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**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)

**Results Announcement For The Year Ended 31 December, 2010**

**FINANCIAL HIGHLIGHTS**

- As at 31 December, 2010, total assets of the Group amounted to RMB1,823,737 million, representing an increase of 27.86% as compared with the end of last year
- For the year ended 31 December, 2010, operating income of the Group amounted to RMB54,667 million, representing an increase of 30.04% over last year
- As at 31 December, 2010, the equity attributable to the equity holders of the Company amounted to RMB104,108 million, representing an increase of 18.26% as compared with the end of last year
- For the year ended 31 December, 2010, the net profit attributable to the equity holders of the Company amounted to RMB17,581 million, representing an increase of 45.25% over last year
- For the year ended 31 December, 2010, basic earnings per share amounted to RMB0.66, representing an increase of RMB0.15 over last year

The board of directors (the “Board”) of China Minsheng Banking Corp., Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December, 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.

## IMPORTANT NOTICE

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

The 2010 annual report was approved on 25 March, 2011 at the 16th meeting of the 5th session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 18 attended the meeting, among whom 16 attended the meeting in person (including 6 Directors, namely Zhang Hongwei, Liu Yonghao, Wang Yugui, Chen Jian, Shi Yuzhu and Wang Hang attended by tele-conference) and 2 were represented by proxy. Lu Zhiqiang entrusted the Chairman, Dong Wenbiao, in writing, to exercise his voting rights at the meeting, and Wang Junhui entrusted Director, Andrew Wong, in writing, to exercise his voting rights at the meeting.

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

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

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

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

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

## BANK PROFILE

1. Registered Chinese Name: 中國民生銀行股份有限公司  
(Abbreviation: “中國民生銀行”)  
Registered English Name: CHINA MINSHENG BANKING CORP., LTD.  
(Abbreviation: “CMBC”)
2. Legal Representative: Dong Wenbiao
3. Authorized Representatives: Andrew Wong  
Soon Yuk Tai
4. Board Secretary: Mao Xiaofeng  
Joint Company Secretaries: Mao Xiaofeng  
Soon Yuk Tai  
Representative of Securities Affairs: He Qun
5. Mailing Address: Building VIII, Beijing Friendship Hotel,  
No. 1 Zhongguancun Nandajie, Beijing, 100873, China  
Telephone: 86-10-68946790  
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# FINANCIAL SUMMARY

## Major Financial Data and Indicators

	2010	2009	Changes from 2009 to 2010	2008	2007	2006
<b>Operating results</b> (RMB million)			Changes (%)			
Net interest income	<b>45,873</b>	32,240	42.29	30,380	22,580	16,168
Net non-interest income	<b>8,794</b>	9,797	-10.24	4,593	2,692	1,273
Operating income	<b>54,667</b>	42,037	30.04	34,973	25,272	17,441
Operating expenses	<b>25,452</b>	20,539	23.92	17,817	13,752	9,717
Impairment losses on assets	<b>5,504</b>	5,307	3.71	6,518	2,265	2,214
Profit before tax	<b>22,976</b>	15,656	46.76	10,488	9,212	5,237
Net profit attributable to equity holders of the Bank	<b>17,581</b>	12,104	45.25	7,885	6,335	3,758
<b>Data per share</b> (RMB/share)			Changes (%)			
Basic earnings per share	<b>0.66</b>	0.51	29.41	0.34	0.29	0.18
Diluted earnings per share	<b>0.66</b>	0.51	29.41	0.34	0.29	0.18
Net cash flow per share arising from operating activities	<b>1.40</b>	2.56	-45.31	2.96	-0.97	3.79
<b>Profitability indicators (%)</b>			Changes in percentage points			
Return on average assets	<b>1.09</b>	0.98	0.11	0.80	0.77	0.58
Return on average shareholders' equity	<b>18.30</b>	17.06	1.24	15.15	18.23	21.61
Net interest spread	<b>2.82</b>	2.49	0.33	3.00	2.84	2.64
Net interest margin	<b>2.94</b>	2.59	0.35	3.15	2.93	2.70
Net fee and commission income to operating income ratio	<b>15.16</b>	11.09	4.07	12.76	9.46	5.89
Cost-to-income ratio	<b>40.90</b>	43.47	-2.57	43.04	46.49	49.30

**As at 31 December**

	<b>2010</b>	2009	Changes from 2009 to 2010 Changes (%)	2008	2007	2006
<b>Scale indicators</b> (RMB million)						
Total assets	<b>1,823,737</b>	1,426,392	27.86	1,054,350	918,837	725,087
Gross loans and advances to customers	<b>1,057,571</b>	882,979	19.77	658,360	554,959	472,088
Total liabilities	<b>1,718,480</b>	1,337,498	28.48	999,678	868,650	705,776
Deposits from customers	<b>1,416,939</b>	1,127,938	25.62	785,786	671,219	583,315
Share capital	<b>26,715</b>	22,262	20.00	18,823	14,479	10,167
Equity attributable to equity holders of the Bank	<b>104,108</b>	88,034	18.26	53,880	50,187	19,311
Net assets per share attributable to equity holders of the Bank (RMB/share)	<b>3.90</b>	3.95	-1.27	2.86	3.47	1.90
<b>Assets quality indicators</b> (%)						
Impaired loan ratio	<b>0.69</b>	0.84	-0.15	1.20	1.22	1.25
Allowance to impaired loans	<b>270.45</b>	206.04	64.41	150.04	113.14	108.89
Allowance to total loans	<b>1.88</b>	1.73	0.15	1.81	1.38	1.36
<b>Capital adequacy ratio indicators (%)</b>						
Capital adequacy ratio	<b>10.44</b>	10.83	-0.39	9.22	10.73	8.20
Core capital adequacy ratio	<b>8.07</b>	8.92	-0.85	6.60	7.40	4.40
Total equity to total assets ratio	<b>5.77</b>	6.23	-0.46	5.19	5.46	2.66

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

# CONSOLIDATED INCOME STATEMENT

(All amounts in RMB millions unless otherwise stated)

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB millions unless otherwise stated)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB millions unless otherwise stated)

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



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

(All amounts in RMB millions unless otherwise stated)

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

	<b>As at 31 December</b>	
	<b>2010</b>	<b>2009</b>
<b>LIABILITIES</b>		
Deposits from customers	<b>1,411,725</b>	1,125,390
Due to and placements from banks and other financial institutions	<b>217,607</b>	149,382
Borrowings from foreign governments	<b>333</b>	391
Derivative financial liabilities	<b>368</b>	395
Provisions	<b>1,966</b>	1,269
Debt securities in issue	<b>21,496</b>	23,060
Current income tax liabilities	<b>4,890</b>	3,864
Other liabilities	<b>18,366</b>	12,463
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<b>Total liabilities</b>	<b>1,676,751</b>	1,316,214
	<hr/>	<hr/>
<b>EQUITY</b>		
Share capital	<b>26,715</b>	22,262
Capital reserve	<b>38,063</b>	38,063
Surplus reserve	<b>5,903</b>	4,184
General reserve	<b>13,800</b>	10,900
Retained earnings	<b>19,366</b>	12,358
Reserve for fair value changes of available-for-sale securities	<b>(288)</b>	106
	<hr/>	<hr/>
<b>Total equity</b>	<b>103,559</b>	87,873
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<b>Total equity and liabilities</b>	<b>1,780,310</b>	1,404,087
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# 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
<b>Balance at 1 January 2010</b>	<b>22,262</b>	<b>38,075</b>	<b>4,184</b>	<b>10,904</b>	<b>12,503</b>	<b>106</b>	<b>860</b>	<b>88,894</b>
Comprehensive income	—	—	—	—	17,581	(394)	107	17,294
Issue of ordinary shares by the subsidiaries	—	—	—	—	—	—	182	182
Appropriation to surplus reserve	—	—	1,719	—	(1,719)	—	—	—
Appropriation to general reserve	—	—	—	2,918	(2,918)	—	—	—
Cash dividends relating to 2009	—	—	—	—	(1,113)	—	—	(1,113)
Stock dividends relating to 2009	4,453	—	—	—	(4,453)	—	—	—
Others	—	—	—	—	—	—	—	—
<b>Balance at 31 December 2010</b>	<b>26,715</b>	<b>38,075</b>	<b>5,903</b>	<b>13,822</b>	<b>19,881</b>	<b>(288)</b>	<b>1,149</b>	<b>105,257</b>
Balance at 1 January 2009	18,823	14,768	2,983	8,001	6,009	3,296	792	54,672
Comprehensive income	—	—	—	—	12,104	(3,190)	4	8,918
Issue of ordinary shares	3,439	23,311	—	—	—	—	65	26,815
Appropriation to surplus reserve	—	—	1,201	—	(1,201)	—	—	—
Appropriation to general reserve	—	—	—	2,903	(2,903)	—	—	—
Cash dividends relating to 2008	—	—	—	—	(1,506)	—	—	(1,506)
Stock dividends relating to 2008	—	—	—	—	—	—	—	—
Others	—	(4)	—	—	—	—	(1)	(5)
Balance at 31 December 2009	22,262	38,075	4,184	10,904	12,503	106	860	88,894

# CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB millions unless otherwise stated)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1.1 Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group’s financial statements therefore present the financial position and results fairly.

#### 1.1.1 Changes in accounting policy and disclosures

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

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

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

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

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

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

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

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

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

While adoptions of IFRS 9 and Additions to IFRS 9 are mandatory from 1 January 2013, earlier adoption is permitted. For IFRS 9, the Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group. For other standards and interpretations, the application is not expected to have a material effect on the Group's operating results or financial position.

- c Early adoption of standards*

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



## 1.2 Segment reporting

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

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

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

## 2 SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group senior management, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group manages business from geographic and business respective. The geographic segment can be divided four regions, Northern china, Eastern china, Southern china, Other locations. The business segment can be divided four line, Corporate banking business, Retail banking business, Treasury business, Other business and unallocated.

Segment assets, liabilities, revenues, operating results and capital expenditures are measured based on the Group's accounting policies. The items of segment include those which can be directly attributable to the segment and can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resource and application are allocated to various business segment through treasury business. The Group's FTP mechanism to deposit and loan interest rates and market interest rates as the benchmark, determined FTP with reference to different products and their period, the impact of internal trading have been offset when prepare consolidated statements.

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 Township Bank Co., Ltd., Shanghai Songjiang 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, Xiamen and Nanning.
4. Other locations: Pengzhou Township Bank Co., Ltd., Qijiang Township Bank Co., Ltd., Tongnan Township Bank Co., Ltd., Meihekou Township Bank Co., Ltd., Ziyang Township Bank Co., Ltd., Wuhan Jiangxia Minsheng Township Bank Co., Ltd., Changyuan Minsheng Township Bank Co., Ltd., Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

**Group**

	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
<b>2010</b>						
External Interest income	16,136	15,861	4,514	9,362	—	45,873
Inter-segment Interest (expense)/ income	(1,594)	488	837	269	—	—
Net interest income	14,542	16,349	5,351	9,631	—	45,873
Fee and commission income	5,786	1,505	600	862	—	8,753
Fee and commission expense	(235)	(112)	(64)	(53)	—	(464)
Net fee and commission income	5,551	1,393	536	809	—	8,289
Operating expense	(12,258)	(6,556)	(2,852)	(3,786)	—	(25,452)
Impairment losses on assets	(1,924)	(2,227)	(404)	(949)	—	(5,504)
Net other income	(193)	(36)	(1)	—	—	(230)
Total profit	5,718	8,923	2,630	5,705	—	22,976
<b>As at 31 December 2010</b>						
Segment assets	1,082,213	613,448	228,677	328,094	(433,150)	1,819,282
Unallocated						4,455
Total assets						1,823,737
Segment liabilities	(1,011,283)	(599,242)	(223,080)	(318,025)	433,150	(1,718,480)
Depreciation and amortization	568	209	127	168	—	1,072
Capital expenditure	3,561	273	167	152	—	4,153
Credit commitments	93,735	174,539	55,872	115,027	—	439,173

## Group

	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
2009						
External Interest income	13,133	9,391	3,238	6,478	—	32,240
Inter-segment Interest (expense)/ income	(2,366)	1,157	1,075	134	—	—
Net interest income	10,767	10,548	4,313	6,612	—	32,240
Fee and commission income	3,287	888	479	352	—	5,006
Fee and commission expense	(174)	(70)	(64)	(34)	—	(342)
Net fee and commission income	3,113	818	415	318	—	4,664
Operating expense	(10,441)	(4,930)	(2,392)	(2,776)	—	(20,539)
Impairment losses on assets	(2,865)	(1,519)	(132)	(791)	—	(5,307)
Net other income	4,932	(139)	(73)	(122)	—	4,598
Total profit	<u>5,506</u>	<u>4,778</u>	<u>2,131</u>	<u>3,241</u>	<u>—</u>	<u>15,656</u>
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						<u>1,426,392</u>
Segment liabilities	(856,680)	(474,174)	(201,491)	(246,102)	440,949	<u>(1,337,498)</u>
Depreciation and amortization	289	183	120	129	—	721
Capital expenditure	4,177	290	143	217	—	4,827
Credit commitments	<u>80,219</u>	<u>122,879</u>	<u>38,002</u>	<u>82,194</u>	<u>—</u>	<u>323,294</u>

The business segments can be divided into four lines: Corporate banking business, Retail banking business, Treasury business and Other business.

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

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

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

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

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

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

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

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

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

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

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

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

#### Group

	Corporate banking business	Retail banking business	Treasury business	Other business and unallocated	Elimination	Total
<b>2010</b>						
Net interest income	25,838	7,659	11,496	880	—	45,873
Include: intersegment net interest income	(827)	(1,459)	2,286	—	—	—
Net fee and commission income	5,252	1,470	1,125	442	—	8,289
Include: intersegment net fee and commission income	44	—	—	(44)	—	—
Operating expense	(15,684)	(4,798)	(4,885)	(85)	—	(25,452)
Impairment losses on assets	(4,460)	(892)	64	(216)	—	(5,504)
Net other income	(571)	(3)	557	(213)	—	(230)
Total profit	<u>10,375</u>	<u>3,436</u>	<u>8,357</u>	<u>808</u>	<u>—</u>	<u>22,976</u>

#### As at 31 December 2010

Segment assets	765,678	281,331	731,024	41,249	—	1,819,282
Unallocated						<u>4,455</u>
Total assets						<u>1,823,737</u>
Segment liabilities	(1,194,969)	(231,269)	(243,194)	(49,048)	—	<u>(1,718,480)</u>

**Group**

	Corporate banking business	Retail banking business	Treasury business	Other business and unallocated	Elimination	Total
2009						
Net interest income	19,012	4,307	8,921	—	—	32,240
Include: intersegment net interest income	(3,038)	490	2,548	—	—	—
Net fee and commission income	3,037	1,291	336	—	—	4,664
Include: intersegment net fee and commission income	—	—	—	—	—	—
Operating expense	(12,561)	(3,032)	(4,946)	—	—	(20,539)
Impairment losses on assets	(4,415)	(582)	(302)	(8)	—	(5,307)
Net other income	(379)	(4)	9	4,972	—	4,598
Total profit	<u>4,694</u>	<u>1,980</u>	<u>4,018</u>	<u>4,964</u>	<u>—</u>	<u>15,656</u>
As at 31 December 2009						
Segment assets	640,504	166,844	550,413	65,450	—	1,423,211
Unallocated						<u>3,181</u>
Total assets						<u>1,426,392</u>
Segment liabilities	(928,721)	(194,513)	(205,286)	(8,978)	—	<u>(1,337,498)</u>

### 3 NET INTEREST INCOME

	Year ended 31 December	
	2010	2009
<b>Interest income:</b>		
— Loans and advances to customers		
— Loans to corporate entities	41,394	33,786
— Loans to individuals	12,080	6,737
— Loans to discounted bills	2,744	2,676
— Investment securities	5,272	5,478
— Balances with central bank	2,912	1,941
— Placements with banks and other financial institutions	2,713	1,767
— Finance lease receivables	1,853	745
— Due from banks	1,808	311
	<u>70,776</u>	<u>53,441</u>
<b>Interest expense:</b>		
— Deposits from customers	(18,592)	(16,063)
— Due to and placements from banks and other financial institutions	(4,707)	(3,600)
— Debt securities in issue	(955)	(1,315)
— Borrowings from banks and other financial institutions	(647)	(221)
— Others	(2)	(2)
	<u>(24,903)</u>	<u>(21,201)</u>
<b>Net interest income</b>	<u><u>45,873</u></u>	<u><u>32,240</u></u>
<b>Included within interest income:</b>		
Interest income on listed investments	4,491	4,047
Interest income on unlisted investments	781	1,431
Interest income accrual on identified impaired financial assets	170	178

### 4 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2010	2009
Financial advisory services	2,858	1,577
Trust and other fiduciary services	1,764	633
Credit commitments	1,462	926
Bank card services	1,007	1,207
Settlement services	924	299
Securities underwriting services	335	135
Others	403	229
	<u>8,753</u>	<u>5,006</u>
<b>Total</b>	<u><u>8,753</u></u>	<u><u>5,006</u></u>

## 5 NET TRADING INCOME

	Year ended 31 December	
	2010	2009
Gain/(loss) on exchange rate instruments	539	177
(Loss)/gain on precious metal and other products	(168)	98
(Loss)/gain on interest rate instruments	(87)	(51)
	<u>284</u>	<u>224</u>
Total	<u>284</u>	<u>224</u>

## 6 NET GAIN/(LOSS) ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES

	Year ended 31 December	
	2010	2009
Net gain on disposal of Haitong securities	—	4,902
Others	221	7
	<u>221</u>	<u>4,909</u>
Total	<u>221</u>	<u>4,909</u>

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

	Year ended 31 December	
	2010	2009
Loans and advances to customers	5,303	4,792
Finance lease receivables	195	176
Held-to-maturity securities	—	(54)
Available-for-sale securities	(64)	356
Others	70	37
	<u>5,504</u>	<u>5,307</u>
Total	<u>5,504</u>	<u>5,307</u>

## 8 OPERATING EXPENSES

	Year ended 31 December	
	2010	2009
Staff costs, including directors' emoluments		
— Salary, including bonus	7,839	6,658
— Social insurance	1,280	1,058
— Other benefits	1,723	1,428
Business tax and surcharges	3,827	2,802
Business development expenses	1,921	1,634
Office expenses	1,900	1,578
Lease expense, primarily for office	1,257	983
Electronic equipment operating expenses	1,170	705
Depreciation and amortization	1,041	721
Automobile expenses	491	564
Travelling expenses	368	291
Mailing and telegraph expenses	366	332
Conference expenses	270	225
CBRC supervisory charges	103	138
Others	1,896	1,422
	<hr/>	<hr/>
Total	<b>25,452</b>	<b>20,539</b>
	<hr/>	<hr/>

Auditors' remuneration included in the operating expenses as for the year ended 31 December 2010 was RMB7.60 million (2009: RMB6.60 million).



## 9 DIRECTORS AND SUPERVISORS' EMOLUMENTS

For the year ended 31 December 2010 (in thousand of Rmb)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao <sup>(1)</sup>	4,353	328	2,474	7,155
Hong Qi <sup>(1)</sup>	4,068	303	2,474	6,845
Qiao Zhimin <sup>(1)</sup>	3,672	278	2,461	6,411
Liang Yutang <sup>(1)</sup>	3,356	253	2,087	5,696
Chen Jinzhong <sup>(1)</sup>	1,878	154	1,940	3,972
Wang Lei	1,844	160	1,844	3,848
Andrew Wong	1,110	—	—	1,110
Qin Rongsheng	1,045	—	—	1,045
Han Jianmin	940	—	—	940
Wang Songqi	940	—	—	940
Zhang Hongwei	860	—	—	860
Wang Lihua	850	—	—	850
Lu Zhiqiang	840	—	—	840
Wang Hang	825	—	—	825
Liu Yonghao	795	—	—	795
Wong Hei	785	—	—	785
Wang Junhui	780	—	—	780
Xing Jijun	756	—	—	756
Shi Yuzhu	755	—	—	755
Wang Yugui	750	—	—	750
Chen Jian	680	—	—	680
Xu Rui	665	—	—	665
Wang Liang	660	—	—	660
Lu Zhongnan	650	—	—	650
Zhang Disheng	605	—	—	605
Liang Jinqun <sup>(2)</sup>	—	—	—	—

<sup>(1)</sup> The above were actual amounts paid. In addition, the Bank defers part of the performance-based compensations to the executive directors and the chairman of the supervisory board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 35.

<sup>(2)</sup> Liang Jinqun waived emoluments for the year ended 31 December 2010.

For the year ended 31 December 2009 (in thousands of RMB)

	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Dong Wenbiao <sup>(1)</sup>	3,846	270	2,430	6,546
Hong Qi <sup>(1)</sup>	3,459	209	2,601	6,269
Qiao Zhimin <sup>(1)</sup>	3,308	209	2,267	5,784
Huang Diyan <sup>(5)</sup>	233	—	4,770	5,003
Liang Yutang <sup>(1)</sup>	2,757	209	1,911	4,877
Chen Jinzhong	1,989	128	1,747	3,864
Wang Lei	1,985	133	1,589	3,707
Wang Tongshi <sup>(3)</sup>	1,152	—	1,376	2,528
Andrew Wong	1,120	—	—	1,120
Wang Songqi	925	—	—	925
Lu Zhiqiang	865	—	—	865
Zhang Hongwei	860	—	—	860
Wang Hang	820	—	—	820
Zhang Ke <sup>(3)</sup>	808	—	—	808
Wong Hei	777	—	—	777
Xing Jijun	762	—	—	762
Wang Yugui	760	—	—	760
Shi Yuzhu	710	—	—	710
Chen Jian	690	—	—	690
Xu Rui	685	—	—	685
Wang Liang	667	—	—	667
Lu Zhongnan	660	—	—	660
Gao Shangquan <sup>(3)</sup>	652	—	—	652
Zhang Disheng	622	—	—	622
Liu Yonghao <sup>(4)</sup>	612	—	—	612
Wang Junhui <sup>(4)</sup>	565	—	—	565
Qin Rongsheng <sup>(4)</sup>	230	—	—	230
Wu Zhipan <sup>(3)</sup>	220	—	—	220
Han Jianmin <sup>(4)</sup>	215	—	—	215
Wang Lihua <sup>(4)</sup>	197	—	—	197
Su Qingzan <sup>(3)</sup>	195	—	—	195
Li Yu <sup>(5)</sup>	185	—	—	185
Liang Jinquan <sup>(2)</sup>	—	—	—	—

- (1) The above were actual amounts paid. In addition, the Bank defers part of the performance-based compensations to the executive directors and the chairman of the supervisory board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 35.
- (2) Liang Jinquan waived emoluments for the year ended 31 December 2009.
- (3) Zhang Ke, Gao Shangquan, Su Qingzan, Wu Zhipan and Wang Tongshi were no longer the directors at 31 December 2009.
- (4) Liu Yonghao, Wang Juhui, Wang Lihua, Qin Rongsheng and Han Jianmin were the new directors in 2009.
- (5) Li Yu and Huang Diyan were not the supervisors at 31 December 2009.

Of the 5 highest-paid individuals of the Group, 4 of them are members of the board of directors or supervisors (2009: 5), as shown in the above table, and they have 1 individual who is not a member of the board of directors or the supervisory board (2009: Nil), as shown below:

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Basic salaries, allowances and benefits	<b>2,496</b>	—
Contributions to pension schemes	<b>266</b>	—
Discretionary bonus	<b>2,087</b>	—
	<hr/>	<hr/>
Total	<b>4,849</b>	—
	<hr/>	<hr/>

The Group had not paid any emoluments to the directors or supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## **10 INCOME TAX EXPENSE**

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

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Current taxes on income for the reporting period	<b>6,456</b>	4,607
Current taxes referring to previous periods	<b>(28)</b>	(12)
	<hr/>	<hr/>
Total current tax	<b>6,428</b>	4,595
	<hr/>	<hr/>
Total deferred tax ( <i>Note 21</i> )	<b>(1,140)</b>	(1,047)
	<hr/>	<hr/>
Income tax expense	<b>5,288</b>	3,548
	<hr/>	<hr/>

The applicable income tax rate (except for Shenzhen branch) is 25% as at 31 December 2010 (2009: 25%). For Shenzhen branch, the applicable income tax rate is 22% as at 31 December 2010 (2009: 20%).

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

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Profit before income tax	<b>22,976</b>	15,656
	<hr/>	<hr/>
Income tax calculated at applicable rates	<b>5,737</b>	3,907
Tax exemption on interest income from government bonds	<b>(528)</b>	(449)
Non-deductible pension, entertainment and other expenses	<b>105</b>	111
Others	<b>(26)</b>	(21)
	<hr/>	<hr/>
Income tax expense	<b>5,288</b>	3,548
	<hr/>	<hr/>

## 11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. The Group has no dilutive potential ordinary shares for the year ended 31 December 2010 and 2009.

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Bank	17,581	12,104
Weighted average number of ordinary shares in issue ( <i>in millions</i> )	<u>26,715</u>	<u>23,597</u>
Basic/Diluted earnings per share ( <i>in RMB</i> )	<u><u>0.66</u></u>	<u><u>0.51</u></u>

## 12 CASH AND DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Group

	31 December	
	2010	2009
Cash	4,597	4,464
Due from banks and other financial institutions		
— Due from banks	122,747	59,948
— Due from other financial institutions	<u>2,715</u>	<u>1,900</u>
	<u><u>130,059</u></u>	<u><u>66,312</u></u>

### Bank

	31 December	
	2010	2009
Cash	3,996	3,239
Due from banks and other financial institutions		
— Due from banks	122,143	59,941
— Due from other financial institutions	<u>2,715</u>	<u>1,900</u>
	<u><u>128,854</u></u>	<u><u>65,080</u></u>

### 13 BALANCES WITH CENTRAL BANK

#### Group

	31 December 2010	2009
Restricted deposits	198,234	122,610
Unrestricted deposits	64,004	98,980
	<u>262,238</u>	<u>221,590</u>

#### Bank

	31 December 2010	2009
Restricted deposits	197,713	122,534
Unrestricted deposits	63,915	98,971
	<u>261,628</u>	<u>221,505</u>

Restricted deposits are general reserve balance with central bank. The Group was required to maintain with the PBOC a restricted general reserve deposit equal to 17% (2009: 13.5%) of RMB deposits and 5% (2009: 5%) of foreign currency deposits as at 31 December 2010. Unrestricted deposits are maintained with the PBOC for liquidity purposes.

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

### 14 TRADING FINANCIAL ASSETS

#### Group and Bank

	31 December 2010	2009
Government and quasi-government bonds	4,823	2,870
Corporate bonds	1,201	1,877
Total	<u>6,024</u>	<u>4,747</u>

All of above bond investments are listed.

Trading financial assets pledged as collateral under repurchase agreements signed with other banks and other financial institutions as at 31 December 2010 amounted to RMB1.99 billion (2009: RMB2.03 billion).

### 15 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are held by the Group for trading purposes:

Foreign exchange forwards represent commitments to purchase/sell foreign currencies at a future date, including undelivered spot transactions.

Interest rate and currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (e.g. fixed rate for floating rate).

The credit risk faced by the Group arising from derivative financial products means, if counterparty fails to fulfill its obligation, the cost of replacement of the original contract with an additional commitment. The Group controls this risk by monitoring the nominal amount of contracts, fair value and the ability to convert to cash on a continuous basis. In order to control the level of credit risk, the Group uses similar method adopted in its credit business to measure the extent of credit exposure.

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

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

	<b>Contract/notional Amount</b>	<b>Fair values Assets</b>	<b>Liabilities</b>
<b>Group and Bank</b>			
<b>31 December 2010</b>			
Interest rate swaps	<b>21,277</b>	<b>319</b>	<b>(260)</b>
Currency forwards	<b>11,215</b>	<b>77</b>	<b>(66)</b>
Currency swaps	<b>18,171</b>	<b>63</b>	<b>(41)</b>
Precious metal swaps	<b>762</b>	<b>16</b>	<b>—</b>
Credit default swaps	<b>366</b>	<b>1</b>	<b>(1)</b>
Extension options	<b>8,300</b>	<b>—</b>	<b>—</b>
		<b>476</b>	<b>(368)</b>

#### **Group and Bank**

<b>31 December 2009</b>			
Interest rate swaps	16,393	312	(263)
Currency forwards	14,888	111	(105)
Currency swaps	3,764	42	(3)
Precious metal swaps	422	—	(23)
Credit default swaps	68	—	(1)
Extension options	9,700	—	—
		465	(395)

Replacement costs are the costs of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations). The replacement costs of the Group and the Bank are equal to balances of derivative financial assets which are presented above.

## Credit risk weighted amount

### Group and Bank

	31 December 2010	2009
Exchange rate contracts	12	23
Interest rate contracts	48	37
	<u>60</u>	<u>60</u>

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

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

## 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

### Group and Bank

	31 December 2010	2009
Placements with banks and other financial institutions		
— Banks	110,813	50,339
— Other financial institutions	29,072	21,476
— Others*	9,500	1,200
	<u>149,385</u>	<u>73,015</u>
Less: allowance for impairment losses — individually assessed	<u>—</u>	<u>—</u>
Net	<u>149,385</u>	<u>73,015</u>

\* Others are short-term placements with wealth management products managed by the Bank as an agency.

The movement of allowance for impairment losses are as follows:

### Group and Bank

	Year ended 31 December 2010	2009
Opening balance	—	92
Amount written off during the year as uncollectible	<u>—</u>	<u>(92)</u>
Ending balance	<u>—</u>	<u>—</u>

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

## Group and Bank

	31 December 2010	2009
Discounted bills	104,801	46,861
Government and quasi-government bonds	5,708	1,070
Finance lease receivables	2,343	4,088
Corporate loans	80	280
	<hr/>	<hr/>
Total	<u>112,932</u>	<u>52,299</u>

## 17 LOANS AND ADVANCES TO CUSTOMERS

### Group

	31 December 2010	2009
Loans to corporate entities		
— Corporate loans	752,639	676,084
— Discounted bills	11,931	35,221
— Others	13,839	7,794
	<hr/>	<hr/>
Subtotal	<u>778,409</u>	<u>719,099</u>
Loans to individuals		
— Shang Dai Tong*	158,986	44,809
— Mortgage loans	97,494	99,619
— Credit Cards	16,432	14,266
— Others	6,250	5,186
	<hr/>	<hr/>
Subtotal	<u>279,162</u>	<u>163,880</u>
Loan and advances to customers, gross	<u>1,057,571</u>	<u>882,979</u>
Less: allowance for impairment losses		
— Individually assessed	(3,583)	(4,378)
— Collectively assessed	(16,265)	(10,863)
	<hr/>	<hr/>
	<u>(19,848)</u>	<u>(15,241)</u>
Loan and advances to customers, net	<u>1,037,723</u>	<u>867,738</u>



**Bank**

	<b>31 December 2010</b>	2009
Loans to corporate entities		
— Corporate loans	<b>750,501</b>	675,154
— Discounted bills	<b>11,847</b>	35,174
— Others	<b>13,839</b>	7,794
	<hr/>	<hr/>
Subtotal	<b>776,187</b>	718,122
	<hr/>	<hr/>
Loans to individuals		
— Shang Dai Tong*	<b>158,986</b>	44,809
— Mortgage loans	<b>97,494</b>	99,615
— Credit Cards	<b>16,432</b>	14,266
— Others	<b>4,973</b>	4,706
	<hr/>	<hr/>
Subtotal	<b>277,885</b>	163,396
	<hr/>	<hr/>
Loan and advances to customers, gross	<b>1,054,072</b>	881,518
	<hr/>	<hr/>
Less: allowance for impairment losses		
— Individually assessed	<b>(3,583)</b>	(4,378)
— Collectively assessed	<b>(16,229)</b>	(10,848)
	<hr/>	<hr/>
	<b>(19,812)</b>	(15,226)
	<hr/>	<hr/>
Loan and advances to customers, net	<b>1,034,260</b>	866,292
	<hr/>	<hr/>

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

Discounted bills with a carrying amount of RMB7.77 billion are bills pledged as collateral under repurchase agreements with banks and other financial institutions as at 31 December 2010 (2009: RMB Nil).

(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
<b>Group</b>					
<b>31 December 2010</b>					
Gross loans and advances					
— Loans to corporate entities	771,871	—	6,538	6,538	778,409
— Loans to individuals	278,361	801	—	801	279,162
Allowance for impairment losses	(15,651)	(614)	(3,583)	(4,197)	(19,848)
Loans and advances to customers, net	1,034,581	187	2,955	3,142	1,037,723
<b>31 December 2009</b>					
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
<b>Bank</b>					
<b>31 December 2010</b>					
Gross loans and advances					
— Loans to corporate entities	769,649	—	6,538	6,538	776,187
— Loans to individuals	277,084	801	—	801	277,885
Allowance for impairment losses	(15,615)	(614)	(3,583)	(4,197)	(19,812)
Loans and advances to customers, net	1,031,118	187	2,955	3,142	1,034,260
<b>31 December 2009</b>					
Gross loans and advances					
— Loans to corporate entities	711,584	258	6,280	6,538	718,122
— Loans to individuals	162,537	859	—	859	163,396
Allowance for impairment losses	(10,084)	(764)	(4,378)	(5,142)	(15,226)
Loans and advances to customers, net	864,037	353	1,902	2,255	866,292

(2) *Loans to corporations by industries*

<b>Group</b>	<b>31 December 2010</b>		<b>31 December 2009</b>	
	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>
Manufacturing	143,036	18.37	121,940	16.95
Real estate	129,424	16.62	103,713	14.42
Leasing and commercial services	107,736	13.84	94,644	13.16
Transportation, warehousing and postal service	69,248	8.90	75,137	10.45
Wholesale and retail	62,031	7.97	35,772	4.97
Mining	61,845	7.95	41,680	5.80
Water conservancy, environment and public utilities management	53,798	6.91	60,967	8.48
Public administration and social organizations	32,567	4.18	36,051	5.01
Production and supply of electronic power, gas and water	31,712	4.07	48,515	6.75
Construction	26,237	3.37	26,144	3.64
Education and community services	24,277	3.12	22,125	3.08
Financial services	18,112	2.33	37,835	5.26
Information transmission, IT service and software industry	3,933	0.51	3,816	0.53
Others	14,453	1.86	10,760	1.50
Total	778,409	100.00	719,099	100.00

<b>Bank</b>	<b>31 December 2010</b>		<b>31 December 2009</b>	
	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>
Manufacturing	141,974	18.29	121,706	16.94
Real estate	129,411	16.67	103,714	14.44
Leasing and commercial services	107,719	13.88	94,634	13.18
Transportation, warehousing and postal service	69,247	8.92	75,129	10.46
Mining	61,845	7.97	41,680	5.80
Wholesale and retail	61,409	7.91	35,297	4.92
Water conservancy, environment and public utilities management	53,798	6.93	60,967	8.49
Public administration and social organizations	32,447	4.18	36,043	5.02
Production and supply of electronic power, gas and water	31,712	4.09	48,510	6.76
Construction	26,133	3.37	26,071	3.63
Education and community services	24,260	3.13	22,020	3.07
Financial services	18,112	2.33	37,835	5.27
Information transmission, IT service and software industry	3,933	0.51	3,811	0.53
Others	14,187	1.83	10,705	1.49
Total	776,187	100.00	718,122	100.00

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

	31 December			
	2010 Amount	(%)	2009 Amount	(%)
Unsecured loans	274,969	26.00	254,221	28.79
Guaranteed loans	273,985	25.91	222,009	25.14
Secured loan				
— Collateralized loans	416,654	39.39	306,658	34.73
— Pledged loans	91,963	8.70	100,091	11.34
Total	<u>1,057,571</u>	<u>100.00</u>	<u>882,979</u>	<u>100.00</u>

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

Group	Loans to corporate entities		Loans to individual	Total
	Individual assessment	Collective assessment	Collective assessment	
<b>Balance at 1 January 2010</b>	4,378	9,024	1,839	15,241
New allowances	580	4,366	1,291	6,237
Releases	(934)	—	—	(934)
Reclassification	197	(197)	—	—
Amounts written off and exempted during the period as uncollectible	(612)	—	(161)	(773)
Unwinding of discount on allowance	(170)	—	—	(170)
Recovery after write-off	144	—	102	246
Exchange gain or loss	—	1	—	1
<b>Balance at 31 December 2010</b>	<u>3,583</u>	<u>13,194</u>	<u>3,071</u>	<u>19,848</u>
<b>Bank</b>				
<b>Balance at 1 January 2010</b>	4,378	9,014	1,834	15,226
New allowances	580	4,348	1,288	6,216
Releases	(934)	—	—	(934)
Reclassification	197	(197)	—	—
Amounts written off and exempted during the period as uncollectible	(612)	—	(161)	(773)
Unwinding of discount on allowance	(170)	—	—	(170)
Recovery after write-off	144	—	102	246
Exchange gain or loss	—	1	—	1
<b>Balance at 31 December 2010</b>	<u>3,583</u>	<u>13,166</u>	<u>3,063</u>	<u>19,812</u>

	Loans to corporate entities		Loans to individual	Total
	Individual assessment	Collective assessment	Collective assessment	
<b>Group</b>				
Balance at 1 January 2009	3,990	6,613	1,282	11,885
New allowances	1,227	2,641	998	4,866
Releases	(74)	—	—	(74)
Reclassification	179	(179)	—	—
Amounts written off and exempted during the period as uncollectible	(853)	(51)	(441)	(1,345)
Unwinding of discount on allowance	(178)	—	—	(178)
Recovery after write-off	87	—	—	87
	<u>4,378</u>	<u>9,024</u>	<u>1,839</u>	<u>15,241</u>
Balance at 31 December 2009	<u>4,378</u>	<u>9,024</u>	<u>1,839</u>	<u>15,241</u>
<b>Bank</b>				
Balance at 1 January 2009	3,990	6,613	1,282	11,885
New allowances	1,227	2,631	993	4,851
Releases	(74)	—	—	(74)
Reclassification	179	(179)	—	—
Amounts written off and exempted during the period as uncollectible	(853)	(51)	(441)	(1,345)
Unwinding of discount on allowance	(178)	—	—	(178)
Recovery after write-off	87	—	—	87
	<u>4,378</u>	<u>9,014</u>	<u>1,834</u>	<u>15,226</u>
Balance at 31 December 2009	<u>4,378</u>	<u>9,014</u>	<u>1,834</u>	<u>15,226</u>

## 18 INVESTMENT SECURITIES

### Group

	31 December 2010	2009
Available-for-sale securities	35,192	49,035
Held-to-maturity securities	128,610	57,142
Loans and receivables	11,117	45,567
	<u>174,919</u>	<u>151,744</u>
Analyzed as follows:		
— Listed in Hong Kong	2,512	2,654
— Listed outside Hong Kong	159,732	101,983
— Unlisted	12,675	47,107
	<u>174,919</u>	<u>151,744</u>

**Bank**

	<b>31 December 2010</b>	2009
Available-for-sale securities	<b>35,192</b>	49,035
Held-to-maturity securities	<b>128,235</b>	57,102
Loans and receivables	<b>11,117</b>	45,567
	<b><u>174,544</u></b>	<u>151,704</u>
Analyzed as follows:		
— Listed in Hong Kong	<b>2,512</b>	2,654
— Listed outside Hong Kong	<b>159,732</b>	101,983
— Unlisted	<b>12,300</b>	47,067
	<b><u>174,544</u></b>	<u>151,704</u>

Investment securities pledged as collateral under agreements signed with banks and other financial institutions as at 31 December 2010 amounted to RMB8.68 billion (2009: RMB3.26 billion). Such agreements included repurchase agreements with banks and other financial institutions, derivatives contracts, and negotiated deposits.

As a result of a change in intention, the Group reclassified RMB22.13 billion available-for-sale securities to held-to-maturity securities during 2010 (2009: Nil).

(1) *Available-for-sale securities*

**Group and Bank**

	<b>31 December 2010</b>	<b>2009</b>
Debt securities at fair value		
Government and quasi-government bonds		
— listed in Hong Kong	<b>2,374</b>	2,512
— listed outside Hong Kong	<b>16,379</b>	27,163
— unlisted	<b>391</b>	790
Financial institutions bonds		
— listed in Hong Kong	<b>71</b>	72
— listed outside Hong Kong	<b>239</b>	640
— unlisted	<b>177</b>	286
Corporate bonds		
— listed outside Hong Kong	<b>15,436</b>	17,447
	<b>35,067</b>	48,910
Equity securities at fair value		
Financial institutions securities		
— unlisted	<b>125</b>	125
	<b>125</b>	125
	<b>35,192</b>	49,035

The Group's fair value changes relating to impaired available-for-sale securities have been charged to the consolidated income statement. The Group's impaired available-for-sale assets' book value amounted to RMB889 million as at 31 December 2010 (2009:RMB983 million). Impairment loss amounted to RMB879 million (2009: RMB955 million).

(2) *Held-to-maturity securities*

**Group**

	<b>31 December 2010</b>	2009
Government and quasi-government bonds		
— listed in Hong Kong	<b>67</b>	70
— listed outside Hong Kong	<b>108,564</b>	50,969
Financial institutions bonds		
— listed outside Hong Kong	<b>354</b>	364
— unlisted	<b>865</b>	339
Corporate bonds		
— listed outside Hong Kong	<u><b>18,760</b></u>	<u>5,400</u>
Gross	<b>128,610</b>	57,142
Less: allowance for impairment losses – individually assessed	<u>—</u>	<u>—</u>
Net	<u><b>128,610</b></u>	<u>57,142</u>
Fair value of listed securities	<u><b>126,599</b></u>	<u>56,782</u>

**Bank**

	<b>31 December 2010</b>	2009
Government and quasi-government bonds		
— listed in Hong Kong	<b>67</b>	70
— listed outside Hong Kong	<b>108,564</b>	50,969
Financial institutions bonds		
— listed outside Hong Kong	<b>354</b>	364
— unlisted	<b>490</b>	299
Corporate bonds		
— listed outside Hong Kong	<u><b>18,760</b></u>	<u>5,400</u>
Gross	<b>128,235</b>	57,102
Less: allowance for impairment losses – individually assessed	<u>—</u>	<u>—</u>
Net	<u><b>128,235</b></u>	<u>57,102</u>
Fair value of listed securities	<u><b>126,224</b></u>	<u>56,782</u>



Movement of allowance for impairment losses are as follows:

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Opening balance	—	54
New allowances	—	—
Recovery after write-off	—	(54)
	<u>—</u>	<u>(54)</u>
Ending balance	<u>—</u>	<u>—</u>

(3) *Loans and receivables*

**Group and Bank**

	<b>31 December</b>	
	<b>2010</b>	<b>2009</b>
Government and quasi-government bonds	<b>2,633</b>	30,718
Financial institution bonds	<b>6,605</b>	9,687
Financial institution entrust products*	<b>1,879</b>	5,162
	<u>11,117</u>	<u>45,567</u>
Total	<u><b>11,117</b></u>	<u>45,567</u>

\* These financial institution entrust products are project loans arranged through underlying trust agencies.

All above loans and receivables are unlisted.

## 19 FINANCE LEASE RECEIVABLES

	31 December 2010	2009
Finance lease receivables	35,035	19,383
Less: unearned finance income	<u>(5,319)</u>	<u>(2,276)</u>
	29,716	17,107
Less: allowance for impairment losses — collectively assessed	<u>(428)</u>	<u>(233)</u>
Net	<u><u>29,288</u></u>	<u><u>16,874</u></u>

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

	Year ended 31 December 2010	2009
Opening balance	233	57
New allowances	<u>195</u>	<u>176</u>
Ending balance	<u><u>428</u></u>	<u><u>233</u></u>

	31 December 2010	2009
Gross investment in finance leases receivable:		
— Not later than 1 year	10,068	4,900
— Later than 1 year and not later than 5 years	22,265	13,460
— Later than 5 years	<u>2,702</u>	<u>1,023</u>
	35,035	19,383
Unearned finance income on finance leases	<u>(5,319)</u>	<u>(2,276)</u>
Present value of minimum lease payments, receivable	<u><u>29,716</u></u>	<u><u>17,107</u></u>

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

— Not later than 1 year	8,540	4,266
— Later than 1 year and not later than 5 years	18,884	11,950
— Later than 5 years	<u>2,292</u>	<u>891</u>
	<u><u>29,716</u></u>	<u><u>17,107</u></u>

Finance lease receivables pledged as collateral under repurchase and borrowings agreements with banks and other financial institutions as at 31 December 2010 amounted to RMB10.47 billion (2009: RMB5.03 billion).

## 20 PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Operating leasing fixed assets	Construction in progress	Total
<b>Group</b>							
31 December 2010							
Original cost	6,855	1,881	3,215	252	300	355	12,858
Accumulated depreciation	(831)	(1,191)	(1,858)	(161)	(8)	—	(4,049)
Net value	<u>6,024</u>	<u>690</u>	<u>1,357</u>	<u>91</u>	<u>292</u>	<u>355</u>	<u>8,809</u>
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	<u>3,314</u>	<u>628</u>	<u>1,119</u>	<u>86</u>	<u>—</u>	<u>2,921</u>	<u>8,068</u>
<b>Bank</b>							
31 December 2010							
Original cost	6,848	1,881	3,172	243	—	328	12,472
Accumulated depreciation	(830)	(1,191)	(1,854)	(160)	—	—	(4,035)
Net value	<u>6,018</u>	<u>690</u>	<u>1,318</u>	<u>83</u>	<u>—</u>	<u>328</u>	<u>8,437</u>
31 December 2009							
Original cost	3,916	1,606	2,812	218	—	2,921	11,473
Accumulated depreciation	(608)	(990)	(1,712)	(135)	—	—	(3,445)
Net value	<u>3,308</u>	<u>616</u>	<u>1,100</u>	<u>83</u>	<u>—</u>	<u>2,921</u>	<u>8,028</u>
<b>Group</b>							
Net book value of balance at							
January 1, 2010	3,314	628	1,119	86	—	2,921	8,068
Additions	157	289	606	36	300	230	1,618
Transfer in/(out)	2,796	—	—	—	—	(2,796)	—
Disposals	(21)	(26)	(226)	(6)	—	—	(279)
Depreciation charge	(222)	(201)	(142)	(25)	(8)	—	(598)
Net book value of balance at							
December 31, 2010	<u>6,024</u>	<u>690</u>	<u>1,357</u>	<u>91</u>	<u>292</u>	<u>355</u>	<u>8,809</u>
Net book value of balance at							
December 31, 2009	<u>3,314</u>	<u>628</u>	<u>1,119</u>	<u>86</u>	<u>—</u>	<u>2,921</u>	<u>8,068</u>

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
<b>Bank</b>						
Net book value of balance at January 1, 2010	3,308	616	1,100	83	2,921	8,028
Additions	157	289	586	30	203	1,265
Transfer in/(out)	2,796	—	—	—	(2,796)	—
Disposals	(21)	(14)	(226)	(5)	—	(266)
Depreciation charge	(222)	(201)	(142)	(25)	—	(590)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value of balance at December 31, 2010	<u>6,018</u>	<u>690</u>	<u>1,318</u>	<u>83</u>	<u>328</u>	<u>8,437</u>
Net book value of balance at December 31, 2009	<u>3,308</u>	<u>616</u>	<u>1,100</u>	<u>83</u>	<u>2,921</u>	<u>8,028</u>

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

### Group

**31 December**  
**2010**                      2009

#### Held outside Hong Kong

on long-term lease (over 50 years)	<b>877</b>	159
on medium-term lease (10–50 years)	<b>5,663</b>	3,163
on short-term lease (less than 10 years)	<b>174</b>	620
	<u>          </u>	<u>          </u>
	<b>6,714</b>	3,942
	<u>          </u>	<u>          </u>

### Bank

**31 December**  
**2010**                      2009

#### Held outside Hong Kong

on long-term lease (over 50 years)	<b>871</b>	159
on medium-term lease (10–50 years)	<b>5,663</b>	3,145
on short-term lease (less than 10 years)	<b>174</b>	620
	<u>          </u>	<u>          </u>
	<b>6,708</b>	3,924
	<u>          </u>	<u>          </u>

## 21 DEFERRED INCOME TAXES

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

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

### Group

	Year ended 31 December	
	2010	2009
Opening balance	3,181	1,079
Recognized in the income statement	1,140	1,047
Tax charged directly to equity	134	1,055
	<u>4,455</u>	<u>3,181</u>
Ending balance	<u>4,455</u>	<u>3,181</u>

### Bank

	Year ended 31 December	
	2010	2009
Opening balance	3,166	1,078
Recognized in the income statement	1,113	1,033
Tax charged directly to equity	134	1,055
	<u>4,413</u>	<u>3,166</u>
Ending balance	<u>4,413</u>	<u>3,166</u>

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

### Deferred income tax assets

	Assets impairment allowance	Fair value losses	Others	Total
<b>Group</b>				
At 1 January 2010	2,928	218	316	3,462
Charged to the consolidated income statement	856	(7)	285	1,134
Charged directly to equity	—	33	—	33
	<u>3,784</u>	<u>244</u>	<u>601</u>	<u>4,629</u>
At 31 December 2010	<u>3,784</u>	<u>244</u>	<u>601</u>	<u>4,629</u>
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
	<u>2,928</u>	<u>218</u>	<u>316</u>	<u>3,462</u>
At 31 December 2009	<u>2,928</u>	<u>218</u>	<u>316</u>	<u>3,462</u>

	Assets impairment allowance	Fair value losses	Others	Total
<b>Bank</b>				
At 1 January 2010	2,913	218	316	3,447
Charged to the income statement	829	(7)	285	1,107
Charged directly to equity	—	33	—	33
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2010	<u>3,742</u>	<u>244</u>	<u>601</u>	<u>4,587</u>
At 1 January 2009	2,061	343	125	2,529
Charged to the income statement	852	(208)	191	835
Charged directly to equity	—	83	—	83
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2009	<u>2,913</u>	<u>218</u>	<u>316</u>	<u>3,447</u>

#### Deferred income tax liabilities

	Fair value gains	Others	Total
<b>Group</b>			
At 1 January 2010	(281)	—	(281)
Charged to the consolidated income statement	6	—	6
Charged directly to equity	101	—	101
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2010	<u>(174)</u>	<u>—</u>	<u>(174)</u>
At 1 January 2009	(1,451)	—	(1,451)
Charged to the consolidated income statement	198	—	198
Charged directly to equity	972	—	972
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2009	<u>(281)</u>	<u>—</u>	<u>(281)</u>

#### Bank

At 1 January 2010	(281)	—	(281)
Charged to the income statement	6	—	6
Charged directly to equity	101	—	101
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2010	<u>(174)</u>	<u>—</u>	<u>(174)</u>
At 1 January 2009	(1,451)	—	(1,451)
Charged to the income statement	198	—	198
Charged directly to equity	972	—	972
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2009	<u>(281)</u>	<u>—</u>	<u>(281)</u>

	<b>31 December</b>	
	<b>2010</b>	2009
Minsheng Financial Leasing Co., Ltd. (“Minsheng Leasing”)	<b>2,600.0</b>	2,600.0
Minsheng Royal Fund Management Co., Ltd. (“Minsheng Royal Fund Management”)	<b>120.0</b>	120.0
Cixi Minsheng Township Bank Co., Ltd. (“Cixi Township Bank”)	<b>35.0</b>	35.0
Pengzhou Minsheng Township Bank Co., Ltd. (“Pengzhou Township Bank”)	<b>20.0</b>	20.0
Shanghai Songjiang Minsheng Township Bank Co., Ltd. (“Songjiang Township Bank”)	<b>35.0</b>	35.0
Qijiang Minsheng Township Bank Co., Ltd. (“Qijiang Township Bank”)	<b>30.0</b>	—
Tongnan Minsheng Township Bank Co., Ltd. (“Tongnan Township Bank”)	<b>25.0</b>	—
Meihekou Minsheng Township Bank Co., Ltd. (“Meihekou Township Bank”)	<b>25.5</b>	—
Ziyang Minsheng Township Bank Co., Ltd. (“Ziyang Township Bank”)	<b>40.8</b>	—
Wuhan Jiangxia Minsheng Township Bank Co., Ltd. (“Jiangxia Township Bank”)	<b>40.8</b>	—
Changyuan Minsheng Township Bank Co., Ltd. (“Changyuan Township Bank”)	<b>25.5</b>	—
	<b><u>2,997.6</u></b>	<b><u>2,810.0</u></b>

Name	Date of incorporation	Place of incorporation and operation	Principal activities	Registered Capital	Nature of legal entity	Interest held
Minsheng Leasing	2 April 2008	Tianjin China	Leasing	3,200	Limited company	81.25%
Minsheng Royal Fund Management	3 November 2008	Guangdong China	Fund management	200	Limited company	60%
Cixi Township Bank	30 December 2008	Ningbo China	Commercial bank	100	Limited company	35%*
Pengzhou Township Bank	12 September 2008	Sichuan China	Commercial bank	55	Limited company	36.36%*
Songjiang Township Bank	29 December 2009	Shanghai China	Commercial bank	100	Limited company	35%*
Qijiang Township Bank	2 September 2010	Chongqing china	Commercial bank	60	Limited company	50%*
Tongnan Township Bank	2 September 2010	Chongqing china	Commercial bank	50	Limited company	50%*
Meihekou Township Bank	17 September 2010	Jilin china	Commercial bank	50	Limited company	51%
Ziyang Township Bank	16 September 2010	Sichuan China	Commercial bank	80	Limited company	51%
Jiangxia Township Bank	26 September 2010	Hubei china	Commercial bank	80	Limited company	51%
Changyuan Township Bank	27 September 2010	Henan china	Commercial bank	50	Limited company	51%

All interests in subsidiaries are directly held.

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

## 23 OTHER ASSETS

### Group

	31 December 2010	2009
Prepayments for leasing assets*	8,076	5,271
Interest receivable	5,169	4,234
Intangible assets	1,519	209
Other prepayments	1,502	958
Investment property	1,426	32
Reposessed assets	941	957
Deferred assets	471	103
Others	978	629
	<u>20,082</u>	<u>12,393</u>

### Bank

	31 December 2010	2009
Interest receivable	5,089	4,227
Prepayments	1,469	958
Reposessed assets	941	957
Deferred assets	402	68
Intangible assets	182	196
Others	929	604
	<u>9,012</u>	<u>7,010</u>

\* Prepayments for leasing assets are the prepayments made by the Group for purchasing leasing assets under finance leases and operating leases.



## 24 DEPOSITS FROM CUSTOMERS

### Group

	31 December 2010	2009
Demand deposits		
— Corporate deposits	579,448	497,422
— Individual deposits	71,644	50,894
Time deposits (including notice deposits)		
— Corporate deposits	604,663	435,146
— Individual deposits	159,571	143,210
Other deposits	1,613	1,266
Total	<u>1,416,939</u>	<u>1,127,938</u>

The security and margin deposits are analyzed as follows:

Security deposits for bank acceptances	133,116	86,293
Security deposits for letters of credit and letters of guarantee issued	12,462	6,865
Other security deposits	32,752	13,507
Total	<u>178,330</u>	<u>106,665</u>

### Bank

	31 December 2010	2009
Demand deposits		
— Corporate deposits	576,279	495,457
— Individual deposits	71,240	50,794
Time deposits (including notice deposits)		
— Corporate deposits	603,584	434,941
— Individual deposits	159,011	142,932
Other deposits	1,611	1,266
Total	<u>1,411,725</u>	<u>1,125,390</u>

The security and margin deposits are analyzed as follows:

Security deposits for bank acceptances	132,792	86,194
Security deposits for letters of credit and letters of guarantee issued	12,462	6,865
Other security deposits	32,752	13,490
Total	<u>178,006</u>	<u>106,549</u>

## 25 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Group

	31 December 2010	2009
Due to and placements from banks and other financial institutions		
— Due to banks	134,194	86,025
— Due to other financial institutions	<u>90,950</u>	<u>66,292</u>
Total	<u><u>225,144</u></u>	<u><u>152,317</u></u>

### Bank

	31 December 2010	2009
Due to and placements from banks and other financial institutions		
— Due to banks	126,657	82,884
— Due to other financial institutions	<u>90,950</u>	<u>66,498</u>
Total	<u><u>217,607</u></u>	<u><u>149,382</u></u>

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

### Group

	31 December 2010	2009
Repurchase of:		
Finance lease receivables	8,606	4,347
Discounted bills	7,773	—
Debt securities	<u>7,494</u>	<u>2,000</u>
Total	<u><u>23,873</u></u>	<u><u>6,347</u></u>

### Bank

	31 December 2010	2009
Repurchase of:		
Discounted bills	7,753	—
Debt securities	<u>7,494</u>	<u>2,000</u>
Total	<u><u>15,247</u></u>	<u><u>2,000</u></u>

**Group and Bank**

	<b>31 December 2010</b>	2009
Financial bonds (1)	<b>6,095</b>	12,175
Subordinated bonds (2)	<b>5,911</b>	1,401
Hybrid capital bonds (3)	<b>9,490</b>	9,484
	<u><b>21,496</b></u>	<u>23,060</u>

**(1) Financial bonds****Group and Bank**

	<b>31 December 2010</b>	2009
2007 RMB6 billion Financial Bonds with floating interest 3 years (ii)	—	6,088
2007 RMB6 billion Financial Bonds with floating interest — 5 years (ii)	<b>6,095</b>	6,087
	<u><b>6,095</b></u>	<u>12,175</u>

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

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

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

**(2) Subordinated bonds****Group and Bank**

	<b>31 December 2010</b>	2009
2005 RMB1.4 billion Subordinated Bonds with fixed rate — 10 years (i)	—	1,401
2010 RMB5.8 billion Subordinated Bonds with fixed rate — 10years (ii)	<b>5,911</b>	—
	<u><b>5,911</b></u>	<u>1,401</u>

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

- (i) The fixed-rate subordinated bonds issued in 2005 have a maturity of 10 years, with a face value of RMB1.4 billion, and a fixed coupon rate of 3.68% per annum and payable annually from the first to the fifth year. From the sixth year, the interest rate will increase to 6.68% per annum. According to the terms, the Bank has the option to redeem all the subordinated bonds at face value on the last day of the fifth year. On 23 December 2010, the Bank redeemed all the subordinated bonds issued in 2005 at face value.

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

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

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

### (3) *Hybrid capital bonds*

#### **Group and Bank**

	<b>31 December 2010</b>	2009
2006 RMB3.3 billion Hybrid Capital Bonds with fixed rate — 15 years (i)	<b>3,294</b>	3,291
2006 CMBC Hybrid 1 billion Capital Bonds with floating rate — 15 years (ii)	<b>998</b>	997
2009 RMB3.325 billion Hybrid Capital Bonds with fixed rate — 15 years (iii)	<b>3,461</b>	3,459
2009 RMB Hybrid 1.675 billion Capital Bonds with floating rate — 15 years (iv)	<b>1,737</b>	1,737
	<b>9,490</b>	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 1.675 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 3% per annum for the first 10 years, payable annually. From the eleventh year, the original spread will increase to 5% per annum.

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

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

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

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

## 27 OTHER LIABILITIES

### Group

	31 December 2010	2009
Interest payable	8,774	5,931
Payroll and welfare payable	3,199	2,009
Deferred fee and commission income	1,626	1,043
Items in the process of clearance and settlement	1,474	1,047
Business tax payable	1,302	1,112
Guarantee deposits received as the finance lessor	2,172	1,146
Others	3,536	2,099
	<u>22,083</u>	<u>14,387</u>

### Bank

	31 December 2010	2009
Interest payable	8,567	5,827
Payroll and welfare payable	3,142	1,981
Items in the process of clearance and settlement	1,474	1,047
Business tax payable	1,281	1,105
Deferred fee and commission income	1,246	1,043
Others	2,656	1,460
	<u>18,366</u>	<u>12,463</u>

## 28 SHARE CAPITAL AND CAPITAL RESERVE

The total number of authorized ordinary shares is 26.72 billion shares as at 31 December 2010 with a par value of RMB1 yuan per share, among which no shares was restricted on sale (2009: 22.26 billion shares, among which 0.29 billion shares were restricted on sale). All issued shares are fully paid.

The Group's capital reserve is RMB38.08 billion as at 31 December 2010, which mainly comprises capital premium (2009: RMB38.08 billion).

All dividends or distributions declared, paid or made in respect of the A Shares and H Shares will rank pari passu with each other.

## 29 SURPLUS RESERVE, GENERAL RESERVE AND RETAINED EARNINGS

### (1) Surplus reserve

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

The Bank appropriated RMB1.72 billion for the year 2010 (2009: RMB1.20 billion).

## (2) General reserve

Pursuant to circulars issued by MOF in 2005, the Bank is required to establish and maintain a general reserve within equity, through the appropriation of income to address unidentified potential impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy.

The Bank appropriated RMB2.90 billion to the general reserve for the year 2010 (2009: RMB2.9 billion)

Pursuant to circulars issued by MOF in 2007, Minsheng Leasing appropriated 1% of its net profits, as determined under CAS, to general reserve, Minsheng Royal Fund Management appropriated 10% of its monthly fee income from securities investment fund management based on circulars issued by CSRC in 2006, and Minsheng nine township banks appropriated 1% of the aggregate amount of risk assets defined by MOF. In total the subsidiaries appropriated RMB42.34 million (2009: RMB3.64 million) of general reserve for the year ended 31 December 2010, including RMB18.29 (2009: RMB2.50 million) million attributable to the Bank.

## (3) Retained earnings

As at 31 December 2010, the retained earnings contained statutory surplus reserve of 59 million contributed by subsidiaries (31 December 2009: RMB19 million), RMB40 million of which are the appropriation made by subsidiaries for the year ended 31 December 2010 (2009: RMB13 million). The retained earnings contained statutory surplus reserve contributed by subsidiaries can not be further distributed.

## 30 DIVIDENDS

In respect of 2010, cash dividends of RMB2,672 million (0.10 per share and before tax) have been proposed. (2009: share dividends of 4,453 million, Cash dividends of RMB1,113 million, 0.05 per share and before tax).

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Dividends payable to equity holders of the Bank attributable to the year		
Proposed final dividend	<u>2,672</u>	<u>5,566</u>
Dividends payable to equity holders of the Bank attributable to the previous financial year, approved and paid during the year		
Final dividend paid	<u>5,566</u>	<u>1,506</u>

## 31 RESERVE FOR FAIR VALUE CHANGES OF AVAILABLE-FOR-SALE SECURITIES

### Group and Bank

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Opening balance	106	3,296
Change of fair value of available-for-sale securities	(241)	310
Less: deferred income tax	61	(77)
Transfer to profit or loss upon disposal	(223)	(4,911)
Less: deferred income tax	57	1,221
Impairment losses on available-for-sale	(64)	356
Less: deferred income tax	<u>16</u>	<u>(89)</u>
Ending balance	<u>(288)</u>	<u>106</u>

## 32 CASH AND CASH EQUIVALENTS

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

### Group

	31 December 2010	2009
Cash ( <i>Note 12</i> )	4,597	4,464
Unrestricted balance with central bank ( <i>Note 13</i> )	64,004	98,980
Original maturity within 3 months:		
— Due from banks and other financial institutions	103,616	56,964
— Government and quasi-government bonds	—	1,342
	<u>172,217</u>	<u>161,750</u>

## 33 CONTINGENT LIABILITIES AND COMMITMENTS

### (1) Credit commitments

#### Group

	31 December 2010	2009
Acceptances	308,584	216,657
Letters of guarantee	50,115	45,593
Letters of credit	30,062	15,094
Trade finance arrangement	24,267	24,349
Unused credit card limits	18,618	14,337
Irrevocable loan commitments	5,629	5,422
Finance lease commitments	1,898	1,841
	<u>439,173</u>	<u>323,293</u>
Credit risk weighted amounts of credit commitments	<u>182,868</u>	<u>137,757</u>

#### Bank

	31 December 2010	2009
Acceptances	308,012	216,555
Letters of guarantee	50,115	45,593
Letters of credit	30,062	15,094
Trade finance arrangement	24,267	24,349
Unused credit card limits	18,618	14,337
Irrevocable loan commitments	5,629	5,422
	<u>436,703</u>	<u>321,350</u>
Credit risk weighted amounts of credit commitments	<u>182,619</u>	<u>137,752</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%.

(2) **Capital commitments**

**Group**

	31 December 2010	2009
Property and equipment		
— Contracted but not provided for	6,700	3,299
— Authorized but not contracted for	1,596	—
	<u>8,296</u>	<u>3,299</u>

**Bank**

	31 December 2010	2009
Property and equipment		
— Contracted but not provided for	1,810	256
— Authorized but not contracted for	1,596	—
	<u>3,406</u>	<u>256</u>

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

(3) **Operating lease commitments**

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

**Group**

	31 December 2010	2009
Less than 1 year	1,134	875
1 to 5 years	2,094	2,557
Later than 5 years	921	852
	<u>4,149</u>	<u>4,284</u>

**Bank**

	31 December 2010	2009
Less than 1 year	1,120	867
1 to 5 years	2,054	2,537
Later than 5 years	884	852
	<u>4,058</u>	<u>4,256</u>



#### (4) Assets pledged

##### Group

	31 December 2010	2009
Discounted bills ( <i>Note 17</i> )	7,773	—
Trading financial assets ( <i>Note 14</i> )	1,991	2,025
Investment securities ( <i>Note 18</i> )	8,682	3,257
Finance lease receivables ( <i>Note 19</i> )	<u>10,468</u>	<u>5,033</u>
	<u><u>28,914</u></u>	<u><u>10,315</u></u>

##### Bank

	31 December 2010	2009
Discounted bills ( <i>Note 17</i> )	7,753	—
Trading financial assets ( <i>Note 14</i> )	1,991	2,025
Investment securities ( <i>Note 18</i> )	<u>8,682</u>	<u>3,257</u>
	<u><u>18,426</u></u>	<u><u>5,282</u></u>

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

Mandatory reserve deposits are also held with the PBOC in accordance with statutory requirements (*Note 13*). 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 fair values of such accepted pledged assets were RMB105.31 billion as at 31 December 2010 (2009: RMB46.89 billion). Furthermore, there is RMB7.74 billion (2009: RMB Nil) pledged assets sold by the Bank but with the obligation to return such pledged assets at the expiration at 31 December 2010.

#### (5) Security underwriting

##### Group and Bank

	31 December 2010	2009
Medium — and short-term financing bills	13,050	11,850

#### (6) Certificate Treasury Bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Certificate Treasury Bonds. The investors of Certificate Treasury Bonds have the option to redeem the bonds at par any time prior to maturity, and the Bank is committed to repurchase those bonds at the redemption price. The redemption price is the par value of the Certificate Treasury Bonds plus unpaid interest in accordance with the early redemption arrangement. The principal of the bonds amounted to RMB4.81 billion as at 31 December 2010 (2009: RMB4.35 billion). The original maturities of these bonds vary from 1 to 5 years. As the deposit base rate established by PBOC is currently lower than the yields on all issue of Certificate Treasury Bonds, management expects the amount of redemption before the maturity dates of those bonds will not be material.

## (7) Legal proceedings

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

## 34 FIDUCIARY ACTIVITIES

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

The Group's balances of fund custodian operations were RMB36.77 billion as at 31 December 2010 (2009: RMB23.32 billion). The Group's balances of pension were RMB3.19 billion as at 31 December 2010 (2009: RMB1.50 billion). The Group's balances of credit assets management operations were RMB78.26 billion as at 31 December 2010 (2009: RMB75.98 billion). And the Group's balances of entrusted loans were RMB38.81 billion as at 31 December 2010 (2009: RMB33.01 billion).

## 35 RELATED PARTY TRANSACTIONS

Related parties exist when one entity controls, jointly controls or has significant influence over another entity, or when entities are controlled or jointly controlled by another entity. Related parties can be individuals or other entities. The Group's related parties include: the shareholders with the power to exercise significant influence in the operational or financial decision-making of the Group, directors, supervisors and executive officers (key management personnel), their immediate close family members, and other entities that are controlled or, jointly controlled or significantly influenced by the above personnel.

The Group engages in transactions with related parties on commercial terms in the normal course of business, under pricing policies no more favorable than those offered to any independent third parties.

### (1) Loans granted to related parties

	Year ended 31 December	
	2010	2009
Opening balance	2,581	1,814
Transfer in	250	3
Loans granted during the year	3,356	3,293
Loan repayments/transfers during the year	(2,787)	(2,529)
Ending balance	<u>3,400</u>	<u>2,581</u>
Interest income earned	<u>133</u>	<u>102</u>

No provisions have been recognised in respect of loans granted to related parties as at 31 December 2010 (2009: Nil).

Guaranteed loans amounted to RMB2.48 billion as at 31 December 2010, collateralized loans amounted to RMB0.86 billion as at 31 December 2010 and pledge loans amounted to RMB0.06 billion as at 31 December 2010 were included in the above loans granted to related parties. (2009: Guaranteed loans amounted to RMB1.28 billion, collateralized loans amounted to RMB1.23 billion and unsecured loan amounted to 0.07 billion.)

The interest rates ranges of loans granted to related parties are from 5.10% to 7.23% for year ended 31 December 2010 (2009: from 2.48% to 5.84%).

**(2) Deposits received from related parties**

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
Opening balance	<b>20,010</b>	19,908
Transfer out	<b>(170)</b>	(18,445)
Transfer in	<b>3,201</b>	27,318
Deposits repaid during the year	<b>(1,851,308)</b>	(155,257)
Deposits received during the year	<b>1,863,614</b>	146,486
	<hr/>	<hr/>
Ending balance	<b>35,347</b>	20,010
	<hr/>	<hr/>

The interest expenses on the related parties' deposits have no material impact on the Group's income statement.

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

	<b>31 December</b>	
	<b>2010</b>	<b>2009</b>
Deposits from related parties	<b>35,347</b>	20,010
Due to banking related parties	<b>2,878</b>	2,812
Loans secured with related party guarantees or collaterals	<b>952</b>	1,615
Acceptance bills issued for related parties	<b>363</b>	240
Investment securities issued by related parties	<b>179</b>	61
Bills purchased under resale agreement, issued by related parties	<b>160</b>	10
Advances received from related parties	<b>122</b>	122
Loans purchased under resale agreement from related parties	<b>80</b>	280
Letter of credit issued for related parties	<b>3</b>	—
Discounted bills issued by related-parties	<b>1</b>	32
	<hr/>	<hr/>

All the above related parties transactions do not have material impact on the Group's income statement.

**(4) Services provided by related parties**

The Bank uses the Minsheng Life Insurance Building as its office, and pay rental fees, property management fees and other fees regularly, in accordance with leasing contract between the Bank and Minsheng Life Insurance Company Limited. In August 2010, the leasing contract was terminated by the Bank and Minsheng Life Insurance Company Limited in advance due to the Bank's relocation.

The Bank entrusts to China Life Pension Company Limited the investment and management of its annuity plan.

The above related parties transactions do not have material impact on the Group's income statement and statement of financial position in 2010 and 2009.

**(5) Transactions with key management personnel**

The Group enters into transactions with key management personnel in the normal course of business, including loans and deposits transactions at interest rates no more favorable than those offered to any third parties. The balance of outstanding loans granted to key management personnel is RMB3 million as at 31 December 2010, which have been included in the above loans granted to related parties (2009: 3 million).

Pre-tax compensations accrued to the key management personnel, including salaries and other short-term benefits, amounted to RMB122 million as at 31 December 2010 (2009: RMB101 million). Of which, pre-tax compensations for the executive directors, chairman of the supervisory board and executive officers included RMB49 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2009: RMB31 million and 50% above respectively) in accordance with relevant regulations of the state. The exact amounts of these deferred payments shall be determined at the end of their respective tenure with the Bank based on their performance and shall be paid out in a period of three years. If losses are incurred in their tenure and attributable to them, the Bank may decide not to pay part of or all of the outstanding amounts as appropriate. No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during 2009 and 2010.

**(6) The transaction balance with subsidiaries**

The transaction balance with the subsidiaries has no material impact on the financial statement and is eliminated in consolidation.

**36 EVENTS AFTER THE DATE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at the date of this report, other than the dividends, the Group had no material subsequent event. Details on dividend distribution are reported under Note 30 Dividends.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. Operational challenges and solutions

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

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

## II. Overview of Operations

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

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

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

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

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

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

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

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

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

## **III. Analysis of Major Items of Income Statement**

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

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

*(Unit: RMB million)*

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



**(I) Net interest income and net interest margin**

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

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

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

*(Unit: RMB million)*

Item	2010			2009		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
<b>Interest-earning assets</b>						
Loans and advances	971,602	56,218	5.79	812,572	43,199	5.32
Of which: Corporate loans	758,338	44,138	5.82	684,154	36,462	5.33
Individual loans	213,264	12,080	5.66	128,418	6,737	5.25
Investment in debt securities	180,609	5,272	2.92	147,461	5,478	3.71
Balances with central bank	202,409	2,912	1.44	134,316	1,941	1.45
Due from and placements with banks and other financial institutions	174,252	4,521	2.59	138,094	2,078	1.50
Finance lease receivables	29,221	1,853	6.34	12,408	745	6.00
Total	<u>1,558,093</u>	<u>70,776</u>	4.54	<u>1,244,851</u>	<u>53,441</u>	4.29



	2010			2009		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	<b>1,211,382</b>	<b>18,592</b>	<b>1.53</b>	964,863	16,063	1.66
Corporate deposits	<b>1,014,358</b>	<b>15,385</b>	<b>1.52</b>	802,606	13,024	1.62
Of which: Demand	<b>497,907</b>	<b>3,225</b>	<b>0.65</b>	359,894	2,527	0.70
Time	<b>516,451</b>	<b>12,160</b>	<b>2.35</b>	442,712	10,497	2.37
Individual deposits	<b>197,024</b>	<b>3,207</b>	<b>1.63</b>	162,257	3,039	1.87
Of which: Demand	<b>52,674</b>	<b>186</b>	<b>0.35</b>	37,287	132	0.35
Time	<b>144,350</b>	<b>3,021</b>	<b>2.09</b>	124,970	2,907	2.33
Due to and placements from banks and other financial institutions	<b>192,998</b>	<b>4,707</b>	<b>2.44</b>	172,012	3,600	2.09
Debt securities in issue	<b>22,610</b>	<b>955</b>	<b>4.22</b>	30,259	1,315	4.35
Borrowings from other financial institutions	<b>21,220</b>	<b>647</b>	<b>3.05</b>	8,296	221	2.66
Others	<b>45</b>	<b>2</b>	<b>4.44</b>	45	2	4.44
<b>Total</b>	<b><u>1,448,255</u></b>	<b><u>24,903</u></b>	<b>1.72</b>	<b><u>1,175,475</u></b>	<b><u>21,201</u></b>	<b>1.80</b>
Net interest income		<b>45,873</b>			<b>32,240</b>	
Net interest spread			<b>2.82</b>			<b>2.49</b>
Net interest margin			<b>2.94</b>			<b>2.59</b>

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

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

(Unit: RMB million)

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

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

### 1. Interest income

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

(1) Interest income from loans and advances

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

(2) Interest income from investment in debt securities

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

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

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

(4) Finance lease receivables

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

## 2. *Interest expenses*

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

### (1) Interest expenses on deposits

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

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

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

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

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

(4) Interest expenses on borrowings from other financial institutions

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

**(II) Net non-interest income**

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

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

*(Unit: RMB million)*

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

*1. Net fee and commission income*

In 2010, as the Group expedited the innovation of financial products and increase sales capacity along with the development of intermediate business, it realized net fee and commission income of RMB8,289 million, representing an increase of RMB3,625 million, or 77.72%, from the previous year. Net fee and commission income accounted for 15.16% of total operating income, representing an increase of 4.07 percentage points from the previous year. During the reporting period, financial advisory service

fees of the Group continued to rise and significant increases were recorded in fee income from settlement and clearing services, custody and other fiduciary services and securities underwriting services.

(Unit: RMB million)

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

## 2. Other non-interest gain

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

(Unit: RMB million)

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

### **(III) Operating expenses**

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

*(Unit: RMB million)*

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

### **(IV) Impairment losses on assets**

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

*(Unit: RMB million)*

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

### **(V) Income tax**

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

## IV. Analysis of Major Items of Statement of Financial Position

### (I) Assets

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

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

(Unit: RMB million)

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

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



## 1. Loans and advances

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

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

(Unit: RMB million)

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

Breakdown of individual loan business is as follows:

(Unit: RMB million)

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

## 2. Investments

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

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

### (1) Breakdown of investments

(Unit: RMB million)

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

### (2) Holdings of major government bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date
2003 Book-entry T-bonds	2,565	2.8	9-4-2013
2006 Book-entry T-bonds	3,802	2.4-2.51	16-5-2011 to 27-2-2013
2007 Book-entry T-bonds	1,693	3.9	23-8-2014
2008 Book-entry T-bonds	3,756	3.56-4.16	14-4-2011 to 28-2-2023
2009 Book-entry T-bonds	3,000	2.26-2.29	2-4-2014 to 4-6-2014
2010 Book-entry T-bonds	48,185	1.44-3.67	10-1-2011 to 28-10-2020
Total	63,001		

(3) Holdings of major financial bonds

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

(Unit: RMB million)

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

(4) Major types and amount of derivative financial instruments

(Unit: RMB million)

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

## (II) Liabilities

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

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

(Unit: RMB million)

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

### 1. Deposits from customers

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

(Unit: RMB million)

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

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

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

### (III) Shareholders' equity

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

(Unit: RMB million)

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

**(IV) Off-statement items**

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

*(Unit: RMB million)*

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

## V. Qualitative Analysis of Loans

### (I) Industry concentration of loans

(Unit: RMB million)

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

## ***(II) Loans by geographical distribution***

*(Unit: RMB million)*

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

*Note:* Northern China includes Minsheng Financial Leasing Co., Ltd, the head office and the branches in Beijing, Taiyuan, Shijazhuang and Tianjin; Eastern China includes Cixi Minsheng Township Bank Co., Ltd., Shanghai Songjiang Minsheng Township Bank Co., Ltd. and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang; Southern China includes Minsheng Royal Fund Management Co., Ltd. and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen and Nanning; Other regions include Minsheng township banks in Pengzhou, Jiangxia, Changyuan, Tongnan, Meihekou, Ziyang and Qijiang and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

## ***(III) Distribution of loans by collateral***

*(Unit: RMB million)*

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



#### ***(IV) Top ten borrowers***

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

#### ***(V) Five-category classification of credit assets***

*(Unit: RMB million)*

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

#### ***(VI) Migration ratio of loans***

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

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

## ***(VII) Subsidized loans***

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

## ***(VIII) Restructured loans and overdue loans***

*(Unit: RMB million)*

<b>Item</b>	<b>31 December, 2010</b>		<b>31 December, 2009</b>	
	<b>Balance</b>	<b>% of total</b>	<b>Balance</b>	<b>% of total</b>
Restructured loans	<b>2,412</b>	<b>0.23</b>	3,742	0.42
Overdue loans	<b>7,996</b>	<b>0.76</b>	9,653	1.09

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

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

## ***(IX) Allowance for impairment of loans***

*(Unit: RMB million)*

<b>Item</b>	<b>2010</b>	<b>2009</b>
Balance as at year beginning	<b>15,241</b>	11,885
New allowance	<b>6,237</b>	4,866
Releases	<b>-934</b>	-74
Amounts written off and exempted during the period as uncollectible	<b>-773</b>	-1,345
Recovery after write-off	<b>246</b>	87
Unwinding of discount on allowance	<b>-170</b>	-178
Exchange difference	<b>1</b>	—
	<hr/>	<hr/>
Balance as at year end	<b>19,848</b>	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 a loan impairment occurring to a loan and the event triggering such loan impairment will have an adverse effect on the future cash flow that can be reliably assessed, the Group will recognize the impairment loss of the loan and write down the value of the loan to its recoverable amount. The reduced amount will be charged to the income statement of the relevant period as provision for impairment losses. Besides an individual evidence-based impairment assessment for each loan of significant amount, the Group reviews its loan portfolio as a whole to assess impairment for loans which are not of significant amount individually. If no evidence shows there is loan impairment to a loan when assessed individually, whether the amount of the loan in question is substantial or not, it will be included in a portfolio of loans of similar risk profile for collective impairment assessment. If a loan has been individually assessed and recognized at its impaired value, no general impairment provision is required.

### **(X) *Non-performing loans and response measures***

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

The Group mainly adopted the following measures:

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

5. Strengthening training programs in order to improve the professional skills and expertise of the risk management team and cultivate a sound credit management culture and philosophy of compliance.

## VI. Analysis of Capital Adequacy Ratio

*(Unit: RMB million)*

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

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

## VII. Segment Report

The Group manages its business by geographical region and business lines. In respect of geographical locations, the Group operates its business in four main regions, namely, Northern China, Eastern China, Southern China and other regions. In respect of business lines, the Group provides four main types of financial services, including corporate banking business, personal banking business, treasury business and other business.

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

(Unit: RMB million)

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

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

### (II) Segment operating results by business lines

(Unit: RMB million)

Type of Business	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Corporate banking	765,678	31,089	10,375
Retail banking	281,331	9,129	3,436
Treasury	731,024	13,127	8,357
Other business	41,249	1,322	808
Total	<u>1,819,282</u>	<u>54,667</u>	<u>22,976</u>

## VIII. Other Financial Information

### *(I) Items relating to fair value measurement*

#### *1. Internal control system relating to fair value measurement*

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

#### *2. Items measured at fair value*

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

(Unit: RMB million)

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

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

## (II) Foreclosed assets

(Unit: RMB million)

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

### ***(III) Overdue and outstanding liabilities***

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

## **IX. Performance of Key Business Lines**

### ***(I) Corporate banking***

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

#### ***1. Corporate loans***

In the reporting period, the Company developed its corporate loan business in accordance with the macro-economic policies and the Company's strategic transformation. The focus was on controlling the total lending amount, optimizing the structure, maintaining the quality of the loan portfolio and improving efficiency. By capturing market opportunities arising from the steady and sound development of the national economy, the Company rationally regulated the growth of loans and the tempo of loan extensions, and optimized the loan structure by focusing on supports to non-state-owned enterprises and small and medium-sized enterprises ("SMEs"). The size and overall revenue of corporate loans recorded a steady growth and the asset quality remained stable.

As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB776,187 million, representing an increase of RMB58,065 million, or 8.09%, as compared with the end of the previous year. Outstanding general corporate loans amounted to RMB750,501 million, representing an increase of RMB75,347 million, or 11.16%, as compared with the end of the previous year. The average interest rate of the Company's corporate loans offered during the reporting period amounted to 5.82%, representing an increase of 0.49 percentage points as compared with the previous year. As at the end of the reporting period, non-performing corporate loan ratio of the Company amounted to 0.84%, representing a decrease of 0.07 percentage point as compared with the end of last year.



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

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

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

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

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

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

In the reporting period, the Company cooperated with other banks through the transfer of credit assets and participation in the provision of syndicated loans to meet the financing needs for large projects of major customers. In the reporting

period, syndicated loans and transfer of credit assets amounted to RMB19,880 million and RMB27,075 million, respectively. The Company also accepted commercial bills and provided trade finance to satisfy the general funding demands of customers. For commercial bill business, the Company continued to launch new products and innovative services to facilitate enterprises, in particular, the SMEs, to reduce their capital cost and financing cost and to significantly increase its own revenue as well. In the reporting period, the income ratio of discounted bills reached 8.42%, representing an increase of 5.04 percentage points as compared with the corresponding period of the previous year. The income from bills spread amounted to RMB4,193 million, representing an increase of more than 10% as compared with the corresponding period of the previous year.

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

In the reporting period, the Company implemented the state industrial financial policies, actively explored a business development model for green finance and emerging strategic industries, increased credit facilities for environment-friendly industries and new energy industries, and imposed credit limits to control loan growth of industries with excessive production capacity and government financing projects. The credit facilities to government-guaranteed projects are subject to the approval of the head office of the Company according to a set of standard procedures. The Corporate Banking Department of the head office adopted a preliminary approval system to strictly control and eliminate projects supported by low level government agencies, with poor financial support or insufficient collateral. In addition, the Company optimized the national resources for this kind of credit business through organizing internal syndicated loan facilities to minimize inefficient credit provision by individual operating units.

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

## 2. *Corporate deposits*

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

As at the end of the reporting period, the balance of corporate deposit of the Company was RMB1,179,863 million, representing a growth of RMB249,465 million, or 26.81%, as compared with the end of last year. The average cost of corporate deposits in 2010 was 1.52%, representing a decrease of 0.10 percentage point as compared with last year. During the reporting period, the major works in relation to the establishment of sustainable growth mechanism of liability business of the Company were as follows:

- (1) The Company took various initiatives to explore new customers. In the reporting period, over 58,700 new deposit accounts of the Company brought a growth of RMB199,906 million in deposits, which accounted for 80.13% of the increase in corporate deposits, and was the main growth driver of liability business. As at the end of the period, there were 175,500 corporate deposit accounts with outstanding balance, representing an increase of 21.71% as compared with the end of last year. The continuously expanding customer base laid a solid foundation for the Company to further implement the strategy of developing the settlement business to boost deposit growth.
- (2) The Company further promoted the development of transaction finance business. The transaction finance business can bring opportunities in cash management and future cash flow management business for banks which provide financing services to customers in respect of their inventories, account receivables and bill receivables. The Company takes transaction finance business as an important instrument for organic growth of its liability business, and takes cultivation of effective customer base and increase of business volume as the primary development target for transaction finance business. In the reporting period, transaction finance business of the Company achieved leaping growth with an accumulated amount of RMB346,833 million and a balance of RMB135,126 million with 4,096 effective customers, representing an increase in the accumulated amount and the number of effective customers by 166.79% and 156.00%, respectively, from the corresponding period of the previous year. The balance of arbitrage pledged deposits and settlement deposits amounted to RMB107,956 million. More importantly, the transaction finance business of the Company expanded from single customer marketing to batch customer marketing, and has initially built up its dominance in terms of region and industry in the industry

chains of metallurgy, garments, liquor, coke, oil products and automobile sectors. The Company believes that with the expansion of transaction finance business and effective customer base, the competitive edges of the Company in customer services and the financing market will be further improved, and the transaction finance business will play a more significant role in pushing forward the liability business of the Company.

### *3. Corporate non-interest income business*

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

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

In respect of asset custody business, the Company implemented a strategy of “diversification and specialization” to optimize the structure of its custody business. The Company made use of the customer base of custody business to cross-sell other products and services. The Company further consolidated internal resources and placed emphasis on the development of securities trust business for securities investment fund, group wealth management for securities dealers (券商集合理財) and personalized fund management for special customers (基金一對多). The Company also strengthened product innovation and explored new custody business for private equity funds, insurance claims trust, wealth management and transaction fund. The Company is approved by the China Securities Regulatory Commission and the State Administration of Foreign Exchange to conduct custody business for Qualified Foreign Institutional Investors. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB208,144 million, representing an increase of 61.00% as compared with the end of last year. Revenue from the custody business was RMB192 million, representing an increase of 69.91% as compared with corresponding period of the previous year. Such increase reflected balanced development of custody business in terms of size and efficiency.

In respect of corporate annuity business, the Company put strategic emphasis on the development of corporate annuity business and consolidated the resources integration throughout the Company, adopted a strategy of segregating the target markets and encouraged product and marketing innovations to stimulate the growth of corporate annuity business of the Company driven by our key products. As at the end of the reporting period, the Company managed a total number of 61,541 annuity accounts, representing an increase of 49.77% as compared with the end of last year. The annuity funds under the custody of the Company amounted to RMB3,189 million, representing an increase of 112.32% as compared with the end of last year.

In the reporting period, the Company's intermediary business of corporate banking business segment grew rapidly and the net fee and commission income amounted to RMB5,285 million, accounting for 67.08% of the net fee and commission income of the Company, representing an increase of 82.05% over the corresponding period in the previous year. With the growth of total income, income structure was further optimized. Revenue from financial advisory services in emerging markets, fee and commission income from trade finance and transaction finance, fee and commission income from the issuance of debt financing instruments and custody and annuity of intermediary business become the new drivers of sustainable growth of the intermediary business revenue.

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

In the reporting period, SBUs took proactive steps in response to the complicated and ever-changing external environment by enhancing risk prevention, carrying out restructuring, 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. In the 4th Award Ceremony of China Management Institute, entitled "Management Innovation in the Evolving Era", (大轉型時代的管理創新 — 第四屆中國管理學院獎頒獎大會) jointly organized by PKU Business Review and the China Management Case-Sharing Center (中國管理案例研究中心), the Company was honoured with the Golden Award (綜合金獎) in recognition of its excellent results attributable to the reform of SBUs.

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

In the reporting period, in response to market changes, the Real Estate Finance SBU continued to strengthen the supervision over the operation of the real estate market and enterprises and adjusted credit granting criteria as necessary and enhanced post-loan supervision to effectively avoid potential risks and ensure steady improvement of asset quality. In addition, the Real Estate Finance SBU proactively established rational customer base system and grasped development opportunities by establishing strategic cooperation with developers of prominent domestic brands and long-term cooperation with experienced local real estate enterprises. In addition, the Real Estate Finance SBU capitalized on its expertise and carried out highly-profitable businesses such as businesses of real estate M&A loans, commercial property collateral loans, syndicated loans for property development, and lead underwriting of medium-term notes. Such businesses have



achieved steady growth with low risk and high revenue. In the reporting period, the Real Estate Finance SBU was awarded the title of the Leader in the Real Estate Finance Sector (地產金融領軍者) by the Real Estate magazine (地產) under SEEC Media (HK00205), a leading media organization in the real estate sector and The Industry's Best Finance Service Award (最佳行業金融服務獎) again in 2010 by the CFO World magazine (首席財務官).

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

## (2) Energy Finance SBU

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

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

## (3) Transportation Finance SBU

In the reporting period, the Transportation Finance SBU continued to operate under an “embedded” risk management principle. Efforts were made in strengthening the coordination, planning and management functions of the headquarters, and formulation of a strong platform for research and development of financial products and sales support. Targeting on large-scale enterprises, it expanded to the upstream and downstream businesses of five major industries including

railway, automobile, shipping, road and aviation. The Transportation Finance SBU fulfilled the requirements of a professional, standardized and diversified operation by offering tailored financial products and comprehensive services to cater to customer demands.

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

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

#### (4) Metallurgy Finance SBU

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

As at the end of the reporting period, balance of deposits and outstanding general loans of the Metallurgy Finance SBU amounted to RMB41,933 million and RMB39,135 million, representing increases of 18.66% and 14.53% as compared with the end of last year, respectively. The non-performing loan ratio was 0.41%,

representing a decrease of 0.07 percentage point as compared with the end of last year. The revenue from intermediary business amounted to RMB581 million, representing an increase of 115.19% over the corresponding period of the previous year.

#### (5) SME Finance SBU

In the reporting period, the SME Finance SBU continued its pursuit of “professional, efficient and sustainable” operations and mapped out its geographical coverage of SME business throughout China. It had initially established a SME service network covering the Yangtze River Delta, Bohai Rim, Pearl River Delta, Western Taiwan Straits, Cheng Yu and central and western regions, laying a solid foundation for the adjustment and optimization of credit structure and strategic transformation of the Bank. To diversify its product portfolio, apart from actively promoting its 7 featured products, namely “Simple and Fast Loan (易捷貸)”, “Combined Loan (組合貸)”, “Joint Guarantee Loan (聯保貸)”, “Revolving Loan (循環貸)”, “Movable Property Loan (動產貸)”, “Legal Entity Mortgage (法人按揭)” and “Electronic Housekeeper for SMEs (中小企業管家)”, the SME Finance SBU also launched “SME Corporate Account Overdraft Facility (中小企業法人賬戶透支)”, “Supplier Finance (供應商融資)” and “Pledge of Intellectual Property Right (知識產權質押)”. Focusing on customers in industrial clusters, industrial chains, professional markets, industrial parks and cooperation between the Bank and the government, the SME Finance SBU strengthened its model of customer base development, using market segmentation, batch development and sales to target customers. Its new brand of financial services for SMEs, the Wealth Compass (財富羅盤), was registered successfully with strong brand recognition and excellent reputation.

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

#### (6) Trade Finance SBU

In the reporting period, the Trade Finance SBU continued to develop with the concept of becoming a professional service provider of distinctive trade finance services, and actively followed a policy of “professional, dedicated and specialized operations”. The Trade Finance SBU followed market developments closely, took hold of business opportunities where available, and expanded its business to include distinctive products. The Trade Finance SBU has established a stable customer base targeting the top 500 international enterprises and leading domestic enterprises as strategic customers and medium-sized non-state-owned enterprises as basic customers. The SBU created a complete product range covering international settlement as well as international and domestic trade finance. It also



boasted a correspondent bank network around the world and a smooth clearing channel. It trained a specialized team for trade finance business and promoted integrated trade finance solutions which mainly offered receivables, import trade finance, letters of guarantee, value added services and structural trade finance so as to provide trade finance services for both import and export trade at different stages of the whole procedure. Its business, such as factoring, domestic letters of credit, letters of guarantee, syndicated loans and settlement in RMB of cross border trade have developed rapidly. In the reporting period, its factoring business continued to enjoy a leading position in the same business, with a transaction volume of RMB61,557 million and a total of 57,729 transactions recorded. Of which, the transaction volume of international dual factoring amounted to US\$923 million, ranking third among domestic banks. A total of 9,857 international dual factoring transactions were recorded, ranking first among domestic banks. The structural trade finance business, which mainly focuses on the “overseas (走出去)” financing, shipping financing and long-term order finance, demonstrated good development progress. For the shipping finance, the Company implemented the business strategy which mainly targeted bulk carriers with 30,000–100,000 tons. Led by the Company, syndicated loan activities were organized with large state-owned commercial banks. A new type of financing to ship owners was developed and promoted and the “Shipping Tycoon Club of China Minsheng Banking” (中國民生銀行船王俱樂部) was established. Under the new “overseas” financing business, the Group supported privately-owned enterprises by providing financing for their investment in the construction of photovoltaic power plants in developed countries, and launched medium-term structural financing for equipment export and contracted construction.

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

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

## **(II) Retail Business**

### **1. Retail loans**

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

In 2010, leveraging the successful debut in 2009, the Shanghai Dai Tong business continued to grow rapidly. The outstanding loan of Shang Dai Tong exceeded the record high of RMB150,000 million. The size and quality of the customer base were also enhanced significantly. As at the end of the reporting period, outstanding loan of Shang Dai Tong amounted to RMB158,986 million, representing an increase of RMB14,177 million, or 254.81%, as compared with the end of the previous year. As at the end of the reporting period, the total number of Shang Dai Tong customers was up to 110,000, over 20% of which were VIP customers. The Company continues optimization of customer structure.

In respect of the return of Shang Dai Tong, the pricing of newly-issued loans improved significantly in 2010 as compared with the previous year due to improved loan interest rate structure, resulting in higher product profitability. The actual interest rate of newly-issued loans increased by more than 1 percentage point as compared with the previous year. In addition, the loan business of Shang Dai Tong has effectively optimized the loan structure of the Company.

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

With the rapid growth of the Shang Dai Tong loan business and financial businesses with small and micro enterprises, the Shang Dai Tong loan business was well-received by the community, having created a positive brand image. In 2010, the Company was honored with a number of titles and awards, such as Excellent Service Provider for SMEs in 2010 (2010年度優秀中小企業服務機構) by China Association of Small Medium Enterprises, Excellent Service Product for SMEs in 2010 (2010年優秀中小企業服務產品) by the 21st Century Business Herald; the Small and Micro Enterprise Financial Service Award in 2010 (2010小微金融服務獎) and the Most Competitive

Marketing Model in 2010 (2010卓越競爭力營銷模式) by the China Business; and The Best Small and Micro Enterprise Service Bank in 2010 (2010最佳小微企業服務銀行) from the CBN (第一財經).

## 2. *Retail deposits*

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

## 3. *Debit card business*

As at the end of the reporting period, the Company had a total of 25.02 million debit cards in issue, including 2.21 million cards issued in 2010.

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

## 4. *Credit card business*

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

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

In the reporting period, the Company exclusively issued dual currency credit cards with the theme of "2010 FIFA World Cup South Africa" in mainland China and took the domestic lead in issuing multi-currency credit cards which can be settled in RMB and 6 other currencies, namely the US Dollar, Euro, British Pound Sterling, Australian Dollar, Canadian Dollar and Japanese Yen, allowing card users to enjoy convenient and cost-saving spending experience during sightseeing, academic and business trips in the US, the UK, Europe, Canada, Australia and Japan.

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

## 5. *Agency business*

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

## 6. *Customers and related activities*

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

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

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

## 7. *Private banking business*

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

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

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

### ***(III)Treasury business***

#### ***1. Transactions***

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



## 2. *Investments*

As at the end of the reporting period, the balances of the Company's debt securities investment amounted to RMB184,042 million, representing an increase of 15.22% as compared with the end of the previous year. In the reporting period, the Company's debt securities assets were on a stable growth track. The Company increased the gain of RMB debt securities investment through acquisitions and disposals based on price difference by accurate estimation of the domestic debt securities market trend. In addition, the Company sold part of its foreign currency denominated debt securities by taking advantage of the price hike of international debt securities thus effectively mitigating potential investment risk.

## 3. *Wealth management*

In the reporting period, in response to changes in regulatory policies, the wealth management business of the Company introduced new wealth management services and optimized its business structure and operations. Efforts were also made to ensure the continuous supply of products on a planned basis. Most of the products introduced were of moderate risks which were transparent and manageable. To further expand the wealth management business, the Company strengthened the development of innovative wealth management products with low risk and high yield. The brand value of Apex Asset Management of the Company was further improved as a number of awards were received. Apex Asset Management was awarded the Outstanding Bank in Wealth Management Brand (優秀銀行理財品牌) in the Golden Shell Awards for Financial and Wealth Management (金融理財金貝獎) jointly organized by 21st Century Business Herald (21世紀經濟報導) and various financial medias in 2009.

In the reporting period, the number and size of wealth management products introduced grew significantly. The number of new products launched amounted to 1,836, whilst the sales volume amounted to RMB339,558 million.

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

- (1) The operation was further improved and the process-based management mechanism for traditional wealth management products has been realized. In 2010, to comply with changes in the regulatory policies, the Company introduced innovative wealth management products and streamlined the operation to speed up the provision of products. The Company also reallocated its resources to ensure the continuous and stable supply of products. As a result, the number of issuance and amount of loans and principal-guaranteed products under Apex Asset Management (非凡資產管理) grew significantly when compared with the corresponding period in the previous year.
- (2) The Company successfully expanded its innovative product portfolio from individual products into series of products. From 2010, the Company changed its approach in product development to expand its product portfolio by developing individual products into series of products, such as Art Piece Series (藝術品系列)

產品) and Securities Series (證券系列產品), to further enhance its brand image and brand value. In addition, the Company continued to develop the depth and width of its wealth management business by launching new investment products in respect of gold, foreign exchange, standard warehouse receipt financing and large market value transactions.

- (3) Significant improvement of sales capacity based on refined channel management. On one hand, the Company fully opened corporate sales channels and managed them by “two lines”, i.e. sales channels for inter-bank customers and non-inter-bank customers, which substantially improved the level of professional sales. On the other hand, the Company achieved breakthroughs in traditional retail sales channel and online banking channel. The retail sales volume of wealth management products increased by 183.00% as compared with 2009, while the online sales volume exceeded RMB70,000 million.

#### *4. Underwriting of bills and bonds*

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

#### *5. Trading in gold and other precious metals*

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

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

### ***(IV) E-banking services***

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

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

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

## **(V) Performance of subsidiaries**

### **1. Minsheng Leasing**

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

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



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

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

The business of Minsheng Leasing developed rapidly and received strong recognition from the industry. The awards it obtained include The Most Competitive Financial Service Award (最具競爭力金融服務獎) by the 5th 21 Century Annual Finance Summit of Asia; The Best Financial Leasing Company 2010 (2010年度金融租賃公司) by the CFV of the First Financial Daily; Financial Innovation Award 2010 (2010金融創新獎) by the 2010 Online Ranking of Financial Wealth Management hosted by sohu.com (搜狐2010年金融理財網絡盛典評選); Top Ten Financial Leasing Enterprises of Excellence (融資租賃十佳企業) by the 2010 China Financial Leasing Annual Meeting (2010年中國融資租賃年會評選); and the Innovative Institution of Green Financial Services (綠色金融服務創新機構獎) by the 7th China International Finance Forum.

## 2. *Minsheng Fund*

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

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

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

### 3. *Minsheng township banks*

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

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

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

## **X. Risk Management**

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

## **(I) Credit risk**

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

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

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

## **(II) Market risk**

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

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

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

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

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

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

### ***(III) Operational risk***

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and information technology (“IT”) system failure, or external events. The operational risk of the Company mainly comprises internal and external risks. Internal risks mainly include risks arising from human error, inappropriate procedures and operation flow and IT system failure. External risks include risks arising from external contingencies.

The Company has devoted to optimizing operation procedures for middle and back offices, specifying management structure and responsibilities of operational risk management to improve its quality and efficiency. With implementation of the New Basel II Accord, the Company is proactively using the opportunity to establish mechanisms for an operational risk management system as required by the New Basel II Accord. In this way, the Company aims to raise the standard of operational risk management and to formulate a scientific and comprehensive operational risk management system. Currently, a risk management system covering information technology, crisis and disaster recovery and outsourcing activities has been set up based on the relevant regulatory requirements of the New Basel II Accord. Relevant assessment and reporting mechanisms have also been established to optimize the

operational risk management system for the Company and strengthen the identification, measurement, supervision and control of operational risks on a comprehensive, scientific and timely basis.

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

#### ***(IV) Liquidity risk***

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

The Asset and Liability Management Commission is responsible for establishing policies and strategies relating to our overall management of liquidity risk. The Asset and Liability Management Department is responsible for implementing the liquidity risk management policies and strategies. In 2010, the Company strengthened the headquarters' centralized fund management and allocation, and ensured effective management of liquidity risk by optimizing debt structure, improving the stability of deposits and lowering the maturity mismatch risk. Structural liquidity indicators such as liquidity ratio and core debt dependency improved significantly as compared with the beginning of the year.

#### ***(V) Implementation of New Basel II Accord***

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



## **(VI) *Anti-money laundering***

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

## **XI. Prospects and Measures**

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

- (I) The Company enhance research on macro environment to ensure coordinated operations. The Company will keep abreast of the changing external environment, in particular, the impact of the economic structure adjustment, industrial policy and regional development under the “12th Five-Year Plan” to the Company’s business, the Company will keep track of the macro economic and regulatory policies to maintain orderly promotion of strategies. While maintaining steady growth, the Company will endeavour to optimize structures, develop distinctive characteristics and enhance operation efficiency.
- (II) The Company will take the opportunities of the economic transformation to push forward its strategies on non-state-owned enterprises. Sticking to the economic transformation, the Company will seize the favourable momentum for non-state-owned economies arising from the development of emerging strategic industries, service industries, modern agricultural industry and second and third-tier cities. The Company will formulate rational development plan to innovate product and service systems with “financial butler” (金融管家) service as the key, so as to facilitate the rapid and healthy development of non-state-owned enterprises.

- (III) The Company will further develop its small and micro enterprise finance business based on in-depth researches. Researches on industrial development, risk measurement and value assessment of small and micro enterprises will be reinforced to optimize business processes and management system. The Company will accelerate the construction of “credit factory” and put more efforts on cluster marketing. The guarantee system, products system, level of comprehensive services, effectiveness and efficiency of operation will be improved to build up brand advantages.
- (IV) The Company will further promote high-end retail business. The Company will actively seek business opportunities in the capital market and cooperate with fund managing and securities dealing companies to develop customized financial services and high-end wealth management platform. The Company will also reinforce strategic cooperation with non-state-owned and small and micro enterprises by integrating internal and external channel integration to offer high-end services to new customers.
- (V) The Company will speed up the product innovation and cross-selling and increase the revenue from intermediary business through various channels. The Company will improve the product innovation system to support business development in high yield markets and emerging markets. By optimizing product portfolio, streamlining business processes and coordinating cooperation among departments and business lines, the Company intends to build a customer-centric cross-selling system to offer comprehensive financial services to customers and improve its profitability of intermediary business.
- (VI) The Company will continue to maintain a steady growth of deposits. The Company will strengthen the cultivation of the customer bases as well as the development of products, and achieve the increase of deposits through products. New payment platforms such as online banking and other new areas will be further developed to procure the stabilization and increase of deposits through various channels. The Company will promote the development of business with high derivative deposits including asset custody, bills and institutional finance, while improving the derivative deposits capability of and overall return from small and micro enterprises.
- (VII) The Company will optimize its resources allocation to improve overall operating efficiency. Through policies on loan pricing and extension, the Company will effectively maintain balance between assets and liabilities. Asset management will also be strengthened to improve the utilization of resources. The Company will also tighten its operating cost control and increase the input-output ratio.
- (VIII) The Company will intensify capital management to facilitate the intensive operation. The Company will establish performance assessment system and capital limit management system with economic capital as the core. It will tighten examinations on risk-adjusted return and economic value added of its operation units, maximize the capital and resources utilization rate and reduce the misappropriation of capital. The role of capital management in business development planning, performance assessment and resources allocation will be further demonstrated. The Company will change the business mode under the business concept of capital rationing.

- (IX) The Company will further improve its comprehensive risk management system and strengthen risk management. The Company will continue the implementation of its 3-year risk management plan and the implementation of the New Basel II Accord by strengthening research on risk measurement and setting up exposure limit management covering all risks. To comply with the economic policies and requirements of the central government and regulatory authorities, the Company will strengthen risk control over major industries (such as the government financing project, the real estate sector, and regions and customers that are of high pollution, high consumption and excessive production capacity), regions and customers. The Company will also endeavour to optimize the disposal system of non-performing assets, carry out effective compliance checks and develop risk management system for product innovation in an aim to improve initiatives and foresight in managing risks.
- (X) The Company will refine its management system. The Company will introduce advanced management methods, fully implement score card assessment system, and push forward specific management systems for customer strategy and innovations. In addition, the Company will start kick off improvement programs for management system and operation management model of key business to improve the efficiency of management and operation and bring management model to a more scientific and comprehensive level.
- (XI) The Company will enhance the coordination in conducting reforms to facilitate process-based banking construction. The Company will facilitate streamlining of processes and transformation management. The Company strives to achieve scientific, systematic and procedural reforms by adjusting organization structure, operation management model and business procedures. The Company will move forward with the SBU reform to innovate business model and product services, while enhance internal synergy and external cooperation to improve the customer-centric professional service level and overall development capabilities.

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

## **OTHERS**

### **I. Purchase, Sale or Redemption of the Company’s Listed Securities**

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.



## **II. Profit Appropriation Plan**

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

The above profit appropriation plan will be submitted at the AGM for approval. Details of (1) the AGM; (2) the distribution of the 2010 cash dividend; (3) the period of closure of Register of H Shares; and (4) the record date(s) for the entitlement to attend the AGM and receive the cash dividend, will be announced by the Company separately.

## **III. Code on Corporate Governance Practices**

During 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").

## **IV. Securities Transactions by Directors and Supervisors**

The Company has adopted its own code of conduct regarding directors' and supervisors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the "Model Code for Securities Transactions by Directors of the Listed Issuers" ("Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules. Further to the Company's enquiry, all directors and supervisors confirmed that they had complied with the Model Code and the Own Code during the reporting period.

## **V. Audit Committee**

The Audit Committee of the Company has reviewed the 2010 annual results of the Group and the financial statements for the year ended 31 December, 2010 prepared in accordance with the International Financial Reporting Standards.

## **VI. Publication of Annual Results and Annual Report**

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.cmbc.com.cn](http://www.cmbc.com.cn)).

The Company's 2010 annual report containing all the information required under the Hong Kong Listing Rules will be despatched 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, 25 March 2011

*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.*