedures:

- Manages the day-to-day position through monitoring the future cash flow to insure 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 insure the Bank's funds 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 liability 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 enhance the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to insure 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.

b Maturity analysis

Group and Bank

December 31, 2006	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	245,570	81,107	56,813	122,234	75,015	2,576	—	583,315
Due to and placements from banks and other financial institutions	42,753	12,160	22,151	13,859	516	382	—	91,821
Debt securities in issue	—	—	—	228	17,176	4,287		21,691
Other financial liabilities	1,059	30	2,413	2,931	373	150	—	6,956
Total financial liabilities	289,382	93,297	81,377	139,252	93,080	7,395	—	703,783
Financial Assets:								
Cash and due from banks and other financial institutions	8,436	117	164	2,847	—	—	—	11,564
Balances with central banks	59,884	45,321	—	—	—	—	—	105,205
Placements with banks and other financial institution	—	13,474	3,900	14,030	744	—	—	32,148
Loans and advances to customers	—	19,452	60,974	202,858	78,833	96,530	7,024	465,671
Investment securities								
- available-for-sale	—	1,528	1,404	7,824	13,212	26,194	—	50,162
- held-to-maturity	—	334	795	9,484	19,238	10,451	—	40,302
- loans and receivables	—	—	67	6,277	2,474	1,410	—	10,228
Other financial assets	18	492	874	1,019	378	58	14	2,853
Total financial assets	68,338	80,718	68,178	244,339	114,879	134,643	7,038	718,133

Group and Bank

December 31, 2007	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	295,813	85,370	66,452	124,108	92,080	7,396	—	671,219
Due to and placements from banks and other financial institutions	66,566	45,984	29,133	8,234	37	299	—	150,253
Debt securities in issue	—	—	—	10,168	23,752	—	—	33,920
Other financial liabilities	—	13	5,035	2,604	26	661	—	8,339
Total financial liabilities	362,379	131,367	100,620	145,114	115,895	8,356	—	863,731
Financial Assets:								
Cash and due from banks and other financial institutions	10,707	149	735	395	—	—	—	11,986
Balances with central banks	106,992	—	—	—	—	—	—	106,992
Placements with banks and other financial institution	—	28,741	30,942	19,104	948	—	500	80,235
Loans and advances to customers	—	56,899	57,375	109,681	253,667	62,580	7,094	547,296
Investment securities								
- available-for-sale	—	1,031	2,648	8,880	26,193	21,963	—	60,715
- held-to-maturity	—	321	110	7,650	21,785	15,950	—	45,816
- loans and receivables	—	—	696	13,583	29,450	3,720	—	47,449
Other financial assets	417	443	4,118	1,203	27	2,194	—	8,402
Total financial assets	118,116	87,584	96,624	160,496	332,070	106,407	7,594	908,891

Group

December 31, 2008	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	404,990	44,301	84,457	165,613	85,660	765	—	785,786
Due to and placements from banks and other financial institutions	44,563	17,247	41,179	52,759	4500	—	—	160,248
Borrowings from other financial institutions	—	500	2,100	—	—	—	—	2,600
Debt securities in issue	—	—	—	10,530	11,982	11,487	—	33,999
Other financial liabilities	—	373	7,189	3,463	1,036	765	—	12,826
Total financial liabilities	449,553	62,421	134,925	232,365	103,178	13,017	—	995,459
Financial Assets:								
Cash and due from banks and other financial institutions	11,797	1,484	2,025	2,342	—	—	—	17,648
Balances with central banks	181,878	—	—	—	—	—	—	181,878
Placements with banks and other financial institution	—	29,293	14,949	7,296	870	—	—	52,408
Loans and advances to customers	—	37,712	77,581	272,225	139,131	110,108	9,718	646,475
Investment securities								
- available-for-sale	—	719	1,833	11,717	21,126	18,202	—	53,597
- held-to-maturity	50	—	—	4,350	27,574	6,742	—	38,716
- loans and receivables	6	—	615	5,621	24,564	6,260	—	37,066
Finance lease receivables	—	85	250	991	3,927	—		5,253
Other financial assets	110	879	4,161	1,227	4,856	732	16	11,981
Total financial assets	193,841	70,172	101,414	305,769	222,048	142,044	9,734	1,045,022

Bank

December 31, 2008	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	405,018	44,301	84,457	165,613	85,660	765	—	785,814
Due to and placements from banks and other financial institutions	44,835	16,680	41,179	52,759	4500	—	—	159,953
Debt securities in issue	—	—	10,173	12,286	11,540	—	—	33,999
Other financial liabilities	—	323	7,138	3,431	685	765	—	12,342
Total financial liabilities	449,853	61,304	142,947	234,089	102,385	1,530	—	992,108
Financial Assets:								
Cash and due from banks and other financial institutions	11,795	1,468	2,025	2,342	—	—	—	17,630
Balances with central banks	181,874	—	—	—	—	—	—	181,874
Placements with banks and other financial institution	—	29,293	14,949	7,296	870	—	—	52,408
Loans and advances to customers	—	37,705	77,581	272,208	139,131	110,100	9,718	646,443
Investment securities								
- available-for-sale	—	719	1,833	11,717	21,126	18,202	—	53,597
- held-for-maturity	50	—	—	4,350	27,574	6,742	—	38,716
- loans and receivables	6	—	615	5,621	24,564	6,260	—	37,066
Other financial assets	110	879	4,158	1,227	3,230	3,507	16	13,127
Total financial assets	193,835	70,064	101,161	304,761	216,495	144,811	9,734	1,040,861

Group

June 30, 2009	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	539,220	66,313	173,610	209,377	86,409	380	—	1,075,309
Due to and placements from banks and other financial institutions	33,935	93,891	39,536	26,208	27,520	—	—	221,090
Borrowings from other financial institutions	—	213	237	6,842	1,108	—	—	8,400
Debt securities in issue	—	—	—	5,999	5,996	16,882	—	28,877
Other financial liabilities	—	9,083	164	1,646	351	544	—	11,788
Total financial liabilities	573,155	169,500	213,547	250,072	121,384	17,806	—	1,345,464
Financial Assets:								
Cash and due from banks and other financial institutions	12,739	7,174	2,983	1,184	—	—	—	24,080
Balances with central banks	134,641	—	—	—	—	—	—	134,641
Placements with banks and other financial institution	—	149,802	17,958	6,835	—	—	—	174,595
Loans and advances to customers	—	45,326	119,302	339,427	242,532	138,078	6,013	890,678
Investment securities								
- available-for-sale	—	1,187	2,560	8,702	35,615	16,978	—	65,042
- held-to-maturity	—	1,160	1,380	6,466	29,790	7,698	—	46,494
- loans and receivables	—	237	3,544	4,341	23,184	7,210	—	38,516
Finance lease receivables	—	256	372	1,877	6,229	835	321	9,890
Other financial assets	243	5,304	799	2,237	5,405	1,309	19	15,316
Total financial assets	147,623	210,446	148,898	371,069	342,755	172,108	6,353	1,399,252

Bank

June 30, 2009	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
Financial Liabilities:								
Deposits from customers	539,220	66,167	173,605	209,235	86,408	380	—	1,075,015
Due to and placements from banks and other financial institutions	35,030	93,891	39,536	26,208	27,300	—	—	221,965
Debt securities in issue	—	—	—	5,999	5,996	16,882	—	28,877
Other financial liabilities	—	8,602	164	980	351	544	—	10,641
Total financial liabilities	574,250	168,660	213,305	242,422	120,055	17,806	—	1,336,498
Financial Assets:								
Cash and due from banks and other financial institutions	12,204	7,171	2,983	1,184	—	—	—	23,542
Balances with central banks	134,613	—	—	—	—	—	—	134,613
Placements with banks and other financial institution	—	149,802	17,958	6,835	—	—	—	174,595
Loans and advances to customers	—	45,044	119,302	339,409	242,532	138,078	6,013	890,378
Investment securities								
- available-for-sale	—	1,187	2,560	8,702	35,615	16,978	—	65,042
- held-for-maturity	—	1,160	1,380	6,466	29,790	7,698	—	46,494
- loans and receivables	—	237	3,544	4,341	23,145	7,210	—	38,477
Other financial assets	243	5,017	710	2,096	4,080	4,084	19	16,249
Total financial assets	147,060	209,618	148,437	369,033	335,162	174,048	6,032	1,389,390

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 balance sheet 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 and Bank

December 31, 2006	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	398,381	58,976	48,729	77,098	13,809	596,993
Due to and placements from banks and other financial institutions	53,817	23,344	13,988	506	384	92,039
Debt securities in issue	—	—	1,294	26,186	15,828	43,308
Other financial liabilities	1,384	1,059	9	38	524	3,014
Total financial liabilities (contractual maturity date)	453,582	83,379	64,020	103,828	30,545	735,354
Financial Assets:						
Total financial assets (expected maturity dates)	158,629	83,864	259,995	158,212	149,628	810,328

Group and Bank

December 31, 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	385,961	67,792	126,894	107,551	8,229	696,427
Due to and placements from banks and other financial institutions	112,518	29,481	8,909	57	305	151,270
Debt securities in issue	—	—	1,460	14,493	27,600	43,553
Other financial liabilities	508	1,050	9	36	523	2,126
Total financial liabilities (contractual maturity date)	498,987	98,323	137,272	122,137	36,657	893,376
Financial Assets:						
Total financial assets (expected maturity dates)	184,866	122,446	289,026	259,295	198,595	1,054,228

Group

December 31, 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	455,518	85,940	170,497	100,621	872	813,448
Due to and placements from banks and other financial institutions	62,518	22,179	52,257	28,431	53	165,438
Borrowings from other financial institutions	—	4	2,583	154	—	2,741
Debt securities in issue	—	—	11,456	16,195	14,502	42,153
Other financial liabilities	333	99	3,268	611	339	4,650
Total financial liabilities (contractual maturity date)	518,369	108,222	240,061	146,012	15,766	1,028,430
Financial Assets:						
Total financial assets (expected maturity dates)	269,957	108,822	338,458	273,110	171,704	1,162,051

Bank

December 31, 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	455,546	85,940	170,497	100,621	872	813,476
Due to and placements from banks and other financial institutions	62,223	22,179	52,257	28,431	53	165,143
Debt securities in issue	—	—	11,456	16,195	14,502	42,153
Other financial liabilities	283	94	3,236	260	339	4,212
Total financial liabilities (contractual maturity date)	518,052	108,213	237,446	145,507	15,766	1,024,984
Financial Assets:						
Total financial assets (expected maturity dates)	269,837	108,533	337,087	266,875	171,704	1,154,036

Group

June 30, 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	611,777	175,613	212,894	101,033	389	1,101,706
Due to and placements from banks and other financial institutions	128,220	40,165	26,863	28,587	—	223,835
Borrowings from other financial institutions	116	173	7,771	772	—	8,832
Debt securities in issue	—	—	7,200	10,423	23,646	41,269
Other financial liabilities	2,206	160	1,613	79	11	4,069
Total financial liabilities (contractual maturity date)	742,319	216,111	256,341	140,894	24,046	1,379,711
Financial Assets:						
Total financial assets (expected maturity dates)	360,339	161,248	412,832	403,414	202,104	1,539,937

Bank

June 30, 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities:						
Deposits from customers	611,630	175,607	212,752	101,033	389	1,101,411
Due to and placements from banks and other financial institutions	129,094	40,165	26,863	28,587	—	224,709
Debt securities in issue	—	—	7,200	10,423	23,646	41,269
Other financial liabilities	1,754	160	947	79	11	2,951
Total financial liabilities (contractual maturity date)	742,478	215,932	247,762	140,122	24,046	1,370,340
Financial Assets:						
Total financial assets (expected maturity dates)	359,169	160,698	410,214	394,571	201,115	1,525,767

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.

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 balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
December 31, 2006						
Interest rate derivatives	(12)	(15)	(83)	(159)	(36)	(305)
Credit derivatives	—	—	1	4	1	6
	(12)	(15)	(82)	(155)	(35)	(299)
Group and Bank						
December 31, 2007						
Interest rate derivatives	—	(10)	(54)	(83)	(58)	(205)
Credit derivatives	—	—	—	2	1	3
	—	(10)	(54)	(81)	(57)	(202)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
December 31, 2008						
Interest rate derivatives	(2)	(2)	8	20	4	28
Credit derivatives	—	—	—	2	—	2
	(2)	(2)	8	22	4	30
Group and Bank						
June 30, 2009						
Interest rate derivatives	(8)	—	(1)	24	1	16
Credit derivatives	—	—	—	2	—	2
	(8)	—	(1)	26	1	18

(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 balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
December 31, 2006						
Foreign exchange derivatives						
- Cash outflow	(1,751)	(813)	(1,909)	—	—	(4,473)
- Cash inflow	1,750	813	1,910	—	—	4,473

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
December 31, 2007						
Foreign exchange derivatives						
- Cash outflow	(2,812)	(1,817)	(11,245)	—	—	(15,874)
- Cash inflow	2,820	1,818	11,252	—	—	15,890
Precious metal derivatives						
- Cash outflow	(372)	—	—	—	—	(372)
- Cash inflow	370	—	—	—	—	370
Total cash outflow	(3,184)	(1,817)	(11,245)	—	—	(16,246)
Total cash inflow	3,190	1,818	11,252	—	—	16,260

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
December 31, 2008						
Foreign exchange derivatives						
- Cash outflow	(2,382)	(4,054)	(6,302)	(291)	—	(13,029)
- Cash inflow	2,400	4,063	6,237	291	—	12,991
Precious metal derivatives						
- Cash outflow	(163)	—	—	—	—	(163)
- Cash inflow	165	—	—	—	—	165
Total cash outflow	(2,545)	(4,054)	(6,302)	(291)	—	(13,192)
Total cash inflow	2,565	4,063	6,237	291	—	13,156

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Group and Bank						
June 30, 2009						
Foreign exchange derivatives						
- Cash outflow	(4,070)	(592)	(3,081)	—	—	(7,743)
- Cash inflow	4,067	592	3,084	—	—	7,743
Precious metal derivatives						
- Cash outflow	(1,151)	—	(277)	—	—	(1,428)
- Cash inflow	1,137	—	277	—	—	1,414
Total cash outflow	(5,221)	(592)	(3,358)	—	—	(9,171)
Total cash inflow	5,204	592	3,361	—	—	9,157

e Off-balance sheet items

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

	No later than 1 year	1 to 5 years	Over 5 years	Total
Group and Bank				
December 31, 2006				
Acceptances	70,524	329	—	70,853
Letters of guarantee	13,282	6,861	2,738	22,881
Unused credit card limits	9,635	—	—	9,635
Letters of credit	11,877	613	—	12,490
Irrevocable loan commitments	266	1,765	1,314	3,345
Capital commitments	242	528	—	770
Operating lease commitments	503	1,159	456	2,118
Total	106,329	11,255	4,508	122,092
Group and Bank				
December 31, 2007				
Acceptances	96,148	476	—	96,624
Letters of guarantee	11,742	18,534	2,494	32,770
Unused credit card limits	26,574	—	—	26,574
Letters of credit	15,216	663	—	15,879
Irrevocable loan commitments	524	2,175	2,157	4,856
Capital commitments	4,334	313	—	4,647
Operating lease commitments	540	1,338	436	2,314
Total	155,078	23,499	5,087	183,664

	No later than 1 year	1 to 5 years	Over 5 years	Total
Group				
December 31, 2008				
Acceptances	145,005	—	—	145,005
Letters of guarantee	24,465	23,060	1,504	49,029
Unused credit card limits	28,140	—	—	28,140
Letters of credit	7,218	634	398	8,250
Irrevocable loan commitments	120	1,634	4,246	6,000
Capital commitments	96	3,005	112	3,213
Operating lease commitments	625	1,610	379	2,614
Financial lease commitments	475	—	—	475
Total	206,144	29,943	6,639	242,726
Bank				
December 31, 2008				
Acceptances	145,005	—	—	145,005
Letters of guarantee	24,465	23,060	1,504	49,029
Unused credit card limits	28,140	—	—	28,140
Letters of credit	7,218	634	398	8,250
Irrevocable loan commitments	120	1,634	4,246	6,000
Capital commitments	96	2,464	112	2,672
Operating lease commitments	617	1,584	378	2,579
Total	205,661	29,376	6,638	241,675

	No later than 1 year	1 to 5 years	Over 5 years	Total
Group				
June 30, 2009				
Acceptances	306,435	—	—	306,435
Letters of guarantee	17,630	26,313	1,754	45,697
Unused credit card limits	27,873	—	—	27,873
Letters of credit	14,646	761	—	15,407
Irrevocable loan commitments	1,440	84	4,304	5,828
Capital commitments	217	1,396	112	1,725
Operating lease commitments	574	1,691	533	2,798
Financial lease commitments	912	—	—	912
Total	369,727	30,245	6,703	406,675
Bank				
June 30, 2009				
Acceptances	306,435	—	—	306,435
Letters of guarantee	17,630	26,313	1,754	45,697
Unused credit card limits	27,873	—	—	27,873
Letters of credit	14,646	761	—	15,407
Irrevocable loan commitments	1,440	84	4,304	5,828
Capital commitments	217	6	112	335
Operating lease commitments	565	1,662	533	2,760
Total	368,806	28,826	6,703	404,335

(5) ***Fair value of financial assets and liabilities***

a Financial instruments measured at fair value

Group and Bank

	Fair value measurement at end of the reporting period using:		
June 30, 2009	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			
- Trading securities	7,261	—	—
- Trading derivatives	—	282	224
Available-for-sale securities	63,330	1,243	469
Total	70,591	1,525	693
Financial liabilities at fair value through profit or loss			
Trading derivatives	—	396	87
Total	—	396	87

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:

	Carrying value			
Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Financial assets				
Loans and advances to customers	465,671	547,296	646,475	890,678
Investment securities				
- Held-to-maturity	40,302	45,816	38,716	46,494
- Loans and receivables	10,228	47,449	37,066	38,516
Financial liabilities				
Deposits from customers	583,315	671,219	785,786	1,075,309
Debt securities in issue and borrowings from foreign governments	22,121	34,356	34,390	29,266

	Fair value			
	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Financial assets				
Loans and advances to customers	465,602	547,238	647,209	890,920
Investment securities				
- Held-to-maturity	40,168	44,203	40,033	47,094
- Loans and receivables	10,300	46,959	38,203	39,329
Financial liabilities				
Deposits from customers	583,184	671,184	786,629	1,076,098
Debt securities in issue and borrowings from foreign government	22,179	33,410	34,351	29,005
Credit commitments	244	331	596	879

	Carrying value			
Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Financial assets				
Loans and advances to customers	465,671	547,296	646,443	890,378
Investment securities				
- Held-to-maturity	40,302	45,816	38,716	46,494
- Loans and receivables	10,228	47,449	37,066	38,477
Financial liabilities				
Deposits from customers	583,315	671,219	785,814	1,075,015
Debt securities in issue and borrowings from foreign government	22,121	34,356	34,390	29,266

	Fair value			
	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Financial assets				
Loans and advances to customers	465,602	547,238	647,177	890,619
Investment securities				
- Held-to-maturity	40,168	44,203	40,033	47,094
- Loans and receivables	10,300	46,959	38,203	39,290
Financial liabilities				
Deposits from customers	583,184	671,184	786,657	1,075,804
Debt securities in issue and borrowings from foreign government	22,179	33,410	34,351	29,005
Credit commitments	244	331	596	879

(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 of loans and advances represents the amount of estimated future cash flows expected to be received discounted at current market rates.

(iii) Held-to-maturity investment securities

The fair value for held-to-maturity assets is based on "bid" market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(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.

(v) Debt securities in issue and borrowings from foreign government

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.

(6) *Capital management*

The capital management of the Group aims to insure 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 insure 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, insure the orderly expansion of the asset base and enhance the business structure and model.

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 generally accepted accounting principles of the PRC ("PRC GAAP").

In the Relevant Periods, the capital adequacy ratio and core capital adequacy ratio of the Group complied with the requirement of the CBRC.

Group

	December 31,			June 30,
	2006	**2007**	**2008**	**2009**
Core Capital:				
Common stock	10,167	14,479	18,823	18,823
Capital reserve net of unrealized loss from available-for-sale securities	2,362	15,523	14,768	14,768
Surplus reserve	1,566	2,200	2,983	2,983
General reserve	3,000	5,800	8,001	8,001
Retained earnings	1,827	4,728	5,940	11,877
Minority interest	—	—	792	797
Core Capital:	18,922	42,730	51,307	57,249
Less: 50% of the investment in unconsolidated non-bank financial institutions	(315)	(307)	(620)	(344)
Net Core Capital	18,607	42,423	50,687	56,905
Supplementary Capital:				
Revaluation reserves	195	3,728	1,305	310
General provision	4,721	4,169	7,895	8,449
Hybrid capital bonds	4,300	4,300	4,300	9,270
Long-term subordinated bonds	7,200	7,200	7,200	7,200
Total of the supplementary Capital (Max of the 100% of net Core capital)	16,416	19,397	20,700	25,229
Total Capital	35,338	62,127	72,007	82,478
Less: Investment in unconsolidated non-bank financial institutions	(630)	(614)	(1,240)	(689)
Net Capital	34,708	61,513	70,767	81,789

Group

	December 31,			June 30,
	2006	2007	2008	2009
Total risk-weighted assets	423,046	573,514	767,895	964,246
Core capital adequacy ratio	4.40%	7.40%	6.60%	5.90%
Capital adequacy ratio	8.20%	10.73%	9.22%	8.48%

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, technological changes, credit ratings, delinquency rates, loss provision coverage and counterparty risk.

(4) Held-to-maturity securities

The Group classifies 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 taxes.

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 NET INTEREST INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Interest income:					
- Due from banks and other financial institutions	181	233	216	90	197
- Balances with central banks	778	1,322	2,216	1,044	866
- Placements with banks and other financial institutions	701	2,048	3,784	1,918	1,014
- Loans and advances to customers	22,997	32,141	44,433	21,244	19,574
- Investment securities	2,697	4,315	5,451	2,919	2,657
- Finance lease receivables	—	—	189	—	309
- Others	7	11	22	44	17
	27,361	40,070	56,311	27,259	24,634
Including within interest income:					
Interest income accrual on identified impaired financial assets	138	160	164	117	151
Interest expense:					
- Due to and placements from banks and other financial institutions	(1,160)	(3,205)	(6,045)	(2,960)	(1,595)
- Deposits from customers	(9,495)	(13,181)	(18,428)	(8,925)	(8,238)
- Debt securities in issue	(525)	(1,104)	(1,410)	(678)	(761)
- Others	(13)	—	(48)	—	(90)
	(11,193)	(17,490)	(25,931)	(12,563)	(10,684)
Net interest income	16,168	22,580	30,380	14,696	13,950

6 FEE AND COMMISSION INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Financial advisory services	367	1,136	1,702	1,688	769
Bank card services	150	397	920	347	565
Credit commitments	169	298	917	378	423
Trust and other fiduciary services	190	406	603	471	319
Settlement services	258	301	312	175	200
Securities underwriting service	51	82	139	58	73
Others	39	45	162	94	93
Total	1,224	2,665	4,755	3,211	2,442

7 NET TRADING INCOME/(LOSS)

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Gain/(loss) on exchange rate instruments	134	405	(111)	229	155
Gain/(loss) on interest rate instruments	69	17	427	(58)	(100)
Gain/(loss) on precious metal and other products	(1)	3	(131)	(326)	(32)
Total	202	425	185	(155)	23

8 IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Loans and advances to customers	2,158	2,236	5,686	1,390	2,405
Available-for-sale securities	—	—	599	202	421
Held-to-maturity securities	—	—	54	—	(54)
Finance lease receivables	—	—	57	24	69
Others	56	29	122	(1)	10
Total	2,214	2,265	6,518	1,615	2,851

9 OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Staff costs, including directors' emoluments					
- Salary, including bonus	2,447	4,118	5,707	2,969	2,960
- Social insurance	331	558	913	550	686
- Other benefits	893	1,499	1,330	473	388
Business tax and surcharges	1,391	2,047	2,916	1,413	1,266
Business development expenses	696	927	1,295	391	409
Lease expense, primarily for office	564	687	824	371	459
Office expenses	599	673	904	257	414
Depreciation	573	517	602	295	301
Automobile expenses	350	461	572	211	242
Electronic equipment operating expenses	304	334	432	127	191
Postage and telegraph expenses	254	282	353	141	127
Travelling expenses	141	196	244	69	78
Conference expenses	175	195	219	53	59
CBRC supervisory charges	117	116	134	65	77
Others	882	1,142	1,372	483	721
Total	9,717	13,752	17,817	7,868	8,378

Auditors' remuneration included in the operating expenses as for the year ended December 31, 2006, 2007, 2008 and for six months ended June 30, 2009 were RMB5.06 million, RMB11.58 million, RMB7.12 million and nil respectively.

10 DIRECTORS' EMOLUMENTS

For the year ended December 31, 2006 (in thousands of Rmb)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao	1,521	69	6,259	7,849
Hong Qi	886	47	2,992	3,925
Wang Tongshi	667	52	1,799	2,518
Zhang Ke	159	—	—	159
Gao Shangquan	137	—	—	137
Zhang Hongwei	129	—	—	129
Wang Yugui	129	—	—	129
Lu Zhiqiang	116	—	—	116
Wu Zhipan	112	—	—	112
Wong Hei	111	—	—	111
Chen Jian	108	—	—	108
Wang Hang	48	—	—	48
Shi Yuzhu	48	—	—	48
Su Qingzan	48	—	—	48
Wang Songqi	48	—	—	48
Wang Lianzhang	48	—	—	48
Liang Jinquan	48	—	—	48
Xing Jijun	35	—	—	35

For the year ended December 31, 2007 (in thousands of Rmb)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao	1,652	21	15,813	17,486
Wang Tongshi	1,206	52	8,788	10,046
Hong Qi	876	21	6,262	7,159
Zhang Ke	220	—	—	220
Gao Shangquan	199	—	—	199
Wang Songqi	184	—	—	184
Wang Lianzhang	178	—	—	178
Liang Jinquan	178	—	—	178
Wu Zhipan	172	—	—	172
Zhang Hongwei	144	—	—	144
Su Qingzan	144	—	—	144
Lu Zhiqiang	144	—	—	144
Wang Hang	144	—	—	144
Wang Yugui	141	—	—	141
Shi Yuzhu	141	—	—	141
Xing Jijun	126	—	—	126
Wong Hei	123	—	—	123
Chen Jian	120	—	—	120

For the year ended December 31, 2008 (in thousands of Rmb)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao	3,249	23	8,094	11,366
Wang Tongshi	2,858	52	6,132	9,042
Hong Qi	2,800	23	5,716	8,539
Zhang Ke	723	—	—	723
Zhang Hongwei	692	—	—	692
Lu Zhiqiang	692	—	—	692
Wang Lianzhang	664	—	—	664
Wu Zhipan	641	—	—	641
Wang Songqi	638	—	—	638
Gao Shangquan	617	—	—	617
Wang Hang	613	—	—	613
Wang Yugui	588	—	—	588
Shi Yuzhu	588	—	—	588
Su Qingzan	588	—	—	588
Xing Jijun	584	—	—	584
Wong Hei	559	—	—	559
Chen Jian	559	—	—	559
Liang Jinquan*	—	—	—	—

* Liang Jinquan waived emoluments for the year ended December 31, 2008.

For the six month period ended June 30, 2009 (in thousands of Rmb)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao	2,006	135	1,200	3,341
Hong Qi	1,346	104	850	2,300
Liang Yutang	845	—	—	845
Wang Lianzhang	525	—	—	525
Zhang Ke	515	—	—	515
Wang Songqi	455	—	—	455
Zhang Hongwei	440	—	—	440
Gao Shangquan	435	—	—	435
Lu Zhiqiang	430	—	—	430
Wang Hang	415	—	—	415
Wang Yugui	385	—	—	385
Wong Hei	383	—	—	383
Shi Yuzhu	355	—	—	355
Chen Jian	340	—	—	340
Liu Yonghao	193	—	—	193
Wang Junhui	180	—	—	180
Liang Jinquan*	—	—	—	—

* Liang Jinquan waived emoluments for the six months ended June 30, 2009.

Other than Liang Jinquan, no other directors waived their emoluments during the years ended December 31, 2006, 2007, 2008 and six months ended June 30, 2009.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended December 31, 2006, 2007, 2008 and for six months ended June 30, 2009 respectively are as follows:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Basic salaries, allowances and benefits	5,308	6,217	11,977	5,852
Contributions to pension schemes	206	115	114	556
Discretionary bonus	21,229	42,356	28,618	4,300
Total	26,743	48,688	40,739	10,708

Emoluments of the individuals were within the following bands:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Rmb1 to 2 million	—	—	—	3
Rmb2 to 3 million	—	—	—	1
Rmb3 to 4 million	3	—	—	1
Rmb5 to 6 million	—	—	2	—
Rmb6 to 7 million	—	1	—	—
Rmb7 to 8 million	2	2	—	—
Rmb8 to 9 million	—	—	1	—
Rmb9 to 10 million	—	—	1	—
Rmb10 to 11 million	—	1	—	—
Rmb11 to 12 million	—	—	1	—
Rmb17 to 18 million	—	1	—	—

The Group had not paid any emoluments to the directors 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.

11 INCOME TAX EXPENSE

Taxation in the income statement represents mainland China income tax:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Current tax	1,842	3,143	3,810	2,073	2,824
Deferred tax (Note 22)	(363)	(266)	(1,215)	37	(617)
	1,479	2,877	2,595	2,110	2,207

The applicable income tax rate (except for Shenzhen branch) is 33%, 33%, 25% and 25% as at December 31, 2006, 2007, 2008 and June 30, 2009. For Shenzhen branch, the applicable income tax rate is 15%, 15%, 18% and 20% as at December 31, 2006, 2007, 2008 and June 30, 2009.

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 December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Profit before income tax	5,237	9,212	10,488	8,156	9,586
Provision for income tax calculated at statutory rates	1,539	2,745	2,596	2,008	2,375
Impact of new tax law(1)	—	332	—	—	—
Exempted interest income on government bonds	(342)	(434)	(419)	(202)	(232)
Non-deductible salary, entertainment and other expenses	282	234	371	290	101
Others	—	—	47	14	(37)
	1,479	2,877	2,595	2,110	2,207

(1) Effective from January 1, 2008, the Bank adopted "People's Republic of China Enterprise Income Tax Law" ("***New Income Tax Law***"). As at December 31, 2007, the Bank adjusted deferred tax assets and liabilities in accordance with the new applicable tax rates. The difference of Rmb60 million arising from transactions in relation to equity items has been adjusted to available-for-sale fair value reserve (Note 32), and the remaining amount of Rmb332 million is recorded in income tax expense.

12 EARNINGS PER SHARE

(1) Basic 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/period, excluding ordinary shares purchased by the Group and held as treasury shares.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Profit attributable to equity holders of the Bank	3,758	6,335	7,885	6,041	7,374
Weighted average number of ordinary shares in issue (in millions)	16,441	17,633	18,823	18,823	18,823
Basic earnings per share (in Rmb)	0.23	0.36	0.42	0.32	0.39

(2) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares for the effect of all dilutive potential ordinary shares of the Bank which are in the form of convertible debt. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Profit attributable to equity holders of the Bank	3,758	6,335	7,885	6,041	7,374
Interest expense on convertible debt (net of tax)	—	—	—	—	—
Net profit used to determine diluted earnings per share	3,758	6,335	7,885	6,041	7,374
Number of shares (in millions)					
Weighted average number of ordinary shares in issue	16,441	17,633	18,823	18,823	18,823
Adjustments for:					
Additional number of shares assuming the conversion of all the convertible bonds convert into ordinary shares	—	—	—	—	—
Weighted average number of ordinary shares for diluted earnings per share	16,441	17,633	18,823	18,823	181,823
Diluted earnings per share (in Rmb)	0.23	0.36	0.42	0.32	0.39

13 CASH AND DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31,			June 30,
Group	2006	2007	2008	2009
Cash	2,530	3,289	2,900	2,652
Due from banks and other financial institutions				
- Due from banks	9,030	8,035	13,930	20,972
- Due from other financial institutions	4	662	818	456
	11,564	11,986	17,648	24,080

Bank	December 31, 2006	2007	2008	June 30, 2009
Cash	2,530	3,289	2,898	2,649
Due from banks and other financial institutions				
- Due from banks	9,030	8,035	13,914	20,437
- Due from other financial institutions	4	662	818	456
	11,564	11,986	17,630	23,542

14 BALANCES WITH CENTRAL BANKS

Group	December 31, 2006	2007	2008	June 30, 2009
Restricted deposits	45,321	81,284	84,457	107,124
Unrestricted deposits	59,884	25,708	97,421	27,517
	105,205	106,992	181,878	134,641

Bank	December 31, 2006	2007	2008	June 30, 2009
Restricted deposits	45,321	81,284	84,453	107,096
Unrestricted deposits	59,884	25,708	97,421	27,517
	105,205	106,992	181,874	134,613

Restricted deposits are general reserve balance with central banks. The Group was required to maintain with the PBOC a restricted general reserve deposit equal to 9%, 14.5%, 13.5%, and 13.5% of Rmb deposits respectively and 4%, 5%, 5% and 5% of foreign currency deposits as at December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009 respectively. Unrestricted deposits are maintained with the PBOC for liquidity purposes.

Restricted balance with central banks are not available for use in the Bank's day-to-day operations.

15 TRADING FINANCIAL ASSETS

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Government and quasi-government bonds	—	1,031	3,069	3,497
Financial institution bonds	—	328	—	—
Corporate bonds	—	1,213	1,336	3,764
Total	—	2,572	4,405	7,261

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 December 31, 2006, 2007, 2008 and June 30, 2009 amounted to nil, nil, Rmb2.05 billion and Rmb4.62 billion respectively. Please refer to Note 34 for detailed information.

16 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 fair value instruments recognized on the balance sheet 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.

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

	Contract/notional Amount	Fair values	
		Assets	**Liabilities**
Group and Bank December 31, 2006			
Currency forwards	3,006	8	(7)
Currency swaps	1,479	—	(1)
Currency options	64	9	(9)
Interest rate swaps	19,243	194	(370)
Bond options	234	—	(4)
Credit default swaps	156	1	(1)
Extension options	9,015	—	—
		212	(392)
Group and Bank December 31, 2007			
Currency forwards	13,398	310	(301)
Currency swaps	1,359	12	(4)
Interest rate swaps	44,528	962	(1,135)
Credit default swaps	73	—	(1)
Extension options	9,015	—	—
Precious metal swaps	370	1	(3)
		1,285	(1,444)
Group and Bank December 31, 2008			
Currency forwards	11,498	211	(266)
Currency swaps	1,531	18	—
Interest rate swaps	17,711	987	(969)
Credit default swaps	68	—	(4)
Extension options	9,015	—	—
Precious metal swaps	163	—	—
		1,216	(1,239)
Group and Bank June 30, 2009			
Currency forwards	5,514	43	(38)
Currency swaps	2,681	5	(3)
Interest rate swaps	14,545	449	(441)
Credit default swaps	68	—	(1)
Extension options	14,015	—	—
Precious metal swaps	976	9	—
		506	(483)

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

	December 31,			June 30,
Group and Bank	**2006**	**2007**	**2008**	**2009**
Exchange rate contracts	2	1	13	4
Interest rate contracts	22	123	22	15
	24	124	35	19

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness 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.

17 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Placements with banks and other financial institutions				
- Banks	17,011	22,224	30,324	165,468
- Other financial institutions	15,233	58,105	22,176	9,161
	32,244	80,329	52,500	174,629
Less: allowance for impairment losses — individually assessed	(96)	(94)	(92)	(34)
Net	32,148	80,235	52,408	174,595

The movement of allowance for impairment losses are as follows:

	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2009
Opening balance	(96)	(96)	(94)	(92)
Releases	—	2	2	—
Amounts written off during the year as uncollectible	—	—	—	58
Ending balance	(96)	(94)	(92)	(34)

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

	December 31, 2006	2007	2008	June 30, 2009
Discounted bills	2,947	55,791	23,463	155,582
Government and quasi-government bonds	4,900	—	10,450	300
Corporate loans	12,474	7,006	1,400	2,600
Total	20,321	62,797	35,313	158,482

18 LOANS AND ADVANCES TO CUSTOMERS

Group	December 31, 2006	2007	2008	June 30, 2009
Loans to corporate entities				
- Corporate loans	336,886	410,397	475,185	653,560
- Discounted bill	57,970	34,662	63,931	115,939
- Others	8,658	10,440	10,673	9,782
Subtotal	403,514	455,499	549,789	779,281
Loans to individuals				
- Mortgage loans	65,334	89,589	87,401	92,940
- Credit cards	1,169	5,426	12,727	12,755
- Others	2,071	4,445	8,443	18,958
Subtotal	68,574	99,460	108,571	124,653
Loans and advances to customers, gross	472,088	554,959	658,360	903,934
Less: allowance for impairment losses				
- Individually assessed	(3,472)	(3,494)	(3,990)	(4,404)
- Collectively assessed	(2,945)	(4,169)	(7,895)	(8,852)
	(6,417)	(7,663)	(11,885)	(13,256)
Loan and advances to customers, net	465,671	547,296	646,475	890,678

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Loans to corporate entities				
- Corporate loans	336,886	410,397	475,176	653,302
- Discounted bill	57,970	34,662	63,917	115,920
- Others	8,658	10,440	10,673	9,782
Subtotal	403,514	455,499	549,766	779,004
Loans to individuals				
- Mortgage loans	65,334	89,589	87,397	92,939
- Credit cards	1,169	5,426	12,727	12,755
- Others	2,071	4,445	8,438	18,933
Subtotal	68,574	99,460	108,562	124,627
Loan and advances to customers, gross	472,088	554,959	658,328	903,631
Less: allowance for impairment losses				
- Individually assessed	(3,472)	(3,494)	(3,990)	(4,404)
- Collectively assessed	(2,945)	(4,169)	(7,895)	(8,849)
	(6,417)	(7,663)	(11,885)	(13,253)
Loan and advances to customers, net	465,671	547,296	646,443	890,378

Loans to corporate customers and discounted bills pledged as collateral under repurchase agreements with other banks and other banks as at December 31, 2006, 2007, 2008 and June 30, 2009 amounted to Rmb10.08 billion, Rmb38.34 billion, Rmb5.45 billion and Rmb21.93 billion respectively (Note 34).

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

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total
Group and Bank					
December 31, 2006					
Gross loans and advances					
- Loans to corporate entities	398,183	217	5,114	5,331	403,514
- Loans to individuals	68,012	562	—	562	68,574
Allowance for impairment losses	(2,556)	(389)	(3,472)	(3,861)	(6,417)
Loans and advances to customers, net	463,639	390	1,642	2,032	465,671
Group and Bank					
December 31, 2007					
Gross loans and advances					
- Loans to corporate entities	449,295	514	5,690	6,204	455,499
- Loans to individuals	98,891	569	—	569	99,460
Allowance for impairment losses	(3,537)	(632)	(3,494)	(4,126)	(7,663)
Loans and advances to customers, net	544,649	451	2,196	2,647	547,296
Group					
December 31, 2008					
Gross loans and advances					
- Loans to corporate entities	542,534	535	6,720	7,255	549,789
- Loans to individuals	107,905	666	—	666	108,571
Allowance for impairment losses	(7,186)	(709)	(3,990)	(4,699)	(11,885)
Loans and advances to customers, net	643,253	492	2,730	3,222	646,475

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total
Bank					
December 31, 2008					
Gross loans and advances					
- Loans to corporate entities	542,511	535	6,720	7,255	549,766
- Loans to individuals	107,896	666	—	666	108,562
Allowance for impairment losses	(7,186)	(709)	(3,990)	(4,699)	(11,885)
Loans and advances to customers, net	643,221	492	2,730	3,222	646,443
Group					
June 30, 2009					
Gross loans and advances					
- Loans to corporate entities	772,432	320	6,529	6,849	779,281
- Retail loans	123,701	952	—	952	124,653
Allowance for impairment losses	(8,075)	(777)	(4,404)	(5,181)	(13,256)
Loans and advances to customers, net	888,058	495	2,125	2,620	890,678
Bank					
June 30, 2009					
Gross loans and advances					
- Loans to corporate entities	772,155	320	6,529	6,849	779,004
- Retail loans	123,675	952	—	952	124,627
Allowance for impairment losses	(8,072)	(777)	(4,404)	(5,181)	(13,253)
Loans and advances to customers, net	887,758	495	2,125	2,620	890,378

(2) Loans to corporations by industries

	December 31, 2006		December 31, 2007	
Group and Bank	**Amount**	**(%)**	**Amount**	**(%)**
Manufacturing	89,323	22	106,276	23
Real estate	56,472	14	71,903	16
Transportation, warehousing and postal service	42,951	11	48,452	11
Rental and business services	20,274	5	26,687	6
Production and supply of electronic power, gas and water	43,198	11	50,563	11
Water conservancy, environment and public utilities management	35,012	9	37,678	8
Mining	11,013	3	15,470	3
Wholesale and retail	23,894	6	26,108	6
Construction	24,841	6	24,786	5
Financial services	16,050	4	8,704	2
Education and community services	15,869	4	17,418	4
Public administration and social organizations	10,072	2	7,811	2
Information transmission, IT service and software industry	6,653	1	4,307	1
Others	7,892	2	9,336	2
Total	403,514	100	455,499	100

Group	December 31, 2008 Amount	(%)	June 30, 2009 Amount	(%)
Manufacturing	103,132	18	150,120	19
Real estate	90,158	15	95,247	12
Transportation, warehousing and postal service	69,840	13	80,071	10
Rental and business services	51,045	9	81,429	11
Production and supply of electronic power, gas and water	46,761	9	59,226	8
Water conservancy, environment and public utilities management	40,262	7	71,179	9
Mining	28,601	5	39,038	5
Wholesale and retail	25,811	5	48,235	6
Construction	25,307	5	31,005	4
Financial services	25,135	5	52,452	7
Education and community services	14,290	3	21,485	3
Public administration and social organizations	13,942	3	33,955	4
Information transmission, IT service and software industry	4,960	1	5,147	1
Others	10,545	2	10,692	1
Total	549,789	100	779,281	100

Bank	December 31, 2008 Amount	(%)	June 30, 2009 Amount	(%)
Manufacturing	103,129	18	150,035	19
Real estate	90,150	15	95,247	12
Transportation, warehousing and postal service	69,840	13	80,069	10
Rental and business services	51,045	9	81,425	11
Production and supply of electronic power, gas and water	46,761	9	59,226	8
Water conservancy, environment and public utilities management	40,261	7	71,179	9
Mining	28,601	5	39,038	5
Wholesale and retail	25,811	5	48,215	6
Construction	25,307	5	30,994	4
Financial services	25,127	5	52,452	7
Education and community services	14,290	3	21,484	3
Public administration and social organizations	13,942	3	33,949	4
Information transmission, IT service and software industry	4,960	1	5,147	1
Others	10,542	2	10,544	1
Total	549,766	100	779,004	100

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

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Unsecured loans	110,485	151,018	173,421	268,672
Guaranteed loans	131,829	142,165	150,383	194,880
Secured loan				
- Collateralized loans	133,396	184,585	220,754	267,009
- Pledged loans	96,378	77,191	113,802	173,373
Total	472,088	554,959	658,360	903,934

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Unsecured loans	110,485	151,018	173,421	268,672
Guaranteed loans	131,829	142,165	150,382	194,651
Secured loan				
- Collateralized loans	133,396	184,585	220,742	266,945
- Pledged loans	96,378	77,191	113,783	173,363
Total	472,088	554,959	658,328	903,631

(4) Movement of allowance for impairment losses:

	Loans to corporate entities		Loans to individual	
	Individual assessment	Collective assessment	Collective assessment	Total
Group and Bank				
Balance at January 1, 2006	2,514	2,053	272	4,839
New allowances	1,437	316	472	2,225
Releases	(67)	—	—	(67)
Reclassification	93	(93)	—	—
Amounts written off during the year as uncollectible	(364)	(45)	(28)	(437)
Unwinding of discount on allowance	(138)	—	—	(138)
Exchange differences	(3)	(2)	—	(5)
Balance at December 31, 2006	3,472	2,229	716	6,417
Group and Bank				
Balance at January 1, 2007	3,472	2,229	716	6,417
New allowances	804	1,230	265	2,299
Releases	(63)	—	—	(63)
Reclassification	141	(141)	—	—
Amounts written off during the year as uncollectible	(667)	(63)	(62)	(792)
Transfer out	(35)	—	—	(35)
Unwinding of discount on allowance	(160)	—	—	(160)
Recovery after write-off	9	—	1	10
Exchange differences	(7)	(5)	(1)	(13)
Balance at December 31, 2007	3,494	3,250	919	7,663
Group and Bank				
Balance at January 1, 2008	3,494	3,250	919	7,663
New allowances	1,802	3,481	489	5,772
Releases	(86)	—	—	(86)
Reclassification	95	(95)	—	—
Amounts written off during the year as uncollectible	(1,200)	(16)	(124)	(1,340)
Unwinding of discount on allowance	(164)	—	—	(164)
Recovery after write-off	56	—	—	56
Exchange differences	(7)	(7)	(2)	(16)
Balance at December 31, 2008	3,990	6,613	1,282	11,885
Group				
Balance at January 1, 2009	3,990	6,613	1,282	11,885
New allowances	1,231	879	433	2,543
Releases	(138)	—	—	(138)
Reclassification	103	(103)	—	—
Amounts written off and exempted during the period as uncollectible	(659)	(50)	(202)	(911)
Unwinding of discount on allowance	(151)	—	—	(151)
Recovery after write-off	28	—	—	28
Balance at June 30, 2009	4,404	7,339	1,513	13,256
Bank				
Balance at January 1, 2009	3,990	6,613	1,282	11,885
New allowances	1,231	876	433	2,540
Releases	(138)	—	—	(138)
Reclassification	103	(103)	—	—
Amounts written off and exempted during the period as uncollectible	(659)	(50)	(202)	(911)
Unwinding of discount on allowance	(151)	—	—	(151)
Recovery after write-off	28	—	—	28
Balance at June 30, 2009	4,404	7,336	1,513	13,253

19 INVESTMENT SECURITIES

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Available-for-sale securities	50,162	60,715	53,597	65,042
Held-to-maturity securities	40,302	45,816	38,716	46,494
Loans and receivables	10,228	47,449	37,066	38,516
	100,692	153,980	129,379	150,052
Analyzed as follows:				
- Listed in Hong Kong	3,022	4,479	2,708	2,866
- Listed outside Hong Kong	78,879	93,555	84,788	105,392
- Unlisted	18,791	55,946	41,883	41,794
	100,692	153,980	129,379	150,052

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Available-for-sale securities	50,162	60,715	53,597	65,042
Held-to-maturity securities	40,302	45,816	38,716	46,494
Loans and receivables	10,228	47,449	37,066	38,477
	100,692	153,980	129,379	150,013
Analyzed as follows:				
- Listed in Hong Kong	3,022	4,479	2,708	2,866
- Listed outside Hong Kong	78,879	93,555	84,788	105,392
- Unlisted	18,791	55,946	41,883	41,755
	100,692	153,980	129,379	150,013

Investment securities pledged as collateral under agreements signed with banks and other financial institutions as at December 31, 2006, 2007, 2008 and June 30, 2009 amounted to Rmb9.51 billion, Rmb15.61 billion, Rmb3.30 billion and Rmb42.61 billion respectively. Such agreements included repurchase agreements, interest rate swap contracts, issuance of convertible bonds, issuance of guarantees, and negotiated deposits. Please refer to Note 34 for detailed information.

The Group did not make any reclassification of investment securities for years ended December 31, 2006, 2007, 2008 and period ended June 30, 2009 respectively.

(1) Available-for-sale securities

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Debt securities at fair value				
Government and quasi-government bonds				
- listed in Hong Kong	2,906	4,218	2,467	2,622
- listed outside Hong Kong	33,616	29,337	34,770	42,949
- unlisted	2,468	2,978	1,333	981
Financial institutions bonds				
- listed in Hong Kong	—	—	68	71
- listed outside Hong Kong	1,833	1,232	737	667
- unlisted	3,727	3,503	2,422	1,780
Corporate bonds				
- listed outside Hong Kong	4,088	8,594	7,948	15,748
- unlisted	329	297	91	—
	48,967	50,159	49,836	64,818
Equity securities at fair value				
Financial institutions securities				
- listed outside Hong Kong	1,098	10,460	3,633	99
- unlisted	50	50	125	125
Corporate securities				
- listed outside Hong Kong	47	46	3	—
	1,195	10,556	3,761	224
	50,162	60,715	53,597	65,042

The Group's fair value changes relating to impaired available-for-sale securities amounted to nil, nil, Rmb599 million and Rmb1,020 million for years and period ended December 31, 2006, 2007, 2008 and June 30, 2009, which have been changed to the income statement.

In the first half of 2009, the Bank disposed of its equity securities of Haitong Securities Co, Ltd ("Haitong Securities"). The balance of equity securities of Haitong Securities held by the Bank were Rmb1.10 billion, Rmb8.06 billion and Rmb3.09 billion as at December 31, 2006, 2007 and 2008. Net gain of Rmb4.90 billion was recognized in the income statement for six months ended June 30, 2009.

(2) Held-to-maturity securities

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Government and quasi-government bonds				
- listed in Hong Kong	116	261	173	173
- listed outside Hong Kong	37,418	41,474	37,228	41,331
- unlisted	156	72	7	—
Financial institutions bonds				
- listed outside Hong Kong	779	2,412	478	466
- unlisted	1,833	1,597	884	392
Corporate bonds				
- listed outside Hong Kong	—	—	—	4,132
Gross	40,302	45,816	38,770	46,494
Less: allowance for impairment losses — individually assessed	—	—	(54)	—
Net	40,302	45,816	38,716	46,494
Fair value of listed securities	38,319	42,602	39,174	46,823

(3) Loans and receivables

Group	December 31, 2006	2007	2008	June 30, 2009
Government and quasi-government bonds	7,238	20,816	20,792	20,134
Financial institution bonds	2,990	5,300	7,890	8,990
Financial institutions entrust products	—	21,333	8,384	9,392
Total	10,228	47,449	37,066	38,516

Bank	December 31, 2006	2007	2008	June 30, 2009
Government and quasi-government bonds	7,238	20,816	20,792	20,134
Financial institution bonds	2,990	5,300	7,890	8,990
Financial institutions entrust products	—	21,333	8,384	9,353
Total	10,228	47,449	37,066	38,477

All of above loans and receivables are unlisted.

20 FINANCE LEASE RECEIVABLES

Group and Bank	December 31, 2008	June 30, 2009
Finance lease receivables	5,991	11,422
Less: unearned finance income	(681)	(1,411)
	5,310	10,011
Less: allowance for impairment losses — collectively assessed	(57)	(121)
Net	5,253	9,890

Movement of allowance for impairment losses are as follows:

	Year ended December 31, 2008	Six months ended June 30, 2009
Opening balance	—	(57)
New allowances	(57)	(69)
Transfer out	—	5
Ending balance	(57)	(121)

Finance lease receivables pledged as collateral under repurchase agreements with other banks and financial institutions as at December 31, 2008 and June 30, 2009 amounted to Rmb1.47 billion and Rmb1.32 billion respectively (Note 34).

21 PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
Group and Bank						
December 31, 2006						
Original cost	2,719	857	1,893	146	1,962	7,577
Accumulated depreciation	(297)	(508)	(1,000)	(80)	—	(1,885)
Net value	2,422	349	893	66	1,962	5,692
Group and Bank						
December 31, 2007						
Original cost	2,896	1,041	2,135	182	2,501	8,755
Accumulated depreciation	(390)	(612)	(1,269)	(97)	—	(2,368)
Net value	2,506	429	866	85	2,501	6,387

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
Group						
December 31, 2008						
Original cost	3,472	1,262	2,408	200	2,518	9,860
Accumulated depreciation	(490)	(785)	(1,502)	(110)	—	(2,887)
Net value	2,982	477	906	90	2,518	6,973
Bank						
December 31, 2008						
Original cost	3,465	1,262	2,393	196	2,518	9,834
Accumulated depreciation	(490)	(785)	(1,501)	(109)	—	(2,885)
Net value	2,975	477	892	87	2,518	6,949
Group						
June 30, 2009						
Original cost	3,509	1,398	2,545	208	2,655	10,315
Accumulated depreciation	(544)	(874)	(1,645)	(128)	—	(3,191)
Net value	2,965	524	900	80	2,655	7,124
Bank						
June 30, 2009						
Original cost	3,493	1,398	2,511	204	2,655	10,261
Accumulated depreciation	(544)	(874)	(1,643)	(126)	—	(3,187)
Net value	2,949	524	868	78	2,655	7,074
Group and Bank						
Net book value of balance at January 1, 2006	2,154	295	972	67	1,706	5,194
Additions	281	228	222	22	354	1,107
Transfer in/(out)	98	—	—	—	(98)	—
Disposals	(39)	—	(5)	(1)	—	(45)
Provision for impairment	9	—	—	—	—	9
Depreciation charge	(81)	(174)	(296)	(22)	—	(573)
Net book value of balance at December 31, 2006	2,422	349	893	66	1,962	5,692
Group and Bank						
Net book value of balance at January 1, 2007	2,422	349	893	66	1,962	5,692
Additions	98	184	289	42	618	1,231
Transfer in/(out)	79	—	—	—	(79)	—
Disposals	—	—	(19)	—	—	(19)
Depreciation charge	(93)	(104)	(297)	(23)	—	(517)
Net book value of balance at December 31, 2007	2,506	429	866	85	2,501	6,387
Group						
Net book value of balance at January 1, 2008	2,506	429	866	85	2,501	6,387
Additions	320	221	345	34	273	1,193
Transfer in/(out)	256	—	—	—	(256)	—
Disposals	—	—	(4)	(1)	—	(5)
Depreciation charge	(100)	(173)	(301)	(28)	—	(602)
Net book value of balance at December 31, 2008	2,982	477	906	90	2,518	6,973

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
Bank						
Net book value of balance at January 1, 2008	2,506	429	866	85	2,501	6,387
Additions	313	221	330	30	273	1,167
Transfer in/(out)	256	—	—	—	(256)	—
Disposals	—	—	(4)	(1)	—	(5)
Depreciation charge	(100)	(173)	(300)	(27)	—	(600)
Net book value of balance at December 31, 2008	2,975	477	892	87	2,518	6,949
Group						
Net book value of balance at January 1, 2009	2,982	477	906	90	2,518	6,973
Additions	37	137	134	7	139	454
Transfer in/(out)	2	—	—	—	(2)	—
Disposals	—	(1)	—	(1)	—	(2)
Depreciation charge	(56)	(89)	(140)	(16)	—	(301)
Net book value of balance at June 30, 2009	2,965	524	900	80	2,655	7,124
Bank						
Net book value of balance at January 1, 2009	2,975	477	892	87	2,518	6,949
Additions	27	137	116	7	139	426
Transfer in/(out)	2	—	—	—	(2)	—
Disposals	—	(1)	—	—	—	(1)
Depreciation charge	(55)	(89)	(140)	(16)	—	(300)
Net book value of balance at June 30, 2009	2,949	524	868	78	2,655	7,074

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

	December 31,			June 30,
Group	2006	2007	2008	2009
Held outside Hong Kong				
on long-term lease (over 50 years)	117	158	121	62
on medium-term lease (10-50 years)	2,648	2,771	3,332	3,341
on short-term lease (less than 10 years)	6	6	6	86
	2,771	2,935	3,459	3,489

	December 31,			June 30,
Bank	2006	2007	2008	2009
Held outside Hong Kong				
on long-term lease (over 50 years)	117	158	121	62
on medium-term lease (10-50 years)	2,648	2,771	3,325	3,325
on short-term lease (less than 10 years)	6	6	6	86
	2,771	2,935	3,452	3,473

22 DEFERRED INCOME TAXES

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

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

	Year ended December 31,			Six months ended June 30,
Group	**2006**	**2007**	**2008**	**2009**
Opening balance	349	497	(1,306)	1,079
Recognized in the income statement	363	266	1,215	617
Tax charged directly to equity	(215)	(2,069)	1,170	824
Ending balance	497	(1,306)	1,079	2,520

	Year ended December 31,			Six months ended June 30,
Bank	**2006**	**2007**	**2008**	**2009**
Opening balance	349	497	(1,306)	1,078
Recognized in the income statement	363	266	1,214	617
Tax charged directly to equity	(215)	(2,069)	1,170	824
Ending balance	497	(1,306)	1,078	2,519

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

Deferred income tax assets

	Assets impairment allowance	Fair value losses	Others	Total
Group and Bank				
At January 1, 2006	192	96	65	353
Charged to the income statement	452	56	(21)	487
Charged directly to equity	—	87	—	87
At December 31, 2006	644	239	44	927
Group and Bank				
At January 1, 2007	644	239	44	927
Charged to the income statement	286	232	8	526
Charged directly to equity	—	155	—	155
At December 31, 2007	930	626	52	1,608
Group				
At January 1, 2008	930	626	52	1,608
Charged to the income statement	1,132	(53)	73	1,152
Charged directly to equity	—	(230)	—	(230)
At December 31, 2008	2,062	343	125	2,530
Bank				
At January 1, 2008	930	626	52	1,608
Charged to the income statement	1,131	(53)	73	1151
Charged directly to equity	—	(230)	—	(230)
At December 31, 2008	2,061	343	125	2,529

	Assets impairment allowance	Fair value losses	Others	Total
Group				
At January 1, 2009	2,062	343	125	2,530
Charged to the income statement	394	(188)	222	428
Charged directly to equity	—	66	—	66
At June 30, 2009	2,456	221	347	3,024
Bank				
At January 1, 2009	2,061	343	125	2,529
Charged to the income statement	394	(188)	222	428
Charged directly to equity	—	66	—	66
At June 30, 2009	2,455	221	347	3,023

Deferred income tax liabilities

	Fair value gains	Others	Total
Group and Bank			
At January 1, 2006	—	(4)	(4)
Charged to the income statement	(70)	(54)	(124)
Charged directly to equity	(302)	—	(302)
At December 31, 2006	(372)	(58)	(430)
Group and Bank			
At January 1, 2007	(372)	(58)	(430)
Charged to the income statement	(258)	(2)	(260)
Charged directly to equity	(2,224)	—	(2,224)
At December 31, 2007	(2,854)	(60)	(2,914)
Group			
At January 1, 2008	(2,854)	(60)	(2,914)
Charged to the income statement	3	60	63
Charged directly to equity	1,400	—	1,400
At December 31, 2008	(1,451)	—	(1,451)
Bank			
At January 1, 2008	(2,854)	(60)	(2,914)
Charged to the income statement	3	60	63
Charged directly to equity	1,400	—	1,400
At December 31, 2008	(1,451)	—	(1,451)
Group			
At January 1, 2009	(1,451)	—	(1,451)
Charged to the income statement	189	—	189
Charged directly to equity	758	—	758
At June 30, 2009	(504)	—	(504)
Bank			
At January 1, 2009	(1,451)	—	(1,451)
Charged to the income statement	189	—	189
Charged directly to equity	758	—	758
At June 30, 2009	(504)	—	(504)

23 INVESTMENT IN SUBSIDIARIES

	December 31, 2008	June 30, 2009
Minsheng Financial Leasing Co., Ltd.	2,600	2,600
Minsheng Royal Fund Management Co., Ltd.	120	120
Cixi Minsheng Township Bank Co., Ltd.	35	35
Pengzhou Minsheng Township Bank Co., Ltd.	20	20
	2,775	2,775

Name	Date of incorporation	Place of incorporation and operation	Principal activities	Registered Capital	Nature of legal entity	Interest held*
Minsheng Financial Leasing Co., Ltd.	April 2, 2008	Tianjin, China	Leasing	3,200	Limited company	81.25%
Minsheng Royal Fund Management Co., Ltd.	November 3, 2008	Guangdong, China	Fund management	200	Limited company	60%
Cixi Minsheng Township Bank Co., Ltd.	December 30, 2008	Ningbo, China	Commercial bank	100	Limited company	35%
Pengzhou Minsheng Township Bank Co., Ltd.	September 12, 2008	Sichuan, China	Commercial bank	55	Limited company	36.36%

* All interests in subsidiaries are directly held. The Bank owns the majority of the voting rights in the board of directors of Cixi Minsheng Township Bank Co., Ltd. and Pengzhou Minsheng Township Bank Co., Ltd. which enables the Bank to govern their financial and operating policies. These two companies are treated as subsidiaries and are included in the consolidated financial statements.

The financial statements of Minsheng Financial Leasing Co., Ltd. and Minsheng Royal Fund Management Co., Ltd. for year ended December 31, 2008 were audited by Pricewaterhousecoopers Zhong Tian CPAs Limited Company.

The financial statements of Pengzhou Minsheng Township Bank Co., Ltd. for year ended December 31, 2008 were audited by Zhong He Zheng Xin CPAs Limited Company.

No audited financial statements have been prepared for Cixi Minsheng Township Bank Co., Ltd. as it is newly incorporated and has not been involved in any significant business transactions for year ended December 31, 2008.

24 OTHER ASSETS

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Interest receivable	2,104	3,750	3,402	3,813
Prepayments	451	567	2,515	2,929
Repossessed assets	216	190	945	934
Deferred assets	148	131	133	125
Capital contribution to financial leasing company(1)	—	2,600	—	—
Others	237	385	531	623
	3,156	7,623	7,526	8,424

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Interest receivable	2,104	3,750	3,399	3,810
Prepayments	451	567	893	1,108
Repossessed assets	216	190	945	934
Deferred assets	148	131	121	112
Capital contribution to financial leasing company(1)	—	2,600	—	—
Others	237	385	516	596
	3,156	7,623	5,874	6,560

(1) The amount represents investment in Minsheng Leasing, which was in the course of establishment as at December 31, 2007. The capital contribution of Rmb2.6 billion made by the Bank had been transferred to a deposit account of Minsheng Leasing Preparation Committee maintained with the Bank.

25 DEPOSITS FROM CUSTOMERS

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Deposits from corporate entities				
- Demand	214,216	264,006	295,597	385,664
- Time	273,681	298,638	352,275	509,128
Deposits from individuals				
- Demand	30,605	30,185	33,599	40,520
- Time	64,065	77,349	102,669	138,080
Inward remittance and temporary deposits	748	1,041	1,646	1,917
	583,315	671,219	785,786	1,075,309

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Deposits from corporate entities				
- Demand	214,216	264,006	295,656	385,568
- Time	273,681	298,638	352,275	509,076
Deposits from individuals				
- Demand	30,605	30,185	33,582	40,474
- Time	64,065	77,349	102,655	137,983
Inward remittance and temporary deposits	748	1,041	1,646	1,914
	583,315	671,219	785,814	1,075,015

Deposits of Rmb64.58 billion, Rmb65.66 billion, Rmb108.95 billion and Rmb201.54 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively were included in customer accounts held as collaterals for acceptances, letters of credit, letters of guarantee and other transactions.

26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Due to and placements from banks and other financial institutions				
- Due to banks	57,985	86,017	95,084	161,341
- Due to other financial institutions	33,836	64,236	65,164	59,749
Total	91,821	150,253	160,248	221,090

Bank	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Due to and placements from banks and other financial institutions				
- Due to banks	57,985	86,017	94,601	162,216
- Due to other financial institutions	33,836	64,236	65,352	59,749
Total	91,821	150,253	159,953	221,965

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

Group	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Repurchase of:				
Discounted bills	6,803	38,241	5,231	9,390
Trading financial assets	—	—	2,000	4000
Investment securities	—	12,143	—	40,290
Loans and advances to customers	3,280	100	214	214
Finance lease receivables		—	567	220
Total	10,083	50,484	8,012	54,114

Bank	December 31, 2006	2007	2008	June 30, 2009
Repurchase of:				
Discounted bills	6,803	38,241	5,231	9,390
Trading financial assets	—	—	2,000	4000
Investment securities	—	12,143	—	40,290
Loans and advances to customers	3,280	100	214	214
Total	10,083	50,484	7,445	53,894

27 DEBT SECURITIES IN ISSUE

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
Financial bonds(1)	10,163	22,378	22,459	11,995
Subordinated bonds(2)	7,238	7,253	7,252	7,432
Hybrid capital bonds(3)	4,289	4,289	4,288	9,450
Convertible bonds	1	—	—	—
	21,691	33,920	33,999	28,877

(1) Financial bonds

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
2006 RMB — 10 billion Financial Bonds with fixed rate — 3 years	10,163	10,168	10,173	—
2007 RMB — 6 billion Financial Bonds with floating rate — 3 years	—	6,103	6,142	5,999
2007 RMB — 6 billion Financial Bonds with floating rate — 5 years	—	6,107	6,144	5,996
	10,163	22,378	22,459	11,995

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

The tranche of 2006 financial bonds was issued with a term of 3 years at a fixed interest rate of 2.88%; interest is paid annually.

The tranche of 2007 financial bonds with a term of 3 years bears a floating rate based on the one-year PBOC time deposit rate set at each interest payment date plus a spread of 0.61% per annum. The tranche of 2007 financial bonds with a term of 5 years bears a floating rate based on the one-year PBOC time deposit rate set at each interest payment date plus a spread of 0.76% per annum. Interest is paid annually.

(2) Subordinated bonds

Group and Bank	December 31, 2006	2007	2008	June 30, 2009
2004 Rmb4.315 billion Subordinated Bonds with fixed rate—10 years(i)	4,346	4,351	4,351	4,461
2004 Rmb1.485 billion Subordinated Bonds with floating rate—10 years(ii)	1,495	1,501	1,500	1,544
2005 Rmb1.4 billion Subordinated Bonds with fixed rate—10 years (iii)	1,397	1,401	1,401	1,427
	7,238	7,253	7,252	7,432

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 2004 have a maturity of 10 years, with a fixed coupon rate of 5.1% per annum for the first five years, payable annually. The Bank has the option to redeem all of the bonds at face value on November 1, 2009. If the Bank does not exercise this option, the annual coupon rate of the bonds for the second 5-year period shall be the original coupon rate plus 3% per annum, and shall remain fixed through to the maturity date.

(ii) The floating-rate subordinated bonds issued in 2004 have a maturity of 10 years, with a floating rate based on the one-year PBOC time deposit rate set at each interest payment date plus a spread of 2.4% per annum for the first five years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on November 1, 2009. If the Bank does not exercise this option, the floating rate for the second 5-year period shall be the original spread plus 0.5% per annum.

(iii) The fixed-rate subordinated bonds issued in 2005 have a maturity of 10 years, with a fixed coupon rate of 3.68% per annum for the first five years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on December 26, 2010. If the Bank does not exercise this option, the annual coupon rate of the bonds for the second 5-year period shall be the original coupon rate plus 3% per annum.

These bonds are subordinated to all other claims on the assets of the Bank, except those of the Hybrid capital bonds holders and the equity holders. In the calculation of the Bank's capital adequacy ratio, these bonds qualify for inclusion as supplementary capital.

There were no defaults of principal and interest or other breaches with respect to these bonds from the issuance of these bonds.

(3) Hybrid capital bonds

	December 31,			June 30,
Group and Bank	**2006**	**2007**	**2008**	**2009**
2006 Rmb3.3 billion Hybrid Capital Bonds with fixed rate—15 years (i)	3,291	3,291	3,291	3,374
2006 Rmb1 billion Hybrid Capital Bonds with floating rate—15 years (ii)	998	998	997	1,019
2009 Rmb3.325 billion Hybrid Capital Bonds with fixed rate—15 years (iii)	—	—	—	3,364
2009 Rmb1.625 billion Hybrid Capital Bonds with floating rate—15 years (iv)	—	—	—	1,693
	4,289	4,289	4,288	9,450

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 in 2006 have a maturity of 15 years, with a fixed coupon rate of 5.05% per annum for the first 10 years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on December 28, 2016. If the Bank does not exercise this option, the annual coupon rate of the bonds for the next 5 years shall be the original coupon rate plus a spread of 3% per annum, and shall remain fixed through to the maturity date.

(ii) The floating-rate hybrid capital bonds issued in 2006 have a maturity of 15 years, with a floating rate based on the one-year PBOC time deposit rate set at each interest payment date plus a spread of 2% per annum for the first 10 years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on December 28, 2016. If the Bank does not exercise this option, the floating rate of the bonds for the next 5 years shall be the original spread plus 1% per annum.

(iii) The fixed-rate hybrid capital bonds issued in 2009 have a maturity of 15 years, with a fixed coupon rate of 5.70% per annum for the first 10 years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on March 26, 2019. If the Bank does not exercise this option, the annual coupon rate of the bonds for the next 5 years shall be the original coupon rate plus a spread of 3% per annum, and shall remain fixed through to the maturity date.

(iv) The floating-rate hybrid capital bonds issued in 2009 have a maturity of 15 years, with a floating rate based on the one-year PBOC time deposit rate set at each interest payment date plus a spread of 3% per annum for the first 10 years, payable annually. The Bank has the option to redeem all or part of the bonds at face value on March 26, 2019. If the Bank does not exercise this option, the floating rate of the bonds for the next 5 years shall be the original spread plus 2% per annum.

These bonds are subordinated to all other claims on the assets of the Bank, except those of the equity holders. In the calculation of the Bank's capital adequacy ratio, these bonds qualify for inclusion as supplementary capital.

There were no defaults of principal and interest or other breaches with respect to these bonds during the Relevant Periods. These bonds are unsecured.

28 OTHER LIABILITIES

Group	December 31, 2006	2007	2008	June 30, 2009
Interest payable	2,851	4,899	6,999	6,847
Items in the process of clearance and settlement	1,829	750	1,678	1,269
Income tax payable	414	977	1,238	2,241
Other tax payable	571	1,006	1,274	920
Payroll and welfare payable	1,178	1,084	972	2,103
Deferred fee and commission income	73	87	877	1,032
Guarantee deposits for finance lease	—	—	360	667
Other	700	863	1,408	1,274
	7,616	9,666	14,806	16,353

Bank	December 31, 2006	2007	2008	June 30, 2009
Interest payable	2,851	4,899	6,953	6,818
Items in the process of clearance and settlement	1,829	750	1,678	1,268
Income tax payable	414	977	1,242	2,213
Other tax payable	571	1,006	1,274	909
Payroll and welfare payable	1,178	1,084	972	2,093
Deferred fee and commission income	73	87	877	1,032
Other	700	863	1,330	824
	7,616	9,666	14,326	15,157

29 SHARE CAPITAL AND CAPITAL RESERVE

The total number of authorized ordinary shares is 10.17 billion shares, 14.48 billion shares, 18.82 billion shares and 18.82 billion shares as at December 31, 2006, 2007, 2008 and June 30, 2009 with a par value of Rmb1 yuan per share, among which 4.05 billion shares, 2.38 billion shares, 0.93 billion shares and 0.93 billion shares were restricted on sale. All issued shares are fully paid.

The Group's capital reserve is Rmb2.36 billion, Rmb16.20 billion, Rmb14.77 billion and Rmb14.77 billion as at December 31, 2006, 2007, 2008 and June 30, 2009, which mainly comprises capital premium.

In 2006, 1.09 billion shares were issued as stock dividend, and 1.82 billion shares were issued from capital reserve.

In 2007, 1.93 billion shares were issued from capital reserve, and 2.38 billion shares were issued through private placement. The issue price was Rmb7.63 yuan per share, and the capital reserve increased by Rmb15.77 billion.

In 2008, 1.45 billion shares were issued from capital reserve, and 2.90 billion shares were issued as stock dividend.

30 SURPLUS RESERVE AND GENERAL RESERVE

(1) Surplus reserve

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit, as determined under PRC GAAP, to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital. Subject to the approval of the equity holders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of Statutory surplus reserve after such capitalization is not less than 25% of the share capital.

The Bank appropriated Rmb0.38 billion, Rmb0.63 billion, Rmb0.78 billion and nil for the year ended December 31, 2006, 2007, 2008 and for the six-month period ended June 30, 2009 respectively.

(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. Effective from July 1, 2005, the general reserve should be provided in full within three years. In no case could the transitional period exceed five years.

The Bank appropriated Rmb1.8 billion, Rmb2.8 billion, Rmb2.2 billion and nil to the general reserve for the year ended December 31, 2006, 2007, 2008 and for the six-month period ended June 30, 2009 respectively.

Pursuant to circulars issued by MOF in 2007, Minsheng Leasing contributed Rmb0.78 million, or 1% of its net profit to general reserve for the year ended December 31, 2008, including Rmb0.63 million attributable to the Bank.

31 DIVIDENDS

In respect of 2006, no dividend was approved.

In respect of 2007, cash dividend of Rmb724 million (Rmb0.05 per share and before tax) and stock dividend of Rmb2,896 million (2 shares per 10 shares) were approved.

In respect of 2008, cash dividend of Rmb1,506 million (0.08 per share and before tax) was approved.

In respect of the first half of 2009, no dividend was approved.

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Dividends payable to equity holders of the Bank attributable to the year / period				
Proposed final dividend	—	3,620	1,506	—
Dividends payable to equity holders of the Bank attributable to the previous financial year, approved and paid during the year				
Final dividend paid	1,452	—	3,620	1,506

32 RESERVE FOR FAIR VALUE CHANGES OF AVAILABLE-FOR-SALE SECURITIES

	Year ended December 31,			Six months ended June 30,
Group and Bank	2006	2007	2008	2009
Opening balance	(48)	389	6,780	3,296
Change of fair value of available-for-sale investment securities	696	8,336	(5,306)	(1,170)
Less: deferred income tax	(230)	(2,088)	1,333	291
Transfer to profit or loss upon disposal	(44)	124	53	(2,568)
Less: deferred income tax	—	—	(13)	638
Impairment losses on available-for-sale	—	—	599	421
Less: deferred income tax	15	(41)	(150)	(105)
The impact of related deferred income tax balances on the initial recognized changes in reserves by adopting of the New Income Tax Law (Note 11)	—	60	—	—
Ending balance	389	6,780	3,296	803

33 CASH AND CASH EQUIVALENTS

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

	December 31,			June 30,
Group	2006	2007	2008	2009
Cash	2,530	3,289	2,900	2,652
Unrestricted balance with central banks	59,884	25,708	97,421	27,517
Original maturity within 3 months:				
- Due from banks and other financial institutions	5,906	7,466	11,781	20,244
- Government and quasi-government bonds	459	557	200	921
	68,779	37,020	112,302	51,334

34 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Credit commitments

Group

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Acceptances	70,853	96,624	145,005	306,435
Letters of guarantee	22,881	32,770	49,029	45,697
Unused credit card limits	9,635	26,574	28,140	27,873
Letters of credit	12,490	15,879	8,250	15,407
Irrevocable loan commitments	3,345	4,856	6,000	5,828
Finance lease commitments	—	—	475	912
	119,204	176,703	236,899	402,152
Credit risk weighted amounts of credit commitments	50,178	65,703	128,820	160,704

Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Acceptances	70,853	96,624	145,005	306,435
Letters of guarantee	22,881	32,770	49,029	45,697
Unused credit card limits	9,635	26,574	28,140	27,873
Letters of credit	12,490	15,879	8,250	15,407
Irrevocable loan commitments	3,345	4,856	6,000	5,828
	119,204	176,703	236,424	401,240
Credit risk weighted amounts of credit commitments	50,178	65,703	128,345	159,792

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 creditworthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%.

(2) Operating lease commitments

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

Group

	December 31, 2006	December 31, 2007	December 31, 2008	June 30 2009
Less than 1 year	503	540	625	574
1 to 5 years	1,159	1,338	1,610	1,691
Later than 5 years	456	436	379	533
	2,118	2,314	2,614	2,798
Bank				
Less than 1 year	503	540	617	565
1 to 5 years	1,159	1,338	1,584	1,662
Later than 5 years	456	436	378	533
	2,118	2,314	2,579	2,760

(3) Assets pledged

Group

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Loans to corporate customers and discounted bills (Note 18)	10,083	38,341	5,445	21,927
Trading financial assets (Note 15)	—	—	2,047	4,621
Investment securities (Note 19)	9,507	15,608	3,305	42,605
Finance lease receivables (Note 20)	—	—	1,470	1,324
	19,590	53,949	12,267	70,477

Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Loans to corporate customers and discounted bills (Note 18)	10,083	38,341	5,445	21,927
Trading financial assets (Note 15)	—	—	2,047	4,621
Investment securities (Note 19)	9,507	15,608	3,305	42,605
	19,590	53,949	10,797	69,153

Assets are pledged as collateral under repurchase agreements with other banks and financial institutions, interest rate swaps contracts, convertible bonds issued, letters of guarantee issued and negotiated deposits taken.

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

The pledged assets accepted by the Group and Bank in relation to resale agreement can be sold and re-pledged. The fair values of such accepted pledged assets were Rmb2.96 billion, Rmb56.17 billion, Rmb23.46 billion and Rmb155.58 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. Furthermore, the fair value for the pledged assets sold by the Bank but with the obligation to return such pledged assets at the expiration date was Rmb2.17 billion, Rmb38.11 billion, Rmb3.11 billion and Rmb28.8 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

(4) Capital commitments

Group

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Property and equipment				
- Contracted but not provided for	462	273	755	1,725
- Authorized but not contracted for	308	302	118	—
Equity investment				
- Contracted but not provided for	—	4,072	2,340	—
- Authorized but not contracted for	—	—	—	—
	770	4,647	3,213	1,725

Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Property and equipment				
- Contracted but not provided for	462	273	214	335
- Authorized but not contracted for	308	302	118	—
Equity investment				
- Contracted but not provided for	—	4,072	2,340	—
- Authorized but not contracted for	—	—	—	—
	770	4,647	2,672	335

The Group's management is confident that future net revenues and funding will be sufficient to cover these commitments.

(5) Security underwriting

Group and Bank

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Short-term financing bills	—	1,950	2,900	3,300
Government bonds	10	21	—	—
	10	1,971	2,900	3,300

(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 Rmb6.11 billion, Rmb4.39 billion, Rmb3.71 billion and Rmb4.09 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. 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.

(7) Legal proceedings

There were a number of outstanding litigation matters against the Group at December 31, 2006, 2007, 2008 and June 30, 2009. After considering professional advice received, the Group's management believes such litigation will not cause significant losses to the group.

35 FIDUCIARY ACTIVITIES

The Bank 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 this financial information, as they are not assets of the Bank.

The Bank's balances of fund custodian operations were Rmb2.03 billion, Rmb32.24 billion, Rmb15.85 billion and Rmb21.45 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. The Bank's balances of credit assets management operations were Rmb3.01 billion, Rmb3.04 billion, Rmb1.23 billion and Rmb0.13 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. And the Bank's balances of entrusted loans were Rmb18.58 billion, Rmb23.33 billion, Rmb25.22 billion and Rmb28.01 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

36 RELATED PARTY TRANSACTIONS

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

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

(1) Loans granted to related parties

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Opening balance	3,772	4,226	1,653	1,814
Loans granted during the year / period	1,392	501	920	1,564
Loan repayments / transfers during the year / period	(938)	(3,074)	(759)	(1,394)
Ending balance	4,226	1,653	1,814	1,984
Interest income earned	248	85	99	45

There is no impaired loan identified among the above related party loans as at December 31, 2006, 2007, 2008 and June 30, 2009.

Guaranteed loans which amounted to Rmb1.65 billion, Rmb1.30 billion Rmb1.18 billion and Rmb1.24 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 and collateralized loans amounted to Rmb2.58 billion, Rmb0.35 billion, Rmb0.63 billion and Rmb0.74 billion as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively were included in the above loans to related parties.

The interest rates ranges of loans granted to related parties are 5.02% – 7.31%, 5.51% – 8.02%, 5.20% – 6.14%, 4.37% – 6.14% for year ended December 31, 2006, 2007, 2008 and six month period ended June 30, 2009.

(2) Deposits taken from related parties

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Opening balance	2,111	3,031	2,544	19,908
Deposits taken during the year/period	49,763	46,572	108,215	15,232
Deposits repaid during the year/period	(48,843)	(47,059)	(90,851)	(6,692)
Ending balance	3,031	2,544	19,908	28,448

The interest expense incurred on the related parties' deposits were not material for the years ended December 31, 2006, 2007, 2008 and six months ended June 30, 2009.

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

	December 31,			June 30,
	2006	2007	2008	2009
Placements with banks and other financial institutions	—	150	—	—
Due to and placements from banks and other financial institutions	—	3,092	1,263	2,173
Loans guaranteed by related parties	616	1,321	1,106	1,981
Acceptance issued for related parties	—	290	464	270
Bills purchased under resale agreement accepted by related parties	—	—	100	250
Related-party bills discounted by the Group	—	—	2	5
Letters of credit issued for related parties	—	—	—	20
Investment securities issued by related parties	—	—	—	232

All the above related parties transactions do not have a significant impact on the Income Statement or Balance Sheet.

(4) Services provided by related parties

The Bank purchased life insurance contracts from China Life Insurance Company ("***China Life***"), a shareholder who owns over 5% of the Bank's share, as supplementary retirement benefit for employees. The Bank pays related insurance fees periodically according to the contracts.

(5) Transactions with key management personnel

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

The Group enters into banking transactions with directors and key management personnel in the ordinary course of business. These include loans and deposits, which are carried out at rates in accordance with the terms of the underlying agreements. Loans outstanding to the key management amounted to Rmb1 million, Rmb3 million, nil and Rmb3 million as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, which have been included in the above loans granted to related parties.

Salaries and other short-term benefits paid to the key management personnel amounted to Rmb50 million, Rmb90 million, Rmb85 million and Rmb24 million as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during 2006, 2007, 2008 and 2009 half year.

37 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by Presidents and special management committees responsible for making strategic decisions. Presidents and special management committees consider the business from both geographic segment and business segment perspective.

The Group's businesses operate in four main geographical areas within the PRC:

(1) Northern China — Including Minsheng Financial Leasing Co., Ltd, the Headquarters in Beijing as well as the following branches: Beijing, Taiyuan, Shijiazhuang and Tianjin;

(2) Eastern China — Including Cixi Minsheng Township Bank Co., Ltd. and the following branches: Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang;

(3) Southern China — Including Minsheng Royal Fund Management Co., Ltd and the following branches: Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen;

(4) Other locations — Including Pengzhou Minsheng Township Bank Co., Ltd. and the following branches: Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, and Changchun.

The Group derives its revenue primarily from corporate banking, private banking and treasury business.

The geographic segment information provided to Presidents and special management are as follows:

Group and Bank

2006	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External Interest income	6,531	4,339	3,040	2,258	—	16,168
Inter-segment Interest (expense) / income	(998)	448	322	228	—	—
Net interest income	5,533	4,787	3,362	2,486	—	16,168
Fee and commission income	663	292	145	124	—	1,224
Fee and commission expense	(65)	(26)	(53)	(53)	—	(197)
Net fee and commission income	598	266	92	71	—	1,027
Operating expense	(3,723)	(2,597)	(1,936)	(1,461)	—	(9,717)
Impairment losses on assets	(926)	(632)	(432)	(224)	—	(2,214)
Net other income	(197)	29	69	16	—	(83)
Total profit	1,341	1,853	1,155	888	—	5,237
Segment assets	396,253	215,224	147,375	122,023	(156,535)	724,340
Unallocated						747
Total assets						725,087
Segment liabilities	(387,387)	(211,718)	(144,282)	(118,674)	156,535	(705,526)
Unallocated						(250)
Total liabilities						(705,776)
Depreciation and amortization	280	186	107	99	—	672
Capital expenditure	975	203	255	194	—	1,627
Credit commitments	48,600	36,864	17,234	16,506	—	119,204

Group and Bank

2007	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External Interest income	7,811	6,478	4,745	3,546	—	22,580
Inter-segment Interest (expense) / income	(1,131)	624	341	166	—	—
Net interest income	6,680	7,102	5,086	3,712	—	22,580
Fee and commission income	1,966	303	230	166	—	2,665
Fee and commission expense	(83)	(43)	(91)	(57)	—	(274)
Net fee and commission income	1,883	260	139	109	—	2,391
Operating expense	(4,676)	(4,202)	(2,577)	(2,297)	—	(13,752)
Impairment losses on assets	(1,235)	(276)	(637)	(117)	—	(2,265)
Net other income	274	(17)	(49)	21	—	229
Total profit	2,955	2,867	1,962	1,428	—	9,212
Segment assets	490,930	270,401	198,168	136,336	(177,062)	918,773
Unallocated						64
Total assets						918,837
Segment liabilities	(449,512)	(266,862)	(195,137)	(133,831)	177,062	(867,280)
Unallocated						(1,370)
Total liabilities						(868,650)
Depreciation and amortization	219	167	123	98	—	607
Capital expenditure	3,028	510	135	287	—	3,960
Credit commitments	73,805	55,446	22,531	24,921	—	176,703

Group

2008	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External Interest income	11,648	8,506	5,020	5,206	—	30,380
Inter-segment Interest (expense) / income	(3,755)	2,157	1,083	515	—	—
Net interest income	7,893	10,663	6,103	5,721	—	30,380
Fee and commission income	3,196	870	355	334	—	4,755
Fee and commission expense	(129)	(50)	(69)	(46)	—	(294)
Net fee and commission income	3,067	820	286	288	—	4,461
Operating expense	(6,530)	(5,406)	(2,982)	(2,899)	—	(17,817)
Impairment losses on assets	(3,929)	(900)	(595)	(1,094)	—	(6,518)
Net other income	(880)	(46)	71	5	—	(850)
Total profit	451	5,128	2,899	2,010	—	10,488
Segment assets	671,727	335,333	163,954	170,199	(287,942)	1,053,271
Unallocated						1,079
Total assets						1,054,350
Segment liabilities	(633,845)	(327,846)	(159,454)	(166,475)	287,942	(999,678)
Depreciation and amortization	293	156	124	105	—	678
Capital expenditure	902	503	20	336	—	1,761
Credit commitments	82,193	92,831	25,302	36,573	—	236,899

Group

The first half of 2008	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External Interest income	5,272	4,172	2,929	2,323	—	14,696
Inter-segment Interest (expense) / income	(1,804)	974	549	281	—	—
Net interest income	3,468	5,146	3,478	2,604	—	14,696
Fee and commission income	2,211	577	233	190	—	3,211
Fee and commission expense	(55)	(22)	(35)	(27)	—	(139)
Net fee and commission income	2,156	555	198	163	—	3,072
Operating expense	(2,847)	(2,466)	(1,361)	(1,194)	—	(7,868)
Impairment losses on assets	(424)	(390)	(209)	(592)	—	(1,615)
Net other income	(145)	6	4	6	—	4,567
Total profit	2,208	2,851	2,110	987	—	8,156

Group

The first half of 2009	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External Interest income	5,522	3,967	1,644	2,817	—	13,950
Inter-segment Interest (expense) / income	(788)	525	312	(49)	—	—
Net interest income	4,734	4,492	1,956	2,768	—	13,950
Fee and commission income	1,553	500	202	187	—	2,442
Fee and commission expense	(62)	(30)	(35)	(17)	—	(144)
Net fee and commission income	1,491	470	167	170	—	2,298
Operating expense	(3,263)	(2,463)	(1,289)	(1,363)	—	(8,378)
Impairment losses on assets	(1,294)	(884)	(11)	(662)	—	(2,851)
Net other income	4,745	(84)	(16)	(78)	—	4,567
Total profit	6,473	1,469	808	836	—	9,586
Segment assets	828,972	446,222	215,190	269,660	(352,550)	1,407,494
Unallocated						2,520
Total assets						1,410,014
Segment liabilities	(796,377)	(432,011)	(210,993)	(265,131)	352,550	(1,351,962)
Depreciation and amortization	136	81	57	62	—	336
Capital expenditure	1,112	89	3	56	—	1,260
Credit commitments	145,388	140,203	38,542	78,020	—	402,153

Transactions between segments are carried out at arm's length. The profit or loss reported to Presidents and special management committees is measured in a manner consistent with that in the income statement.

The amounts provided to Presidents and special management committees with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. Deferred income tax assets and liabilities are not allocated to segments.

The segment information by business type provided to Presidents and special management committees are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Total operating income					
Corporate banking business	12,143	18,509	26,410	12,464	11,496
Retail banking business	2,415	4,024	6,183	2,927	2,142
Treasury business	2,725	2,351	2,195	2,021	2,277
Other business and unallocated	158	388	185	228	5,315
Total	17,441	25,272	34,973	17,640	21,230

Group

	December 31,			June 30,
	2006	2007	2008	2009
Segment assets				
Corporate banking business	398,555	450,024	540,374	768,235
Retail banking business	68,042	98,875	107,706	123,494
Treasury business	248,374	356,178	388,528	493,321
Other business and unallocated	10,116	13,760	17,742	24,964
Total	725,087	918,837	1,054,350	1,410,014

Bank

	December 31,			June 30,
	2006	2007	2008	2009
Segment assets				
Corporate banking business	398,555	450,024	540,374	768,235
Retail banking business	68,042	98,875	107,706	123,494
Treasury business	248,374	356,178	388,528	493,429
Other business and unallocated	10,116	13,760	13,533	14,921
Total	725,087	918,837	1,050,141	1,400,079

38 EVENTS AFTER THE BALANCE SHEET DATE

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

39 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Bank and its subsidiaries in respect of any period subsequent to June 30, 2009 up to the date of this report. In addition, no dividend or distribution has been declared, made or paid by the Bank or its subsidiaries in respect of any period subsequent to June 30, 2009.

Your faithfully

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong