中国民生银行
CHINA MINSHENG BANKING CORP., LTD.

中 國 民 生 銀 行 股 份 有 限 公 司
CHINA MINSHENG BANKING CORP., LTD.*

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

(Stock Code: 01988)

Interim Results Announcement
for the 6 Months Ended 30 June 2010

FINANCIAL HIGHLIGHTS

- As at 30 June 2010, total assets of the Group amounted to RMB1,630,776 million, representing an increase of 14.33% over that of 31 December 2009
- For the 6 months ended 30 June 2010, operating income of the Group amounted to RMB26,081 million, representing an increase of 22.85% over the same period of last year
- For the 6 months ended 30 June 2010, net profit attributable to equity holders of the Company amounted to RMB8,866 million, representing an increase of 20.23% over the same period of last year
- As at 30 June 2010, the equity attributable to the equity holders of the Company amounted to RMB95,976 million, representing an increase of 9.02% over that of 31 December 2009
- For the 6 months ended 30 June 2010, basic earnings per share amounted to RMB0.40, representing an increase of RMB0.01 over the same period of last year

The board of directors (the "Board") of China Minsheng Banking Corp., Ltd. (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the 6 months ended 30 June 2010. The results were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements under the Hong Kong Companies Ordinance.

(Note: Unless otherwise specified, all money amounts in this Interim Results Announcement are stated in Renminbi ("RMB").)

CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in RMB millions unless otherwise stated)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB millions unless otherwise stated)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB millions unless otherwise stated)

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB millions unless otherwise stated)

	Attributable to the equity holders of the Bank							
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Reserve for fair value changes of available-for-sale securities	Non-controlling interests	Total equity
Balance at 1 January 2010	**22,262**	**38,075**	**4,184**	**10,904**	**12,503**	**106**	**860**	**88,894**
Comprehensive income	**—**	**—**	**—**	**—**	**8,866**	**189**	**58**	**9,113**
Cash dividends related to 2009	**—**	**—**	**—**	**—**	**(1,113)**	**—**	**—**	**(1,113)**
Balance at 30 June 2010	**22,262**	**38,075**	**4,184**	**10,904**	**20,256**	**295**	**918**	**96,894**
Balance at 1 January 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 related to 2008	—	—	—	—	(1,506)	—	—	(1,506)
Balance at 30 June 2009	18,823	14,768	2,983	8,001	11,877	803	797	58,052
Balance at 1 July 2009	18,823	14,768	2,983	8,001	11,877	803	797	58,052
Comprehensive income	—	—	—	—	4,730	(697)	(1)	4,032
Issue of ordinary shares	3,439	23,311	—	—	—	—	65	26,815
Appropriation to surplus reserve	—	—	1,201	—	(1,201)	—	—	—
Appropriation to general reserve	—	—	—	2,903	(2,903)	—	—	—
Others	—	(4)	—	—	—	—	(1)	(5)
Balance at 31 December 2009	22,262	38,075	4,184	10,904	12,503	106	860	88,894

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB millions unless otherwise stated)

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 SEGMENT INFORMATION

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

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

The segment information is disclosed as following regions and lines:

Geography segment:

1. Northern China: Minsheng Financial Leasing Co., Ltd., Headquarter, Beijing, Taiyuan, Shijiazhuang and Tianjin.

2. Eastern China: Cixi Minsheng Township Bank Co., Ltd., Shanghai Songjiang Minsheng Township Bank Co., Ltd., Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang.

3. Southern China: Minsheng Royal Fund Management Co., Ltd., Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen.

4. Other locations: Pengzhou Minsheng Township Bank Co., Ltd., Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

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

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

Six months ended 30 June 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	6,413	1,531	807	835	—	9,586
As at 31 December 2009						
Segment assets	925,604	482,244	205,114	251,198	(440,949)	1,423,211
Unallocated						3,181
Total assets						1,426,392
Segment liabilities	(856,680)	(474,174)	(201,491)	(246,102)	440,949	(1,337,498)
Depreciation and amortization	289	183	120	129	—	721
Capital expenditure	4,177	290	143	217	—	4,827
Credit commitments	94,854	116,494	36,647	91,857	—	339,852

Business segment:

Corporate banking — for corporate customers, government agencies and financial institutions. These products and services include current accounts, deposits, overdrafts, loans, hosting, trade-related products and other credit services, foreign currency and derivative products.

Retail banking — providing banking products and services for individual clients. These products and services include current accounts, savings deposits, investment savings products, credit cards and debit cards, consumer credit and mortgage loans.

Treasury business — including foreign exchange trading, foreign exchange derivatives transactions, money market transactions, self-support trade, as well as asset-liability management. The business segment's operating results include foreign currency profit and the affect of the profit and loss which generated from internal fund surplus or shortage from interest-bearing assets and interest-bearing liabilities.

Other business — the Group's other businesses including the Group's investments and any other business which is not reported separately in report.

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

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

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

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

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

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

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

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

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

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

3 NET INTEREST INCOME

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

4 FEE AND COMMISSION INCOME

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

5 NET TRADING INCOME

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

6 NET GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES

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

In 2009, the Bank disposed of its equity securities of Haitong Securities Co., Ltd. ("Haitong Securities"). Net gain of RMB4.90 billion was recognized in the consolidated income statement of 2009.

7 IMPAIRMENT LOSSES ON ASSETS

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

8 OPERATING EXPENSES

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

9 INCOME TAX EXPENSE

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

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

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

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

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

10 EARNINGS PER SHARE

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

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

11 CASH AND DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

12 BALANCES WITH CENTRAL BANKS

	30 June 2010	31 December 2009
Restricted deposits	**156,161**	122,610
Unrestricted deposits	**75,803**	98,980
	231,964	221,590

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

13 TRADING FINANCIAL ASSETS

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

All of above bond investments are listed.

Trading financial assets pledged as collateral under repurchase agreements signed with other banks as at 30 June 2010 amounted to RMB2.02 billion (2009: RMB2.03 billion).

14 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

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

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

16 LOANS AND ADVANCES TO CUSTOMERS

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

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

There was RMB50 million discounted bills pledged as collateral under repurchase agreements with other banks as at 30 June 2010 (2009: Nil).

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

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

(2) Loans to corporations by industries

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

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

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

(4) Movement of allowance for impairment losses:

	Loans to corporate entities Individual assessment	Loans to corporate entities Collective assessment	Loans to individual Collective assessment	Total
Balance at 1 January 2010	**4,378**	**9,024**	**1,839**	**15,241**
New allowances	**351**	**1,933**	**603**	**2,887**
Releases	**(770)**	**—**	**—**	**(770)**
Reclassification	**181**	**(181)**	**—**	**—**
Amounts written off and exempted during the period as uncollectible	**(132)**	**—**	**(40)**	**(172)**
Unwinding of discount on allowance	**(91)**	**—**	**—**	**(91)**
Recovery after write-off	**137**	**—**	**—**	**137**
Exchange loss	**1**	**1**	**—**	**2**
Balance at 30 June 2010	**4,055**	**10,777**	**2,402**	**17,234**

	Loans to corporate entities Individual assessment	Loans to corporate entities Collective assessment	Loans to individual Collective assessment	Total
Balance at 1 January 2009	3,990	6,613	1,282	11,885
New allowances	1,227	2,641	998	4,866
Releases	(74)	—	—	(74)
Reclassification	179	(179)	—	—
Amounts written off and exempted during the period as uncollectible	(853)	(51)	(441)	(1,345)
Unwinding of discount on allowance	(178)	—	—	(178)
Recovery after write-off	87	—	—	87
Balance at 31 December 2009	4,378	9,024	1,839	15,241

17 INVESTMENT SECURITIES

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

Investment securities pledged as collateral under agreements signed with banks and other financial institutions as at 30 June 2010 amounted to RMB6.26 billion (2009: RMB3.26 billion). Such agreements were interest rate swap contracts and negotiated deposits.

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

(1) Available-for-sale securities

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

The Group's fair value changes relating to impaired available-for-sale securities, which have been charged to the condensed consolidated income statement. The Group's carrying value of the impaired available-for-sale securities amounted to RMB1,096 million as at 30 June 2010 (2009: RMB983 million), and related impairment loss amounted to RMB1,020 million (2009: RMB955 million).

(2) Held-to-maturity securities

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

(3) Loans and receivables

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

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

All of above loans and receivables are unlisted.

18 FINANCE LEASE RECEIVABLES

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

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

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

	30 June 2010	31 December 2009
Gross investment in finance leases receivable:		
— Less than 1 year	**8,255**	4,900
— Later than 1 year and less than 5 years	**19,615**	13,460
— Later than 5 years	**1,755**	1,023
	29,625	19,383
Unearned finance income on finance leases	**(3,653)**	(2,276)
Present value of minimum lease payments, receivable	**25,972**	17,107

The present value of minimum lease payments may be analysed as follows:

— Less than 1 year	**7,237**	4,266
— Later than 1 year and less than 5 years	**17,196**	11,950
— Later than 5 years	**1,539**	891
	25,972	17,107

Finance lease receivables pledged as collateral under repurchase and borrowings agreements with banks and other financial institutions as at 30 June 2010 amounted to RMB9.35 billion (2009: RMB5.03 billion).

19 PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Leasing assets	Total
30 June 2010							
Original cost	6,488	1,781	3,061	236	569	300	12,435
Accumulated depreciation	(726)	(1,108)	(1,875)	(152)	—	(1)	(3,862)
Net value	5,762	673	1,186	84	569	299	8,573
31 December 2009							
Original cost	3,923	1,622	2,835	222	2,921	—	11,523
Accumulated depreciation	(609)	(994)	(1,716)	(136)	—	—	(3,455)
Net value	3,314	628	1,119	86	2,921	—	8,068

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Leasing assets	Total
Net value							
1 January 2010	**3,314**	**628**	**1,119**	**86**	**2,921**	**—**	**8,068**
Additions	**64**	**159**	**229**	**16**	**153**	**300**	**921**
Transfer in/(out)	**2,505**	**—**	**—**	**—**	**(2,505)**	**—**	**—**
Disposals	**(4)**	**—**	**(3)**	**(2)**	**—**	**—**	**(9)**
Depreciation charge	**(117)**	**(114)**	**(159)**	**(16)**	**—**	**(1)**	**(407)**
30 June 2010	**5,762**	**673**	**1,186**	**84**	**569**	**299**	**8,573**
31 December 2009	**3,314**	**628**	**1,119**	**86**	**2,921**	**—**	**8,068**

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

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

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

20 DEFERRED INCOME TAXES

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

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

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

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

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

Deferred income tax liabilities

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

21 INVESTMENT IN SUBSIDIARIES

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

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

All interests in subsidiaries are directly held.

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

22 OTHER ASSETS

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

23 DEPOSITS FROM CUSTOMERS

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

24 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

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

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

25 DEBT SECURITIES IN ISSUE

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

(1) Financial bonds

	30 June 2010	31 December 2009
2007 RMB6 billion Financial Bonds with floating interest — 3 years	**—**	6,088
2007 RMB6 billion Financial Bonds with floating interest — 5 years	**5,998**	6,087
	5,998	12,175

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

The 3-year 2007 financial bonds have a face value of RMB6 billion and a floating rate that is based on the one-year PBOC time deposit rate published on the interest accrual date plus 61 bps. On 22 June 2010, the Bank repaid the 3-year 2007 financial bonds at face value RMB6 billion. The 5-year floating rate financial bonds have a face value of RMB6 billion and a floating rate based on the one-year PBOC time deposit rate published on the interest accrual date plus 76 bps. The interest is payable annually.

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

(2) Subordinated bonds

	30 June 2010	31 December 2009
2005 RMB1.4 billion Subordinated Bonds with fixed rate — 10 years (i)	**1,427**	1,401
2010 RMB5.8 billion Subordinated Bonds with fixed rate — 10 years (ii)	**5,786**	—
	7,213	1,401

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

(i) The fixed-rate subordinated bonds issued in 2005 have a maturity of 10 years, with a face value of RMB1.4 billion, and a fixed coupon rate of 3.68% per annum and payable annually. From the sixth year, the interest rate will increase to 6.68% per annum. According to the terms, the Bank has the option to redeem all the subordinated bonds at face value on the last day of the fifth year.

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

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

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

(3) Hybrid capital bonds

	30 June 2010	31 December 2009
2006 RMB3.3 billion Hybrid Capital Bonds with fixed rate — 15 years (i)	**3,377**	3,291
2006 RMB1 billion Hybrid Capital Bonds with floating rate — 15 years (ii)	**1,019**	997
2009 RMB3.325 billion Hybrid Capital Bonds with fixed rate — 15 years (iii)	**3,366**	3,459
2009 RMB1.675 billion Hybrid Capital Bonds with floating rate — 15 years (iv)	**1,693**	1,737
	9,455	9,484

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

(i) The fixed-rate hybrid capital bonds issued on 28 December 2006 have a maturity of 15 years, with a face value of RMB3.3 billion, and a fixed coupon rate of 5.05% per annum from year 1 to 10, payable annually. For the last 5 years, the annual coupon rate will be 8.05%.

(ii) The floating-rate hybrid capital bonds issued in 2006 have a maturity of 15 years, with a face value of 1 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 2% per annum for the first 10 years, payable annually. From the eleventh year, the original spread will increase to 3% per annum.

(iii) The fixed-rate hybrid capital bonds issued on 25 March 2009 have a maturity of 15 years, with a face value of RMB3.325 billion, and a fixed coupon rate of 5.70% per annum from year 1 to 10, payable annually. For the last 5 years, the annual coupon rate will be 8.70%.

(iv) The floating-rate hybrid capital bonds issued in 2009 have a maturity of 15 years, with a face value of RMB 1.675 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 3% per annum for the first 10 years, payable annually. From the eleventh year, the original spread will increase to 5% per annum.

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

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

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

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

26 OTHER LIABILITIES

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

27 SHARE CAPITAL AND CAPITAL RESERVE

The total number of authorized ordinary shares was 22.26 billion shares as at 30 June 2010 and 31 December 2009 with a par value of RMB1 yuan per share, this includes 18.82 billion domestic listed A shares and 3.44 billion overseas listed H shares. As at 30 June 2010, all issued shares are fully paid and none are restricted on sales.

The Group's capital reserve is RMB38.08 billion as at 30 June 2010 and 31 December 2009, which mainly comprises capital premium.

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

28 SURPLUS RESERVE, GENERAL RESERVE AND RETAINED EARNINGS

(1) Surplus reserve

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

(2) General reserve

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

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

(3) Retained earnings

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

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

29 DIVIDENDS

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

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

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

31 CASH AND CASH EQUIVALENTS

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

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

32 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Credit commitments

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

(2) Capital commitments

	30 June 2010	31 December 2009
Property and equipment		
— Contracted but not provided for	**6,106**	3,299
	6,106	3,299

(3) Operating lease commitments

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

	30 June 2010	31 December 2009
Less than 1 year	**1,158**	875
Later than 1 year and less than 5 years	**2,763**	2,557
Later than 5 years	**1,266**	852
	5,187	4,284

(4) Assets pledged

	30 June 2010	31 December 2009
Finance lease receivables	**9,345**	5,033
Investment securities	**6,261**	3,257
Trading financial assets	**2,023**	2,025
Discounted bills	**50**	—
	17,679	10,315

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

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

The pledged bills accepted by the Group and Bank in relation to resale agreement can be sold and re-pledged. The carrying values of such pledged assets were RMB21.22 billion as at 30 June 2010 (2009: RMB46.86 billion).

(5) Security underwriting

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

(6) Certificate Treasury Bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Certificate Treasury Bonds. The investors of Certificate Treasury Bonds have the option to redeem the bonds at par any time prior to maturity, and the Bank is committed to repurchase those bonds at the redemption price. The redemption price is the par value of the Certificate Treasury Bonds plus unpaid interest in accordance with the early redemption arrangement. The principal of the bonds amounted to RMB4.73 billion as at 30 June 2010 (2009: RMB4.35 billion). The original maturities of these bonds vary from 1 to 5 years.

(7) Legal proceedings

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

33 FIDUCIARY ACTIVITIES

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

The Group's balances of fund custodian operations were RMB24.53 billion as at 30 June 2010 (2009: RMB23.32 billion). The Group's balances of corporate annuity funds custodian operations were RMB1.85 billion as at 30 June 2010 (2009: RMB1.50 billion). The Group's balances of credit assets management operations were RMB21.07 billion as at 30 June 2010 (2009: RMB16.37 billion). And the Group's balances of entrusted loans were RMB33.64 billion as at 30 June 2010 (2009: RMB33.01 billion).

34 RELATED PARTY TRANSACTIONS

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

There was no shareholders holding more than 5 percent (include 5%) stock as at 30 June 2010 (As at 31 December 2009: Nil).

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

(1) Loans granted to related parties

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

	The first half year of 2010	The first half year of 2009
Interest income earned	**64**	45

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

Loans analyzed by guarantee type

	30 June 2010	31 December 2009
Guaranteed loans	**1,100**	1,285
Collateralised loans	**950**	1,225
Pledged loans	**56**	3
Unsecured loans	**54**	68
Total	**2,160**	2,581

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

(2) Deposits taken from related parties

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

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

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

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

All the above related parties transactions had no significant impact on the consolidated income statement or consolidated statement of financial position.

(4) Services provided by related parties

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

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

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

(5) Transactions with key management personnel

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

The Group enters into banking transactions with directors and key management personnel in the ordinary course of business. These include loans and deposits, which are carried out at rates in accordance with the terms of the underlying agreements. Loans outstanding to the key management amounted to RMB3 million as at 30 June 2010, which have been included in the above loans granted to related parties (2009: 3 million).

Salaries and other short-term benefits paid to the key management personnel amounted to RMB29 million as at 30 June 2010 (2009 first half year: RMB24 million). No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during 2010 and 2009.

(6) The balance with subsidiaries

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

35 EVENTS AFTER THE DATE OF THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

I. Overview of operations

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

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

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

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

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

(III) Strengthened assets management and stability of assets quality

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

II. Analysis of major items of income statement

(I) Net interest income

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

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

(Unit: RMB million)

	January to June 2010			January to June 2009		
Item	**Average Balance**	**Interest income**	**Average return (%)**	Average Balance	Interest income	Average return (%)
Assets						
Loans and advances to customers	**941,693**	**25,874**	**5.50**	714,223	19,574	5.48
Investment in debt securities	**168,521**	**2,636**	**3.13**	142,637	2,657	3.73
Balances with central banks	**183,166**	**1,304**	**1.42**	123,955	866	1.40
Due from and placements with banks and other financial institutions	**131,288**	**1,207**	**1.84**	158,764	1,211	1.53
Others	**27,210**	**667**	**4.90**	8,840	326	7.38
Total	**1,451,878**	**31,688**	**4.37**	1,148,419	24,634	4.29

	Average Balance	**Interest expense**	**Average cost (%)**	Average Balance	Interest expense	Average cost (%)
Liabilities						
Deposits from customers	**1,119,621**	**7,995**	**1.43**	900,280	8,238	1.83
Due to and placements from banks and other financial institutions	**182,288**	**1,771**	**1.94**	139,773	1,595	2.28
Debt securities in issue	**22,845**	**464**	**4.06**	33,947	761	4.48
Others	**19,225**	**293**	**3.05**	5,408	90	3.33
Total	**1,343,979**	**10,523**	**1.57**	1,079,408	10,684	1.98
Net interest income		**21,165**			**13,950**	
Net interest spread			**2.80**			**2.31**
Net interest margin			**2.92**			**2.43**

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

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

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

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

(Unit: RMB million)

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

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

1. *Interest income*

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

(1) Interest income from loans and advances to customers

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

(Unit: RMB million)

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

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

(2) Interest income from investment in debt securities

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

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

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

2. *Interest expenses*

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

(1) Interest expenses on deposits

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

Interest expenses and costs ratio on corporate deposits

(Unit: RMB million)

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

Interest expenses and costs ratio on retail deposits

(Unit: RMB million)

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

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

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

(3) Interest expenses on debt securities in issue

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

(II) Non-interest income

1. *Analysis of non-interest income*

(Unit: RMB million)

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

2. *Analysis of net fee and commission income*

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

(Unit: RMB million)

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

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

(Unit: RMB million)

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

(III) Operating expenses

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

(Unit: RMB million)

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

(IV) Impairment losses on assets

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

(Unit: RMB million)

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

(V) Income tax

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

III. Analysis of major items of statement of financial position

(I) Assets

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

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

(Unit: RMB million)

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

1. Loans and advances to customers

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

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

(Unit: RMB million)

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

Breakdown of retail loans is as follows:

(Unit: RMB million)

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

2. *Investment securities and other financial assets*

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

(1) Breakdown of investment securities and other financial assets

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

(Unit: RMB million)

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

(2) Holdings of major government bonds

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

(Unit: RMB million)

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

(3) Holdings of major financial bonds

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

(Unit: RMB million)

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

(4) Major types and amount of derivative financial instruments

(Unit: RMB million)

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

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

(II) Liabilities

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

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

(Unit: RMB million)

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

1. *Deposits from customers*

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

(Unit: RMB million)

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

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

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

(III) Shareholders' equity

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

(Unit: RMB million)

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

(IV) Off-balance sheet items

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

(Unit: RMB million)

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

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

(V) Market shares of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (金融機構本外幣信貸收支表) issued by the PBOC in June 2010, among 9 national joint stock commercial banks, total deposits of the Company captured a market share of 13.71% and its savings deposits accounted for 11.15% of the market share as at the end of the reporting period. As at the end of the reporting period, total loans of the Company captured a market share of 13.20%, of which, market shares of loans excluding discounted bills and loans to individuals were 13.43% and 12.82%, respectively among these 9 national joint stock commercial banks.

IV. Other financial information

1. Items relating to fair value measurement

(1) Internal control system relating to fair value measurement

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

(2) Items measured at fair value

(Unit: RMB million)

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

2. Overdue and outstanding liabilities

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

V. Qualitative analysis of loans

1. *Industry concentration of loans*

(Unit: RMB million)

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

2. Loans by geographical distribution

(Unit: RMB million)

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

3. Distribution and percentage of loans by collateral

(Unit: RMB million)

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

4. Top ten borrowers

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

5. Five-category classification of credit assets

(Unit: RMB million)

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

6. Migration ratio of loans

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

7. Subsidized loans

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

8. *Restructured loans and overdue loans*

(Unit: RMB million)

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

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

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

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

9. *Allowance for impairment of loans*

(Unit: RMB million)

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

Provision method for loan impairment:

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

10. Non-performing loans and related measures

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

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

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

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

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

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

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

VI. Analysis of capital adequacy ratio

(Unit: RMB million)

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

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

VII. Segment report

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

(I) Segment operating results by geographical regions

(Unit: RMB million)

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

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

(II) Segment operating results by business lines

(Unit: RMB million)

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

VIII. Performance of Key Business Lines

(I) Corporate banking

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

1. Corporate loans

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

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

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

(1) The Company further strengthened the building up of its customer base and developed new customers and new markets as well as expanded customer bases by implementing favourable policies and launching marketing activities so as to reduce loan concentration. In the reporting period, customers of the Company's corporate loans increased significantly and there were 1,402 new borrowers. Number of customers with outstanding loans as at the end of the period was 8,419, representing an increase of 20% as compared with the beginning of the period. The average balance of outstanding loans per customer decreased to RMB86 million from RMB105 million as at the beginning of this year.

(2) The Company strengthened and improved the financial services for SMEs to increase the proportion of SME business. In the reporting period, SME business accounted for 55.85% of the new general corporate loans. As at the end of the period, general corporate loans of SMEs amounted to RMB59,197 million, representing 8.22% of the outstanding general corporate loans.

(3) The Company optimized the credit structure of major customers and promoting strategies of cooperation with non-state-owned enterprises so as to cultivate strategic partners and provide foundation for the Company's business transforming and overall income improving.

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

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

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

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

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

2. *Corporate deposits*

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

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

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

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

(1) The Company took various initiatives to explore new customers. In the reporting period, 20,405 new deposit accounts brought a growth of RMB105,500 million in deposits, which accounted for 62.70% of the increase in corporate deposits, and was the main growth driver of liability business. As at the end of the period, there were 153,600 corporate deposit accounts with outstanding balance, representing an increase of 15.3% over the previous year. The continuously expanding customer base laid a solid foundation for the Company to further implement the strategy of developing the settlement business to boost deposit growth.

(2) The Company further promoted the development of transaction finance business. The Company is of the view that the transaction finance business can bring opportunities in cash management and future cash flow management business for banks which provide financing services to customers in respect of their inventories, account receivables and bill receivables. The Company takes transaction finance business as an important instrument for organic growth of its liability business, and takes cultivation of effective customer base and increase of business volume as the primary development target for transaction finance business. In the reporting period, transaction finance business of the Company achieved leaping growth with an accumulated amount of RMB160,700 million and a balance of RMB116,900 million with 2,977 effective customers, representing increase in the accumulated amount and the balance by 181% and 148% respectively from corresponding period of the previous year. The balance of arbitrage pledged deposits and settlement deposits amounted to RMB87,000 million. The transaction finance business of the Company expanded from single customer marketing to batch customer marketing, and has initially built up its dominance in terms of region and industry in the industry chains of metallurgy, garment, liquor, coke, oil products and automobile sectors. The Company believes that with the expansion of transaction finance business and effective customer base, the competitive edges of the Company in customer services and the financing market will be further improved, and the transaction finance business will play a more significant role in pushing forward the liability business of the Company.

3. *Non-interest income business*

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

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

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

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

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

4. *Operation of the SBUs*

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

(1) Real Estate Finance SBU

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

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

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

(2) Energy Finance SBU

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

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

(3) Transportation Finance SBU

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

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

(4) Metallurgy Finance SBU

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

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

(5) SME Finance SBU

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

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

(6) Trade Finance SBU

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

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

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

(II) Retail business

1. *Retail loans*

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

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

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

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

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

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

2. *Retail deposits*

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

3. *Debit card business*

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

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

4. *Credit card business*

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

5. *Agency business*

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

6. *Customers and related activities*

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

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

7. *Private banking business*

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

(III)Treasury business

1. *Transactions*

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

2. *Investments*

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

3. *Wealth management business*

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

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

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

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

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

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

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

4. *Underwriting of bills and bonds*

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

5. *Trading in gold and other precious metals*

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

(IV) E-banking services

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

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

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

IX. Risk management

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

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

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

1. *Credit risk management*

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

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

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

2. *Liquidity risk management*

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

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

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

3. Market risk management

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

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

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

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

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

4. Operational risk management

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

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

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

5. Implementation of New Basel II Accord

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

6. Anti-money laundering

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

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

X. Major issues in operation and the corresponding measures

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

1. Continued to carry out its strategic adjustment and optimize its business strategy. The Company has steadily implemented the Board's Five-year Development Outline (五年發展綱要) and the management's Development Plan (Framework) from 2009 to 2011 (2009–2011年發展規劃（框架）) to strategically transform into a bank for non-state-owned enterprises, small and micro enterprises and high-end customers in order to become a "distinctive and efficient" bank. The Company has continuously enhanced its diversified strategies, strengthened its subsidiary bodies such as leasing and fund subsidiaries and enhanced the establishment and management of township banks.

2. Further carried out the reform towards process-based banking and streamlined the management and operation systems. The Company has launched research on major projects and issues to formulate a general planning framework for process-based banking. The Company has restructured its middle and back offices, pushed forward the reform on performance of its organization structure and the construction of comprehensive risk management system.

3. Enhanced the assets/liabilities management to improve capital efficiency. The Company has strengthened its deposit business and lowered its loan-to-deposit ratios. It has improved business assessment based on economic capital management to pave the way for its transformation into a business model of high capital efficiency for better resources allocation.

4. Fully implemented regulatory policies and improve risk management. The Company has implemented a series of regulatory policies by tightening financial indicator supervision and examining and reducing the six major risks, implementing the "Three Measures and One Guideline" and conducting on-site inspection and supervision to ensure compliance of our operation, risks control and maintenance of asset quality.

5. Adjusted the structure to improve overall efficiency. The Company has adjusted the customer and business structures to put emphasis on the customer strategy targeting on non-state-owned enterprises, small and micro enterprises and high-end customers. It has improved the management and innovation of intermediary businesses. In addition, it has further optimized the SBU reform by reinforcing SBUs' function to enhance its professional competitive edge and develop businesses with unique characteristics. The collaboration mechanism among different departments has been streamlined for better overall service integration, higher income level and stronger income structure.

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

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

1. To carry out the reform and enhance the research of major issues of process-based banking. Through the launch of the standardization plan for organization structure of its branches, the Company will continue to pursue reforms on the business performance in its institutions.

2. To further optimize its structure and develop competitive businesses. The Company will continue to promote the development of its three major strategic businesses through various initiatives such as external collaboration, structural optimization, improvement of assessment and incentives and establishment of technology platform. The Company will improve the management and support of intermediary business and further optimize the income structure. It will also streamline the collaboration mechanism to improve the capability to offer comprehensive services and increase overall income.

3. To strengthen risk management and control to ensure steady operations. The Company will strictly implement and reinforce the "Three Measures and One Guideline" with appropriate risk control over its businesses in relation to the government financing platform, industries with excessive production and the real estate industry loans. The Company will further optimize the credit examination and approval structure and risk management mechanism. Adjustments and optimization will be made for its risk policies to strengthen settlement and clearing efforts and overall efficiency. The Company will improve the establishment of the risk management system, enhance the economic capital management system and optimize the operational mechanism of the Risk Management Commission.

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

OTHERS

I. Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in the reporting period.

II. Code on Corporate Governance Practices

In the reporting period, the Company has complied with the code provisions set out in the "Code on Corporate Governance Practices" in Appendix 14 to the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (the "Hong Kong Listing Rules").

III. Dividends

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

IV. Audit Committee

The Audit Committee of the Company has reviewed the 2010 interim results of the Group and the financial statements for the 6 months ended 30 June 2010 prepared in accordance with the International Financial Reporting Standards.

V. Publication of Interim Results Announcement and Interim Report

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.cmbc.com.cn).

The Company's 2010 interim report containing all the information required under the Hong Kong Listing Rules will be dispatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
Dong Wenbiao
Chairman

Beijing, 10 August 2010

As at the date of this announcement, the executive directors of the Company are Mr. Dong Wenbiao, Mr. Hong Qi and Mr. Liang Yutang; the non-executive directors of the Company are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Wang Yugui, Mr. Chen Jian, Ms. Wong Hei, Mr. Shi Yuzhu, Mr. Wang Hang and Mr. Wang Junhui; and the independent non-executive directors of the Company are Mr. Andrew Wong, Mr. Wang Songqi, Mr. Liang Jinquan, Mr. Wang Lihua, Mr. Qin Rongsheng and Mr. Han Jianmin.

* *For identification purpose only*