2008
ANNUAL REPORT

中国民生银行
CHINA MINSHENG BANKING CORPORATION LIMITED

中国民生银行

CHINA MINSHENG BANKING CORPORATION LIMITED

服务大众　情系民生

Message from the Chairman

After years of surging, the Chinese economy turned its main tone form reducing overheating and preventing inflation to promoting growth and ensuring employment in 2008. As a consequence, the economic environment and situation dramatically changed accordingly, bringing uphill challenges to the Chinese banking industry, as well as China Minsheng Bank's business operations and development.

Even so, China Minsheng Bank achieved a net profit of RMB 7.885 billion in 2008, a 25% increase from 2007, or a 42% increase if the provision coverage rate remained at the same level as in 2007. The Bank also kept its NPL ratio as low as 1.20%.

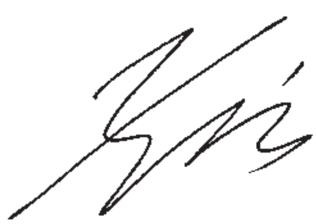
I believe the Bank's steady and healthy development under the unfavorable environment is closely related to our business model transformation and the strategic structural adjustment, besides care and supports from the regulatory authorities, investors and hard work of all employees. Since 2006, our bank has shifted its growth model from the traditional extensive and inorganic one to intensive and organic one by adjusting its business structure and promoting process-based banking reform and organization structure reform, and has achieved notable progress.

Particularly, the corporate banking SBU reform commencing in the second half of 2007 has made significant breakthroughs in integrating separate operation and management in head office, branches and sub-branches to centralized operation and management in SBU, and the outcome is apparently satisfying, giving that the service and risk management capabilities are visibly improved. We can say that if we didn't carry out the SBU reform, our bank would have faced more difficulties and challenges in the financial tsunami swept through the world in 2008.

In 2008, our bank made important steps to diversification and internationalization. We successively established Minsheng Financial Leasing Co., Ltd. and Minsheng Royal Fund Management Co., Ltd. and invested in Pengzhou Minsheng Rural Bank and Cixi Minsheng Rural Bank as the substantial shareholder. As the first bank in China that successfully invested in an American bank, we made two consecutive investments in UCBH Holdings and became its single-largest shareholder with a shareholding of 9.9%. Cored at commercial banking businesses, we are marching toward an international financial holding group.

In the beginning of 2009, our bank accomplished the reelection of the 5th Board of Directors. Facing the external economic changes and challenges, the new session of the board and senior management are confident in brining higher return to the shareholders and creating greater value for the society.

In 2009, in parallel with deepening SBU reform, our bank will launch the overall reforms on middle and back office, strive for the construction of process-based bank, and prepare for the launching of the new core business system. These measures aiming at reform and development will lay a sound foundation for our bank to make the second take-off and enter a new round of healthy and rapid growth.



Dong Wenbiao,Chairman of the Board of Directors

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Important Notice

The Board of Directors, Board of Supervisors, and the directors, supervisors and senior executives of China Minsheng Banking Corp., Ltd. (the “Bank”) warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume joint and several liability for the integrity, accuracy and completeness of its contents.

The 2008 Annual Report (text and abstract) was approved on April 21, 2009 at the 2nd meeting of the Fifth Board of Directors of the Bank. Of the 17 directors, 9 attended the meeting in person and 8 were represented by proxy, including Zhang Hongwei and Lu Zhiqiang who entrusted in writing their voting rights to Chairman Dong Wenbiao, and Shi Yuzhu and Chen Jian entrusted their voting rights to Huang Xi, while Liu Yonghao and Wang Yugui respectively entrusted theirs to Wang Hang. Zhang Ke entrusted in writing his voting right to Liang Jinquan, and Wang Junhui entrusted his to Hong Qi .

The financial statements for the year ended December 31, 2008 have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company under the Independent Auditing Standards issued by Chinese Institute of Certified Public Accountants. The auditor has issued an unqualified report on these financial statements.

Board of Directors
China Minsheng Banking Corp., Ltd.

Mr. Dong Wenbiao (Chairman of the Board of Directors), Mr. Hong Qi (President), Mr. Zhao Pinzhang and Ms. Wu Touhong (senior executives responsible for finance and accounting), and Ms. Bai Dan (Head of Financial Management Department) warrant the integrity and completeness of the financial statements included in the Annual Report..

01

Bank Profile

Bank Profile

1. **Registered Chinese name:** 中国民生银行股份有限公司
   (Abbreviation: 中国民生银行)

   Registered English name: CHINA MINSHENG BANKING CORP., LTD.
   (Abbreviation: CMBC, and hereinafter referred to as the "Bank")

2. **Legal representative:** Mr. Dong Wenbiao

3. **Secretary to the Board of Directors:** Mr. Mao Xiaofeng
   Securities Affairs Representative: Mr. He Qun
   Address: Building I, Beijing Friendship Hotel, No.1, Zhongguancun Nandajie, Haidian District, Beijing, China,100873
   Tel: (+86-10) 68946790
   Fax: (+86-10) 68466796
   E-mail: cmbc@cmbc.com.cn

4. **Registered address:**
   No. 2, Fuxingmennei Avenue, Xicheng District, Beijing, China, 100031
   Website: www.cmbc.com.cn
   E-mail: cmbc@cmbc.com.cn

5. **Newspapers designated for information disclosure:**
   China Securities Journal, Shanghai Securities News and Securities Times
   Website for publishing annual reports as designated by the China Securities Regulatory Commission (the "CSRC"): www.sse.com.cn

   Place for the preparation and maintenance of annual reports:
   Office of the Board of Directors (the "BOD") of the Bank

6. **Listing:**
   The stock of the Bank is listed on the Shanghai Stock Exchange
   Name in abbreviation: Minsheng Bank
   Stock code: 600016

7. **Other information:**
   Date of initial registration: February 7, 1996
   Registered address: No.4, Zhengyi Road, Dongcheng District, Beijing, China,100006
   Date of change of registration: November 20, 2007
   Registered address: No. 2, Fuxingmennei Avenue, Xicheng District, Beijing, China,100031
   Business license serial number: 100000000018983
   Tax registration certificate number: Jingguoshui Dong Zi 110101100018988
   Dishui Jing Zi 110101100018988000
   Trustee for unlisted shares:
   China Securities Depository & Clearing Co., Ltd., Shanghai Branch

   Domestic accounting firm appointed:
   PricewaterhouseCoopers Zhong Tian CPAs Limited Company
   Address: 11th Floor, PwC Center, No. 202, Hubin Road, Shanghai, China, 200021

8. This report is prepared and printed in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version prevails.

02

Financial and Business Highlights

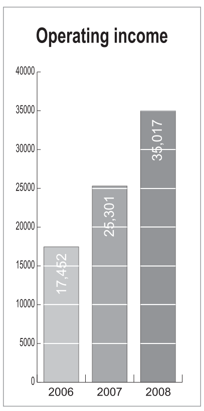
Financial and Business Highlights

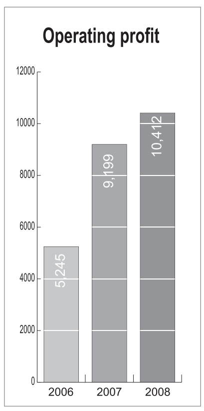
1. Key Financial and Accounting Indicators of Years Ended December 31, 2006, 2007 and 2008

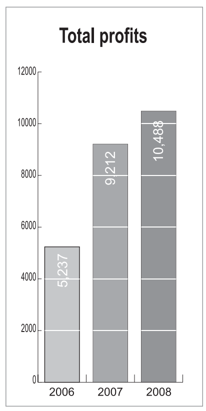
(Unit: RMB million)

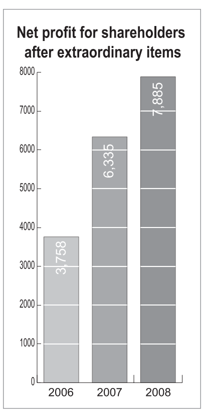
Item	2008	2007	2006 After Adjustment	2006 Before Adjustment
Operating income	35,017	25,301	17,452	17,454
Operating profit	10,412	9,199	5,245	5,332
Total profits	10,488	9,212	5,237	5,324
Net Profit attributable to shareholders	7,885	6,335	3,758	3,832
Net profit for shareholders after extraordinary items	7,826	6,630	3,757	3,831
Total assets	1,054,350	918,837	725,087	700,449
Shareholders' equity	54,672	50,187	19,310	19,305
Net cash flow from operating activities	53,202	-14,029	41,090	41,090
Net cash flow from operating activities per share (in RMB)	2.83	-0.97	4.04	4.04
Net assets per share for shareholders (in RMB)	2.86	3.47	1.90	1.90

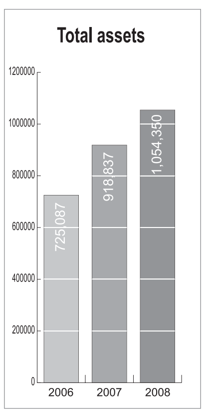
Note: In accordance with the Explanatory Guidance on Accounting Standard for Business Enterprises (2008) published by the Ministry of Finance in 2008, the Group offsets deferred income tax assets and liabilities relating to income taxes levied on the same taxable entity, and restated the deferred income tax assets and liabilities at the end of 2007 accordingly.

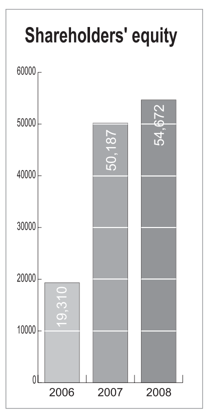












2. Return on Equity and Earnings Per Share

Item	Profit during the reporting period (RMB million)	ROE (%) Fully diluted	ROE (%) weighted average	Basic EPS (in RMB)	Diluted EPS (in RMB)
Net profit for ordinary equity holders of the Bank	7,885	14.63	15.23	0.42	0.42
Net profit for ordinary equity holders of the Bank after exclusion of extraordinary items	7,826	14.52	15.11	0.42	0.42

3. Extraordinary items

(RMB million)

Extraordinary items	Amount
Non-operating income	157
- Gains on Fixed assets inventory count	-
- Gains on disposal of fixed assets	2
- Income from fines	-
- Other income	155
Non-operating expenses	81
- Losses on disposal of fixed assets	2
-Donations	59
- Other expenses	20
Net non-operating income and expenses	76
Plus: reversal of prior year impairment allowances	6
Less: Income tax effect of extraordinary items	21
Minority interest	2
Net amount of extraordinary items	59

Note: The calculations are made in accordance with the Explanatory Convention for Information Disclosure by Companies Offering Securities to the Public No. 1 - Extraordinary Items (2008 Revised), and the Standards on the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2.

4. Changes in Shareholders' Equity During the Reporting Period

(Unit: RMB million)

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share capital	14,479	4,344	-	18,823
Capital reserve	22,980	1,838	6,754	18,064
Statutory reserve	2,200	783	-	2,983
General reserve	5,800	2,201	-	8,001
Retained earnings	4,728	7,885	6,604	6,009
Minority interest	-	792	-	792
Total shareholders' equity	50,187	17,843	13,358	54,672

Financial and Business Highlights

5. Supplementary Financial Indicators

1) Key financial indicators

Key financial ratios (%)	Benchmark	2008		2007		2006	
		Year-end	Average	Year-end	Average	Year-end	Average
ROA ratio		0.80	0.79	0.77	0.68	0.58	0.56
Capital profit ratio		15.05	16.64	18.23	19.93	21.62	20.34
Cost/income ratio		42.55	44.41	46.26	46.99	47.71	47.23
NPL ratio	-	1.20	1.21	1.22	1.24	1.25	1.23
Provision coverage ratio		150.04	131.59	113.14	111.01	108.89	104.57
CAR	⩾ 8	9.22	9.98	10.73	9.47	8.20	7.97
Core CAR	⩾ 4	6.60	7.00	7.40	5.90	4.40	4.60

Note: 1. The above ratios represent Group level performance, and the regulatory indicators are calculated as per regulatory criteria applicable to China's banking industry.

2. The 2006 financials have been retrospectively adjusted in accordance with the Accounting Standards for Business Enterprises (2006).

3. ROA ratio =net profit/ [(total assets at beginning of year + total assets at end of year) /2].

4. Cost to income ratio = operating and administrative expenses /operating income.

2) Key regulatory indicators

Key regulatory indicators (%)		Bench-mark	2008 Year-end	2008 Average	2007 Year-end	2007 Average	2006 Year-end	2006 Average
Liquidity ratio	RMB	⩾ 25	45.50	35.69	34.94	40.62	51.42	45.55
	Foreign currencies	⩾ 60	119.16	142.06	97.37	83.87	66.15	70.1
Loan to deposit ratio	RMB	⩽ 75	75.00	74.72	74.44	72.12	69.72	69.37
	Foreign currencies	⩽ 85	38.98	57.39	61.67	58.55	51.52	51.39
Borrowing to lending ratio	Borrowing ratio	⩽ 4	0.04	0.26	0.29	0.19	0.19	0.06
	Lending ratio	⩽ 8	2.11	2.22	2.54	1.94	1.70	1.72
% of loans to the single largest customer		⩽ 10	4.49	3.41	3.75	4.95	5.88	5.45
% of loans to ten largest customers		⩽ 50	27.34	26.45	28.17	35.4	43.74	45.31

Note: 1. The above ratios represent positions at the Bank level, and are calculated based on criteria required for the regulatory reporting purposes.

2. % of loans to single largest customer = total loans to the single largest customer/net capital.

3. % of loans to ten largest customers = total loans to ten largest customers/net capital.

03

Management's Discussion and Analysis

Management's Discussion and Analysis

1. Principal Businesses

The Bank's scope of businesses mainly covers the following: deposit taking; short-term, medium and long term loans; domestic and international settlement; bills acceptance and discounting; financial bonds issuance; agency issuance, agency settlement and underwriting of government bonds; trading of government bonds and financial bonds; inter-bank borrowing and lending; trading and agency trading of foreign exchanges; settlement and selling of foreign exchanges; bank cards business; L/C and guarantees; agency services for collection/payment; safety box services, and other financial services approved by the banking industry regulatory authorities under the State Council.

The Bank carries out its business operations within the above approved business scope. The Bank's main sources of income include loans, placement with and lendings to other banks and financial institutions, bonds investment and settlement, and agency business. During the reporting period, there was no other business lines with material impact on the profitability of the Bank, and the Bank had not experienced significant changes to its principal business operations in comparison with the previous reporting period.

2. Impact of Changes in Business Environment and Macro Economic Policies

In 2008, significant changes took place in both international and domestic economies. The financial crisis originated in the United States spread rapidly across the world brought impact on the real economy in China; at the same time, exposed the structural problems in the Chinese economy. The combination of the cyclical changes in global economy and exogenous factors in the Chinese economy increased the pressure for the adjustment of the Chinese economy. In the second half of 2008, the domestic economic situation became more challenging, with enterprises shutting down and others facing declining profit.

In terms of macro economic policies, prevention of inflation and over-heating of economy was the focus in the first half of 2008. In the second half of the year, more proactive fiscal policies were adopted, while the monetary policy eased in favor for a more relaxed position. The People's Bank of China (PBOC) removed restrictions on credit limits and significantly lowered deposit reserve rates and basic interest rates. Various plans and policies were launched by all levels of government to revitalize industries and local economies.

The changes in macro economic policies brought a significant impact on business operations of the banking industry, primarily in the following three aspects:

1) The relaxed monetary policy led to increase in liquidity and sharp decline in market interest rates, which limited capital utilization and bonds investment and profitability;

2) The deterioration in profitability of enterprises which posed severe challenges to the risk management and market performance of commercial banks, while the withering of credit demands and weakening of banks' negotiation position resulted in decline in returns on credit assets. These increased pressure on asset quality and brought indirect adverse impact on business results;

3) The gloomy capital market affected the commercial banks' capability to raise additional capital, which subsequently, affected their ability to mitigate risks, and limited the sustainability of their future business growth.

3. Overall Performance

In 2008, against complicated and challenging external situation and market environment, the Bank implemented the development strategy set by the Board to continue to deepen its structural reforms. It improved specialization in business operations, and enhanced risk management, while strengthening rational resources allocation. This successfully overcame the impact of unfavorable environment to realized a net profit of RMB 7.9 billion, up by 25% from the previous year, with a basic EPS of RMB 0.42, up by 17% from the previous year.

According to the PBOC's Summary Statement on the Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) released in December 2008, the Bank's balance of deposit at end of the reporting period represented 9.54% of the market share among all national joint-stock commercial banks.

1) Rapid growth of assets

As of the end of the reporting period, the Group's total assets amounted to RMB 1,054.4 billion, up by RMB 135.6 billion or 15% from the end of the previous year. Total deposits amounted to RMB 785.8 billion, up by RMB 114.6 billion or 17% from the end of the previous year. Total loans (including discounted bills) amounted to RMB 658.4 billion, up by RMB 103.4 billion or 19% from the end of previous year.

2) Sustained profitability

During the reporting period, the Group realized operating income of RMB 35 billion, and increased by RMB 9.7 billion or 38% from the previous year. Of which, net interest income was RMB 30.4 billion and net non-interest income was RMB 4.6 billion, up by 35% and 70% respectively; and net fees and commissions income increased by 87%. The operating profit amounted to RMB 10.4 billion, up by 13% or RMB 1.2 billion from the previous year.

3) Effective cost control

During the reporting period, the cost to income ratio was reduced from 46.26% to 42.55%, demonstrating effective cost control at the Group.

4) Enhancement of asset quality

As of the end of the reporting period, the NPL ratio (under the five-category classification system) was 1.20%, down by 0.02 percentage point from beginning of the year.

4. Analysis of Major Items of Income Statement

1) Total profit

In 2008, the Group realized RMB 10.5 billion in total profit, up by RMB 1.3 billion or 14% from the previous year. The main sources of total profit were interest income and income from fees and commissions, as shown below:

(Unit: RMB million)

	2008	2007	Increase / decrease (%)
Net interest income	30,380	22,580	34.54
Fee and commission income	4,461	2,391	86.57
Operating and administrative expenses	14,901	11,705	27.30
Impairment losses for assets	6,518	2,265	187.77
Total profit	10,488	9,212	13.85

Management's Discussion and Analysis

2) Business income structure

In 2008, the Group's business income amounted to RMB 61.2 billion, increased by RMB 18.2 billion or 42% from the previous year. Of which, income from loan interest was the Group's main source of income, which amounted to RMB 44.4 billion in 2008, accounting for 72.55% of the total business income. The Group's income from interests on bonds and from fee and commissions amounted to RMB 5.5 billion and RMB 4.8 billion, representing 8.90% and 7.76% of total business income, respectively.

(Unit: RMB million)

Item	Amount	%	Increase / decrease year-on-year (%)
Income from loan interests	44,433	72.55	38.24
Interest income from lendings to banks and other financial institutions	794	1.30	76.05
Interest income from deposit with the PBOC	2,216	3.62	67.62
Interest income from deposit with banks and other financial institutions	216	0.35	-7.30
Interest income from bond investments	5,451	8.90	26.33
Financial assets purchased under resale agreement	2,990	4.88	87.23
Income from fees and commissions	4,755	7.76	78.42
Other	387	0.63	13.49

3) Net interest income

In 2008, the Bank realized RMB 30.4 billion of net interest income, up by RMB 7.8 billion or 35% from the previous year, accounting for 87% of business income.

The Bank's interest income, interest expense, average rate of return and average rate of cost are shown in the following table:

(Unit: RMB million)

	2008			2007		
	Average daily balance	Interest income/ expense	Average rate of return (cost) (%)	Average daily balance	Interest income/ expense	Average rate of return (cost) (%)
Balances with the central bank	135,552	2,216	1.63	76,870	1,322	1.72
Deposit with and lending to banks and other financial institutions	26,114	1,003	3.84	22,787	684	3.00
Financial assets purchased under resale agreement	66,724	2,990	4.48	42,445	1,597	3.76
Loans and advances to customer	591,163	44,433	7.52	500,063	32,141	6.43
- Individuals	103,291	7,316	7.08	82,719	5,154	6.23
- Corporate (including bills)	487,872	37,117	7.61	417,344	26,987	6.47
Bond investments	140,041	5,451	3.89	127,033	4,315	3.40
Deposits from banks and other financial institutions	123,547	3,982	3.22	72,549	1,664	2.29
Borrowings	2,606	98	3.76	3,876	146	3.77
Deposits taken	708,397	18,450	2.60	600,851	13,181	2.19
Financial assets sold under repurchase agreements	42,939	1,961	4.57	32,338	1,395	4.31
Bonds payable	33,500	1,410	4.21	27,839	1,104	3.97

In 2008, the interest spread increased by 68bp from the previons year, due to the following reasons: 1. Successive interest rate hikes by the PBOC in 2007 were felt in 2008, which had a positive influence on interest spread; 2. At beginning of 2008, the Bank seized favorable market opportunities and effectively improved its profitability through aggressive lending and strict loan pricing management; 3. In 2008, the Bank continued to improve its centralized management of large active debts, and controlled its cost at an adequate level through active participation in low-cost debts and improvement of stability of its debt operations with effective transfer pricing.

4) Income from fees and commissions

In 2008, the Group realized RMB 4.5 billion of income from fees and commissions, up by RMB 2.1 billion or 87% from the previous year, representing 13% of business income, due to the growth of income from credit commitments and fees from bank card.

The Group's income from fees and commissions is shown as follows:

(Unit: RMB million)

	2008	2007	Increase / decrease (%)
Financial advisory services	1,702	1,136	49.82
Settlement services	312	301	3.65
Trust and other fiduciary services	603	406	48.52
Credit commitments	917	298	207.72
Bond agency business	139	82	69.51
Bank card charges	920	397	131.74
Other	162	45	260.00
Total	4,755	2,665	78.42

5) Business and management expenses

In 2008, the Bank significantly improved its business operation efficiency and further controlled its operational expenses by implementing the Strategic Business Unit (SBU) reforms and optimizing its business processes. The Group's business and management expenses amounted to RMB 14.9 billion, up by 27% or RMB 3.2 billion, and the cost-to-income ratio was 42.55%, a 3.71% fall from the previous year.

6) Asset impairment losses

In 2008, the Group's asset impairment losses amounted to RMB 6.5 billion, increased by RMB 4.3 billion from the previous year. In responding to the uncertainties in the domestic and overseas macro economic environment, the Group increased its loan loss allowances and impairment losses in its securities investment.

7) Income tax

In 2008, the Group's expenses on income tax amounted to RMB 2.6 billion, dropped by RMB 300 million or 10% from the previous year. The effective tax rate was 24.74%, slightly lower than the statutory tax rate of 25%.

Management's Discussion and Analysis

5. Balance Sheet Analysis

1) Asset and liability structure

(Unit: RMB million)

	December 31, 2008	December 31, 2007	December 31, 2006
Total assets	1,054,350	918,837	725,087
Total loans	658,360	554,959	472,088
- Performing loans	650,439	548,185	466,195
- NPL	7,921	6,773	5,893
- Mid-long-term loans	298,171	272,212	198,305
-Loans to individuals	108,571	99,460	68,574
-Corporate loans	485,858	420,837	345,543
-Discounted bills	63,931	34,662	57,970
Provisions for loan impairment losses	11,885	7,663	6,417
Total liabilities	999,678	868,650	705,777
Total deposits	785,786	671,219	583,315
-Long-term deposits	103,608	128,924	113,080
-Corporate deposits	625,652	545,499	471,612
-Savings deposits	136,268	107,534	94,670
-Other deposits	23,866	18,186	17,033
Borrowings from banks	31,992	20,472	25,851

Note: 1. Total deposits include: short-term deposits, short-term savings deposits, outstanding remittance and temporary deposits, short-term security deposits, long-term deposits, long-term savings deposits, long-term security deposits and fiscal deposits.

2. Long-term deposits include long-term deposits, long-term savings deposits and long-term security deposits.

3. Total loans include short-term loans, import & export documentary bills, discounted bills, medium and long-term loans, and overdue loans (including stagnant loans, bad loans and overdue discounted bills).

4. Medium and long-term loans do not include overdue loans, stagnant loans and overdue discounted bills.

5. In accordance with the Accounting Standards for Business Enterprises (2006), the Bank made retrospective adjustments to the financials of 2006.

6. Performing loans include loans in the pass and special mention categories.

2) Assets

As of the end of 2008, the total assets of the Group amounted to RMB 1,054.4 billion, up by RMB 135.6 billion or 15% from beginning of the year. The Group's assets mainly comprise of loans and advances and securities investments, including 61% of loans and advances, 5% of available-for-sale investments, 4% of held-to-maturity investments, and 4% of receivables.

(1) Loans

As of end of 2008, the outstanding loans of the Group amounted to RMB 658.4 billion, up by RMB103.4 billion or 19% from the beginning of the year.

(1.1) By industry

(Unit: RMB million)

	As at December 31, 2008		As at December 31, 2007	
	Book balance	%	Book balance	%
Corporate loans and advances				
Manufacturing	103,132	15	106,276	18
Real estate	90,158	14	71,903	13
Transportation, cargo, storage and post industry	69,840	11	48,452	9
Leasing and commercial services	51,045	8	26,687	5
Production and supply of power, natural gas and water	46,761	7	50,563	9
Irrigation, environment and public facilities management	40,262	6	37,678	7
Mining	28,601	4	15,470	3
Wholesale and retail	25,811	4	26,108	5
Constructions	25,307	4	24,786	4
Financial services	25,135	4	8,704	2
Education and social services	14,290	2	17,418	3
Public administration and social organizations	13,942	2	7,811	1
Information transmission, computer services and software	4,960	1	4,307	1
Others	10,545	2	9,336	2
Subtotal	549,789	84	455,499	82
Loans and advances to individuals	108,571	16	99,460	18
Total	658,360	100	554,959	100

Note: For better presentation of the credit asset structure, the Group's 2008 loan concentration by industry is presented in accordance with the national industrial classification:

1.The "manufacturing industry" as presented in prior reports has been divided into "manufacturing", "production and supply of power", "natural gas and water", and "mining";

2.The "general industry" as presented in prior reports has been removed, and this change encompassed "manufacturing", "wholesale and retail", "real estate", "transportation, cargo, storage and post industry", "irrigation, environment and public facilities management", "education and social services", "leasing and commercial services", "public administration and social organizations", "financial services" and "others".

(1.2) By geographical locations

(Unit: RMB million)

Location	As at the end of the reporting period		As at beginning of the year	
	Net book balance	%	Net book balance	%
Northern China	187,563	29.01	172,341	31.49
Eastern China	232,144	35.91	184,181	33.65
Southern China	93,666	14.49	90,929	16.61
Others	133,102	20.59	99,845	18.25
Total	646,475	100	547,296	100

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(1.3) By collateral types and percentage

(Unit: RMB million)

	As at December 31, 2008		As at December 31, 2007	
	Book balance	%	Book balance	%
Unsecured loans	173,421	26	151,018	27
Guaranteed loans	150,383	23	142,165	26
Secured loans				
- Collateralized loans	220,754	34	184,585	33
- Other secured loans	113,802	17	77,191	14
Total	658,360	100	554,959	100

(1.4) Top ten largest borrowers

As of end of the term, the total outstanding loans to the Group's top ten largest borrowers amounted to RMB 20.2 billion, accounting for 3.06% of total loans. The top ten largest borrowers are: Beijing Kaiheng Real Estate Co., Ltd., Shanghai Lingang New City Land Reserve Center, Sino-Ocean Land Limited, Shanghai Municipal Land Reserve Center, Chongqing Yufu Highway Development Co., Ltd., Beijing Yinglan Properties Limited, Shaanxi Provincial Communication Construction Group, the Super High Voltage Transmission Company of China Southern Power Grid, Shanghai Tongsheng Investment (Group) Company and Standard Infrastructure Investment Group Co., Ltd.

(1.5) Five-category classification of credit assets

(Unit: RMB million)

	As at December 31, 2008		As at December 31, 2007	
	Amount	%	Amount	%
Performing loans	650,439	98.80	548,186	98.78
- Pass	634,073	96.31	540,521	97.40
- Special mention	16,366	2.49	7,665	1.38
Non-performing loans	7,921	1.20	6,773	1.22
- Substandard	3,459	0.53	2,292	0.41
- Doubtful	3,189	0.48	2,736	0.49
- Loss	1,273	0.19	1,745	0.31
Total loans	658,360	100.00	554,969	100.00

Migration ratio (%)	December 31, 2008	December 31, 2007	December 31, 2006
Performing	3.48	1.23	3.81
Special mention	16.47	26.96	22.93
Sub-standard	28.30	64.47	43.99
Doubtful	39.22	34.98	56.47

(1.6) Subsidized loans

During the reporting period, the Bank had no subsidized loans.

(1.7) Restructured loans and overdue loans

As of end of the reporting period, the outstanding restructured loans amounted to RMB 5.7 billion, of which RMB 2.5 billion were overdue.

(Unit: RMB million)

	End of 2008		End of 2007	
	Balance	%	Balance	%
Restructured loans	5,731	0.87	4,772	0.85
Overdue loans	8,111	1.23	5,716	1.02

Note: 1. Restructured loans refer to loans whose contractual terms of repayment have been renegotiated due to deterioration of the financial conditions of borrowers or due to their inability to repay the loans.

2. Overdue loans refer to loans that have not been repaid by the maturity date agreed upon in the loan contract (including those that fall due after extension), including overdue loans, stagnant loans, bad loans and overdue discounted bills.

As of end of the reporting period, the Group's outstanding restructured loans and overdue loans increased from end of the previous year, due to decline in customers' capability in repayments of principals and interests in the economy downturn.

(1.8) Allowances for loan losses

(Unit: RMB million)

	December 31, 2008	December 31, 2007
Balance at beginning of year	7,663	6,416
Allowance for impairment losses	5,686	2,237
Transfer out	-12	-36
Written off	-1,328	-792
Recovery after write-off	56	10
Unwinding of discount on allowance	-164	-160
Translation differences	-16	-12
Balance at end of year	11,885	7,663

Note: In compliance with the Administrative Measures on the Write-off of Bad Loans of China Minsheng Bank and the Measures for Losses on Debt Restructuring of China Minsheng Bank, the Bank wrote off and restructured some of its non-performing assets during 2008.

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Allowances for loan losses

The Bank examines the book value of loans at the balance sheet date. If there is objective evidence of impairment and the impact of loss events on the expected future cash flows from the loan can be reliably estimated, the Bank recognizes an impairment loss and writes down the value of the loan to its recoverable amount, with the impairment loss charged to the current income statement. The Bank first assesses individually significant loans on an individual basis to determine the existence of objective evidence of impairment, and then collectively assesses individually insignificant loans to identify objective evidence of impairment. If the Bank determines that no objective evidence of impairment exists for a loan, whether significant or not, it includes the loan in a group of loan with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

(1.9) Non-performing loans and responsive measures

As of end of the reporting period, the outstanding NPL of the Bank amounted to RMB 7.9 billion and the NPL ratio was 1.20%, down by 0.02% from end of 2007.

The Bank undertook the following key measures to reduce NPL and improve asset quality:

i. Rigorously implement the state's macro-economic control policies through proactive adjustment of lending targets, optimization of asset structure, and intensifying risk control over key business lines and industries;

ii. Assign risk directors to SBUs to facilitate reform, and improve the vertical organization structure of centralized management over credit risks to realize the segregation of credit risk management and business operations;

iii. Further improve risk monitoring and the early-warning system by strengthening risk monitoring of large risky customers and key regions, and close monitoring loans with potential risks as well as designing responsive plans on a timely manner;

iv. Improve working and practices in connection with credit operations by intensifying training to employees on the ground levels and improving skills and proficiency of risk management teams to cultivate appropriate credit culture;

v. Continue to streamline NPL disposal system by optimizing the collection and disposal procedures, and to adopt various methods for efficiency in asset recovery and disposal, including collection, restructuring, foreclosure and litigation, etc.

(2) Fair value related items

(2.1) Internal control policy concerning fair value measurement

To ensure compliance in fair value measurement to improve the quality of financial information and risk control and to protect the rightful interests of investors and stakeholders, the Bank formulated the Administrative Measures of China Minsheng Bank regarding Fair Value in accordance with the Accounting Standard for Business Enterprises. This expanded the scope of fair value measurement to cover the initial measurement of financial assets, financial liabilities, foreclosed assets into fair value measurement. It also clarified and refined the principles, methods and procedures for fair value determination. In order to improve adequacy and reliability of fair value valuation, the Bank assigned relevant departments and clarified responsibilities for fair value management, which aimed to further studies on valuation of assets & liabilities in the business operations they undertook and to improve valuation capability. The Bank will also establish its valuation models and systems to verify prices acquired externally. Moreover, the Bank implemented measures to apply internal control over fair value measurement, including check on price inquiry and confirmation, dual signature by person-in-charge and reviewer for fair value valuation. In the meantime, the Internal Audit Department plays an active role in the rectification of identified issues monitoring and examination of fair value scoping, methodology and procedures, so as to improve internal control within the Bank.

(2.2) Fair value related items

(Unit: RMB million)

Item	Beginning amount	Changes in fair value	Cumulative gain or loss recorded in owner's equities	Provision for impairment	Ending amount
Financial assets					
1. Financial assets at fair value through profit or loss	3,857	1,764	-	-	5,621
-Derivative financial assets	1,285	-69	-	-	1,216
2. Available-for-sale financial assets	60,665	-	2,841	-599	53,472
Subtotal	64,522	1,764	2,841	-599	59,093
Financial liabilities	1,444	-205	-	-	1,239
Investment properties	-	-	-	-	-
Productive biological assets	-	-	-	-	-
Others	-	-	-	-	-
Total	64,522	1,764	2,841	-599	59,093

(3) Types and amounts of derivative financial instruments

(Unit: RMB million)

	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swap contracts	17,711	987	-969
Currency swaps	1,531	18	-
Credit default swaps	68	0	-4
Precious metal swaps	163	-	-
Forward contracts	11,498	211	-266
Extension options	9,015	-	-
Total	39,986	1,216	-1,239

The Bank's financial instruments measured at fair value include: financial assets held for trading, derivative financial instruments and available-for-sale investments. Trading financial assets and securities investments in available-for-sale investments are evaluated using the following methods: For RMB bonds, it uses mainly the quotations provided by China Government Securities Depository Trust & Clearing Co. Ltd.. For foreign currency bonds, fair value is determined through a combination of Bloomberg quotations, Datascope quotations and inquiries. Shares in other listed companies, it uses the closing price at the period end. The fair value of derivative financial instruments is based on market prices. The Bank has limited investments in trading financial assets, and thus, changes in fair value have insignificant impact on the Bank's result. The Bank's derivative financial instruments are mainly interest rate swap contracts entered for customers and market risks are thus basically hedged. Accordingly, changes in fair value have an insignificant impact on the Bank's results. Changes in fair value of available-for-sale investments are charged to shareholders' equity.

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(4) Securities investment

As of the end of 2008, the Group's balance of securities investment amounted to RMB 130 billion, decreased by RMB 16 billion or 11% from the previous year.

(4.1) Investment structure by intention

(Unit: RMB million)

	December 31, 2008	December 31, 2007	Increase/ decrease (%)
Trading	4,405	2,572	71.27
Available-for-sale	49,836	50,159	-0.64
Held-to-maturity	38,770	45,816	-15.38
Investment receivables	37,066	47,449	-21.88
Total	130,077	145,996	-10.90

(4.2) Significant holdings of government bonds

At the end of the reporting period, the Bank held following significant government bonds:

(Unit: RMB million)

	Par value	Annual interest rate (%)	Maturity date
2001 Book-entry T-bonds	1,227	4.69	June 6, 2016
2002 Book-entry T-bonds	1,632	2.93	December 6, 2009
2003 Book-entry T-bonds	9,888	2.66- 3.5	February 19, 2010 to April 9, 2013
2006 Book-entry T-bonds	4,662	2.34-2. 51	July 17, 2009 to February 27, 2013
2007 Book-entry T-bonds	1,605	3.90	August 23, 2014
2008 Book-entry T-bonds	5,930	2.71 -4. 16	April 21, 2013 to February 28, 2023
Total	24,943		

(4.3) Significant holdings of financial bonds

At the end of the reporting period, the Bank held the following significant financial bonds:

(Unit: RMB million)

	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment
2002 Financial bonds	1,120	2.70	April 23, 2012	0
2003 Financial bonds	3,830	Fixed: 2.45-2.47	May 9, 2013 to June 16, 2013	0
2004 Financial bonds	2,160	5.1	November 1, 2010 to December 30, 2014	0
2007 Financial bonds	22,520	Fixed:3.6-3.95	July 13, 2010 to October 12, 2010	0
Total	29,630			0

(5) Holdings of financial assets and liabilities in foreign currencies are as follows:

(Unit: RMB million)

Item	Beginning amount	Changes in fair value	Cumulative gain or loss recorded in owner's equities	Provision for impairment	Ending amount
Financial assets					
1. Financial assets at fair value through profit or loss	58	80	-	-	138
- Derivative financial assets	58	80	-	-	138
2. Loans and receivables	-	-	-	-	-
3. Available-for-sale financial assets	10,472	-	-548	-599	5,976
4. Hold-to-maturity investments	1,909	-	-	-54	1,061
Subtotal	12,439	-80	-548	-653	7,175
Financial liabilities	89	5	-	-	94

(6) Impairment loss for interest receivables and other receivables

(6.1) Changes with respect to balance-sheet interest receivables:

(Unit: RMB million)

Item	Beginning amount	Increase	Received	Ending amount
On-balance-sheet interests	3,750	66,630	66,978	3,402

(6.2) Changes with respect to off-balance-sheet interest receivables:

(Unit: RMB million)

Item	Beginning amount	Increase	Received	Write-off	Ending amount
Off-balance-sheet interests	1,768	1,256	499	698	1,827

(6.3) Utilization of impairment allowance for bad debts

The Group does not make separate provision for loan interest receivables. When loan interest becomes overdue, its impairment allowance is considered together with the impairment allowance for loan principal. For other receivables identified as unrecoverable, the Group makes bad debt provisions based on analysis of their recoverability on a case-by-case basis. As of the end of the reporting period, the Group's allowance for bad debts amounted to RMB 200 million.

The following table shows the Group's impairment allowance for bad debts:

(Unit: RMB million)

Item	December 31, 2008	December 31,2007	Changes
Other receivables	3,056	3,480	-424
Balance of bad debt provisions	208	86	122

As of end of 2008, the Group's other receivables amounted to RMB 3.1 billion, decreased by 12%, or RMB 400 million from the previous year. The Bank booked RMB 2.6 billion of investment by Minsheng Leasing Co., Ltd. as at the end of the previous period as long-term equity investment. The Group increased impairment allowance for bad debts, which amounted to RMB 200 million, and increased by RMB 100 million from the previous year.

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(7) Foreclosed assets

(Unit: RMB million)

Item	Balance at beginning of year	Balance at end of year	Impairment allowance
Foreclosed assets	383	1,053	108
- Properties	357	1,027	86
-Transportation vehicles	1	0	-
-Machines & equipment	22	22	22
- Other	3	4	-

3) Liabilities

As of the end of 2008, the total liabilities of the Group amounted to RMB 999.678 billion, up by RMB 131 billion or 15% from beginning of the year. The Group's liabilities comprise of mainly customer deposits, accounting for 79%.

(1) Customer deposits

Customer deposits were the main source of capital of the Group. As of the end of 2008, the balance of customer deposits amounted to RMB 785.8 billion, up by RMB 114.6 billion or 17% from beginning of the year. In terms of customer structure, corporate deposits accounted for 79.62%, personal deposits accounted for 17.34% and other deposits accounted for 3.04%. In terms of maturity structure, current deposits accounted for 41.89%, time deposits accounted for 57.90% and other deposits accounted for 0.21%.

(Unit: RMB million)

	December 31, 2008	December 31, 2007	Increase (%)
Current deposits	329,196	294,191	11.90
- Corporate	273,377	246,861	10.74
- Personal	33,599	30,185	11.31
- Organizations	22,220	17,145	29.60
Time deposits (including notice deposit)	454,944	375,987	21.00
- Corporate	352,275	298,638	17.96
- Personal	102,669	77,349	32.73
Other deposits	1,646	1,041	58.12

(2) Overdue liabilities

As at the end of the reporting period, the Bank had no overdue liabilities.

4) Off-balance sheet items

As of the end of the reporting period, the balances of significant off-balance sheet items are as follows:

(Unit: RMB million)

	December 31, 2008	December 31, 2007
L/C issued	8,250	15,879
L/G issued	49,029	32,770
Bank acceptance bill	145,005	96,624
Irrevocable loan commitments	6,000	4,856
Unused lines of credit for credit cards	28,140	26,574
Capital expenditure commitments	3,213	4,647
Operating lease commitments	2,614	2,314
Finance lease commitments	475	0
Total	242,726	183,664

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

6. Performance of key business lines

1) Corporate banking

(1) Corporate banking and the SBU reform

As of December 31, 2008, the Group's outstanding corporate loans (excluding discounted bills) amounted to RMB 485.9 billion. The balance of corporate deposits amounted to RMB 625.7 billion, accounting for 79.62% of the balance of the Group's total deposits (including corporate deposits, savings deposits, fiscal deposits and other deposits).

During the reporting period, the Bank continued to carry out SBU reforms on key industry lines and product lines. Since January 2008, SBUs, including Real Estate Finance, Energy Finance, Transportation Finance, Metallurgy Finance, Industrial and Commercial Enterprises Finance, Trade Finance, Investment Banking and Financial Market have started normal operations under the new system.

In 2008, the Bank's SBU reform focused on two key areas, namely new system operation environment and SBU internal control. The Bank addressed itself to the resolution of various kinds of problems occurred during the implementation of the new system and maximizing advantages of the system through the following measures: 1. Formulating and implementing various rules and regulations concerning corporate banking; 2. Further clarifying of branch positioning, improving management and services in connection with the deployment of SBUs and streamlining the relationship between branches and SBUs; 3. Establishing mechanisms to promote mutual benefits and cooperation, and gradually smoothening the relationship between product departments and customer service departments, as well as between customer service departments; 4. Improving compliance in SBU's internal management system to be advances in risk management and internal control; and 5. Launching the head office-branch structural reforms to improve overall management and service quality throughout the Bank.

With higher profitability and operating efficiency and professional capabilities through SBUs, the advantages of the new system in banking operation and management began to manifest themselves, marking a successful milestone in SBU reforms as follows:

i. Stable increase in business volume and profitability

As of the end of 2008, the deposit balance of SBUs increased by RMB 36.5 billion, or 31.26% from beginning of the year, and was 16 percentage points higher than the average growth rate of the Bank's corporate deposits. Outstanding loans (excluding discounted bills) of SBUs increased by RMB 29.2 billion, or 15.84% from beginning of the year.

The weighted average interest rate of new loans originated from the SBUs was 0.23 percentage points higher than that of the Bank's new loans to corporate customers.

ii. Initial achievement of structural adjustment

In accordance with the relevant business planning and positioning, the SBUs focused on improving its customer structure through developing and strengthening its strategic customer base and terminating low-profitability and high-risk ones. In addition to deepening collaborations with traditional credit business and to increasing spreads, the SBUs further enhanced collaborations with the trustee and leasing sectors by taking advantage of innovative products and business models. They explored income sources and channels in intermediary businesses that utilize little or no capital, enabling the Bank to gradually reduce its dependency of profitability growth on business expansion.

iii. Apparent improvement in management capability and efficiency

The SBUs operate in certain focused areas and are more market-oriented. In 2008, when the outside environment experienced drastic changes, the SBUs took advantage of the market opportunities. They also resolved constraints in regional resource allocation, and capitalized on centralized business planning to optimize resource allocation and to achieve growth in both volume and value in lending in the first six months. In the second half of 2008, the SBUs strictly followed the "prudent operation" strategy of the head office, and focused on business streamlining and effective risk mitigation.

iv. Improvement in specialization and the quality of service

The SBUs are making improvement in their business specialization and quality of service through dedicated studies of target markets, centralized marketing and segmented customer management on a national scale with principal-to-principal services

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and specialized sales. Together with market segmentation and mass marketing and sales, they bring remarkable benefits to the Bank. Through process restructuring and service optimization, the customer-centered philosophy has consolidated and became part of the mindset in the SBUs.

v. Improvement in risk control capability and efficiency
By establishing a multi-level risk prevention and control system, including specialized risk assessment, tiered risk monitoring and post-lending management, the SBUs have established a framework of standardized risk management. This moved the focus of risk control to early stages of business operations, and contributed to a higher market responsiveness of the credit review and appraisal process with better process monitoring capability.

The SBU reform is an important action taken by the Bank to achieve strategic transformation and to improve its competitiveness. It not only addresses organizational and structural changes, but more importantly, it promotes innovation and reform in the way we think and act. It requires continuous studies and explorations in today's China, where there is no precedent.

Issues which are exposed in the reform process are primarily the conflicts of interests within management in the deployment of new system and need to be resolved. The specialized marketing, service and management capabilities of SBUs also need to be further improved. Since 2008, the Bank has conducted timely studies on various issues in connection with SBU's deployment management and service, and the coordination in corporate banking across the Bank, and has taken relevant measures to resolve them.

In the next phase, the Bank shall follow the core strategies in its SBU reform of fully capitalizing on the role of SBUs in specializing marketing to improve profitability, so as to take advantage of the leading positions of branches in regional markets to increase market share. This will strengthen the head office's specialized management capability to improve overall management quality. In addition, the Bank shall quicken its pace in the standardization and improvement of relevant management policies to improve the handling of conflict of interests within management. It will also further clarify the positioning of branches, heighten localized marketing functions of branches as well as their role in assisting marketing efforts of deployed SBUs.

The Bank shall continue to advance the SBU reforms and heighten their operation efficiency and effectiveness. The Bank will deepen the reforms to enhance mid- and back-office functions and improve their supporting capabilities, so as to position the Bank's corporate banking operations for speedier and more vibrant development.

(2) Trade finance
2008 was the first year of the SBU reform in the Trade Finance Department. Its featured products gained increasingly high recognition in the banking industry. The Bank completed 16,200 international factoring transactions, while retaining the No. 1 position among domestic competitors. The business volume amounted to USD 348 million, earning it the leader's spot among domestic banks. The Bank also completed domestic letter of credit of RMB 14.4 billion, letter of guarantees of USD 3.1 billion, and logistic finance of RMB 2.8 billion. Its featured services and products have been widely and favorably received by the banking industry. Other highlights include shipping finance of USD 1.3 billion, up by 73.47% from the previous year, project finance of RMB 11.6 billion out of committed RMB 16.5 billion to support domestic enterprises' "Going Global" initiatives, and bulk commodities trade finance of RMB 30.8 billion.

2008 marked the leap of the Trade Finance Department from product-oriented operation to brand-oriented operation. The Department set the overall target of becoming the "Trade Finance Specialist" and also endeavored to establish a brand image of "Account Receivables Management Specialist" and "Online Trade Services specialist". Our "Trade Finance Specialist" was awarded the "2008 Best Financial Service Brand" by the First Financial Standings (CFB). In building the brand, the Trade Finance Department provided the customers with five comprehensive resolutions for account receivables, import trade chain finance, letter of guarantees, value-added services and structural finance through specialized assessment channel and highly efficient business processes built on hi-tech platforms. With innovation to drive development and strong teams of dedicated professionals, the Bank is committed to becoming a leading bank in China offering unique trade finance services and products.

2) Retail Banking Business

(1) Retail banking

The Bank provides various retail banking products and services to retail customers, including retail loans, deposits, debit cards, credit cards, wealth management, investment services, fund management agency services, and forex trading and exchange services, among others. The Bank offers these services through various channels, including its branch network, self-service banks, online banking and telephone banking systems. As of December 31, 2008, the outstanding retail loans amounted to RMB 108.6 billion, accounting for 16% of total loans, and retail deposits amounted to RMB 136.3 billion, accounting for 17% of total deposits.

(1.1) Retail loans

The Bank provides various loan products to its retail customers. Due to macroeconomic regulation in the real estate market and fierce competition in the retail loan market, the growth of the Bank's retail loan business slowed down in 2008. As of December 31, 2008, the total amount of retail loans increased by RMB 9.1 billion or 9% from the previous year. Faced with increasing competition, the Bank increased efforts in innovation and marketing of retail loan products by introducing various new products, such as "Minyidai"(meaning "easy access to loans for individuals") in 2008, and "Shangdaitong"(meaning "easy access to commercial loans") in 2009, among others.

(1.2) Retail deposits

The retail deposits of the Bank mainly include demand deposits, time deposits and notice deposits. Retail deposits are the most important low-cost funding resources of the Group. In 2008, the retail deposits of the Group increased steadily. The Group's balance of savings deposit increased RMB 28.7 billion, or 27% from the previous year.

(1.3) Bank card business

As of December 31, 2008, the Bank had issued an aggregated number of 21.1078 million debit cards, of which 2.1186 million cards were issued in 2008. Of the 2008 Bank Card Achievement Awards presented by China UnionPay, the Bank received the Product Innovation Award for Standard Debit Cards.

(1.4) Customers

As of December 31, 2008, the Bank had 16.1628 million retail deposit accounts, with a balance of RMB 136.3 billion. Of which, there were 59,600 customers with personal financial assets of more than RMB 500,000, representing a total of RMB 72 billion, or 53% of the total retail deposits.

(2) Private banking

The Bank officially established the Private Banking Department in July 2008, and became the first Chinese bank to operate private banking business under the SBU system. It aims to offer comprehensive all-round and differentiated financial services solutions to high-end customers.

The Private Banking Department has made aggressive efforts to align itself with international best practices, by recruiting a pool of financial talents over a short time. This built a private banking team of quality professionals (more than 58% carrying at least a master's degree) with international exposure (34.5% with working experience in foreign financial institutions) and a healthy mixture of disciplines (such as banking, security, funds, insurance, property).

Process reengineering also enabled the Private Banking Department to offer comprehensive contracts and long-distance services, to ensure privacy in all services and the comfort of one-stop service to high-end customers.

Moreover, the Private Banking Department initiated a consultation-driven development approach. In the financial service field, it has constructed a service system that covered asset management, investment banking, credit financing, financial advisory, wealth management planning and industry studies and analysis. Through expert teams, the Bank aims to build an integrated financial service platform for high-end customers and family-run enterprises.

In the non-financial service field, it designed finely-tailored value-added services to help its customers better manage their needs in medical and health areas, business activities, travel arrangements, private housekeeping, and trendy sports, etc.

The customer services of the Private Banking Department are provided with strong support of an advanced information system, with specially designed account management and business operation systems to ensure efficiency and adequacy of client man-

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agement and business processing. The department also continues to improve internal communication and coordination to respond quickly to the changing needs of customers.

The Bank's private banking business also attracted broad attention and positive responses from the market and has emerged with a high-end presence. The Private Banking Department won the 2008 Top Ten Best Commercial Banks in Asia — Most Prospective Private Bank Award presented by 21st Century Business Herald.

(3) Credit card business

In 2008, the Bank achieved a tremendous growth in credit card business to turn from loss-making to profit-making. The Bank's credit card portfolio had an aggregated number of 6.49 million of cards issued, including active cards of 5.63 million and active accounts of 3.72 million. It also recorded an aggregated transaction volume of over RMB 108 billion. In 2008, the number of newly-issued credit cards was 3.15 million, up by 66% from 2007, and the transaction volume amounted to RMB 74.5 billion, up by 160%. As of December 31, 2008, the aggregated number of Minsheng Platinum Credit Card and Diamond Credit Card amounted to 87,000, ensuring a leading spot for the Bank among domestic peers. The Credit Card Center has won several awards presented by China Unionpay, international organizations and main-stream media, including 2007 Best Platinum Credit Card, 2007 Award for Best Marketing of Credit Cards, Most Innovative Credit Card of 2007 and Most Favored Banking Card Brand for Women in 2008.

3) Treasury

(1) Financial market

(1.1) Investments

As of end of the reporting period, the Group's outstanding bonds investment amounted to RMB 130 billion, down by 11% from 2007. In 2008, the Group overcame the negative impact of shrinking of investment returns through continuous improvement of its investment structure. By reducing investments in foreign currencies and making appropriate impairment allowances, the Bank effectively controlled potential risks.

(1.2) Transactions

During the reporting period, the Bank's RMB capital transaction volume increased rapidly, including cash bond transactions of RMB 1,764.7 billion, the 13th highest in the market. The aggregated volume of the Bank's market making transactions reached USD 116.8 billion, up by 371% from the previous year; the volume of proprietary foreign exchange trading amounted to USD 700 million. Forward exchange transaction volume also reached USD 1.17 billion. In addition, the Bank recorded growth in the volumes of spot and forward exchange transaction in foreign currencies, as well as individual firm bid foreign exchange transactions.

(1.3) Wealth management

In 2008, the Bank's wealth management business underwent a series of innovative developments to form an integrated business model, incorporating all components from product development, management, marketing to risk control. In the meantime, the Bank optimized the relevant business process to integrate the production, supply and selling of wealth management products. In response to the changes in the domestic and international economic landscape, the Bank shifted the focus of product research and development from investment in the capital market to investment in the money market, bond market and credit market. It also intensified studies on domestic and international markets, and launched a series of low-risk products . The brand of “Apex Wealth Management” won a lot of awards, such as the Best Wealth Management Product and the Best Creative Design Award presented by the 21 Century Business Herald and the Shanghai Securities News. To promote the transparency and recognition of its wealth management products, the Bank also established an online education academy for investors to learn about its products and to acquire knowledge on investment risks.

During the reporting period, the Bank issued 404 trenches of wealth management products, raising capital of over RMB 130 billion. The balance of wealth management thus, amounted to RMB 43.042 billion.

In 2008, the Bank launched the following innovative wealth management products:

i.“Bao De” series

In response to growing demands for fixed-income wealth management products, the Bank expanded its product range and introduced a series of products under the brand of “Bao De”, which literally assured of gain. These are all short-term and low-risk products with stable return, and are well received by institutional investors and customers with liquidity concerns. The products included “Yueyue Ying Bao De” in January, “Jinzhai Ying Bao De” in February and “Zhaiquan Ying Bao De” in June. Currently, these products are part of the general offerings of the Bank to customers and sold every month over the counters and through various channels to meet market demands.

ii. Cash management products
Cash management products are highly secured and liquid money market investment products developed by the Bank. These products mainly target at treasury bonds, central bank bills, financial bonds, short-term financing bills, corporate bonds, other innovative inter-bank products and deposits from other banks. Issued, traded or placed in custody in the inter-bank bond market, they form the capital pool for the relevant products. These products have high profitability transparency, low risks and high liquidity. They also are managed by specialists and are offerred to corporate and institutional customers and retail customers who are in favor of low-risk and high-liquidity products.

iii. Bills-based products
The “Money Market Yueyue Ying” is a series of products designed and sold by the Bank that have very flexible interest accrual date and terms. Through these series products, the Bank is entrusted and authorized by investors to invest in bank acceptance bills in accordance with the investment schemes agreed upfront. The remaining funds are used in short-term investments, such as treasury bonds, reverse purchase of treasury bonds, financial bonds, central bank bills and banking deposits.

iv. Transaction-based products
Transaction-based wealth management products under the brand of Apex Wealth Management are designed by the Bank in 2008 for risk-free arbitrage through swap transactions to capitalize on the interest spread between local and foreign currencies and expectation of RMB appreciation. The products target at customers with foreign currency funds, which is well received by investors for its flexible terms, low investment risks and fixed returns.

v. Online wealth management products
In 2008, the Bank launched online offering channel to facilitate the purchase of low-risk wealth management products, including cash wealth management products and bonds wealth management products, etc.

vi. Continuous enhancement of Apex Wealth Management brand
From the 21st Century Business Herald, the Bank received the Best RMB Wealth Management Product of the Year award for “Money Market Yueyue Ying” Apex Wealth Management products,the Best Risk Control Wealth Management Product of the Year award for its T54 products of the “Priority Series”, and the Best Innovative Design of Wealth Management Products award for its “Fine Art Investment Plan No.1” product.

In addition, Apex Wealth Management “Good Luck Package No.4” was rated No.1 in China's Top Ten Wealth Management Products by Shanghai Securities News.

vii. Online academy for investors
The Bank set up an Online Academy for Investors to promote knowledge on investment, wealth management and risk control, and to improve their awareness in financial risks. In addition to equip them with basic risk identification capabilities, the academy provides courses by taking advantages of internet and video technology, while inviting experts in various fields to speak on wealth management and investment risks from different perspectives, including market analysis, product introduction, investment strategy and risks. The establishment of the academy is an important action taken by the Bank to implement the requirements of the CBRC, and is also a reflection of the Bank's improvement in specialization and the use of technology in wealth management.

(1.4) Bond issuance
During the reporting period, the total amount of debt financing instruments and various credit bonds underwritten and issued by the Bank reached RMB 31.35 billion, up by 66.7% from the previous year. In 2008, the Bank successfully issued 17 trenches of short-term financing bonds and 1 subordinated bond for 15 enterprises.

Management's Discussion and Analysis

Innovations in bond issuance

i. Breakthroughs in mid-term bills

Mid-term bills have long maturities, large volumes and can generate significant benefits for the Bank, and are a strategic focus of the Bank in its debt raising activities. In 2008, the Bank reported RMB 5 billion of mid-term bill programs to the National Association of Financial Market Institutional Investors.

ii. Success in underwriting of subordinated bonds of Beijing Rural Commercial Bank

In addition to expanding the underwriting of direct financing instruments, such as the traditional short-term financing bonds and mid-term bills, the Bank takes active measures in exploring opportunities for underwriting of other bond types, such as subordinated bonds and financial bonds, for other issuers, including city commercial bank and insurance company. The Bank overcame challenges in adverse market conditions and successfully underwrote the 2nd trenche of the subordinated bonds issued by Beijing Rural Commercial Bank in 2008.

iii. Promotion of underwriting enterprise bonds and corporate bonds

Capitalizing on its customer resources and underwriting experience while acting as the financial advisor, the Bank facilitates the underwriting of enterprise bonds in collaboration with securities companies. It then receives intermediary income through the underwriting exercises.

iv. Active pilot debt issuance for small enterprises and collective issuance

The Bank conducted the pilot projects for two small enterprises and successfully completed the marketing and due diligence for their bonds issuance. In the mean time, the Bank makes proactive efforts in experimenting with collective issuance of bonds, which aimed to issue bonds collectively for groups of small enterprises with guarantee or credit enhancement from local governments or guarantee companies under the financial control of local governments. This is an innovative product in the debt market to cater to the funding needs of small enterprises.

(1.5) Precious metal business

The Bank is second only to Bank of China in terms of precious metal operations in the 2008 listing of precious metal transaction volumes of the Shanghai Gold Exchange.

Innovations in precious metal business

i. Proprietary trading of precious metals

Proprietary trading of precious metals is engaged by the Bank to take advantage of spreads through its traders based on their judgment of the market, with risks assumed by the Bank.

ii. Arbitrage in precious metal

Due to price differences of precious metals in domestic and international markets, risk-free spread income can be generated through transactions between markets. The Bank's precious metal team conducted transactions between the markets at appropriate timing, and achieved outstanding performance and high praises from both home and abroad. Volume in such transaction is also ranked third among domestic competitors.

iii. Loans related to gold

Gold lending is a financing product for enterprises engaged in gold production and requiring gold as a raw material. The Bank can obtain financing returns and the enterprises can avoid gold price risks. This product is greatly welcomed by enterprises using gold as a raw material. Currently, the Bank has entered into agreements with these enterprises, and started gold borrowing and lending business with other banks and financial institutions.

iv. Forwards in precious metals

Forward transactions of precious metals provide risk prevention instruments to legal person customers in case of price fluctuation of precious metals. In conjunction with gold lending, precious metal forwards enable the Bank to lock in prices for customers, and consequently reducing the default risk faced by customers.The Bank acquires spread income from these transactions.

v. Agency trading of precious metals for legal person customers

The Bank charges commissions for agency transactions of precious metals for legal person customers at the Shanghai Gold Exchange. As a spot transaction, it does not involve daylight and overnight exposures. The Bank has successfully completed agency trading on and withdrawal of gold and platinum from the Shanghai Gold Exchange for many enterprises.

vi. Sale of gold bullions

The Bank works with processing enterprises to turn gold into gold bullions of different specifications and sell them to investors at spot price plus additional expenses. The Bank has recorded satisfactory results in nearly two years of gold bullion sale.

vii. Personal book trading in gold and silver

Personal book trading of precious metals allows individual customers to trade precious metals by offering them a flexible investment channel for low-risk spot transaction of precious metals. The Bank acquires spread income from the transactions.

viii. Personal gold T+D trading

The Bank engages in T+D trading of gold for its individual customers on the Shanghai Gold Exchange. Gold trading is a huge market and personal customers can invest in gold by placing security deposits, while the Bank provides the clearing platform, and helps customers to manage risks in which it receives commission. The development of the business system began in January 2008, and is still under construction due to the restructuring of the Bank's core systems.

(2) Asset custody

In response to adverse situations of the securities market slump, the Bank actively implemented the strategy to diversify custodian products, and to explore opportunities to serve as custodian for trustees plans, asset securitization, wealth management accounts and corporate annuity funds. At the end of 2008, with the approval from the Opinion on the Review of Qualifications of Commercial Banks to Serve As Custodian of Insurance Funds issued by China Insurance Regulatory Commission (Bao Jian Zi Jin Shen Tuo [2008] No.3), the Bank obtained its qualifications as custodian for insurance funds. As of the end of the reporting period, the assets under the Bank's custody (including safekeeping) amounted to RMB 51.726 billion.

(3) Corporate annuity

In the corporate annuity business, the Bank has established the bankwide corporate annuity team and a marketing network in addition to integration of resources and optimization of technology platform. It works closely with pension fund companies and fund companies in building the inter-company business cooperation platform, and provides all-round services to annuity customers in terms of account management and asset custody. As of end of the reporting period, the number of contracted customers was 30.

4) E-banking business

During the reporting period, the Bank's e-banking business achieved rapid growth. The transaction volume reached RMB 4, 596.1 billion, up by 114.49% from the same period in 2007. The aggregated number of corporate online-banking accounts was 77,000, with a coverage rate of 52.89% and transaction volume of RMB 3,711.1 billion. The aggregated number of individual online-banking accounts was 2.066 million, with a coverage rate of 37.04% and transaction volume of RMB 766 billion. The Bank also had 1.802 million telephone banking customers, 22,941 mobile phone banking customers, and 878,000 subscribers to the account information instant messaging service. The total number of incoming calls received through the 95568 customer service hotline was 35.1 million. The call completion rate (CCR) reached 95.94% and 99.08% for VIP services.

During the reporting period, the Bank received high praises and many honors for its e-banking business, including the Best Online Bank and "Minsheng U Bao" - the Most Favorite Electronic Finance Brand at the 2nd Annual Meeting of China's Electronic Finance Development and the Ceremony of the 1st Golden Cup Awards for Chinese Electronic Finance; and the Best Service Award for Personal Online Banking at the 2008 Sohu Financial Wealth Management Online Festival. It was also the Most Reliable Online Bank at the 2008 Sina Online Festival, the 2008 Best Risk Prevention Award for Online Banks in China and Best Online Bank in the Application of CA Digital Certificate at the 2008 Annual Meeting of China's Online Banks; the 2008 Award for Top Ten IT Innovations of Financial Institutions and the Best Security Function Awards at the 9th Selection of Best Financial and Economic Websites. 2008 Best Service Innovation Award at the 2008 Website Competitiveness Ranking of Chinese Banks, the Award for Best User Experience with China's Online Banks at the 2008 Finance & Economy Ranking by Hexun.com, the Best Customer Service Center in Financial Industry at the 1st Call Center Selection of Financial Industry in 2008, and the Best Customer Service Center in China and the Best Customer Service Management Team in China at the 2007-2008 Best Customer Service Selection in China, are the other awards.

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7. Segment Report

During the reporting period, the Group's business income amounted to RMB 61.2 million, pre-tax profit was RMB 10.5 billion, and the total assets amounted to RMB 1,053.3 billion (excluding deferred income tax assets).

1) By types of business

(Unit: RMB million)

	Business income in 2008		Business income in 2007		YOY
	Amount	%	Amount	%	increase (%)
Loans and advances to customers	44,433	72.55	32,141	74.63	38.24
Loans and advances to banks and other financial institutions	794	1.30	451	1.05	76.05
Balance with the central bank	2,216	3.62	1,322	3.07	67.62
Due from banks and other financial institutions	216	0.35	233	0.54	-7.30
Investment securities	5,451	8.90	4,315	10.02	26.33
Fee and commission income	4,755	7.76	2,665	6.19	78.42
Others	1,128	5.51	1,938	4.5	-41.8
Total	61,242	100	43,065	100	42.21

During the reporting period, the Group's bond investment, income from fees and commissions, loans, balance with the PBOC and lending to other banks increased rapidly. The significant growth in income from fees and commissions was due to strategic development of the Group's intermediary businesses.

2) By geographical locations

(Unit: RMB million)

Location	Operating income	Profit before tax	Total assets (excluding deferred income tax assets)
Northern China	10,819	451	671,727
Eastern China	11,615	5,128	335,333
Southern China	6,485	2,899	163,954
Others	6,098	2,010	170,199
Inter-regional adjustments	-	-	-287,942
Total	35,017	10,488	1,053,271

Note: Northern China includes Minsheng Financial Leasing Co., Ltd., the Head Office and the Beijing, Taiyuan, Shijiazhuang and Tianjin branches. Eastern China includes Cixi Rural Banking Co., Ltd., and Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou and Qingdao branches. Southern China includes Minsheng Royal Fund Management Co., Ltd., and Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen branches. Others include Pengzhou Rural Banking Co., Ltd., and Xi'an, Dalian Chongqing, Chengdu, Kunming, Wuhan, Changsha and Zhengzhou branches. Inter-regional adjustments refer to the centralized adjustments involving the whole bank or a number of branch offices (such as inter-entity balances).

8. Capital Structure and Changes

(Unit: RMB million)

Item	December 31, 2008	December 31, 2007	December 31, 2006
Net capital	70,767	61,513	34,706
- Core capital	51,307	42,730	18,920
- Supplementary capital	20,700	19,397	16,416
- Deductions	1,240	614	630
Total risk-weighted assets	767,895	573,514	423,046
Core CAR	6.60%	7.40%	4.40%
CAR	9.22%	10.73%	8.20%

As of the end of the reporting period, the Group's CAR and core CAR decreased by 1.51% and 0.8% respectively from the previous year. The main reasons for changes in CAR in 2008 include:

i. Increase of risk assets due to expansion of asset-based business following aggressive market expansion by the Group;

ii. Significant increase of off-balance sheet risk assets due to change of computation criteria in compliance with CBRC's Notice on Issues Concerning Calculations on Risk-Weighted Assets of "Unused Credit Lines of Credit Cards" (Yinjian Fu [2008] No.123). This requires credit lines of unused credit cards to be booked into "Other commitments" as off-balance sheet risk assets on a actual basis.

iii. Increase of risk assets due to rapid expansion of off-balance sheet bank acceptance bills operation in an active market in the reporting period.

9. Risk Management

The primary risks faced by commercial banks include credit risk, liquidity risk, market risk and operational risk. In 2008, the Bank further improved its organization structure, and put in place a risk management system incorporating various levels of functional components, including decision-making, management, execution and operation. In the meantime, according to the requirements of the New Basel Capital Accord, the Bank launched a series of enterprise-wide risk management reform initiatives to optimize the risk management structure and gradually incorporate credit risk, market risk and operational risk into an integrated risk management system to improve specialized risk management and risk control capabilities.

1) Credit risk

Credit risk is risk arising from default of a borrower or counterparty in repaying debts on time and in full.

In 2008, in order to respond to changes in external financial and economic environment, and to improve enterprise-wide risk management, risk control capabilities, specialized management capability and operation efficiency for building a process-based banking, the Bank thoroughly reviewed and refined the organization setup, distribution of responsibilities, management model, operation mechanism and business process of departments of corporate banking on top of the SBU reforms. It also formulated the Standard Plan on Organization Setup of the Head Office and its implementation plans. With well-planned implementation, the Bank made adjustment to the organization setup and improved specialized risk management capabilities. The Bank refined the separation of credit appraisal and risk management functions by establishing Risk Management Department and Credit Appraisal Department. The Risk Management Department, focusing on risk planning, risk management in credit risk, market risk and operational risk and risk technical support, is responsible for overall risk management, including risk planning, policy management, measurement infrastructure and technical support. The Credit Appraisal Department, focusing on credit assessment criteria, assessment management and regional credit appraisal, is responsible for credit assessment criteria for customer loans, credit acceptance policy, project evaluation and collateral valuation, project assessment, monitoring

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and examination of assessments. The adjusted organization structure further improved the levels of the Bank's credit business management and risk control capability. So far, the Bank has built a top-down credit risk management organizational framework, which places the Risk Management Committee for main decision-making and overall coordination with support of key functional departments, including the Risk Management Department, Credit Appraisal Department, Asset Monitoring Department, Legal & Compliance Department and Investment Banking Department. These departments work closely together with clearly defined responsibilities. Besides the Risk Management Department and the Credit Appraisal Department, the Asset Monitoring Department is responsible for centralized management and post-lending examination of existing loan, including the five-category risk classification, early-warning and monitoring of risks, review of compliance in loan origination. The Legal & Compliance Department is responsible for the management of legal and compliance risks on contracts and documents in the course of credit project appraisal, loan drawdown and collection. The Investment Banking Department is responsible for recovery of the Bank's non-performing assets.

In 2008, in accordance with the development trend of macro economy and requirement of relevant state policies, the Bank further refined its credit policies and, further optimized its asset structure through implementation of these policies and dynamic limits management. In response to the changes in outside environment, the Bank strengthened centralized credit management, optimized credit appraisal management process, and standardized practices for the development of and service to group customers and management of group credit exposure limits. It started the establishment of technical criteria for credit appraisal, and improved technological components in the credit appraisal procedure. Through enhancing the risk monitoring system, the Bank included off-balance sheet assets, entrusted loans, wealth management based assets into the system, so that monitoring activities covered on-balance sheet and off-balance sheet assets, lines of business and all types of products. By concentrating on the basis, including release of the compliance manual, establishment of compliance standards, the completion and roll-out of the compliance system and refining of policies, the Bank improved its management in legal and compliance.

2) Liquidity risk

Liquidity risk is the possibility of loss due to a bank's inability to meet its cash requirements for normal deposit withdrawals and loan drawdown. Commercial banks have to maintain sufficient current assets or to ensure access to funding channels. The Bank's target in liquidity management is to ensure regulatory compliance with respect to its liquidity. That is, firstly, full payment of statutory deposit reserves and to maintain a stable excess reserve rate. Secondly, sufficient funding for growth of assets and matured obligations whether under normal business circumstances or otherwise, and the raising of funds at reasonable cost when necessary. This requires a conservative approach in its daily liquidity management, on estimating the daily liquidity needs, identification, and effective measurement, continuous monitoring and proper control of liquidity risks in every business component.

The Bank carries out liquidity management by the use of technological means, such as the use of asset & liability management system to calculate liquidity risk exposure in every business component, and through continuous enhancement of its techniques and policies and practices. In everyday business activities, upon identification of high fluctuations and gaps of liquidity, the Bank makes timely adjustments to its policies, and implementation of regularly updated administrative guidance. Liquidity indicators management, liquidity gap management, position management, management of fund flows between head office and branches, liquid asset portfolio management and financing guidance, are other tasks used to ensure and maintain an adequate level of overall liquidity across the Bank.

In 2008, the drastic changes in overall economic environment and macro economic policies caused the following impacts on liquidity management: 1. Liquidity management measures have to be urgently adjusted due to the shift of monetary and fiscal policies from moderately rigid position in first half of 2008 to a relatively relaxed position; 2. The series of cuts in interest rates and deposit reserve rate and promulgation of credit relaxation policies created an overall abundance of liquidity. However, shrinking demands in real economy made it difficult to use capital in a rational way; 3. Due to the global financial crisis triggered by sub-prime mortgage crisis, investment return declined, and fair values experienced significant fluctuation. Assets thus, required higher costs for realization.

Under these circumstances, the Bank made efforts to tap its customer resources and to improve its asset-based business. In addition, the Bank adjusted the strategy and structure of asset-based business by reducing the terms of investments, improving liquidity, and maintaining deposits with the PBOC and inter-bank transactions at a proper level. It also controlled excessive credit origination, while it maintained a stable deposit base and established highly efficient internal fund transfer mechanism, so as to ensure the liquidity across the Bank.

Regulatory liquidity indicators

As of December 31, 2008,with stable and robust growth of its asset & liability portfolio, the Bank maintained sound liquidity during the period. The following table shows the indicators in relation to the Bank's liquidity:

Key regulatory indicator		Regulatory requirement	December 31, 2008	December 31, 2007	December 31, 2006
Liquidity ratio	RMB	≥ 25	45.5%	34.94%	51.42%
	Foreign currencies	≥ 60	119.16%	97.37%	66.15%
Loan to deposit ratio	RMB	≤ 75	75%	74.44%	69.72%
	Foreign currencies	≤ 85	38.98%	61.67%	51.52%
Excess reserves rate	RMB		11.91%	3.78%	11%

Note: Liquidity ratio= current assets (all assets convertible to cash within a month) / current liabilities (all liabilities due within a month) X 100%

Liquidity gap analysis

The Bank also uses gap analysis to help evaluate liquidity risk. On a regular basis, the Bank calculates and monitors its liquidity gap (the difference between assets and liabilities with the same maturities), and uses the gap data to perform sensitivity analysis and stress testing.

As of December 31, 2008, the Bank's liquidity gap positions were as follows:

(Unit: RMB million)

	Within 1 month	1 month – 3 months (inclusive)	3 months – 1year (inclusive)	1 year – 5years (inclusive)	More than 5 years	Total
December 31, 2008	-248,412	600	98,397	127,098	155,938	133,621
December 31, 2007	-314,121	24,122	151,752	137,157	161,938	160,848

Note: Liquidity gap= assets that mature in a certain period - liabilities that mature for the same period

3) Market risk

Market risk refers to the risk of adverse impact of changes in the market environment on the value of assets and liabilities or on net income, and primarily the risk of loss from on- and off-balance sheet operations due to adverse changes in market prices (interest rate, exchange rate, commodity and stock price, etc.).

In the prolonged global financial crisis, changes in macro-economic policies and market interventions of governments will bring significant changes to the overall economic environment. The Bank expects a continuation of significant interest rate and exchange rate fluctuations and adjustments in the future, and it will continue to face a considerable level of market risk challenges.

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The Bank uses different methods to measure and monitor the market risks in its banking book and trading book, including key instruments and using gap analysis, sensitivity analysis and stress testing. The Bank has also established the practice of regular reporting of market risks and ad-hoc reporting of material risk matters to keep the senior management informed of market risk positions.

(1) Market risk management of the banking book

Interest rate risk is the primary market risk for the banking book. Interest rate risks include structural interest rate risk and the risk on its fiduciary transactions. The main source of interest risks is the mismatch of maturities or repricing dates. On a regular basis, the Bank examines its position of interest rate risks and evaluates its interest risk exposure through gap analysis. The Bank also measures the interest sensitivity gap on a regular basis and uses different interest rate scenarios to assess the impact of interest rate changes on net interest income and net value of the Bank. In addition, the Bank closely tracks the trend of market interest rates and in conjunction with its funding sources and uses, makes appropriate adjustments to the repricing maturity structure of its interest-earning assets and interest-bearing liabilities to reduce potential negative impact on its profitability.

Table: Interest sensitivity gap:

(Unit: RMB million)

	Within 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	Non-interest bearing	Total
December 31, 2008	167,130	-122,782	-18,892	20,185	3,922	49,563
December 31, 2007	4,976	-44,992	46,917	25,338	12,921	45,160

As of the end of 2008, the Group had two categories, namely the 3-month-to-1-year and 1-year-to-5-year categories, with negative gaps due to larger amounts of current deposits in these categories than those of loans. For other categories, interest-sensitive assets far exceeded interest-sensitive liabilities, resulting in positive gaps.

Stress testing of market risks shows that an upward shift of interest rates by 100 BPS in 2009 will result in an increase of net interest income of RMB 996 million. A downward shift of interest rate by 100 BPS will result in a decrease of net interest income of RMB 996 million. This analysis is based on the static gap as at the end of 2008 without adjustment for changes of the asset and liabilities operations of the Bank in 2009 and the impact of interest rate changes on its business operations. The Bank is committed to continuously improving its loan pricing management and its pricing capability, by closely monitoring the impacts of market risks

(2) Market risk management of the trading book

The Bank manages interest rate risks and exchange rate risks in compliance with the relevant requirements of the CBRC's Guidance on Market Risk Management, Guidance on Internal Control of Commercial Bank, and Guidance on Stress Testing of Commercial Banks, and with reference to the relevant rules under Basel II Accord. The Bank uses the following for measuring market risks: sensitivity analysis, scenario analysis, risk value, ex post examination, stress testing, and gap analysis, duration analysis and foreign currency exposure analysis. The Bank manages market risks by defining, monitoring and reporting authority limits, credit lines and stop-loss limits. The Bank built up a direct management platform centered on Reuters' Kondor+, and carries out risk measurement through KONDOR+ and BLOOMBERG systems. The Bank is installing the RISKMETRICS risk measurement system, which will help the Bank cover all existing and possible businesses, with reports in multi-level and risk-differentiated risk measurement reports and market risk.

4) Operational Risk

Operational risk is the risk of loss arising from failed internal process and/or systems, human factors, and/or external events.

In 2008, in order to enhance operational compliance and prevent operational risks, the Bank continued to improve the daily monitoring of operational risks at branches and sub-branches through on-site examination and off-site audit. The daily monitoring, incorporating robust design and planning, applicability and operability, is focused on key risk points, including 77 risk points in 6 major areas at the branch level and 48 risk points in 8 major areas at the sub-branch level. It is also done in the form of integrity inquiries of staff holding key positions, including managing directors of sub-branches and banking managers.

In the meantime, the Bank is working on its internal audit organizational framework. With the addition of the evaluation and accountability center, the Bank focuses on collective analysis of operational issues identified in various examinations, and monitors rectification through on-site correction, continuous follow-up and ex post facto audit. For irregularities, the Bank investigates the responsibility of the responsible entities in connection with their performance through internal control and assessment of operational risks, and took punitive actions against the responsible persons in compliance in accordance with relevant rules of the Bank.

The solid progress in daily monitoring, evaluation and enhanced accountability inquiry facilitates the development of process-based internal audit, and improves internal audit efficiency. This is instrumental to the cultivation of a healthy internal control culture and operational risk prevention environment.

10. Major Subsidiaries and Invested Companies and Their Performances

1) The Bank's subsidiary, Minsheng Financial Leasing Co., Ltd. started its operation on April 18, 2008. As at December 31, 2008, it had total assets of RMB 6.936 billion, net assets of RMB 3.298 billion, and posted a net profit of RMB 78 million in 2008.

2) The Bank's subsidiary, Minsheng Royal Fund Management Co., Ltd. started its operation on November 18, 2008. As at December 31, 2008, it had total assets of RMB 192 million, net assets of RMB 186 million, and posted a net loss of RMB 15 million in 2008.

3) The Bank's subsidiary, Pengzhou Minsheng Rural Banking Co., Ltd. started its operation on September 12, 2008. As at December 31, 2008, it had total assets of RMB 126 million, net assets of RMB 54 million, and posted a net loss of RMB 1 million in 2008.

4) The Bank's subsidiary, Cixi Minsheng Rural Banking Co., Ltd. started its operation on December 30, 2008. As at December 31, 2008, it had total assets of RMB 101 million, net assets of RMB 100 million, and posted a net loss of RMB 0.33 million in 2008.

5) UCBH Holdings, Inc. (Nasdaq code: UCBH), an investee of the Bank, had posted total assets of USD 13.503 billion, net assets of 1.428 billion as at December 31, 2008, and a net loss of USD 76 million attributable to common share holders in 2008.

6) China UnionPay Co., Ltd., to whom the Bank is an equity holder, completed 5.7 billion inter-bank bank card transactions for RMB 4.6 trillion in 2008, up by 43% and 43% respectively from the previous year.

11. Issues in Business Operations and Related Solutions

In combination, the global economic and financial crisis and the cyclical downturn of the Chinese economy created considerable pressure on the Bank's business development; the gravity of the unfavorable macro situation continued to spread to industries, regions and customers, which aggravated the overall operating risks in the banking industry and produced ill impact on the Bank's asset quality. Against the backdrop of market changes and changes of macroeconomic policies by the central government, the successive upward adjustments of deposit reserve ratio, and deposit and loan interest rates in 2008 and immediate cuts affected the Bank's liquidity and spread income. The fluctuation in both international and domestic capital market, along with the increasing competition in the banking industry, also affected the Bank's relevant business operations.

In response to the above issues and difficulties in its business operations, the Bank adopted the following key measures:

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1) Continued to improve corporate governance. The Bank increased governance by improving transparency and efficiency to support the BOD. Standardized decision-making procedures of the BOD, enhanced trainings for directors, and increased strategic studies were also implemented; communications of the BOD and its committees with the management and relevant functional departments were enhanced. The Bank established the Office of Risk Management Committee under the BOD to intensify the overall control of BOD over operational risks, and also standardized and tightened management of related-party transactions.

2) Established basic structure of a financial holding group with steady diversification and internationalization. The Bank established Minsheng Financial Leasing Company, Minsheng Royal Fund Company, Pengzhou Minsheng Rural Bank and Cixi Minsheng Rural Bank which had started their business operations. The Bank successfully ocmpleted two phases of investments in the UCBH and obtained a shareholding of 9.9%.

3) Accelerated reform initiatives to support construction of process-based banking. The Bank sped up the formulation of rules and policies for the SBUs, and the benefits of specialized SBUs began to show. The Bank defined the positioning of business lines and management functions at the branch level, clarified responsibilities between SBUs and branches. This also encouraged branches to develop localized featured business.The Bank launched retail banking competency enhancement programs and intensified management capabilities of the head office, as well as promoting sub-branches' role as the principal channel for retail banking. The Bank made solid progress in middle and back office reforms, and completed phase-one restructuring. It also gave total support to the construction of the new core system to prepare for its roll-out.

4) Improved asset and liability structure to achieve development of business lines. The Bank adopted such centralization of capital pool management to drive the steady growth of deposits. In active response to market changes, the Bank streamlined its asset and investment structure, and maintained adequate control over total volumes of mid to long-term loans and investments. This helped reduce its operating risks, and further increase cost control.

5) Strengthened pricing management and return on assets. The Bank set out to build a bankwide product and customer pricing framework in order to improve return on assets and to enhance its income structure. It established a standardized SBU evaluation mechanism focusing on profits and capital returns. It also accelerated innovation and development of the bills business, and sped up fund turnover to reduce capital utilization and credit risk exposure.

6) Intensified studies on macro economy and policies to respond quickly to changes. The Bank prudently expanded its asset-based business to effectively prevent incremental risks, and carried out stress testing to all business and comprehensive risk review on existing assets, especially loans.

7) Took advantage of the SBU system, business innovation and development. The Bank committed itself to heighten specialization in its business operations, business innovation and market promotion. For higher overall efficiency and profitability of corporate banking, the Bank optimized its customer and asset structure, aggressively controlled risks and advanced its intermediary business and debt business. The Bank increased resource commitment to product innovation and business system development, and designed dynamic product financing models for SMEs, which aggressively promoted the local, unique businesses advantages at branch level.

8) Improved banking capabilities to promote development of retail business. The Bank offered innovative wealth management services and products by cultivating the brand of "Apex Wealth Management". It also continued to expand its wealth management offerings, and established platforms to facilitate interaction between the Bank and fund companies, securities companies and insurance companies. Through product and management innovation, the Bank made continuous improvement of its credit card customer base and increased the proportion of mid- to high-end customers. The Bank also aggressively promoted electronic banking and e-commerce. This encouraged and increased proportion of business transactions through the e-banking system against counter services.

9) Actively promoted the development of intermediary business and other new businesses to improve profits. The Bank formulated new administrative measures for pricing of intermediary business to encourage the development of intermediary services; and increased cooperation in treasury operations with other banks and institutions. It also set out to improve profitability and to expand resources of intermediary business through bills, custody, international settlement and wealth management services. The Bank developed featured businesses, including international factoring, and new products, including trustee services and equity funds, and made careful studies in new business areas, including derivatives and private banking.

10) Improved risk management and control to support the healthy and coordinated business development. The Bank advanced its building of risk management system, studied models for full risk management, and set out to build a framework aligned with process-based banking. Further refined the credit appraisal mechanism for SBUs, by improving credit policies and limit management. Other improvements included optimized credit asset structure, intensified monitoring of asset quality, standardized post-lending management and centralized collection and recovery of non-performing assets. There were also strengthened compliance management and risk management techniques, and intensified supervision and examination of internal control, business operations and risk management to eliminate systemic risks.

12. Outlook and Measures to Be Taken - 2009 Key Measures to Be Taken and 2009 Business Plan

In 2009, the Bank will continue to follow the guidance of the Five Year Development Scheme promulgated by the BOD, while taking initiatives against changes of the external environment, and deepening understanding of macro economic policies. It will also intensify the construction of process-based bank, leverage advantages in its unique mechanism and system and tighten risk prevention, in order to promote robust and coordinated development of all businesses.

The Bank will adopt the following measures to achieve the operating targets in 2009:

1) Deepen studies on macro economic and financial environment, regulatory policies and competitions among its peers. It will organize special teams to design mid-to long-term development strategies and to develop plans for regional markets, key business lines and product lines. The Bank also will continue to encourage innovations in market expansion, risk management and resource allocation to improve its market competitiveness, so as to keep itself on a healthy, rapid and sustainable track of development.

2) Advance the construction of process-based banking, to fully leverage the advantages of SBUs. The Bank will refine and optimize the SBU operation mechanisms, and further define the positioning of business development at the branch level. It will further conduct studies on the market position and development model for retail banking business, and to further streamline middle and back offices. While focusing on overall planning for the framework of a process-based bank, it will continue to make sound preparations and arrangements to ensure the smooth roll-out of the new core system.

3) Optimize resource allocation and improve capital efficiency. The Bank will strengthen allocation management, establish new resource allocation model that centers on business development, increase support to quality business lines, innovative businesses and intermediary businesses through various measures, including capital leverage, performance evaluation and pricing mechanisms. The Bank will strictly control cost and reduce unnecessary administrative expenses by formulating effective rules. It will improve business expansion mechanism and performance evaluation and incentive mechanisms, so as to promote cross-selling system.

4) Strengthen risk prevention and management efficiency to support business development. The Bank will strictly control asset risks, identify and eliminate potential risks, and improve communication and coordination between risk departments and business departments. It will further establish an open platform for asset monitoring, intensify early warning, improve effectiveness of collection and recovery, increase impairment allowances for and writing-off of bad debts. It will also improve its asset portfolio, and enhance market risk management and its system construction to clearly define compliance responsibilities for all

Management's Discussion and Analysis

entities. Lastly, it will tighten evaluation and audit of internal control, thus improve the effectiveness of compliance and internal control management.

5) Promote debt portfolio and continue to optimize business structure. The Bank will remain committed to maintaining a strong deposit base and adopt effective measures to facilitate its growth and to strengthen head office's centralized management of corporate banking. It will support the development of key industries, leading niche industries and quality customers as long as risks are effectively managed. It intends to aggressively develop SME businesses and offer innovative products and services.

6) Intensify efforts in innovation to drive forward overall development. The Bank will increase monitoring and studies of markets and relevant policies by establishing responsive mechanisms against potential changes and fully leveraging the advantages of specialization of industry-oriented departments. To deliver strong commercial banking services to medium and large customers on the condition of effective control of NPLs is another plan. It plans to promote comprehensive financial services to customers and to capitalize on the strength of SBUs to support other functions and business collaborations between industry-focused departments and branches. It will further clarify the market positioning of branches to help branches develop their individual advantages.

7) Increase funding services to SMEs. To optimize business structure and cultivate new profit growth opportunities, the Bank will continue to launch pilot programs for SME SBUs in the Yangtze River Delta region. Active efforts will be made to explore the application of "Diamond Team" marketing model and the "Credit Factory" risk management model that not only have high technological components but offer special competitive advantages. It will further build dedicated teams and establish standardized business processes in branches that operate in areas with high SME activities to encourage them to expand funding services to SMEs.

8) Integrate distribution channels and products to improve overall profitability of retail banking. The Bank will deepen reforms to improve specialization of retail banking, and to build up a platform to enable delivery of competitive products. Decision-making capability and specialized management capability at the head office will be improved together with sales management of retail banking at the branch level. To maximize the contribution of branches as the principal retail distribution channels, it will increase synergy between corporate banking and retail banking to promote growth of retail banking and improve inter-departmental alignment of value and interests.

9) Expand income sources while developing intermediary businesses aggressively. The Bank will accelerate transformation and upgrade of intermediary businesses. It will make informed strategic decisions in charting the growth of its wealth management and investment portfolio, such as mobilizing resources to identify opportunities and to expand new businesses, including bills, cash management, custody and derivatives. It also plans to expand income sources and channels for intermediary businesses by encouraging branches and SBUs to improve performance and to speed up e-banking development.

10) Tighten capital management and use capital to drive business development. The Bank will heighten the awareness of capital discipline and make capital as the basis for resource allocation. Measures will include the implementation of limits to capital management, improved utilization of capital, and the support for development of high-performing business lines. It will increase measurement and accounting of capital to improve performance assessment of capital discipline compliance through the performance assessment with respect to capital limits and return on capital.

11) Accelerate expansion of new institutions and coverage of banking service network to support scale increase. In parallel with the establishment of new branches in provincial capitals, the Bank will set up sub-branches in Yangtze River Delta, second-tier cities of the Pan-Bohai Economic Circle and top 100 counties in China, so as to narrow the gap with other joint-stock banks in terms of number of business outlets.

12) Accelerate the construction of architecture for risk management to improve risk management techniques and competency. The Bank will speed up the improvement of enterprise-wide risk management system, and build underlying platforms for risk

technology and quantitative risk management. It will improve credit risk management standards and procedures, and implement the practices for assessment of risk management quality in business units. By establishing market risk and operational risk management mechanisms, it plans to promote management practices that enable coverage of all risks.

13) Commit resources to ensure adequate recruitment and building of talents to improve professional quality. The Bank will also accelerate the construction of a sustainable human resources development mechanism that maximizes the synergy of recruitment and internal growth. It will develop human resource development plans, identify and adopt new methods for the building of talents. To improve HR management and control mechanism, it will adopt new training methods and increase input in specialized training.

Business plan and targets for 2009

Total assets to increase to RMB 1.26 trillion, up by 20%, and balance of deposits is expected to increase to RMB 946 billion, up by 20%. Outstanding loans (including discounted bills) will increase to RMB 777 billion, by up 18%, while outstanding loans will increase (excluding discounted bills) to RMB 713 billion, up by 20%; NPL ratio is expected to be no greater than 2%, and net profit will be RMB 10.6 billion, up by 35 %.

In the coming three years, the new management team plans to deepen reform on business specialization, promote the growth of SME business aggressively, and continuously optimize business structure and improve business performance with expansion of business scale.

13. Social Responsibility

As part of its commitment to "serve the people and care about their living" as a core value, the Bank makes it a top priority to embed in its social responsibilities from the aspirations, mindset and daily work of its people. It is always a high priority of the Bank to strengthen the organizational and management systems to enable the delivery of its social responsibilities.

1) The Bank continues to improve its risk management system by enhancing compliance management practices, which included heighten employees' compliance with code of conducts and building the related mechanisms for its social responsibilities, so as to lay a solid foundation. In 2008, the Bank created the first operable Compliance Criteria in the Chinese banking industry, which was able to manage compliance risk in a consistent and systematic manner.

2) Committed to customer satisfaction, the Bank focuses on delivering quality services to its customers while ensuring the increasing financial needs of the society are met through its full array of services and aggressive product innovation. It pays close attention to its employees' personal development which creates smooth career development paths for them. It also works closely with all stakeholders to support and achieve win-win positions for all parties involved. In the course of pursuing its own robust growth, it strives to relieve the stresses of society and contribute to its prosperity.

(1) On September 12, 2008, Pengzhou Minsheng Rural Bank started its operation as the first financial institution established after the Wenchuan earthquake on May 12, 2008. It is to support the rebuilding of the disaster-stricken regions and the development of local agricultural sector, rural areas and farmers. It is the first rural bank set up by a national joint-stock commercial bank in China and the first for the Bank.

(2) On November 18, 2008, the Bank entered into strategic cooperation with Beidahuang Business Trade Group Co., Ltd. and opened Beidahuang Food Bank. It is to provide deposit-taking and lending services to support food production and aims to bring together the interests of farmers, food enterprises, and food producers. The Food Bank has an annual set capacity of 5 million tons, with potential to sales income of more than RMB 10 billion and profit of over RMB 1.2 billion. Reduced warehousing loss alone can benefit the farmers with increased income of RMB 5.6 billion every year.

3) The Bank is a vigorous champion to advocate "Green Finance", and has put in place the mechanisms to facilitate green lending and to support initiatives to reduce power consumption and emission and the development of recyclable energy, such as hydro-power and wind power. It contributes to environmental protection through leverage of finance, environment risk control, and increased control over environmental risks in the projects.

Management's Discussion and Analysis

In 2008, the Bank placed 23 loans (including credit with extended loans) amounted to RMB 2.446 billion to support key energy-saving and emission reduction projects, including technological innovation, technological upgrade and product innovation. The Energy SBU of the Bank terminated loans to 18 small thermal power enterprises for a total of RMB 1.75 billion, and a small coke plant with credit lines of RMB 20 million.

4) The Bank makes active contributions to the society and acts as a driving force in building a harmonious society through disaster relief donations, promoting information communications and exchanges, poverty alleviation programs, voluntary work, financial education and the support for arts and culture.

(1) In the snow storm relief activities in 2008, the employees of the Bank made a donation of RMB 4 million to the Red Cross Society of China. For the "May 12" earthquake, the employees of the Bank made a voluntary donation of RMB 23 million to the earthquake-stricken areas in the form of money, clothing or special party membership dues.

(2) Since 2006, the Bank has worked with CCTV Channel 7 (the Agriculture Channel), with a contribution of RMB 14.5 million each year, to launch free advertisements for emergency sales of agricultural products across China. As of 2008, with RMB 43.5 million spent for free advertisements, the Bank helped 245 poverty stricken counties in 17 provinces to sell 48.9 billion kilograms of slow-moving agricultural products, and effectively helped the poverty stricken areas to turn their resources into product and economic benefits. This has created an accumulated economic value of over RMB 40 billion, benefiting more than 10 million people.

(3) Since 2002, the Bank has earmarked Huaxian County and Fengqiu County of Henan Province, Lintao County and Weiyuan County of Gansu Province as its mainly target areas for poverty alleviation. It formulated education-oriented assistance plans with funds mainly from donation of employees. As of 2008, the Bank has donated a total of RMB 18 million to the 4 counties.

(4) Yanhuang Art Museum, established by famous Chinese painting master Huang Zhou in the 80s, was once on the edge of bankruptcy for fund shortage. In July 2007, the BOD of the Bank decided to make a 10-year donation to the museum with RMB 8 million per year. Through continuous funding support, the Bank aims to build the museum into a first-class non-profit venue for showcasing arts and authoritative institution for promoting modern arts, and open to the public for free. It is to be designed to be an important arena for heightening the public's appreciation of fine arts and for cultural exchanges within Beijing, China and within all countries on an international level.

04

Changes in Capital Stock and Information on Shareholders

Changes in Capital Stock and Information on Shareholders

1. Changes in Shares and Convertible Bonds

1) Changes in shares

The changes in shares of the Bank during the reporting period are showing in the following table:

(Unit: share)

	Before the change (July 23)		Increase/decrease (+, -)					After the change	
	Amount	%	Rights issue	Dividend shares	Conversion from surplus reserve	other	Subtotal	Amount	%
1. Restricted shares	928,200,000	4.93						928,200,000	4.93
1) State-owned shares									
2) State-owned legal person shares									
3) Other domestic shares	928,200,000	4.93						928,200,000	4.93
Including:									
Domestic legal person shares	928,200,000	4.93						928,200,000	4.93
Domestic individual shares									
4) Foreign investor shares									
Including:									
Overseas legal person shares									
Overseas individual shares									
2. Unrestricted shares	17,894,801,989	95.07						17,894,801,989	95.07
1) Common shares in RMB	17,894,801,989	95.07						17,894,801,989	95.07
2) Foreign investor shares - domestic listing									
3) Foreign investor shares - overseas listing									
4) Others									
3. Total shares	18,823,001,989	100						18,823,001,989	100

Shareholding of restricted share holders and restrictions

(Unit: share)

Shareholder name	Restricted shares held	Date of removal of restrictions	Increase of tradable shares	Restriction
China Life Insurance Co., Ltd. -Traditional-Common Insurance Products -005L -CT001, SH	928,200,000	August 23, 2009		

2) Changes in convertible bonds

As approved by the CSRC in Zhengjian Faxing Zi [2003] No. 13, the Bank issued RMB 4 billion of 5-year corporate convertible bonds at the Shanghai Stock Exchange on February 27, 2003. The convertible bonds were listed on March 18, 2003 and became convertible on August 27, 2003 until February 26, 2008 when they were delisted. As of close of market on February 26, 2008, a total of 1,616,729,400 shares (including bonus shares and shares from rights issue), or RMB 3,999,671,000 of "Minsheng Convertible Bonds" (100016) had been converted into "Minsheng Bank" shares (600016), representing 11.17% of the Bank's total capital stock. RMB 329,000 of "Minsheng Convertible Bonds" was unconverted, representing 0.008% of the total convertible bonds issued, and matured on February 26, 2008 when the principals and interests were settled.

2. Stock Issuance and Listing

1) Stock Issuance in the past three years as of December 31, 2008

The Bank made its first offering of shares on November 27, 2000.

On June 22, 2007, as approved by the CSRC in Zhengjian Faxing Zi [2007] No.7, the Bank issued 2,380,000,000 A shares by private placement. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on June 27, 2007.

2) Total shares and changes during the reporting period and changes in equity structure

During the reporting period, the number of shares converted from convertible bonds amounted to 49,784.

In accordance with the 2007 plan adopted at 2007 AGM and implemented by the Bank for the profit distribution and the conversion of capital reserve to capital stock, for every ten shares of outstanding capital stock of 14,479,232,299 shares as at date of registration on April 3, 2008, the Bank distributed 2 bonus shares, converted 1 share from the capital reserve and distributed cash bonus of RMB 0.50 (including tax). 2,895,846,000 bonus shares and 1,447,923,000 converted shares, or 4,343,769,000 shares were issued in total.

As at end of the reporting period, the total outstanding shares amounted to 18,823,001,989 shares.

3) During the reporting period, there was no addition of employee shares.

3. Issuance and Listing of Convertible Bonds

With the approval of the CSRC in Zhengjian Faxing Zi [2003] No. 13, the Bank issued RMB 4 billion of convertible corporate bonds on February 27, 2003, which were listed on the Shanghai Stock Exchange on March 18, 2003. The Placement Circular and the Listing Announcement were published in the China Securities Journal, Shanghai Securities News and Securities Times on February 21, 2003 and March 13, 2003, respectively.

The convertible bonds were eligible for conversion on August 27, 2003, until their delisting on February 26, 2008. As of close of the market on February 26, 2008, a total of 1,616,729,400 shares (including bonus shares and shares from rights issue), or RMB 3,999,671,000 of "Minsheng Convertible Bonds" (100016) were converted into "Minsheng Bank" stock (600016), representing 11.17% of the Bank's total capital stock. RMB 329,000 of "Minsheng Convertible Bonds" was not converted, representing 0.008% of the total convertible bonds issued, and matured on February 26, 2008 when the principals and interests were settled.

4. Issuance of Subordinated Bonds and Hybrid Capital Bonds

With the approval from the PBOC in Yinfu [2004] No. 59 and from the CBRC in Yinjianfu [2004] No.159, the Bank issued RMB 5.8 billion of subordinated bonds through private placement in the national inter-bank bond market. The subordinated bonds included RMB 4.315 billion of fixed rate bonds at 5.1% per annum and RMB 1.485 billion of floating rate bonds at an initial rate of 4.65% per annum (benchmark rate of 2.25% plus basic spread of 2.4%). The floating rate is subject to adjustment in response to the change of basic rates by the PBOC. The maturity

Changes in Capital Stock and Information on Shareholders

term of the subordinated bonds issued is 10 years with interests payable once a year. As of November 8, 2004, the proceeds of RMB 5.8 billion from subordinated bonds issuance were all deposited into the Bank's account, marking the completion of the issuance of subordinated bonds. In compliance with the related rules, all proceeds were recognized as supplementary capital of the Bank.

With the approval from the PBOC in Yinfu [2005] No.112 and from the CBRC in Yinjianfu [2005] No.309, the Bank issued RMB 1.4 billion of fixed-rate 10-year subordinated bonds in the national inter-bank bonds market through private placement, with an initial interest rate of 3.68% per annum and a call option at the end of the fifth year by the issuer. If the issuer does not exercise the call option, the interest rate for the second 5-year period will be increased by 300bp. Interest shall be paid once a year. As of December 26, 2005, the proceeds of RMB 1.4 billion from the subordinated bonds issuance, after deduction of issuance costs, were all deposited into the Bank's account, marking the completion of the issuance. In compliance with the related rules, all proceeds were recognized as supplementary capital of the Bank.

In accordance with the PBOC's letter of administrative permission (Yin Shichang Xuzhunyu Zi [2006] No.27) and the CBRC's approval in Yinjian Fu [2006] No.80, the Bank issued RMB 4.3 billion of hybrid capital bonds in the national inter-bank bonds market. Subject to the approval of the CBRC, the 15-year bonds have a call option from the completion of the 10th year to their maturity date to redeem once-off all or part of the bonds at face value. The hybrid capital bonds include a portion of RMB 3.3 billion at an initial fixed rate of 5.05% per annum, and if the issuer does not exercise the call option, the interest rate for the remaining 5 years will be increased by 300bp. The hybrid capital bonds also include a floating-rate portion of RMB 1 billion, whose initial rate per annum is the benchmark rate plus the basic spread, where the benchmark rate is the interest rate for one-year lump-sum time deposit announced by the PBOC, and the initial basic spread is 2%. If the issuer does not exercise the call option, the basic spread will be increased by 100bp each year commencing from the 11th year. As of December 28, 2006, all proceeds of RMB 4.3 billion from the hybrid capital bonds issuance had been deposited into the Bank's account, marking the completion of the issuance. In compliance with the related rules, all proceeds were recognized as supplementary capital of the Bank.

In accordance with the PBOC's letter of administrative permission (Yin Shichang Xuzhunyu Zi [2009] No.8) and the CBRC's approval in Yinjian Fu [2009] No.16, the Bank issued RMB 5 billion of RMB-denominated hybrid capital bonds in the national inter-bank bonds market. Subject to the approval of the CBRC, the 15-year bonds have a call option from the completion of the 10th year to their maturity date to redeem once-off all or part of the bonds at face value. The hybrid capital bonds include a portion of RMB 3.325 billion at an initial fixed rate of 5.70% per annum, and if the issuer does not exercise the call option, the interest rate for the remaining 5 years will be increased by 300bp. The hybrid capital bonds also include a floating-rate portion of RMB 1.675 billion, whose initial rate per annum is the benchmark rate, being the interest rate for one-year lump-sum time deposit announced by the PBOC, plus the basic spread, initially set at 3%. If the issuer does not exercise the call option, the basic spread will be increased by 300bp each year commencing from the 11th year. As of March 26, 2009, all proceeds of RMB 5 billion from the hybrid capital bonds issuance had been deposited into the Bank's account, marking the completion of the issuance. In compliance with the related rules, all proceeds were recognized as supplementary capital of the Bank.

5. Shareholders

1) Top ten largest shareholders and their shareholdings

(Unit: share)

Total number of shareholders	1176563			
Top ten largest shareholders and their shareholdings				
Shareholder's name	Type of shares held	Percentage	Total shares held	Restricted shares held
New Hope Investment Co., Ltd.	A share	5.90%	1,111,322,354	0
China Life Insurance Co., Ltd. -Traditional -Common Insurance Products -005L -CT001 SH	A share	5.10%	959,422,762	928,200,000
China Ping An Life Insurance Co., Ltd. -Traditional -Common Insurance Products	A share	4.92%	926,967,800	0
Shanghai Giant Life Technology Co., Ltd.	A share	4.76%	896,630,415	0
China Shipowners' Mutual Assurance Association	A share	4.01%	754,803,754	0
Oriental Group Co., Ltd.	A share	3.94%	740,808,520	0
Sichuan South Hope Industry Co., Ltd.	A share	3.64%	684,915,782	0
Xiamen Fuxin Group Co., Ltd.	A share	3.28%	617,917,635	0
China SME Investment Co., Ltd.	A share	3.27%	616,088,526	0
China Oceanwide Holdings Group Co., Ltd.	A share	3.09%	582,449,263	0

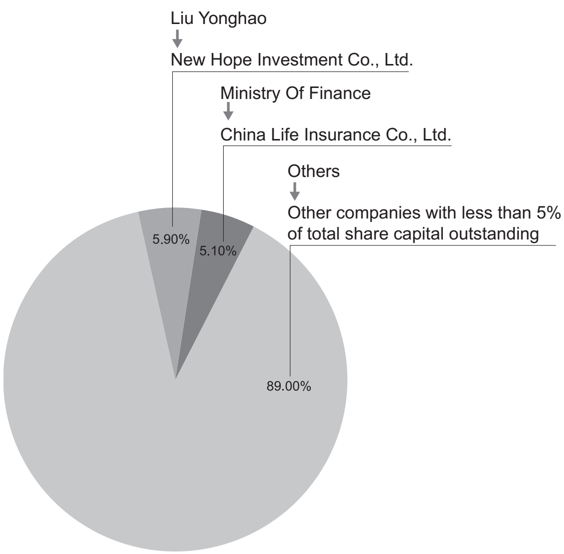
Top ten largest holders of unrestricted shares		
Shareholder's name	Unrestricted shares held	Share type
New Hope Investment Co., Ltd.	1,111,322,354	RMB common shares
China Ping An Life Insurance Co., Ltd. -Traditional -Common Insurance Products	926,967,800	RMB common shares
Shanghai Giant Life Technology Co., Ltd.	896,630,415	RMB common shares
China Shipowners' Mutual Assurance Association	754,803,754	RMB common shares
Oriental Group Co., Ltd.	740,808,520	RMB common shares
Sichuan South Hope Industry Co., Ltd.	684,915,782	RMB common shares
Xiamen Fuxin Group Co., Ltd.	617,917,635	RMB common shares
China SME Investment Co., Ltd.	616,088,526	RMB common shares
China Oceanwide Holdings Group Co., Ltd.	582,449,263	RMB common shares
Harbin Hatou Investment Co., Ltd.	220,266,800	RMB common shares
Related-party relationship and action in concert of the above shareholders	Sichuan New Hope Group Company is the controlling shareholder of New Hope Investment Co., Ltd. and Sichuan South Hope Industry Co., Ltd.. No other related-party relationship has been identified by the Bank.	

2) Pledged or frozen shares of shareholders with more than 5% of the Bank's capital stock

Nil

Changes in Capital Stock and Information on Shareholders

3) Controlling shareholders and effective controllers



CHINA MINSHENG BANKING CORP., LTD.

The Bank does not have controlling shareholders or other effective controllers, and the above diagram shows the controlling relationship of the Bank's shareholders with more than 5% of the Bank's shares.

4) Shareholders holding more than 5% of the Bank's outstanding share capital

(1) New Hope Investment Co., Ltd.

It was established in November 2002 and its legal representative is Mr. Liu Yonghao. Main businesses include venture capital investment, investment management, financial advisory, wealth management consulting, capital restructuring consulting, market survey, credit investigation, technology development and transfer, and technological advisory services, etc. The registered capital is RMB 576,555,600. Its shareholders are Sichuan New Hope Group Corporation (with capital contribution of RMB 144,138,900 or 25%) and Sichuan New Hope Agricultural Co., Ltd. (with capital contribution of RMB 432,416,700 or 75%).

(2) China Life Insurance Co., Ltd.

It was established in June 30, 2003, and its legal representative is Mr. Yang Chao. Its scope of businesses covers various personal insurances, including life insurance, health insurance, accident insurance; reinsurance of personal insurances; investment activities allowed under the state's laws and regulations or approved by the State Council; various services, consulting and agency services for personal insurance businesses. The registered capital is RMB 28,264,705,000.

05

Directors, Supervisors, Senior Executives and Employees

Directors, Supervisors, Senior Executives and Employees

1. Directors, Supervisors and Senior Executives

1) Directors, supervisors and senior executives

Name	Gender	Year of birth	Position	Term of office	Shares held at beginning of the year (share)	Shares held at end of year (share)	Total remuneration received from the Bank in the reporting period (before tax) (in RMB '000)	Remuneration from a shareholding company or other related parties
Dong Wenbiao	M	1957	Chairman of the BOD	2009.3.23-2012.3.23	0	0	11,366.0	N
Zhang Hongwei	M	1954	Deputy Chairman of the BOD	2009.3.23-2012.3.23	0	0	691.9	Y
Lu Zhiqiang	M	1952	Deputy Chairman of the BOD	2009.3.23-2012.3.23	0	0	691.9	Y
Liu Yonghao	M	1951	Deputy Chairman of the BOD	2009.3.23-2012.3.23	0	0	0	Y
Wang Yugui	M	1951	Director	2009.3.23-2012.3.23	0	0	588.2	Y
Chen Jian	M	1958	Director	2009.3.23-2012.3.23	0	0	559.3	Y
Huang Xi	F	1962	Director	2009.3.23-2012.3.23	0	0	559.3	Y
Shi Yuzhu	M	1962	Director	2009.3.23-2012.3.23	0	0	588.2	Y
Wang Hang	M	1971	Director	2009.3.23-2012.3.23	0	0	613.2	Y
Wang Junhui	M	1971	Director	2009.3.23-2012.3.23	0	0	0	Y
Gao Shangquan	M	1929	Independent Director	2009.3.23-2012.3.23	0	0	617.1	Y
Zhang Ke	M	1953	Independent Director	2009.3.23-2012.3.23	0	0	722.9	Y
Andrew Wong	M	1957	Independent Director	2009.3.23-2012.3.23	0	0	664.1	Y
Wang Songqi	M	1952	Independent Director	2009.3.23-2012.3.23	0	0	638.2	Y
Liang Jinquan	M	1940	Independent Director	2009.3.23-2012.3.23	0	0	0	Y
Hong Qi	M	1957	Board member, President of the Bank	2009.3.23-2012.3.23	0	0	8,539.2	N
Tow Heng Tan	M	1955	Member of the 4th BOD	2006.7.16-2009.3.23	0	0	588.2	Y
Wu Zhipan	M	1956	Independent Director of the 4th BOD	2006.7.16-2009.3.23	0	0	643.1	Y
Eddie Wang	M	1949	Member of the 4th BOD, President of the Bank	2006.7.16-2009.3.23	0	0	9,041.5	N
Qiao Zhimin	M	1952	Chief Supervisor	2009.3.23-2012.3.23	0	0	5,896.1	N
Xing Jijun	M	1964	Deputy Chief Supervisor, Director of the 4th BOD	2009.3.23-2012.3.23	0	0	584.3	Y
Lu Zhongnan	M	1955	Supervisor	2009.3.23-2012.3.23	0	0	577.6	Y
Zhang Disheng	M	1955	Supervisor	2009.3.23-2012.3.23	0	0	583.6	Y
Xu Rui	F	1945	Supervisor	2009.3.23-2012.3.23	0	0	613.6	N
Wang Liang	M	1942	Supervisor	2009.3.23-2012.3.23	0	0	599.6	N
Chen Jinzhong	M	1960	Supervisor	2009.3.23-2012.3.23	0	0	4,217.8	N
Wang Lei	F	1961	Supervisor	2009.3.23-2012.3.23	0	0	4,112.9	N
Huang Diyan	M	1930	Chief Supervisor of the 4th BOS	2007.1.15-2009.3.23	0	0	1,024.0	N
Li Yu	M	1974	Supervisor of the 4th BOS	2007.1.15-2009.3.23	0	0	628.6	Y
Liang Yutang	M	1957	Director, Vice President	2009.3.23-2012.3.23	0	0	5,896.1	N
Shao Ping	M	1957	Vice President	2009.3.23-2012.3.23	0	0	5,896.1	N
Zhao Pinzhang	M	1956	Vice President	2009.3.23-2012.3.23	0	0	5,896.1	N
Mao Xiaofeng	M	1972	Vice President, Secretary to the BOD	2009.3.23-2012.3.23	0	0	5,896.1	N
Wu Touhong	F	1959	CFO	2009.3.23-2012.3.23	0	0	5,896.1	N

Note: 1. The overall annual remunerations for senior executives of the Bank in 2008 dropped 15% from 2007, including a 35% decrease for Mr. Dong Wenbiao, executive director and Board Chairman, a decreases of 10% for Mr. Eddie Wang, executive director and President, and decreases of between 10% - 15% for other senior executives.

2. The 2008 annual remuneration for Mr. Hong Qi, executive director and Executive Vice President was adjusted in line with his position change.

3. Independent Director Liang Jinquan is an official directly appointed by the Central Party Committee. In compliance with the Zhong Ji Wei [2008] No. 22 of the CPC Central Commission for Discipline Inspection and as requested by himself, he received no remuneration as a director of the Bank in 2008.

4. The 2008 annual remuneration for Mr. Qiao Zhimin, deputy chief supervisor of the Board of Supervisors and employee representative, received remuneration as that of a vice president (and calculated on pro-rated actual basis, given his assumption of office in the Bank in 2007 of less than 1 year).

5. Wang Liang and Xu Rui are external supervisors of the Bank.

6. Qiao Zhimin, Chen Jinzhong and Wang Lei are employee representatives of the Bank.

7. On March 23, 2009, the 5th BOD was elected at the 1st extraordinary shareholders' meeting, and 17 members were also elected, namely: Dong Wenbiao, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Chen Jian, Huang Xi, Shi Yuzhu, Wang Hang, Wang Junhui, Gao Shangquan, Zhang Ke, Andrew Wong, Wang Songqi, Liang Jinquan, Hong Qi and Liang Yutang.

8. The 5th BOS has 8 members, including five shareholder supervisors and external supervisors elected at the 1st extraordinary shareholders' meeting on March 23, 2009, and 3 employee supervisors elected by the Union Work Committee of the Workers' Union. They are Qiao Zhimin, Xing Jijun, Zhang Disheng, Lu Zhongnan, Wang Liang, Xu Rui, Chen Jinzhong and Wang Lei.

9. On March 23, 2009, at the 1st meeting of the 5th BOD, Mr. Hong Qi was appointed as the president of the Bank, Mr. Liang Yutang, Mr. Shao Ping, Mr. Zhao Pinzhang and Mr. Mao Xiaofeng as the vice presidents of the Bank, Mr. Mao Xiaofeng as the board secretary, and Ms. Wu Touhong as the chief financial officer.

10. As of end of the reporting period, the Bank had not implemented any incentive stock option plan.

2) Positions held by the directors and supervisors of the Bank in their shareholding companies

Name	Shareholding company	Position	Term of office
Zhang Hongwei	Oriental Group Co., Ltd.	Chairman	1993 - present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman	May 1999 - present
Liu Yonghao	New Hope Investment Co., Ltd.	Chairman	2002 - present
Wang Yugui	China Shipowners' Mutual Assurance Association	General Manager	1993 - present
Chen Jian	China SME investment Co., Ltd.	Vice Chairman	1992 - present
Huang Xi	Xiamen Fuxin Group Co., Ltd.	Chairman	September 2001- present
Shi Yuzhu	Shanghai Giant Life Technology Co., Ltd.	Effective controller	April 2001 - present
Wang Hang	Sichuan South Hope Industry Co., Ltd.	Vice President	2006 - present
Wang Junhui	China Life Asset Management Co., Ltd.	Vice President	2007 - present
Xing Jijun	Harbin Investment Co., Ltd.	Chairman	July 2003 - present
Lu Zhongnan	Oriental Group Co., Ltd.	Director	2001 - present
Wang Liang	Dongguan Fenggang Yantian Enterprise Development Company	Director	March 2002 - present
Tow Heng Tan	Fullerton Financial Holdings Pte., Ltd.	Director	November 2003 - present
Li Yu	New Hope Investment Co., Ltd.	Vice President	April 2005 - present

Directors, Supervisors, Senior Executives and Employees

3) Key work experience of current directors, supervisors and senior executives

Name	Position	Key work experience	
Dong Wenbiao	Chairman	1981-1988	Lecturer, R&D Director, Director, Henan Finance and Management College
		1988-1990	Vice President, Henan Finance and Management College
		1990-1992	Managing Director, Zhengzhou Branch, Bank of Communications
		1992-1995	Chairman & President, Haitong Securities Co., Ltd.; Managing Director, Bank of Communications
		1995-1996	Deputy Chief, Preparatory Team of CMBC
		1996-2000	Vice President, CMBC
		2000-2006	President & Director, CMBC
		2006-present	Chairman, CMBC
		2007-present	Vice President, All-China General Chamber of Industry and Commerce
		2007-present	Vice Chairman, the Subcommittee of Economy of CPPCC Special Committees
Zhang Hongwei	Vice Chairman	1978-1988	Chairman ＆ General Manager, Oriental Group Inc.
		1988-1992	Chairman & President, Oriental Group Inc.
		1993-present	Chairman, Oriental Group Inc.
		1993-present	Chairman, Oriental Group Co., Ltd.
		1993-present	Member of the 8th，9th and 11th CPPCC Member of the Standing Committee of the 10th CPPCC
		1997-2007	Vice President, All-China General Chamber of Industry and Commerce
		2000-present	Chairman, Jinzhou Port Co., Ltd.
		2008-present	Vice Chairman, CMBC
		2008-present	Director, China Minzu Securities Co., Ltd.
		2008-present	Vice President, All-China Federation of Industry and Commerce
Lu Zhiqiang	Vice Chairman	1985-present	Chairman and President, China Oceanwide Group Co., Ltd.
		1996-2003	Director, CMBC
		1997-present	Chairman, Oceanwide Resource Investment Group Co., Ltd.
		1997-present	Vice Chairman, China Society for Promotion of the Guangcai Program
		1998-present	Chairman, Oceanwide Construction Group Co., Ltd
		1998-present	Member, CPPCC
		1999-present	Chairman and President, China Oceanwide Holdings Group Co., Ltd.
		2002-present	Chairman, Wuhan Wangjiadun CBD Construction & Investment Co., Ltd.
		2002-present	Minsheng Life Insurance Co., Ltd.
		2002-present	Director, Haitong Securities Co., Ltd.
		2003-2004	Chief Supervisor, CMBC
		2004-2006	Deputy Chief Supervisor, CMBC
		2006-present	Vice Chairman, CMBC
		2007-present	Vice President, All-China Federation of Industry and Commerce
		2008-present	Member of the Standing Committee, CPPCC

Name	Position	Key work experience	
Liu Yonghao	Vice Chairman	1980-1982	Teacher, Sichuan Machinery Management Institute
		1982-1993	Vice Chairman, Chengdu Hope Co., Ltd.
		1993 - present	President, Hope (Group) Co., Ltd.
		1997 - present	Chairman, New Hope Group Co., Ltd.
		1996-2006	Vice Chairman, CMBC
		1998 - present	Chairman, Sichuan New Hope Agribusiness Co., Ltd.
		2001 - presen	Chief Supervisor, Minsheng Life Insurance Co., Ltd.
		2002 - present	Chairman, New Hope Investment Co., Ltd.
		2005 - present	Chairman, Shandong Liuhe Group Co., Ltd.
		1993 - present	Vice President, China Feed Association
		1994-2003	Vice President, China Society for Promotion of the Guangcai Program
		1993-2002	Vice Chairman, All-China Federation of Industry and Commerce
		1993 - present	Member, CPPCC
		1998-2008	Member of the Standing Committee, CPPCC
		2003 - present	Deputy Director, the Economic Committee of CPPCC
		2009 - present	Vice Chairman, CMBC
Wang Yugui	Director	1977-1981	Crew member, Steward, Tianjin Ocean Shipping Company
		1981-1993	Officer, Claim Department, China Ocean Shipping (Group) Company
		1993 - present	General Manager, China Shipowners' Mutual Assurance Association
		1996 - present	Director, CMBC
Chen Jian	Director	1984-1985	Editor, Institute of Agricultural Economics, Chinese Academy of Agricultural Sciences
		1985-1989	Reporter, Agricultural Department of the People's Daily
		1989-1990	Deputy Secretary-General, China Foundation for Poverty Alleviation
		1990-1992	Division Director, the Research Office of the State Council
		1992- present	Vice Chairman, China SME Investment Co., Ltd.
		1996 - present	Director, CMBC
Huang Xi	Director	1982-1989	Teacher of mathematics, Xiamen Xinglin Middle School
		1989-2001	Financial Controller, Supervisor, Director, Xiamen Fuxin Property Co., Ltd. and Xiamen Fuxin Group Co., Ltd.
		2001 - present	Chairman, Xiamen Fuxin Group Co., Ltd.
		2002 - present	Chairman, Xiamen Fuxin OEIC Co., Ltd.
		2003 - present	Director, CMBC
Shi Yuzhu	Director	1991-1997	Chairman, Zhuhai Giant Hi-Tech Group Company
		2001 - present	Chairman, Giant Investment Co., Ltd.
		2004 - present	Chairman, Shanghai Giant Interactive Technology Co., Ltd.
		2004-2007	CEO, Stone Group Holdings Co., Ltd.
		2004 - present	Managing Director, Stone Group Holdings Co., Ltd.
		2006 - present	Director, CMBC
		2007 - present	Director, Shanghai Zheng Tu Information Technologies Co., Ltd.
		2007 - present	Chairman & CEO, Giant Interactive Group Co., Ltd.

Directors, Supervisors, Senior Executives and Employees

Name	Position	Key work experience	
Wang Hang	Director	1996-1999	General Office, PBOC
		1999-2001	Manager, Director, Senior Vice President, Forward (Hong Kong) Holdings Ltd.
		2001-2003	Advisor, COO, Financial Department, New Hope Group
		2003-2008	Chairman, Kunming O-Park Co., Ltd.
		2004 - present	Director, New Hope Group Co., Ltd.
		2005 - present	Vice President, New Hope Group Co., Ltd.
		2006 - present	Vice Chairman, Union Trust & Investment Limited
		2006 - present	Vice President, South Hope Industry Co., Ltd.
		2006 - present	Director, CMBC
Wang Junhui	Director	1995-1997	Assistant Engineer, the 6th Research Institute of the Ministry of Information Industry
		1997-2000	Project Manager, Investment Banking Department, Beijing Securities Co., Ltd.
		2000-2000	Industry Analyst, Dacheng Fund Management Co., Ltd.
		2000-2004	Assistant Fund Manager, Fund Manager, Investment Director, Assistant General Manager, Harvest Fund Management Co., Ltd.
		2004-2007	Assistant President, China Life Asset Management Co., Ltd.
		2007 - present	Vice President, China Life Asset Management Co., Ltd.
		2009 - present	Director, CMBC
Gao Shangquan	Independent Director	1952-1953	Official, the Bureau of Machinery of the People's Government of Northeast China
		1953-1978	Research fellow, First Ministry of Machine-Building Industry and Agricultural Machinery Ministry
		1978-1979	Deputy Director, the Agricultural Machinery Office of the State Council
		1979-1982	Division Director, the State Machinery Commission
		1982-1985	Deputy Bureau Chief, Bureau Chief, the State Economic Restructuring Commission
		1985-1993	Deputy Director, State Economic Restructuring Commission
		1993-1999	Vice President, China Society of Economic Reform
		1999 - present	President, China Society of Economic Reform
		2003 - present	Director, CMBC
Zhang Ke	Independent Director	1982-1984	Consultant and Project Manager, China International Economic Consultants Corporation of CITIC Group
		1985-1986	Departmental Manager, China International Economic Consultants Corporation of CITIC Group
		1987-1992	Deputy Executive Director, Zhongxin Accountant's Firm of CITIC Group
		1993-1996	Deputy General Manager, Zhongxin Coopers Accounting Firm; Partner, Coopers & Lybrand
		1997-1999	General Manager, Zhongxin Coopers Accounting Firm; Deputy Executive Director of Coopers China
		1999 - present	Chairman, Chief Partner, ShineWing CPA Firm
		2003 - present	Chairman, Beijing ShineWing Strategy Management & Consulting Co.,Ltd.
		2003 - present	Director, CMBC

Name	Position	Key work experience	
Andrew Wong	Independent Director	1980-1981	Assistant Trader, Forex Capital Department, Bank of Tokyo Hong Kong Branch
		1981-1982	Deputy Manager, Credit Department, Bank of Tokyo Hong Kong Branch
		1982-1993	Deputy Representative for China Operations, Representative for Southern China Operations, General Manager of Shanghai Branch and Director for China Operations, Royal Bank of Canada
		1993-1994	Director for China Operations, Citicorp International Limited
		1994-1996	Senior Consultant, Managing Director, Chief in charge of China's Debt Capital Market, UBS
		1996-2005	President for Greater China Operations, Hang Seng Bank
		2005-2006	Managing Director of Corporate and Investment Banking for Greater China Operations, DBS Bank Limited
		2006 - present	Director, Henderson Land Development (China) Co., Ltd.; Vice Chairman, Henderson Land Development Group; Chairman, Henderson Land Development (China) Co., Ltd.; Senior Advisor to Mr. Li Jiajie, member of CPPCC
		2006 - present	Director, CMBC
		2008 - present	Independent Non-Executive Director, New York Life Insurance Worldwide Ltd.
		2008 - present	External Director, Shenzhen Yantian Port Group Co., Ltd.
Wang Songqi	Independent Director	1968-1970	Student working at Chuangye Community, Qianguo County, Jilin Province
		1970-1972	Carpenter, Wood Artifact Factory, Qianguo County, Jilin Province
		1972-1977	Diver, Northsea Fleet of the PRC Navy
		1977-1978	Administrative staff, Qianguo County Wood Material Company, Jilin Province
		1988-1995	Director, Teaching and Research Office, Finance and Economy Faculty, China Renmin University
		1996 - present	Research fellow, Deputy Director, Financial Research Center of China Social Science Academy
		2006 - present	Director, CMBC
Liang Jinquan	Independent Director	1975-1982	Secretary to Mr. Hu Yaobang, China Science Academy, Central Party School, Organization Department of the CPC Central Committee, Publicity Department of the CPC Central Committee, Secretariat of the Central Committee and the CPC Central Committee General Office
		1982-1984	Deputy Director, Organization Department of the Party Committee for Organs Directly under the CPC
		1984-1985	Director, Research Office of the Party Committee for Organs Directly under the CPC
		1985-1989	Member of the Standing Committee, Director of Research Office, Party Committee for Organs Directly under the CPC
		1989-1993	Member of the Party Committee of Yunnan Province; Head of Publicity Department, Yunnan Province
		1993-1995	Deputy Secretary, Provincial Party Committee of Yunnan Province
		1995-1998	Deputy Secretary General and Member of Party Committee of the 8th and 9th CPPCC
		1998-2003	Secretary, First Deputy Chairman, Organization Department of the Party Committee of ACFIC
		2003-2004	Deputy Director, United Front Work Department of CPC Central Committee
		2004-2006	Deputy Managing Director, United Front Work Department of CPC Central Committee
		2006 - present	Director, CMBC

Directors, Supervisors, Senior Executives and Employees

Name	Position	Key work experience	
Tow Heng Tan	Director of the 4th BOD	1976-1984	Manager, Management Consulting Services, Coopers & Lybrand CPAs Ltd.
		1984-1992	Director of Corporate Finance, Schroders Public Co., Ltd.
		1993-2001	Managing Director and CEO, Lum Chang Securities Pte., Ltd.
		2001-2002	Managing Director, Business Development Department, Vickers Pte., Ltd.
		2002-2005	Managing Director, Strategic Development Department (ASEAN Investment), Temasek Holdings (Pte.) Ltd.
		2005-2006	Senior Managing Director, Strategic Development Department, Temasek Holdings (Pte.) Ltd.
		2007-2007	Joint First CIO, Temasek Holdings (Pte.) Ltd.
		2003 - present	Director, Fullerton Financial Holdings (Pte.), Ltd.
		2005 - present	Senior Managing Director, Investment Department, Temasek Holdings (Pte.) Ltd.
		2007 - present	CIO, Temasek Holdings (Pte.) Ltd.
		2006-2009.3	Director, CMBC
Wu Zhipan	Independent Director of the 4th BOD	1988-1995	Lecturer, Associate Professor, Peking University
		1996-1999	Director, Professor, Law Department of Peking University
		1999-2002	Dean, Law School, Peking University
		2000-2002	Assistant President of Peking University and Dean of Law School of Peking University
		2002-2005	Vice President, Peking University
		2005 - present	Deputy Secretary General, Peking University
		2003-2009.3	Director, CMBC
Hong Qi	Director, President	1985-1991	Senior staff, PBOC Head Office; Assistant Research fellow of the PBOC Research Institute
		1991-1993	PhD., Accounting and Finance Faculty of China Renmin University
		1993-1994	Deputy Director, the Securities Research Institute of China Renmin University
		1994-1995	Managing Director, Beihai Branch, Bank of Communications
		1995-2000	Managing Director, Beijing Branch, CMBC
		2000-2009.3	Vice President, Director, CMBC
		2009.3 - present	Director, President, CMBC
Liang Yutang	Director, Vice President	1985-1992	Deputy Division Director, the Academic Secretariat of Henan Finance and Management College
		1992-1994	Deputy General Manager, General Manager, Yutong Real Estate Investment Company of Bank of Communications, Zhengzhou Branch
		1994-1995	Manager, Treasury Division, Comprehensive Planning Department, Bank of Communications
		1995-1996	Member, the Preparatory Team for CMBC
		1996-2002	Deputy General Manager, General Manager, Funds Planning Department, CMBC; General Manager, Financial Institutions Department, CMBC
		2002-2003	Managing Director, Beijing Branch, CMBC
		2003-2005	Assistant President at Head Office and Managing Director of Beijing Branch, CMBC
		2005-2007	Vice President at Head Office and Managing Director of Beijing Branch, CMBC
		2007 - present	Vice President, CMBC
		2009.3 - present	Director, CMBC

Name	Position	Key work experience	
Eddie Wang	Director of the 4th BOD, President	1983-1985	Project Manager, Manager, Hysan Avenue Branch, HSBC Hong Kong
		1985-1987	District Manager for New Territories, HSBC Hong Kong
		1987-1990	Manager of Private Banking, HSBC Canada and Chief Representative, Wardley Canada Inc.
		1990-1992	Senior Branch Manager, HSBC
		1992-1994	Senior Manager of Corporate Lending, HSBC Hong Kong
		1994-2002	Regional President of China, HSBC
		2002-2004	Regional President of West Coast USA, HSBC
		2005-2005	Executive President, Dragon Crowd Enterprise (China) Limited
		2006-2009.3	Director, President, CMBC
Qiao Zhimin	Chief Supervisor of the 5th BOS, Deputy Chief Supervisor of the 4th BOS	1978-1985	Staff Member, Deputy Section Chief, Deputy Division Director, Finance Bureau of BOC Head Office
		1985-1993	Division Director, Assistant Managing Director, Deputy Managing Director, BOC Luxemburg Branch
		1994-1996	Deputy General Manager, Comprehensive Planning Department, BOC Head Office
		1996-1999	Assistant Inspector, Deputy Director-general, Accounting Department, PBOC
		1999-2002	Deputy Director-general, Regulatory Department I, PBOC
		2002-2003	Team Leader of Regulation Team for ICBC, PBOC and Deputy Director-general, Regulatory Department I, PBOC
		2003-2007	Chief, Finance and Accounting Department, CBRC
		2007-2009.3	Deputy Chief Supervisor, CMBC
		2009.3 - present	Chief Supervisor, CMBC
Xing Jijun	Deputy Chief Supervisor of the 5th BOS, Director of the 4th BOD	1988-1994	Deputy Division Chief, Provincial Land Administration Bureau of Heilongjiang
		1994-1999	Deputy Director of the General Office, Division Director of Rules and Regulation Inspection, Municipal Land Administration Bureau of Harbin
		1999-2000	Assistant Manager, Harbin Investment Group Company
		2000-2006	Deputy Manager, Harbin Investment Group Company; Vice Chairman, Harbin Electric-heat Co., Ltd.; Chairman, Harbin HI Heat Supply Co., Ltd.; Chairman, Harbin Taiping Heat Supply Co., Ltd.; Chairman, Harbin Huaer Chemical Co., Ltd.; Chairman, Hafa Heat Company
		2002-2003	Visiting Scholar, Second Economic and Management Workshop for Senior Executives in California, USA
		2006-2009.3	Director, CMBC
		2003 - present	Chairman, Harbin HI Heat Supply Co., Ltd.
		2006 - present	Chairman, Heilongjiang Shirble Electric-heat Co., Ltd.
		2008 - present	Director, Founders Securities Co., Ltd.
		2009.3 - present	Deputy Chief Supervisor, CMBC

Directors, Supervisors, Senior Executives and Employees

Name	Position	Key work experience	
Lu Zhongnan	Supervisor	1979-1983	Staff member, PBOC Heilongjiang Branch
		1986-1992	Deputy Section Chief, Section Chief, Deputy Division Director, Division Director, PBOC Heilongjiang Branch
		1992-1994	Deputy Managing Director, PBOC Harbin Branch
		1994-1998	Deputy Managing Director, Executive Deputy Managing Director, PBOC Heilongjiang Branch
		1998-2001	Deputy Managing Director, PBOC Shenyang Branch
		2001-2002	Director, Oriental Group Co., Ltd.
		2002-2007	Director, New China Life Insurance Co., Ltd.
		2002 - present	Vice Chairman, China Minzu Securities Co., Ltd.
		2006 - present	President, China Minzu Securities Co., Ltd.
		2007 - present	Supervisor, CMBC
Zhang Disheng	Supervisor	1987-1992	General Manager, Economic Technology Development Company of Beijing Institute of Economy
		1992-1994	Master student, Ryutsu Keizai University, Japan
		1994-2000	Executive Vice President, Managing Vice President, Stone Group Company
		2001 - present	CEO, Executive Director, Hong Kong Stone Holdings Co., Ltd.
		2003 - present	Secretary of the Party Committee, Stone Group Company
		2007 - present	Supervisor, CMBC
Xu Rui	Supervisor	1981-1983	Business Supervisor, BOC New York Branch
		1983-1984	Staff Member, BOC Nanjing Branch
		1984-1990	Assistant Manager, Deputy General Manager, Trust Advisory Company of BOC Jiangsu Branch
		1990-1992	Division Director, RMB Credit Department, BOC Jiangsu Branch
		1992-1999	Managing Director, BOC Nanjing Branch
		2000-2001	Director, Audit Department and Legal Department, China Everbright Group Company (Hong Kong)
		2001-2004	Director, Audit Department, China Everbright Group Company (Hong Kong)
		2004-2006	Chief Supervisor, China Everbright Bank
		2006-2007	Advisor, Operation Center, China Everbright Bank
		2007 - present	Supervisor, CMBC
Wang Liang	Supervisor	1968-1985	Staff Member, Deputy Section Chief, Section Chief, Deputy Division Director, the Finance Department of Kunming Railway Bureau
		1985-1987	Division Director, the Finance Department of the Chinese Academy of Sciences (Guangzhou)
		1987-1989	President, Guangzhou Huacheng Accounting Firm
		1989-1993	Vice President, Guangzhou Academy of Economic Research
		1993-2003	Vice Chairman, Guangzhou Federation of Industry and Commerce; Chairman, Guangzhou Shanghui Economic Development Corporation; Chairman, Guangzhou Xinlian Company
		2002 - present	Director, Dongguan Fenggang Yantian Corporate Development Co.,Ltd.
		1996 - present	Supervisor, CMBC

Name	Position	Key work experience	
Chen Jinzhong	Supervisor	1980-1983	Teacher, Hebei Banking School
		1983-1987	Student, Shaanxi Institute of Finance and Economy
		1987-1992	Lecturer, Deputy Director of the Finance Department, PBOC Baoding Finance College
		1992-1996	Associate Professor, Chief of General Office, PBOC Baoding Finance College
		1996-2000	Deputy Managing Director, Senior Economist, PBOC Baoding Branch
		2000-2007	Division Director, Assistant Director, Deputy Director and Director of the Executive Office, CMBC
		2007 - present	Managing Director, CMBC Beijing Branch
		2007 - present	Supervisor, CMBC
Wang Lei	Supervisor	1983-1993	Lecturer, Xinjiang Business School
		1993-1996	Section Chief, Credit Department, Bank of Communications Urmqi Branch
		1997-1998	Deputy Section Chief, Internal Audit Department, CMBC Shanghai Branch
		1999-2000	Assistant General Manager, Hongqiao Sub-branch and Huangpu Sub-branch of CMBC Shanghai Branch
		2000-2001	General Manager, Risk Department, CMBC Shanghai Branch
		2001-2003	General Manager, Shixi Sub-branch, CMBC Shanghai Branch
		2003-2003	Special Commissioner, Credit Appraisal Department, CMBC
		2004 - present	Credit Officer, Eastern China Credit Appraisal Center, CMBC
		2007 - present	Supervisor, CMBC
Huang Diyan	Chief Supervisor of the 4th BOS	1954-1983	Staff Member, Deputy Division Director, Manager, Deputy GeneralManager, General Manager, BOC Head Office
		1983-1985	Managing Director of BOC; Deputy Director, Hong Kong and Macao Affairs Management Office of BOC
		1985-1994	Vice Chairman, BOC; Director, Hong Kong and Macao Business Management Office of BOC
		1994-1999	Advisor, Hong Kong and Macao Business Management Office of BOC
		1996-2003	Director of the 1st and 2nd BOD, CMBC
		2004-2009.3	Chief Supervisor of the 3rd and 4th BOS, CMBC
Li Yu	Supervisor of the 4th BOS	2000-2001	Investment Analyst, Shihua International Financial Information Company
		2001-2002	Credit Analyst, Grand International Credit Rating Limited
		2002-2003	Director of Investment, New Hope Investment Co., Ltd.
		2003-2005	Manager of Compliance, Sun Microsystems (China)
		2005 - present	Assistant Vice President, Vice President, New Hope Investment Co., Ltd.
		2007-2009.3	Supervisor, CMBC
Shao Ping	Vice President	1986-1988	Deputy Section Chief, Corporate Management Division, the Committee of Commerce of Weicheng District, Weifang City, Shandong Province
		1988-1993	Chairman, Deputy General Manager, the Urban Credit Cooperatives of Weicheng District, Weifang City, Shandong Province
		1993-1995	Deputy General Manager, the Federation of Urban Credit Cooperatives of Weifang City, Shandong Province
		1995-1996	Member, the Preparatory Team of CMBC
		1996-1998	Deputy General Manager, Credit Department, CMBC
		1999-2000	General Manager, Credit Department of CMBC
		2000-2003	Managing Director, CMBC Shanghai Branch
		2003-2005	Assistant President at Head Office and Managing Director of CMBC Shanghai Branch
		2005-2007	Vice President at Head Office and Managing Director of CMBC Shanghai Branch
		2007 - present	Vice President, CMBC

Directors, Supervisors, Senior Executives and Employees

Name	Position	Key work experience	
Zhao Pinzhang	Vice President	1975-1979	Staff, Food Service Company, Finance and Trade Office, Liao Yuan, Jilin Province
		1979-1985	Staff member, CCB Liaoyuan City Center Sub-branch
		1985-1989	Chief, the Construction Company of Liaoyuan Federation of Industry and Commerce
		1989-1994	Director, Deputy Managing Director, CCB Liaoyuan Sub-branch
		1994-1996	General Manager, Liaoyuan Branch of China Pacific Insurance Co., Ltd.
		1996-1998	Deputy team leader, Preparatory Team for Safe box Business, CMBC
		1998-2000	Deputy Managing Director, Beijing Branch
		2000-2001	Deputy General Manager, Risk Management Department, CMBC
		2001-2007	General Manager, Credit Appraisal Department, CMBC
		2003-2007	Supervisor, CMBC
		2003-2007	Chief Credit Officer, CMBC
		2005-2008	Assistant President, CMBC
		2007 - present	Chairman of the Asset & Liability Committee, CMBC; Chief, the Preparatory Team for Minsheng Modern Art Museum and Yanhuang Modern Art Museum
		2008 - present	Vice President, CMBC
Mao Xiaofeng	Vice President & Board Secretary	1992-1993	Executive Chairman, All-China's Students Federation
		1994-1995	Assistant to the Governor, Zhijiang Dong Nationality Autonomous County of Hunan Province
		1995-1996	Deputy Secretary, Party Committee of Zhijiang Dong Nationality Autonomous County of Hunan Province
		1996-2002	Deputy Division Director, Division Director, General Office of the Youth League Central Committee (YLCC); Assistant Director, YLCC Industrial Development Center
		2002-2003	Deputy Director, Executive Office, CMBC
		2003 - present	Secretary to the Board of Directors, CMBC
		2007 - present	Chairman of the Retail Banking Management Committee, CMBC
		2008 - present	Vice President, CMBC
Wu Touhong	CFO	1981-1983	Official, the Science and Education Bureau, PBOC
		1983-1994	Section Chief, Deputy Division Director of Education Department, ICBC
		1994-1995	Deputy General Manager, Beijing Securities Department of ICBC Trust & Investment Company
		1995-1996	Member, Preparatory Team of CMBC
		1996-1998	Deputy General Manager, HR Department, CMBC
		1998-2000	Director, Executive Office, CMBC
		2000-2002	Managing Director, Beijing Branch, CMBC
		2002-2003	Deputy Secretary, Commission for Discipline Inspection, CMBC; Director, Disciplinary & Monitoring Office, CMBC
		2003 - present	Secretary, Commission for Discipline Inspection of the Party Committee, CMBC
		2003 - present	Chief Financial Officer, CMBC

4) Positions held by current directors, supervisors and senior executives in organizations other than the shareholding companies

Name	Name of Other Institutions	Position
Dong Wenbiao	Fortis Haitong Fund Management Co., Ltd.	Independent Director
Zhang Hongwei	Oriental Group Industry Co., Ltd.	Chairman
	China Minzu Securities Co., Ltd.	Director
	Jinzhou Port Co., Ltd.	Chairman
Lu Zhiqiang	Oceanwide Group Co., Ltd.	Chairman and President
	Oceanwide Resource Investment Group Co., Ltd.	Chairman
	Oceanwide Construction Group Co., Ltd.	Chairman
	Wuhan Wangjiadun CBD Construction & Investment Co., Ltd.	Chairman
	Minsheng Life Insurance Co., Ltd.	Vice Chairman
	Haitong Securities Co., Ltd.	Director
Liu Yonghao	Hope Group Co., Ltd.	President
	New Hope Group Co., Ltd.	Chairman
	Sichuan New Hope Agribusiness Co., Ltd.	Chairman
	Minsheng Life Insurance Co., Ltd.	Chief Supervisor
	Shandong Liuhe Group Co., Ltd.	Chairman
Wang Yugui	Minsheng Securities Co., Ltd.	Director
	China Association of Trade in Services	Executive Director
	China Maritime Law Association	Executive Director
	China Maritime Arbitration Commission of CCPIT	Arbitrator
Chen Jian	Beijing Chengxiang Huamao Entertainment Co., Ltd.	Chairman
	Beijing Maoyuanyuan Real Estate Co., Ltd.	Chairman
	Hunan Laodie Agricultural Technology Co. Ltd	Director
Huang Xi	Xiamen Fuxin OEIC Co., Ltd.	Chairman
Shi Yuzhu	Stone Holdings Co., Ltd.	Managing Director
	Shanghai Zheng Tu Information Technology Co., Ltd.	Director
	Giant Investment Co., Ltd.	Chairman
	Shanghai Giant Interactive Technology Co., Ltd.	Chairman
	Giant Interactive Group Co., Ltd.	Chairman & CEO
Wang Hang	New Hope Group Co., Ltd.	Vice President
	Sichuan South Hope Industrial Co., Ltd.	Vice President
	Union Trust & Investment Limited	Vice Chairman
	Ningbo Iron & Steel Co., Ltd.	Director
	Beijing Shouwang Asset Management Co., Ltd.	General Manager

Directors, Supervisors, Senior Executives and Employees

Name	Name of Other Institutions	Position
Gao Shangquan	China Society of Economic Reform	Chairman
	Chinese Research Society for Restructuring and Development of Enterprises	Chairman
	China Institute for Reform and Development (Hainan)	President
	Peking University	Professor, Doctorate Supervisor
	School of Management of Zhejiang University	Professor, Dean
	China Economy Reform and Research Foundation	Chairman
	China United Telecommunications Corp., Ltd.	Independent Director
Zhang Ke	ShineWing CPA Firm Co., Ltd.	Chairman
	Beijing ShineWing Strategy Management & Consulting Co.,Ltd.	Chairman
	China Institute of CPAs	Vice Chairman
	Beijing Association of Forensic Science	Vice Chairman
	The CPA Examination Committee of the Ministry of Finance	Member
	China Coal Energy Co., Ltd.	Independent Director
	Air China	Independent Director
	Zhuhai Zhongfu Enterprise Co., Ltd.	Independent Director
	Huarong Securities Co., Ltd.	Independent Director
Andrew Wong	Henderson China Properties Limited	Director
	Henderson (China) Investment Co., Ltd.	Director
	Beijing Henderson Properties Co., Ltd.	Chairman
	Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Center	Director
	Beijing Gaoyi Property Development Co., Ltd.	Director
	Shanghai Henyi Real Estate Development Co., Ltd.	Director
	Shanghai Heng Cheng Real Estate Development Co., Ltd.	Director
	Shanghai Hansen Property Management Co., Ltd.	Director
	Guangzhou Hengguo Real Estate Development Co., Ltd.	Chairman
	Guangzhou Jian Heng Property Development Ltd.	Director
	Guangzhou Guang Nain Property Development Ltd.	Director
	Guangzhou Guang An Property Development Ltd.	Director
	Guangzhou Guang Hung Property Development Ltd.	Director
	Guangzhou Fangcun Henderson Property Development Ltd.	Director
	Guangzhou Jiejun Real Estate Development Co., Ltd.	Director
	Guangzhou Jietong Real Estate Development Co., Ltd.	Director
	Boham Estate (Shenzhen) Co., Ltd.	Director
	Jonescorp Estate (Shenzhen) Ltd.	General Manager
	Heng Tong International Leasing Co., Ltd.	Director
	Hainan T.F. Development Ltd.	Director
	Golden Luck Resources Ltd.	Director
	Surbana - Henderson (Xi'an) Development Co., Ltd.	Director
	Nan Ao Nanya New Energy Development Ltd.	Chairman
	New York Life Insurance Worldwide Co., Ltd.	Independent Non-executive Director
	Shenzhen Yantian Port Group Co., Ltd.	External Director
	Tsinghua University Education Foundation (HKSAR) Limited	Director
	Wise and Trustworthy Consultancy Limited	Chairman
	Pacific Fine Enterprises Limited	Director

Name	Name of Other Institutions	Position
Wang Songqi	Financial Research Center, China Social Science Academy	Deputy Director
	Beijing Venture Capital Association	Chairman
	China Society of Finance	Executive Director
	Dalian United Venture Guarantee Company	Independent Director
	Bank of Communications Schroder Fund Management Co., Ltd	Independent Director
Liang Jinquan	China Overseas Friendship Association	Vice Chairman
	The Soong Ching Ling Foundation of China	Vice Chairman
	China Council for the Promotion of Peaceful National Reunification	Secretary General
Hong Qi	UBS SDIC	Independent Director
Tow Heng Tan	ComfortDelGro Corporation	Chairman
	Keppel Corp., Ltd.	Director
	Surbana Corporation Pte., Ltd.	Director
	Teletech Park	Director
Wu Zhipan	PetroChina	Independent Director
	Air China	Independent Director
	Fortune SGAM Fund Management Co., Ltd.	Independent Director
Eddie Wang	N/A	
Qiao Zhimin	N/A	
Xing Jijun	Harbin Investment Group Corp., Ltd.	Director
	Heilongjiang Shirble Electric-heat Co., Ltd.	Chairman
	Founder Securities Co., Ltd.	Director
Lu Zhongnan	China Minzu Securities Co., Ltd.	Vice Chairman, President
Zhang Disheng	Hong Kong Stone Holdings Co., Ltd.	CEO, Managing Director
	Stone Group Company	Secretary of the Party Committee

Directors, Supervisors, Senior Executives and Employees

Name	Name of Other Institutions	Position
Xu Rui	N/A	
Wang Liang	Dongguan Fenggang Yantian Corporate Development Co., Ltd.	Director
Chen Jinzhong	N/A	
Wang Lei	N/A	
Huang Diyan	N/A	
Li Yu	New Hope Investment Co., Ltd.	Vice President
Liang Yutang	N/A	
Shao Ping	N/A	
Zhao Pinzhang	N/A	
Mao Xiaofeng	N/A	
Wu Touhong	N/A	

5) Names of directors, supervisors and senior executives whose incumbency terminated during the reporting period and the causes of termination

None.

2. Employees

As of the end of the reporting period, the Bank had 19,853 employees, of which, 2,348 had managerial functions, 9,547 had marketing functions, and 7,958 were specialists or had technical functions. In terms of educational qualifications and background, the Bank had 2,213 people with master's degrees, 11,965 with bachelor's degrees, 4,143 with diplomas and 1,532 with other qualifications. 28 employees retired in the past year.

3. Business Network

As of the end of the reporting period, the Bank had established 25 branches and 1 direct-reporting sub-branch in 26 cities across Mainland China, as well as a representative office in Hong Kong. The total number of banking outlets was 374.

Major organizations of the Bank as at the end of the reporting period are shown as follows:

Name of entity	Number of outlets	Head-count	Total assets (excluding deferred income tax assets) (in RMB million)	Address
Head Office	1	7273	338,252	No. 2, Fuxingmennei Avenue, Beijing
Beijing Branch	47	1529	224,112	No. 2, Fuxingmennei Avenue, Beijing
Shanghai Branch	42	1254	153,750	No. 48, Weihai Road, Shanghai
Guangzhou Branch	26	1078	58,014	Yueneng Plaza, No.45, Tianhe Road, Guangzhou
Shenzhen Branch	26	836	70,107	No.11 Street, Xinzhou, Futian District, Shenzhen
Wuhan Branch	20	615	34,872	No.20, Hanjiang Road, Wuhan
Taiyuan Branch	15	610	43,210	No.2, Bingzhou Beilu, Taiyuan
Shijiazhuang Branch	15	472	40,387	No.10, Xidajie, Shijiazhuang
Dalian Branch	13	446	21,898	No.28, Yan'anlu, Zhongshan District, Dalian
Nanjing Branch	18	643	52,887	No.26, Zhongshanbeilu, Nanjing
Hangzhou Branch	19	683	52,578	No.25-29, Qingchunlu, Shangcheng District, Hangzhou
Chongqing Branch	13	475	26,511	No.9, Jianxin Beilu, Jiangbei District, Chongqing
Xi'an Branch	13	407	20,628	No,78, Erhuannanluxiduan, Xi'an
Fuzhou Branch	12	414	16,816	No. 173, Hudonglu, Fuzhou
Jinan Branch	11	485	27,068	No. 229, Luoyuandajie, Jinan
Ningbo Branch	10	299	14,369	No. 166-168, Zhongshan Xilu, Ningbo
Chengdu Branch	15	444	29,940	No. 22 Renmin Zhonglu, Chengdu
Tianjin Branch	10	301	21,632	No. 125, Weidi Street, Hexi District, Tianjin
Kunming Branch	9	217	12,992	No. 331, Huancheng Nanlu, Kunming
Quanzhou Branch	8	192	6,788	No. 336, Fengze Jie, Quanzhou
Suzhou Branch	6	292	14,290	No. 200, Xinghaijie, Industrial Park, Suzhou
Qingdao Branch	7	208	12,382	No.18, Fuzhou Nanlu, Qingdao
Wenzhou Branch	5	163	8,009	No.335-345, Xincheng Dadao, Wenzhou
Xiamen Branch	6	192	7,067	No.90, Hubin Nanlu, Xiamen
Zhengzhou Branch	1	51	17,636	No. 1, Shangwu Wanhuanlu, Zhengdong New District CBD, Zhengzhou
Changsha Branch	1	84	5,680	No. 669, Furong Zhonglu Yiduan, Changsha
Shantou Sub-branch (direct-reporting)	4	183	5,130	Level 1-2, Binhai Building, Huashan Nanlu, Shantou
Hong Kong Representative Office	1	7	-	Room 07084, Level 32, Bank of America Tower, 12 Harcourt Road, Central Hong Kong
Inter-entity adjustments			-287,942	
Total	374	19,853	1,049,063	

Note: 1.Banking outlets include all types of banking establishments, including head office, branches, business departments, sub-branches, sub-offices and representative office.

2. Headcount of the Head Office is the total number of employees in the 11 SBUs, including 349 from the E-Banking Department, 3,681 from the Credit Card Center, 481 from the Trade Finance Department, 91 from the Investment Banking Department, 116 from the Financial Market Department, 394 from the Industrial & Commercial Enterprises Finance SBU, 46 from the Private Banking SBU, 310 from the Energy Finance SBU, 247 from the Metallurgy Finance SBU, 259 from the Transportation Finance SBU, and 263 from the Real Estate Finance SBU.

3. Inter-entity adjustments arise from the reconciliation and elimination of inter-entity balances.

06

Corporate Governance

Corporate Governance

1. Corporate Governance of the Bank

The Bank operates in strict compliance with the Company Law and Commercial Bank Law and related regulatory regulations on corporate governance and makes dedicated efforts to improve the corporate governance framework. It also enhances the effectiveness of the corporate governance mechanism and improves the adequacy and quality of the decision-making of the Board of Directors.

The Bank further amended the Rules of Procedures for Board Meeting and the working rules of each special committee, and formulated the Regulations on the Due Diligence and Self-Discipline of Directors. All six special committees established under the Board started their work according to their respective working rules. The Bank is compliant with the requirements of the regulatory authorities and related policies in terms of the number of independent directors and the organization and structure of the special committees.

The Bank has no controlling shareholder and enjoys full independence with regard to its personnel, assets and finance.

Corporate governance in the Bank:

1) Shareholders and Shareholders' General Meetings

The Bank has a relatively diversified shareholding structure and does not have a controlling shareholder. The Bank has established an appropriate equity structure and rules of operations to enable the shareholders to enjoy equality and to fully exercise their rights.

During the reporting period, the Bank held the 2007 Annual General Meeting (the 2007 AGM) and two Extraordinary General Meetings (EGMs). The meetings strictly followed the relevant legal procedures in accordance with the related regulations and ensured the shareholders' participation and exercise of their rights. The shareholders' general meetings were supported by legal opinions from the lawyers.

2) Directors and the BOD

The number and composition of the Bank's BOD are in line with related laws and regulations. The BOD faithfully fulfills its duty in compliance with the rules and regulations under the Articles of Association, and makes decisions with the authorization of the Shareholders' General Meeting, focusing on protecting the interests of the Bank and all of its shareholders.

During the reporting period, the BOD of the Bank held 11 meetings and reviewed 60 proposals. The special committees under the BOD fully leveraged the important role of independent directors to seriously study matters critical to the Bank, to provide constructive recommendations to the BOD and to contribute to the better decision-making of the BOD.

The Bank has improved information sharing and exchanges between the BOD, the BOS and the management by establishing a multi-layered information and communication mechanism on an information exchange platform. Key measures taken are as follows:

(1) Formulation and implementation of the Operation Information Reporting Rules to standardize the contents of operation information and major events to be reported by management to the BOD and the procedures for information reporting;

(2) Formulation and implementation of Supplementary Rules for Working Rules of Special Committees under the BOD, which further facilitate dialogues between the special committees of the BOD and the departments at the head office level;

(3) Compilation of the BOD Work Newsletters and the Internal Briefings to communicate on a timely manner the BOD's major decisions, priorities and issues;

(4) Internal workshops and seminars organized by special committees.

3) Supervisors and the BOS

The qualifications of supervisors, election procedures and the number of supervisors in the BOS of the Bank are all in line with the Articles of Association and the relevant laws and regulations. The BOS of the Bank prudently performs its duties in accordance with the Articles of Association of the Bank and plays an important role in optimizing legal person governance structure and promoting standardized operations and rational development of the Bank.

During the reporting period, the BOS held 6 meetings and reviewed 12 proposals, formulated and implemented 4 rules and

Corporate Governance

regulations including the Provisional Measures on Due Diligence Supervision of Directors and Senior Executives of the Bank, the Provisional Measures on End-of-Office Auditing of Senior Executives, among others. The BOS closely monitored the adequacy and legality of the Bank in its decision-making, and implemented rigorous financial supervision. It also maintained regular and immediate communications and inquiries with external auditors and the Bank's management, and engaged in monitoring of performance of the directors and senior executives of the Bank. The BOS also organized special-purpose investigations on the Bank's market risk position and fixed assets (real estate) management. After it carried out extensive inspections and studies at the root level, it submits recommendations and improvement advice to the BOD and senior executives on various issues, including asset quality and risk management. During the reporting period, the BOS of the Bank also strengthened the evaluation and monitoring of supervisors' performance, which contributed to higher competence and better performance for the BOS.

4) Information disclosure and transparency

The Bank strictly complies with the regulations of the regulatory authorities to ensure the truthfulness, accuracy, timeliness and integrity of its information disclosure and ensure equal access to information for all shareholders.

The Bank has further streamlined its information disclosure practices and investor relationship management in accordance with the regulatory requirements. The Bank has a dedicated department and a team of people to receive letters, phone calls, visits and enquiries of shareholders to protect the interests of all shareholders of the Bank, especially small and medium investors.

2. Independent Directors and Their Performance of Duties

Attendance of the independent directors to the board meetings

Name	Number of BOD meetings to attend	Attendance in person	Use of proxy	Absence	Note
Wang Songqi	11	9	2	0	At the 6th extraordinary meeting, Wang Songqi entrusted his voting rights to Zhang Ke; At the 16th meeting, Wang Songqi entrusted his voting rights Andrew Wong.
Andrew Wong	11	11	0	0	
Liang Jinquan	11	10	1	0	At the 16th meeting, Liang Jinquan entrusted his voting rights to Zhang Ke.
Wu Zhipan	11	7	4	0	At the 6th extraordinary meeting, Wu Zhipan entrusted his voting rights to Gao Shangquan; At the 16th meeting, Wu Zhipan entrusted his voting rights to Zhang Ke; At the 17th meeting, Wu Zhipan entrusted his voting rights to Zhang Ke; At the 22nd meeting, Wu Zhipan entrusted his voting rights to Zhang Ke.
Zhang Ke	11	11	0	0	
Gao Shangquan	11	9	2	0	At the 16th meeting, Gao Shangquan entrusted his voting rights to Andrew Wong; At the 17th meeting, Gao Shangquan entrusted his voting rights to Wang Songqi.

Dissenting opinions of independent directors:

Director Andrew Wong voted against the Proposal on Continued Engagement of the Existing Audit Firm for the 2008 Audit and Audit Fees at the 17th meeting, on the ground that a rotation of audit firm was proper after a prolonged engagement of its services.

3. The Decision-Making System of the Bank

The supreme authority of the Bank is the Shareholders' General Meeting, which manages and supervises the operations of Bank through the BOD and the BOS. The President is appointed by the BOD and is responsible for the daily business operations and management of the Bank. The Bank adopts a tier-one legal person system. Branches are all non-independent accounting entities, operating with the authorization of the Head Office, and report to the Head Office.

The Bank has no controlling shareholders and is totally independent from its major shareholders in terms of business, personnel, assets, organizations and finance. The Bank maintains independence and integrity in managing its own businesses and operations, and its BOD, BOS and internal departments also operate independently.

4. Performance Evaluation and Incentive System for Senior Executives

In accordance with the Rules on Remuneration Management of Senior Executives of the Bank, the performance remuneration of the senior executives is pegged to their KPIs. With reference to the 2008 Financial Budget Report, the Remuneration and Evaluation Committee of the BOD set the KPIs for 2008, and determined the performance remuneration of senior executives for 2008 based on their KPI results.

In 2008, the Bank formulated the Provisional Measures on Due Diligence Evaluation of Senior Executives for comprehensive annual evaluation of the performance of duties of senior executives from different angles and focusing on consistency and sustainability. The KPI results will be directly pegged to the performance-based remuneration at year end, while the result of due diligence evaluation will be pegged to the remuneration package and the appointment or removal of the senior executives. The establishment and implementation of due diligence evaluation are instrumental for the BOD to fully understand the performance of the senior executives in discharging their duties and to help them improve their competence, and for building an adequate incentive environment for senior executives.

5. Special Corporate Governance Programs in 2008

In compliance with the CSRC's requirements in connection with the special programs to strengthen corporate governance, the Bank has been undertaking close self-examination and improvement of its corporate governance since 2007 against requirements of the Company Law, the Securities Law and other relevant laws, regulations and internal mandates. The 4th BOD on December 18, 2007 reviewed and published the Report on the Rectifications and Improvements from the Special Corporate Governance Programs, and the report gave a summary account of the Bank's actions to improve its corporate governance against its committed targets.

In 2008, as required in the rectification report, the Bank continued to reinforce improvement actions following the programs, and strengthened its corporate governance mechanism by successively adopting the following rules and regulations: Administrative Rules on the Holding of Shares and Change of Shareholding of Directors, Supervisors and Senior Executives, Rules of Procedures for the Annual Reporting of Independent Directors, Provisional Measures on the Due Diligence Supervision of Directors and Senior Executives by the BOS, and Provisional Measures on End-of-Office Audit of Senior Executives, among others. The independent directors follow the on-duty policy designed to strengthen their independent roles, and they lead the studies and researches on selected topics and preparation of periodic deliverables on these studies and researches to support the BOD's decision-making. The Administrative Measures on Related-Party Transactions of the Bank were implemented following the 2nd EGM of the Bank in 2008 in an effort to further standardize the management over related-party transactions. The Bank further intensified the compliance with the Rules on Internal Reporting of Significant Information and

Corporate Governance

the Rules and Procedures for the Preparation of Regular Reports, established the contact person mechanism for information disclosure, and formed information disclosure network covering all departments and branches and sub-branches of the Bank. The Bank paid close attention to and provided faithful answers on hot issues raised by investors to increase their confidence in the Bank's consistent and healthy development, improve its market image and all works in relation to reinforcement and standardization of information disclosure and investor relationship.

In the coming stage, the Bank will continue to study, formulate and implement all rules related to corporate governance, utilize functions of independent directors and special committees, tighten and refine the management over related-party transactions, and intensify investor relationship management and information disclosure to bring its corporate governance to a better level.

6. Integrity, Adequacy and Effectiveness of the Internal Control System

1) Organization structure of internal control

The BOD of the Bank attaches high importance to the continued improvement of the Bank's internal control system. Through BOD meetings, relevant committee meetings and research activities on risk management and by reviewing reports on market risks across the Bank, reports on business performance, reports on authorized work and related policies, listening to work reports of the internal audit department, arranging training on risk management and sharing experience with other banks and financial institutions, the BOD gains a full understanding of the Bank's internal control status, deliberates relevant issues and gives instructions to the management.

The management of the company rigorously implements the instructions and work plans of the BOD on internal control management to make comprehensive improvement on risk management. This includes improving the compliance with and authority of the internal control policies and procedures; systematic reform in corporate banking, retail banking, branch repositioning and middle and back office management; the process-based banking and the new core-banking system restructuring; improving the consistent implementation of internal control, its embedding in processes and daily operations and its compliance with best practices; and building effective internal control mechanisms that incorporate education, early warning, prevention, and incentive and punitive functions.

Under the leadership of the BOD and the internal audit committee, the Bank's Internal Audit Department independently and objectively carries out supervision, evaluation and advisory activities. The Bank implements a vertical management structure for its internal audit with head office leading all the initiatives, has four regional internal audit centers in Northern China, Eastern China, Southern China and Mid-China, and sets up offices for delegated internal audit officers in all branches. In 2008, the Internal Audit Department performed 58 on-site audits, 18 off-site audits, 156 daily monitoring sessions, 125 departure audits, and issued 174 audit reports, making remarkable contributions to the continuous improvement of the internal control system and identified weaknesses.

2) Policies and procedures of the internal control system

In compliance with Commercial Bank Law, Guidelines for Internal Control of Commercial Banks and other laws and regulations and regulatory rules, and for the purpose of risk prevention and prudent business operation, the Bank has gradually formed a set of robust internal control policies and procedures for corporate banking, retail banking, treasury, finance and accounting, HR, internal audit, discipline and supervision, and physical security. The policies and procedures have been embedded into all business processes and operating activities to cover all existing management departments and business units. Every business development is thus solidly supported by an internal control framework.

The existing internal control system of the Bank demonstrates a high level of integrity, adequacy and effectiveness that enables the Bank to continuously improve its internal control environment. This also increases its ability to identify, monitor and assess risks, enhance risk control measures, and to facilitate information exchange and feedback mechanisms. In addition, it promotes oversight, evaluation and rectification mechanisms and provides reasonable assurance on the Bank's compliance with state's laws and regulations, banking rules and policies. The ability to achieve strategic and business development objectives and stable growth, are other objectives, together with the timeliness, truthfulness and completeness of business records, financial information and other management information.

3) The evaluation system of internal control

The internal audit department is responsible for regular evaluation of the establishment and implementation of internal control policies and procedures. It oversees and facilitates the revision and refinement of policies and procedures by subsidiaries and business departments for responding to changes in the state's laws and regulations, the Bank's organizational structure, business performance and market environment.

In compliance with relevant policies of regulatory authorities and requirements on the evaluation of business operation and management, and in accordance with COSO principle that design of internal control framework be separated from the process, the Bank conducts comprehensive evaluations on the internal control of branches, sub-branches and SBUs on a quarterly basis. At the same time, the Bank formulated the Evaluation Measures on Internal Control, and accomplished the evaluation on 8 branches, laying a solid foundation for advancing the overall internal control management to a higher level.

On a risk-based, prudent and dynamic basis, the internal control evaluation system uses the Business Process Testing Form to test and evaluate business processes using accurate and complete parameters and evaluation weights that are defined based on comprehensive consideration of key factors. There include high-risk transactions, complexity of transactions and systems, frequency of transactions, access to cash and bills, percentages of business volume (income), recent evaluation results and regulatory requirements, final evaluation results on a five-grade scale are generated.

The internal control evaluation system has an adequate and effectively defined scope. At the Bank level, it covers four major areas, namely the internal control environment, risk identification and evaluation, information exchange and feedback, and supervision and rectification. On the business process level, it covers over 700 risk areas in 17 business and management processes, including loans to corporate clients, corporate deposits, loans to individuals, personal deposits, other personal businesses, treasury, wealth management, accounting management, IT, comprehensive management, trade finance, e-banking, credit card, investment banking and asset custody, etc..

4) Internal control over capital management

The internal control over capital management aims to protect against risks, and to improve company value through effectively-managed capital, while it ensures capital adequacy before any business development. The Asset & Liability Management Department carries out the management function with authorization from the Asset & Liability Management Committee.

The Bank focuses its capital management on capital measurement, allocation, monitoring and usage assessment. The Bank classifies risk assets and calculates net capital in compliance with the Administrative Measures on Capital Adequacy Ratio of Commercial Banks promulgated by the CBRC, and makes capital allocations. It assesses capital usage with reference to the business risk exposures, yield, period and the Bank's strategic objectives.

The Bank monitors and evaluates capital usage and capital management of all business units and all businesses on a quarterly basis. Through financial data transmission system, the Bank exercises control over risk asset classification and capital calculation process to ensure consistency and standardization of capital calculation. The Asset & Liability Management Department is responsible for submitting proposals on adjustments of capital management policies to the Asset & Liability Management Committee for approval before implementation. Those that need to be reported to the BOD will be submitted to the relevant committees or functional departments under the BOD in compliance with appropriate management procedures.

5) Internal control over liquidity management

The Bank's liquidity management aims to provide full identification, effective measurement, on-going monitoring and adequate control of liquidity risks in all business processes in a prudent manner. In order to ensure adequate capital to fund asset growth and to meet matured obligations both in normal business circumstances or otherwise, it also ensure adequate liquidity to achieve the balance of risk and return and continuous improvement in ROA and profitability.

The Bank's liquidity management consists of medium to long-term management and short-term management. The focus of medium to long-term liquidity management is to monitor and adjust liquidity ratio indicators to meet regulatory requirements

Corporate Governance

and maintain them at an adequate level. The focus of short-term liquidity management is to address daily liquidity needs. The Bank implements internal control over liquidity management at head office and branch levels in compliance with its relevant rules and policies. Taking advantage of technology and various tools, the Bank calculates and analyses its liquidity risk exposure in all businesses through the asset & liability management system. It also applies stress testing to identify impact of changes in lines of business, external macro economic environment and financial market, and responds accordingly.

The Asset & Liability Management Committee assumes overall responsibility of liquidity management of the Bank, and the Asset & Liability Management Department is responsible for actions and implementations. Any adjustment of liquidity management policies requires the Asset & Liability Management Department to submit a proposal to the authorized person of the Asset & Liability Management Committee for approval before implementation.

6) Internal controls over large lending

The Risk Management Committee has put in place a major issue decision-making mechanism to enable risks to be managed in a centralized and systematic manner. The Bank has formulated the Administrative Measures on Centralized Credit Lending and the Measures for Group Customer Management, carried out an overall assessment of its group customers and created check-lists of group customers and their affiliated enterprises in the credit risk management system to enable their automatic identification.

The Bank has set acceptable risk limits for different types of individual and group counterparties, industries and geographical locations. The Bank also monitors the above-mentioned risks on a regular basis, and reviews and adjusts risk limits at least once a year.

In anticipation of the continued increase of business scale, new products, and demands on business management, the Bank will continue to refine its internal control system to ensure the policies and procedures are adequately aligned with its business expansion needs. It will further improve its internal control to enable risk prevention and on-going monitoring and remediation of risks, and to ensure continuity of risk management and control. Based on review by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, no material weaknesses have been identified with the Bank's internal control in terms of its integrity, completeness and effectiveness.

07

Shareholders' General Meetings

Shareholders' General Meetings

1. Shareholders' General Meetings in 2008

1) Annual General Meeting (AGM)

On March 24, 2008, the 2007 AGM of the Bank was convened in Beijing. The meeting reviewed and passed the Resolution on the 2007 Work Report of the BOD, Resolution on 2007 Work Report of the BOS, Resolution on 2007 Closing Financial Report, Resolution on 2007 Profit Distribution Plan, Resolution on the Plan for the Conversion of Capital Reserve to Capital Stock in 2007, Resolution on 2008 Financial Budget Report, Resolution on Modification of Several Articles (Revised) in the Articles of Association, Resolution on the Plan for Disposal of Part of the Equity Interests in Haitong Securities, and Resolution on the Administrative Measures on Investment, Merger & Acquisition Activities of the Bank. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on March 25, 2008.

2) Extraordinary General Meeting (EGM)

(1) On February 18, 2008, the 1st extraordinary shareholders' meeting was convened in Beijing. The meeting reviewed and passed the following resolutions: Resolution on the Issuance of Separately Traded Convertible Corporate Bonds and the Issuance Plan, Resolution on the Report on the Usage of Proceeds, Resolution on Report on the Usage of Proceeds from the Issuance of Separately Traded Convertible Corporate Bonds, Resolution on the Authorization of the BOD and Its Authorized Persons for Handling Issues Relating to the Issuance of Separately Traded Convertible Corporate Bonds, Resolution on Rules of Procedure for the AGM (Revised), Resolution on the Change of the Registered Capital of the Bank, Resolution on Modification of Several Articles of the Articles of Association, Resolution on Remuneration Scheme for Directors and Supervisors of the Bank, Resolution on Responsibility Insurance for Directors, Supervisors and Senior Executives (2008 Revised), Resolution on Rules of Procedure for the BOS (Revised), Resolution on Terms of Reference and Work Rules of the BOS, and Resolution on Code of Conduct for Supervisors of the Bank. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on February 19, 2008.

(2) On November 20, 2008, the 2nd extraordinary shareholders' meeting was convened in Beijing. The meeting reviewed and passed the following resolutions: Resolution on the Issuance of Hybrid Capital Bonds and the Issuance Plan, Resolution on the Bank's Issuance of Hybrid Capital Bonds and Authorization within the Approved Limit, Resolution on Planned Usage of Proceeds from the Hybrid Capital Bonds Issuance and Feasibility Analysis, Resolution on Extension of the Effective Periods of Resolutions Relating to the Bank's Issuance of Separately Traded Convertible Corporate Bonds, Resolution on the Continued Engagement of the Existing Audit Firm for the 2008 Audit and the Audit Fees, Resolution on the Administrative Measures on Related-party Transaction of the Bank, Resolution on the Plan for Disposal of Equity Interests in Haitong Securities, Resolution on the Increase of 2008 Budget for the Write-off of Bad Debts of the Bank, Resolution on Establishing the Public Welfare Donation Fund of the Bank, Resolution on the Change of the Registered Capital of the Bank, and Resolution on Modification of Several Articles of the Articles of Association of the Bank. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on November 21, 2008.

2. Election and Change of Directors, Supervisors and Senior Executives

On March 23, 2009, the 1st extraordinary shareholders' meeting of the Bank in 2009 elected the 5th BOD and 17 directors, namely: Dong Wenbiao, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Chen Jian, Huang Xi, Shi Yuzhu, Wang Hang, Wang Junhui, Gao Shangquan, Zhang Ke, Andrew Wong, Wang Songqi, Liang Jinquan, Hong Qi and Liang Yutang.

On March 23, 2009, the 1st extraordinary shareholders' meeting of the Bank in 2009 elected 5 shareholder supervisors and external supervisors of the 5th BOS, and the Working Committee of the Workers' Union elected the 3 employee supervisors. The 5th BOS has 8 members, namely: Qiao Zhimin, Xing Jijun, Zhang Disheng, Lu Zhongnan, Wang Liang, Xu Rui, Chen Jinzhong and Wang Lei.

On March 23, 2009, the 1st meeting of the 5th BOD adopted the resolution to appoint Hong Qi as President of the Bank for the same term as the 5th BOD. It appointed Liang Yutang, Shao Ping, Zhao Pinzhang and Mao Xiaofeng as vice presidents of the Bank for the same term as the 5th BOD. It also appointed Mao Xiaofeng and Wu Touhong as the Board Secretary and the CFO of the Bank, respectively, for the same term as the 5th BOD.

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Report of the Board of Directors

Report of the Board of Directors

1. Performances of Key Business Lines and Financial Results

Please refer to "Management's Discussion and Analysis".

2. Profit Distribution Plan and Plan for Conversion of Capital Reserve to Capital Stock

The audited after-tax profit of the Bank in 2008 is RMB 7.831 billion. The Bank has proposed its 2008 profit distribution plan as follows: appropriation of 10% of the after-tax profit audited under PRC GAAP, or RMB 783 million to the statutory surplus reserve. Allocation of RMB 2.2 billion for general provision in compliance with the requirements of the Administrative Measures on Provision for Bad Debts of Financial Enterprises (Cai Jin [2005] No.49) and the Circular concerning Issues relating to Provision for Bad Debts (Cai Jin [2005] No.90) promulgated by the Ministry of Finance is also proposed. The profit distributable to shareholders under PRC GAAP is RMB 5.956 billion. The Bank plans to distribute a cash dividend of RMB 0.8 (before tax) for every 10 shares of the 18,823,001,989 outstanding shares as at close of the market on December 31, 2008, for a total of RMB 1.506 billion.

The above proposed profit distribution plan and the plan to convert capital reserve to capital stock are subject to approval of the 2008 AGM and shall be implemented within two months upon adoption at the 2008 AGM.

3. Cash Dividend of the Past 3 Consecutive Years

(Unit: RMB million)

	2007	2006	2005
Cash dividend	723.96	-	363.07
Net profit	6,335.18	3,758.25	2,737.92
Percentage of cash dividend to net profit (%)	11.43	-	13.26

4. Investments

1) Usage of proceeds from the previous funds raising

During the reporting period, the Bank did not carry out any fund-raising activities.

In accordance with the CSRC's Notice Regarding the Approval of Private Placement by China Minsheng Banking Corporation (Zhengjian Faxing Zi [2007] No.7) dated January 12, 2007, the Bank issued 2.38 billion common shares by private placement at the price of RMB 7.63 per share on June 18, 2007. The exercise raised proceeds of RMB 18.15 billion (net of underwriting fees and other trading cost). The Bank received the funds on June 20, 2007, and the funds were verified by the Hua Yin CPA Firm in its capital verification report Yin Yan [2007] No. 6002.

In compliance with the 2006 Circular on RMB Common Stock Issuance by Private Placement, the Bank used the proceeds to supplement its core capital and to improve its capital adequacy ratio. The use of proceeds covers the following areas: A. Allocation of operational funds to branches and sub-branches; B. Purchase of fixed assets and investments in IT; and C. Improvement of liquidity. The Bank did not make any commitment on the use of proceeds in a particular area in the Circular.

As of December 31, 2007, all proceeds were used in compliance with the commitments made in the placement circular as show below:

(Unit: RMB '000)

No.	Committed/actual project	Actual amount	Time of investment
1	Operating funds to branches and sub-branches	608,330	June-December, 2007
2	Purchase of fixed assets	585,440	June-December, 2007
3	Bonds investments	16,956,230	June-December, 2007
	Total	18,150,000	

2) Major investment projects

(1) Investment in and establishment of a credit card company

On January 28, 2008, the 15th meeting of the 4th BOD of the Bank approved the Proposal on the Establishment of Minsheng Credit Card Co., Ltd., a wholly-owned credit card subsidiary the Bank registered in Beijing with a registered capital of RMB 1.6 billion. The relevant application documents have been submitted to the CBRC for review.

(2) Equity investment in UCBH Holdings, Inc. (U.S.A)

On September 27, 2007, the 3rd extraordinary meeting of the 4th BOD approved the Bank's equity investment in UCBH Holdings, Inc (U.S.A). On October 8, 2007, the Bank published the Investment Announcement of China Minsheng Banking Corp., Ltd.. On January 18, 2008, the Bank received a notice from the CBRC (Jianguan Erbei [2008] No.004), approving the Bank's equity investment in UCBH Holdings, Inc.. On February 27, 2008, the Bank received the Approval of the State Administration of Foreign Exchange for Engagement in Foreign Exchange Transactions ((Jing) Huizi Hezi No.F110000200800399), approving the Bank to purchase USD 95,731,903.80. On March 5, 2008, the Bank completed the first phase investment in UCBH by investing the above mentioned amount (or RMB 682 million), representing 4.9% of UCBH's total capital stock. On December 18, 2008, the Bank received the Approval of the State Administration of Foreign Exchange for Engagement in Foreign Exchange Transactions ((Jing) Huizi Hezi No.F110000200802549), approving the Bank to purchase USD 29,899,115.10. On December 23, the Bank completed the second phase investment in UCBH by investing the above mentioned amount (or RMB 205 million), increasing the Bank's shareholding to approximately 9.9% of UCBH's total capital stock. The book value of the UCBH investment was RMB 543 million as of December 31, 2008.

(3) Equity investment in Shaanxi International Trust & Investment Corp., Ltd.

On September 27, 2007, the 3rd extraordinary meeting of the 4th BOD approved the Bank's participation in the A-share private placement of Shaanxi International Trust & Investment Corp., Ltd..On October 8, 2007, the Bank published the Investment Announcement of China Minsheng Banking Corp., Ltd.. In consideration of the recent changes in the capital market, this project is subject to further deliberation and negotiaiton.

(4) Establishment of Minsheng Financial Leasing Co., Ltd.

As adopted at the 7th meeting of the 4th BOD of the Bank on March 15, 2007 and approved at the 2006 shareholders' meeting on April 9, 2007, the Bank became the main investor in the establishment of a proposed financial leasing company. On July 24, 2007, the 2nd extraordinary meeting of the 4th BOD approved changes to the investors and registered capital of the proposed financial leasing company as follows: the proposed company would be jointly sponsored by the Bank and Tianjin FTZ (free trade zone) Investment Co., Ltd., and have a registered capital of RMB 3.2 billion, including RMB 2.6 billion or 81.25% from the Bank. In compliance with the CBRC's Reply regarding the Approval of the Establishment of Minsheng Financial Leasing Co., Ltd. (Yinjian Fu [2007] No.445) dated September 30, 2007, the Bank started the setting up of the company. On November 9, 2007, the Bank completed its capital investment of RMB 2.6 billion in the company. In compliance with the CBRC's Reply regarding the Approval of Business Operaiton of Minsheng Financial Leasing Co., Ltd. (Yinjian Fu [2008] No.112), the company formally launched its business on April 18, 2008 with a registered capital of RMB 3.2 billion and 81.25% of its equity interests held by the Bank.

Report of the Board of Directors

(5) Establishment of Minsheng Royal Fund Management Co., Ltd.

As adopted at the 4th meeting of the 4th BOD on October 27, 2006 and approved at the 1st EGM of the Bank in 2007 on January 15, 2007, the Bank received permission to establish a proposed joint venture of fund management company in partnership with the Royal Bank of Canada and Three Gorges Financial Company. On December 27, 2007, in Yinjian Fu [2007] No. 615, the CBRC approved the establishment of Minsheng Royal Fund Management Company, a venture jointly sponsored by the Bank, the Royal Bank of Canada and Three Gorges Financial Company. On October 15, 2008, the Bank received from the CSRC the Reply regarding the Approval of the Establishment of Minsheng Royal Fund Management Co., Ltd. (Zhengjian Xuke [2008] No.1187), approving the establishment of the proposed company. On November 18, 2008, the company formally launched its business with a registered capital of RMB 200 million and 60% of its equity interests held by the Bank.

(6) Establishment of Pengzhou Minsheng Rural Banking Co., Ltd.

On February 29, 2008, and the proposal for the establishment of Pengzhou Minsheng Rural Bank was deliberated and adopted at the 16th meeting of the 4th BOD. The BOD approved the Bank to lead the establishment of the proposed bank with a total investment of no more than RMB 20 million, representing an equity interest of no less than 20% of the proposed rural bank. On July 17, 2008, the Sichuan Bureau of the CBRC, in Chuan Yinjian Fu [2008] No.248, approved the preparation for the establishment of Pengzhou Minsheng Rural Bank Co., Ltd. On September 3, 2008, the Sichuan Bureau of the CBRC, in Chuan Yinjian Fu [2008] No.352, approved the commencement of business operation of Pengzhou Minsheng Rural Bank Co., Ltd.. On September 12, 2008, the rural bank formally launched its business with a registered capital of RMB 55 million and 36.36% of its equity interests held by the Bank.

(7) Establishment of Cixi Minsheng Rural Banking Corp., Ltd.

On August 22, 2008, the proposal for the establishment of Cixi Minsheng Rural Banking Co., Ltd. was deliberated and adopted at the 20th meeting of the 4th BOD. The BOD approved the Bank to lead the establishment of Cixi Minsheng Rural Banking Co., Ltd. with an investment of RMB 35 million, representing 35% of the total capital stock of the proposed rural bank. On December 5, 2008, the Ningbo Branch of the CBRC, in Yong Yinjian Fu [2008] No. 422, approved the preparation for the establishment of Cixi Minsheng Rural Banking Corp., Ltd.. On December 26, 2008, the Ningbo branch of the CBRC, in Yong Yinjian Fu [2008] No.439, approved the commencement of business operation of the proposed rural bank. On December 30, 2008, the rural bank formally launched its business with a registered capital of RMB 100 million and 35% of its equity interests held by the Bank.

(8) Increase of shareholding in China UnionPay

On January 15, 2007, the 1st EGM of the Bank in 2007 approved the Bank's subscription of 30 million new shares issued by China UnionPay, increasing the Bank's shareholding in China UnionPay to 80 million shares or about 2.8% of the total equity shares. At RMB 2.5 per share, the additional investment amounted to RMB 75 million, which was approved by the regulatory authorities in Yinjian Fu [2008] No.202 in May 2008.

5. Routine Activities of the Board of Directors

1) Meetings and resolutions of the BOD in 2008

Session of meeting	Date of convention	Resolutions adopted	Newspapers publishing the resolutions	Date of disclosure of resolutions
The 15th meeting of the 4th BOD	January 28, 2008	Resolution on Issuance of Separately Traded Convertible Corporate Bonds and the Issuance Plan, Resolution on the Report on the Usage of Proceeds, Resolution on the Usage of Proceeds from the Separately Traded Convertible Corporate Bonds, Resolution on the Proposal to the Shareholders' Meeting for Authorization of the BOD and its Authorized Persons to Handle Issues relating to the Separately Traded Convertible Corporate Bonds, Resolution on the Establishment of Minsheng Credit Card Co., Ltd., Resolution on the Revision of the Remuneration System for Directors, Supervisors and Senior Management of the Bank, Resolution on Increasing the Bank's Contribution to the Employees' Supplementary Pension Plan, Resolution on the Liability Insurance for Directors, Supervisors and Senior Executives, Resolution on the Purchase of Office Building for the Proposed Zhengzhou Branch, Resolution on the Purchase of Office Building for Hangzhou Branch, Resolution on Convening the 1st EGM of the Bank in 2008	China Securities Journal, Shanghai Securities News, Securities Times	January 30, 2008

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Session of meeting	Date of convention	Resolutions adopted	Newspapers publishing the resolutions	Date of disclosure of resolutions
The 16th meeting of the 4th BOD	February 29, 2008	2007 Annual Report of the Bank (Text and Abstract), 2007 Year-end Financial Report of the Bank, 2007 Profit Distribution Plan, Proposal of the Bank for the Conversion of Capital Reserve to Capital Stock for the 2007 Fiscal Year, 2008 Financial Budget, Resolution on the Adjustments to the Beginning Balances of Relevant Items in the Balance Sheet, 2007 Work Report of the BOD, 2007 Work Report of the President, 2007 Report on Self-Evaluation of the Internal Control, Resolution on the Plan for Disposal of Equity Interests in Haitong Securities (Draft), Resolution on the Annual Reporting of the Independent Directors, Resolution on Change of Name, Increase of Members and Adjustment of Functions of the Strategic Development Committee under the BOD, Resolution on the Revision of Working Rules of the Strategic Development Committee under the BOD, Resolution on the Revision of Several Articles in the Articles of Association(Draft for Revision), Resolution on the Administrative Measures on Investment, Merger& Acquisition of the Bank, Resolution on the Administrative Measures for Affiliated Institutions of the Bank, Resolution on the Upgrade of Hong Kong Representative Office to Hong Kong Branch, Resolution on the Proposal for Establishment of Pengzhou Rural Banking Co., Ltd. Resolution on the Establishment of Overseas Representative Offices in Tokyo, Singapore and London, Resolution on Convening the 2007 AGM	China Securities Journal, Shanghai Securities News, Securities Times	March 4, 2008

Session of meeting	Date of convention	Resolutions adopted	Newspapers publishing the resolutions	Date of disclosure of resolutions
The 17th meeting of the 4th BOD	April 22-23, 2008	Resolution on the 2008 Q1 Report of the Bank, Resolution on the Continued Engagement of the Existing Accounting Firm for the 2008 Audit and the Audit Fees (Draft), Resolution on Investment for and Construction of the Shunyi Head Office Base, Resolution on the Appointment of Vice Presidents of the Bank, Resolution on the Provisional Administrative Measures concerning the Early Retirement of Senior Executives of the Bank, Resolution on the Administrative Measures concerning Related Party Transactions of the Bank (Draft), Resolution on the Revision of the Detailed Rules for the Related Party Transaction Control Committee of the Board of Directors, Resolution on the Administrative Rules concerning the Shareholding and Changes of Shareholding of Directors, Supervisors, and Senior Executives of the Bank, Resolution on the Change of Registered Capital of the Bank, Resolution on the Revision of Several Articles of the Articles of Association of the Bank	China Securities Journal, Shanghai Securities News, Securities Times	April 25, 2008
The 6th extraordinary meeting of the 4th BOD	June 12, 2008	Resolution on the Re-auctioning of Part of the Equity Interests in Haitong Securities.	China Securities Journal, Shanghai Securities News, Securities Times	June 13, 2008
The 18th meeting of the 4th BOD	June 23, 2008	Resolution on the Liability Insurance Plan for Directors, Supervisors and Senior Executives, Resolution on the Establishment of the Private Banking Department of the Bank, Resolution on the Establishment of the Bills Business Department of the Bank	China Securities Journal, Shanghai Securities News, Securities Times	June 25, 2008
The 19th meeting of the 4th BOD	July 26, 2008	Resolution on the Summary Report on the Improvement Actions from the Special Corporate Governance Programs	China Securities Journal, Shanghai Securities News, Securities Times	July 29, 2008
The 20th meeting of the 4th BOD	August 22, 2008	2008 Interim Report of the Bank (Text and Abstract), Resolution on the Increase of Funds for the Core Banking System Reconstruction Project, Resolution on the Related-Party Loans to Minsheng Financial Leasing Company, Resolution on the Proposal for the Establishment of Cixi Minsheng Rural Banking Co., Ltd., Provisional Measures on Due Diligence Evaluation for Senior Executives of the Bank	China Securities Journal, Shanghai Securities News, Securities Times	August 25, 2008

Report of the Board of Directors

Session of meeting	Date of convention	Resolutions adopted	Newspapers publishing the resolutions	Date of disclosure of resolutions
The 21st meeting of the 4th BOD	October 23, 2008	The 2008 3rd Quarterly Report of the Bank, Resolution on the Increase of Budget for the Write-off of Loan Losses in 2008, Resolution on the Revision of the Administrative Measures governing the Loan Loss Write-off of the Bank, Resolution on the Administrative Measures governing Debt Restructuring Losses, Resolution on Rules for Reporting of Operating Information of the Bank, Resolution on the Establishment of the BOD Strategic Investment Committee Investment Management Office and the Office of the BOD Risk Management Committee, Resolution on the Establishment of the Office of the SME Financial Service Committee, Resolution on the Purchase of Office Building for Fuzhou Branch	China Securities Journal, Shanghai Securities News, Securities Times	October 25, 2008
The 22nd meeting of the 4th BOD	November 3, 2008	Resolution on the Issuance of Hybrid Capital Bonds and the Issuance Plan, Resolution on the Bank's Issuance of Hybrid Capital Bonds and Special Authorization within the Approved Limit, Resolution on the Proposed Usage of Proceeds and Feasibility Analysis, Resolution on the Extension of the Effective Period of Resolutions relating to the Bank's Issuance of Separately Traded Convertible Corporate Bonds, Resolution on the Plan for Disposal of Equity Interests in Haitong Securities, Resolution on the Establishment of the Public Welfare Donation Funds of China Minsheng Bank, Resolution on the Purchase of Office Building for Chengdu Branch, Resolution on the Proposal for Convening of the 2nd Extraordinary Shareholders' Meeting in 2008	China Securities Journal, Shanghai Securities News, Securities Times	November 4, 2008
The 23rd meeting of the 4th BOD	December 15, 2008	Resolution on the Restructuring of Some of the Organizations at the Head Office	China Securities Journal, Shanghai Securities News, Securities Times	December 17, 2008
The 24th meeting of the 4th BOD	December 30, 2008	Resolution on the Write-off of Non Performing Loans of the Bank	China Securities Journal, Shanghai Securities News, Securities Times	December 31, 2008

Note: If the relevant resolutions are disclosed as part of the ad hoc reports in the designated newspaper, only session of meeting, date of convention, name of the newspapers and date of disclosure are required.

2) The BOD's implementation of the resolutions of shareholders' meetings

In accordance with the 2007 Plan for Profit Distribution and Conversion of Capital Reserve to Capital Stock adopted at the 2007 AGM, the BOD implemented the plan on April 3, 2008. For every 10 shares of the outstanding capital stock, the Bank distributed 2 bonus shares together with cash dividend of RMB0.5, and conversion of 1 share from the capital reserve.

3) Performance of duty of the Audit Committee of the BOD

In 2008, the Audit Committee of the BOD continued to implement the annual work plans under the Five-year Development Scheme of the BOD. In accordance with the relevant requirements of the Rules of Work for the Audit Committee, the Committee maintained its independence, objectivity and prudence and carried out its duties to ensure proper progress of both internal and external audit tasks and the truthful, accurate and complete disclosure of all accounting information.

The performance of duty by the Audit Committee is summarized as follows:

(1) Centralized planning and supervision of the audit of the 2008 financial statements

The Audit Committee was responsible for central planning and supervising the audit of the 2008 financial statements, including communication and discussion with PricewaterhouseCoopers Zhong Tian CPAs Limited Company to confirm audit work plans, approach and timetable. It also reviews reports from management on business operations of the year, and supervises the preparation of financial statements. During the audit process, it conducts on-going communication with the statutory auditor, coordinating efforts to address identified issues and engaging the statutory auditors to submit the audit report on time. After the audit firm issued its initial opinion, the Committee reviews its report on the statutory audit process, the draft financial statements of the Bank and formed a written opinion by voting, before submition to the BOD for approval.

(2) Organization of self-evaluation of internal control

In order to promote the Bank's setup of its internal control system, to ensure disciplined business operations, and to meet the requirements of the regulatory authorities and Shanghai Stock Exchange, the Committee organized annual and semi-annual self-evaluations on internal control for relevant departments in accordance with the related rules, regulations, the Internal Audit Regulations of the Bank and the Audit Plan. Evaluation reports are then produced.

(3) Supervision on improvement of internal control

By regular review of internal audit and examination reports, the Committee monitored the Bank's internal control activities and evaluated operational risks in business processes, it also provided improvement recommendations, where appropriate.

(4) Supervision on major asset disposals

For the purpose of disciplined business operation, the Committee led the review of approved limits for write-off of the Bank's non-performing assets in 2008, and monitored the process of individually large asset disposals to safeguard the Bank's assets.

(5) Engagement of the statutory auditor and evaluation of the audit work

In order to ensure independence, objectivity and fairness of the Bank's information disclosure to deliver quality at reasonable cost, and in compliance with Measures in Engagement and Appointment of Accounting Firms, the Committee selected its external auditor through a bidding process and engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Bank as the external audit firm for the Bank.

The Audit Committee evaluated the audit work of the accounting firm, and was of the opinion that the accounting firm maintained their thoroughness and exactness, independence and objectivity in performing their audit responsibilities, and submitted the audit report on time. It also provided pertinent and helpful management recommendations, and adequately completed their audit work in compliance with professional ethics and auditing standards.

4) Performance of duty of the Remuneration and Performance Evaluation Committee of the BOD

In 2008, under guidance of the Five-year Development Scheme, the Remuneration and Performance Evaluation Committee fully implemented the annual work plan of the BOD, and strictly followed the relevant regulations of the Work Rules for the Remuneration and Performance Evaluation Committee. It also made active efforts in identifying diversified and lasting incentive mechanisms, and deliberated evaluation measures for due diligence on the performance of senior executives. Continuous improvement to the remuneration management system was also made.

Report of the Board of Directors

(1) Determination of target key performance indicators (KPI) for senior executives in 2008
In compliance with the Rules on Remuneration Management of Senior Executives of the Bank, the Committee pegged the performance remuneration of senior executives to their KPIs, and determined the target KPIs in 2008 in accordance with the 2008 Financial Budget Report of the Bank. This provided a rational and effective basis for the year-end performance evaluation and remuneration allocation for senior executives.

(2) Determination of annual remunerations for directors and senior executives
In compliance with the Rules on Remuneration of Directors and Supervisors of the Bank (2008 Revised), the Committee evaluated the performances of the directors and supervisors, to determine their annual remunerations for 2007.

In compliance with the Rules on Remunerations of Senior Executives of the Bank and on the basis of the 2007 business operation indicators, the Committee evaluated the performances of the senior executives, and determined their annual performance-based remunerations for 2007.

(3) Compliance review of remuneration allocation to directors, supervisors and senior executives
The Committee reviewed the information on remunerations of directors, supervisors and senior executives as disclosed in the 2008 annual report and confirmed its compliance with relevant rules on remuneration management of the Bank.

(4) Promotion of effective implementation of liability insurance for directors, supervisors and senior executives
To further promote the robust incentive mechanisms and to adequately transfer risks faced by the directors, supervisors and executives, the Committee reviewed the liability insurance plans for directors, supervisors and senior executives of the Bank, to ensure effective implementation.

(5) Formulation of the Provisional Measures on Due Diligence Assessment
In order to improve corporate governance and standardize incentive and restriction mechanism for senior executives, the Committee formulated the Provisional Measures on Due Diligence Assessment of Senior Executives. It performed all-round due diligence assessment of senior executives from different perspectives and on an on-going basis. The assessment is designed to reward the good performances and discourage bad performances. With clearly defined criteria for rewards and penalties, it aims to encourage the senior executives to improve their competency. The Committee also formulated detailed rules and work plan for the due diligence assessment with an aim to provide guidance on procedures and details of the assessments and to ensure effective implementation.

(6) Studies on the “establishment of diversified and lasting incentive scheme”
In order to fully draw on specialized functions and expertise of BOD's special committees and the independent directors, so as to improve decision-making, the Committee led overall studies on the topic of the “establishment of diversified and lasting incentive scheme” with relevant departments. It further confirmed the feasibility plan for the incentive scheme, explored and designed effective combinations of short-term, mid-term and long-term alternatives to help achieve a optimal time structure of the incentive scheme.

6. The BOD's Guiding Principles for Risk Management in 2009

In compliance with the relevant requirements of the regulatory authorities and in combination of development of the macro-economy and the Bank's risk management practices, the BOD formulated the Bank's Guiding Principles for Risk Management in 2009 (the “Guiding Principles). These are to strengthen BOD's functions in guiding and evaluating risk management of the Bank, and to improve the risk management process. The Guiding Principles set out the guiding concepts, targets and priorities of risk management of the Bank in 2009, as well as detailed requirements in its implementation and evaluation, as summarized below:

1) Establishment of enterprise-wide risk management
Under the enterprise-wide risk management framework, which establishes the policies, procedures and processes on all fronts and levels for risk identification, measurement, monitoring and control, it covers credit risk, market risk, operational risk, liquidity risk and compliance risk. It also clearly defines authorities and responsibilities, and to prevent Bank's exposures to unauthorized businesses.

The Bank shall improve its capital utilization and loan loss provision coverage, and through these two approaches, it seeks to protect its capital against risks.

The Bank shall focus on the implementation of the New Basel Capital Accord, and to encourage a risk management culture that involves the active participation of all members of the Bank. It will also strengthen training on risk management and the building of dedicated risk manager teams.

2) Improvement of risk management mechanisms

(1) Risk management governance

The Bank shall build a risk management governance structure that enables clear segregation of roles and responsibilities and mutual support between BOD and senior management.

The Bank shall set up "3 defense lines" for internal control, namely the business management departments, risk management departments and internal audit departments, to ensure full control of risks.

The Bank shall strengthen risk management and control capabilities of SBUs and subsidiaries and further streamline the risk management responsibilities between SBUs and local branches.

The Bank shall enhance quality supervision and technical support to SBUs and to subsidiaries in their credit operations so as to improve effectiveness of risk management and control.

(2) Performance assessment and incentives

The Bank shall establish lasting incentive mechanisms, and set up a performance assessment mechanism based on economic capital. It will invest aggressively in the application of risk-adjusted ROA and the implementation of deferred allocation of income, it will address the shorter-term issues involved in performance assessment.

The Bank shall increase evaluation and accountability of all areas exposed to risks, by setting up adequate incentive mechanisms. The Bank shall award adequate incentives or penalties based on both management performance towards risks and consideration of trigger factors of risks, so as to put in place a quick-responding and effective mechanisms that incorporate incentives, penalties, and enhance internal education on risk management.

(3) Risk information communication

The Bank shall establish special risk reporting mechanisms, with clearly defined contents, reporting lines, expiration of validity and frequency of the reporting, in order to ensure comprehensive, accurate and timely updates to of the BOD on the risk positions of the whole Bank.

The Bank shall continue to improve the management information platform and its responsiveness by establishing risk investigation reporting and early warning for contingency mechanisms responsiveness.

In addition, the Bank shall improve its forward-looking perspective, underlying studies and its proactiveness and control for responding to systemic risks.

3) High priority areas for focus

(1) Optimizing asset structure for better control of asset quality;

(2) Refining policies and mechanisms;

(3) Improving risk measurement management;

(4) Heightening consciousness of capital discipline and establishing it as a priority for the Bank's overall business management;

(5) Intensifying compliance examination, supervision and accountability.

4) Intensification of risk management on key areas

(1) Credit risk

The Bank shall enhance the role of credit policies, as the driving force, and optimize asset structure and maturity structure to improve its ability to mitigate and respond to systemic risks. The Bank shall also implement a differentiated management strategy and increase the proportion of quality customers in high-performing industries. These ensure on-going innovation and healthy development of regional featured businesses.

The Bank shall enhance credit risk identification and measurement, as well as to optimize asset portfolio management strategies. It will focus on early-warning, estimation and forecast of risks, and increase disposals of distressed assets and non-performing assets.

(2) Market risk

The Bank shall formulate basic rules and control policies for market risk management throughout the Bank, so as to improve market risk identification, measurement, monitoring and con-

Report of the Board of Directors

trol procedures and reporting systems. The Bank shall also set up risk indicator measurement models to cover all market risk exposures, and employ advanced market risk management instruments to measure and control market risks in asset porfolios.

For market risk factors that might lead to significant emerqencies the Bank shall prepare contingency plans in advance.

(3) Liquidity risk
The Bank shall formulate liquidity risk management policies and procedures, and establish sufficient and appropriate information management system to enable accurate, timely and continuous measurement, monitoring, and reporting of liquidity risks.

In compliance with the regulatory requirements and internal liquidity risk management policies, the Bank shall set up centralization limits in liquidity management.

The Bank shall also control and reduce the impact of maturity mismatches on liquidity by measuring, monitoring and controlling cash flows, adjusting liquidity management strategies, policies and limits based on stress testing results. It will establish effective contingency early warning and reporting system.

(4) Operational risk
The Bank shall formulate operational risk management policies and rules covering all operation and management activities. As part of the Basel II implementation plan, it will set out to build its loss database and lay the foundation for capital measurement.

The Bank shall include self-evaluation in its operational risk control, and set out to build its integrated information management system, to improve product risk management. The Bank shall also strengthen the mindsets and ethical education of employees to reduce risk of unethical acts and prevent material failures and losses.

(5) Compliance risk and reputation risk
The Bank shall strictly implement the Compliance Risk Management Standard by improving compliance risk data management and establishing a full-process-based data management mechanism and a early warning system to minimize non-compliance and to reduce losses.

Giving high focus on reputation risk, the Bank shall develop contingency plans to address potential impact on its reputation from major complaints or media reports. It will clearly define reporting lines and set the principles for responses to be taken to eliminate undesirable consequences on a timely manner.

7. Disciplinary Measures and Penalties to the Bank, the BOD and Directors of the Bank

During the reporting period, the Bank, the BOD or directors of the Bank were not subjected to any disciplinary measures or penalties.

8. Appointment and Dismissal of Accounting Firms

According to the resolution adopted by the AGM, the Bank continues to engage PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditor of the Bank's annual financial statements prepared under PRC GAAP. The 2008 service fees (including all the miscellaneous expenses including but not limited to traveling, accommodation and communication expenses) amounted to RMB 7.122 million.

(Unit: RMB '000)

Service fees	2008	2007
Fees for financial audit	5,300	7,730
Other fees	1,822	3,850
Total	7,122	11,580

Note: PricewaterhouseCoopers Zhong Tian CPAs Limited Company has been providing audit services to the Bank for 9 years.

9. The Auditors' Opinions

The Bank's 2008 financial statements were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, whose certified public accountants, Mr. Wang Wei and Ms. Yan Lin, signed and issued the PWC ZT (2009) No. 10020 unqualified auditors' report.

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Report of the Board of Supervisors

Report of the Board of Supervisors

1. Meetings of the Board of Supervisors

Time	Session of meeting	Contents of meeting
March 1, 2008	The 9th meeting of the 4th BOS	1. Reviewed the 2007 Annual Report of the Bank (Text and Abstract); 2. Reviewed the 2007 Work Report of the BOS; 3. Reviewed the 2008 Work Plan of the BOS
April 7, 2008	The 1st extraordinary meeting of the 4th BOS (by mail voting)	1. Reviewed the Proposal on the End-of-Office Audit Report on Liang Yutang, Vice President and Managing Director of the Beijing Branch of the Bank; 2. Reviewed the Proposal on the End-of-Office Audit Report on Shao Ping, Vice President and Managing Director of the Shanghai Branch of the Bank;
April 24, 2008	The 10th meeting of the 4th BOS	1. Reviewed the 2008 Q1 Report of the Bank; 2. Reviewed the Provisional Measures on Due Diligence Supervision of Directors, Supervisors and Senior Executives; 3. Reviewed the Provisional Measures on End-of-Office Audit of Senior Executives of the Bank
August 22, 2008	The 11th meeting of the 4th BOS	Reviewed the 2008 Interim Report of the Bank (Text and Abstract)
September 15, 2008	The 12th meeting of the 4th BOS (by mail voting)	1. Reviewed the Work Rules of Special Examination and Inspection of the BOS (Revised); 2. Reviewed the Provisional Administrative Measures on the Engagement of Intermediaries by the BOS
October 23, 2008	The 13th meeting of the 4th BOS (by mail voting)	Reviewed the 2008 Q3 Report of the Bank

2. Activities of the Board of Supervisors

1) Improvement of policies, rules and procedures.

The BOS led the drafting and revision of the Provisional Measures on Due Diligence Supervision of Directors, Supervisors and Senior Executives, the Provisional Measures on End-of-Office Audit on Senior Executives of the Bank, the Work Rules of Special Examination and Inspection of the BOS (Revised), and the Provisional Administrative Measures on the Engagement of Intermediaries by the BOS.

2) Special examinations

(1) In March - April, 2008, the BOS engaged an intermediary to perform end-of-office audit on relevant senior executives.

(2) In April - May, 2008, the BOS engaged an intermediary to perform special review on market risks of the Bank.

(3) In October - December, 2008, the BOS engaged an intermediary to perform special review on fixed assets (real estate) management throughout the Bank.

3) Due diligence supervision

In addition to draft relevant policies, the BOS sets up due diligence records for directors and senior executives, and carries out supervision through attending related meetings, reviewing meeting notes, as well as conducting questionnaire surveys and individual interviews.

4) Onsite researches and inspections

(1) From April 7 to 12, 2008, a team of 6 members of the BOS visited Chengdu Branch and Chongqing Branch to inspect risk prevention, deposit-taking and lending, credit structure, asset quality, reform progress and relevant issues.

(2) From October 13 to 15, and from 29 to 31, 2008, a team of 3 members of the BOS visited Xi'an Branch and Taiyuan Branch to inspect business management, internal control, risk prevention and business coordination with local SBU offices.

(3) From November 26 to 28, 2008, a team of 2 members of the BOS visited Zhengzhou Branch to inspect business expansion, business management and risk control.

3. Independent Opinions of the Board of Supervisors

1) Compliance with relevant laws and regulations

During the reporting period, the Bank complied with the requirements of the Company Law, Commercial Bank Law and the Articles of Association in its business operations. No violations of the laws and regulations and the Articles of Association or activities detriment to the interests of the shareholders of the Bank have been identified on the part of the directors and senior executives of the Bank in their performance of duties and obligations.

2) Reliability of the financial statements

The financial statements prepared under the PRC GAAP and IFRS have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers China Limiteds respectively. Unqualified auditors' reports have been issued accordingly. The financial statements of the Bank truthfully, accurately and completely present the financial position and operating results of the Bank during the year.

3) Use of proceeds from previous fund-raising activities

During the reporting period, the Bank did not raise new funds. Before the reporting period, the Bank raised RMB 18.15 billion (after deduction of underwriting expenses and other transaction expenses) through stock issuance by private placement on June 18, 2007. The proceeds were used to supplement its capital and operating funds.

The BOS is of the opinion that the use of proceeds is consistent with the commitments made in the Issuance Circular, and no breach of laws and regulations has been identified.

4) Acquisitions and disposal of assets

During the reporting period, the Bank made the following acquisitions:

(1) The Bank subscribed to 30 million new shares issued by China UnionPay at RMB 2.5 per share for a total cost of RMB 75 million, which increased the Bank's shareholding in China UnionPay to 80 million shares, or about 2.8% of total capital stock.

(2) The Bank made two investments in UCBH Holdings Inc. (USA), for a total investment of USD 125,631,018.9 (or approximately RMB 887 million at the exchange rates at time of the investments), representing 9.9% of the total capital stock of UCBH.

During the reporting period, the Bank made no disposal of assets.

The BOS is of the opinion that, during the reporting period, the Bank's acquisitions complied with relevant laws, regulations and the Articles of Association, and no breach of laws and regulations has been identified.

5) Related-party transactions

During the reporting period, all related-party transactions of the Bank complied with relevant laws, regulations and the Articles of Association. No breaches of laws and regulations or activities detriment to the interests of the Bank and its shareholders have been identified.

6) Internal Control System

The Bank has established and implemented a comprehensive, robust and effective internal control system. No significant deficiency has been identified in the Bank's internal control or its implementation.

7) Implementation of resolutions adopted by the shareholders' meetings

The BOS concurs with the reports and proposals submitted by the BOD to the shareholders' meetings in the reporting period. Based on its supervision of the implementation of the resolutions of the shareholders' meetings, the BOS is satisfied that the resolutions have been properly carried out by the BOD.

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Major Events

Major Events

1. Major Litigation and Arbitration Cases

During the reporting period, the Bank had no litigation or arbitration with significant impact on its operations. As of December 31, 2008, there were 44 outstanding litigations involving the Bank as plaintiff for RMB 848 million, and 17 litigations involving the Bank as defendant for RMB 102 million.

2. Equity Interests of the Bank in Other Listed Companies and Financial Enterprises

1) Listed companies in which the Bank holds equity interests

(1) Equity investment in UCBH Holdings Inc. (USA)

On September 27, 2007, the 3rd extraordinary meeting of the 4th BOD approved the Bank's investment in UCBH Holdings Inc. (USA). On October 8, 2007, the Bank published the Announcement on Overseas Investment. On January 18, 2008, the Bank received the notice from the CBRC (Jianguan Erbei [2008] No. 004), approving the Bank's equity investment in UCBH Holdings, Inc. On February 27, 2008, the Bank received the Approval of the State Administration of Foreign Exchange for Engagement in Foreign Exchange Transactions (Jing) Huizi Hezi No. F110000200800399), approving the Bank to purchase USD 95,731,903.80. On March 5, 2008, the Bank completed the first phase investment in UCBH by investing the above mentioned amount (or RMB 682 million), representing 4.9% of UCBH's total capital stock. On December 18, 2008, the Bank received the Approval of the State Administration of Foreign Exchange for Engagement in Foreign Exchange Transactions ((Jing) Huizi Hezi No.F110000200802549), approving the Bank to purchase USD 29,899,115.10. On December 23, the Bank completed the second phase investment in UCBH by investing the above mentioned amount (or RMB 205 million), increasing the Bank's shareholding to approximately 9.9% of UCBH's total capital stock. The book value of the UCBH investment was RMB 543 million as of December 31, 2008.

(2) Equities held in Haitong Securities Co., Ltd.

Under court orders, the Bank received 387 million shares and 162 million shares in 2004 and 2005 respectively, or 549 million shares in total, as foreclosed assets from Haitong Securities Co., Ltd. ("Haitong Securities"). These 2004 and 2005 shares had a book value upon acquisition of RMB 387 million and RMB 162 million respectively, or RMB 549 million in total, and were recorded as available-for-sale investments. As of end of the reporting period, all above-mentioned shares had been transferred into the Bank's account.

In accordance with the backdoor listing plan of Haitong Securities, Shanghai Urban Agro-business Co., Ltd. (SUABC, stock code: 600837) carried out a stock-exchange transaction with Haitong Securities at a rate of 1 Haitong share for 0.347 SUABC share. After the transaction, the Bank held 190 million restricted Haitong shares. In the first half of 2008, Haitong Securities adopted the distribution plan where 3 bonus shares and 7 converted shares were allocated to every 10 shares, resulting in the Bank's holding of 380 million restricted Haitong Securities shares after ex-right. In compliance with the Expert Opinion on Issues relating to the Implementation of New CASs, the fair value of equity shares of listed companies is their market price. Based on Haitong's share price of RMB 8.11 per share as at close of the market on December 31, 2008, the fair value of the equity interests held by the Bank in Haitong Securities was RMB 3.089 billion at year end (2007: RMB 10.46 billion).

The Bank entrusted Beijing Yonghe Jiacheng Auction Co., Ltd. to perform two public auctions, on May 23, 2008 and June 30, 2008, of the restricted A shares of Haitong Securities held by the Bank (268,827,477 shares after ex-right on May 22, 2008, and 134,407,099 shares before ex-right). The two auctions were aborted due to bidders' failure to meet relevant requirements of the Auction Law of the People's Republic of China.

On November 20, 2008, the 2nd EGM of the Bank reviewed and passed the Resolution on the Plan for Disposal of the Equity Interests in Haitong Securities, and authorized the BOD to handle the relevant issues concerning the disposal. After obtaining the approval and authorization from the shareholders' meeting, the BOD authorized the management to implement the plan by carrying out transactions in the marketplace within the scope of permissions by the regulatory authorities.

On December 29, 2008, the restrictions on the Bank's equity interests in Haitong Securities were removed. As at April 20, 2009, the Bank disposed 224 million Haitong Securities shares, and retained 157 million shares.

Major Events

(3) Equity interests in Hubei Hongcheng General Machinery Co., Ltd.

In 2006, under a court order, the Bank received 13,559,844 shares as foreclosed assets from Hubei Hongcheng General Machinery Co., Ltd. (stock code: 600566, "HBHC"). These shares had a book value upon acquisition of RMB 31 million and were recorded as available-for-sale investments. After the stock reform of HBHC in 2006, the Bank held 10,208,403 HBHC shares. As of end of the reporting period, the Bank had disposed 9,438,329 HBHC shares, and retained 770,074 shares, representing 0.72% of the total shares of HBHC. Based on HBHC's share price of RMB 4.44 per share as at close of the market on December 31, 2008, the fair value of the Bank's equity interests in HBHC was RMB 3 million at year end (2007: RMB 46 million).

2) Equity interests of the Bank in unlisted financial enterprises

(1) Establishment of Minsheng Financial Leasing Co., Ltd.

As adopted at the 7th meeting of the 4th BOD of the Bank on March 15, 2007 and approved at the 2006 shareholders' meeting on April 9, 2007, the Bank became the main investor in the financial leasing company. On July 24, 2007, the 2nd extraordinary meeting of the 4th BOD approved changes as follows: the company would be jointly sponsored by the Bank and Tianjin FTZ (free trade zone) Investment Co., Ltd., with a registered capital of RMB 3.2 billion, including RMB 2.6 billion or 81.25% from the Bank. In compliance with the CBRC's Reply regarding the Approval of the Establishment of Minsheng Financial Leasing Co., Ltd. (Yinjian Fu [2007] No.445) dated September 30, 2007, the Bank started the set up of the company. On November 9, 2007, the Bank completed its capital investment of RMB 2.6 billion in the company. In compliance with the CBRC's Reply regarding the Approval of Business Operaiton of Minsheng Financial Leasing Co., Ltd. (Yinjian Fu [2008] No.112), the company formally commenced business on April 18, 2008 with a registered capital of RMB 3.2 billion and 81.25% of its interests held by the Bank.

(2) Establishment of Minsheng Royal Fund Management Co., Ltd.

As adopted at the 4th meeting of the 4th session BOD on October 27, 2006 and approved at the 1st EGM of the Bank in 2007 on January 15, 2007, the Bank received permission to establish a proposed joint venture of fund management company in partnership with the Royal Bank of Canada and Three Gorges Financial Company. On December 27, 2007, in Yinjian Fu [2007] No.615, the CBRC approved the establishment of Minsheng Royal Fund Management Company, a venture jointly sponsored by the Bank, the Royal Bank of Canada and Three Gorges Financial Company. On October 15, 2008, the Bank received from the CSRC the Reply regarding the Approval of the Establishment of Minsheng Royal Fund Management Co., Ltd. (Zhengjian Xuke [2008] No.1187), on the establishment of the company. On November 18, 2008, the company formally commenced its business with a registered capital of RMB 200 million and 60% of its equity interests held by the Bank.

(3) Establishment of Pengzhou Minsheng Rural Banking Co., Ltd.

On February 29, 2008, and the proposal for the establishment of Pengzhou Minsheng Rural Bank was deliberated and adopted at the 16th meeting of the 4th BOD. The BOD approved the Bank to lead the establishment of the proposed bank with a total investment of no more than RMB 20 million, representing an equity interest of no less than 20% of the proposed rural bank. On July 17, 2008, the Sichuan Bureau of the CBRC, in Chuan Yinjian Fu [2008] No.248, approved the preparation for the establishment of Pengzhou Minsheng Rural Bank Co., Ltd. On September 3, 2008, the Sichuan Bureau of the CBRC, in Chuan Yinjian Fu [2008] No.352, approved the commencement of business operation of Pengzhou Minsheng Rural Bank Co., Ltd. On September 12, 2008, the rural bank formally launched its business with a registered capital of RMB 55 million and 36.36% of its equity interests held by the Bank.

(4) Establishment of Cixi Minsheng Rural Banking Corp., Ltd.

On August 22, 2008, the proposal for the establishment of Cixi Minsheng Rural Banking Co., Ltd. was deliberated and adopted at the 20th meeting of the 4th BOD. The BOD approved the Bank to lead the establishment of Cixi Minsheng Rural Banking Co., Ltd. with an investment of RMB 35 million, representing 35% of total capital stock of the township bank. On December 5, 2008, the Ningbo Branch of the CBRC, in Yong Yinjian Fu [2008] No. 422, approved the preparation for the establishment of Cixi Minsheng Township Banking Corp., Ltd. On December 26, 2008, the Ningbo branch of the CBRC, in Yong Yinjian Fu [2008] No.439, approved the commencement of business operation of the proposed township bank. On December 30, 2008, the rural bank formally commenced business with a registered capital of RMB 100 million and 35% of its equity interests held by the Bank.

(5) Increase of shareholding in China UnionPay

On January 15, 2007, the 1st EGM of the Bank in 2007 approved the Bank's subscription of 30 million new shares issued by China UnionPay, increasing the Bank's shareholding in China UnionPay to 80 million shares or about 2.8% of the total equity shares. At RMB 2.5 per share, the additional investment amounted to RMB 75 million. This investment was approved by the regulatory authorities in Yinjian Fu [2008] No.202 in May 2008.

3. Purchase and Disposal of Assets and Mergers and Acquisitions

The Bank strictly complies with the relevant regulations of the Articles of Association, the Basic Accounting Rules and the Administrative Measures on Fixed Assets in its recovery of residual value and relevant accounting treatment of fixed assets qualified for retirement. No instance that has resulted in the damage to the interests of shareholders or in the loss of assets of the Bank has been identified.

4. Major Related-Party Transactions

The Bank has no related parties with which a controlling relationship existed.

During the reporting period, all related-party transactions of the Bank were loans to shareholders and related parties. All loans to the related parties complied with relevant laws and regulations and the Bank's terms of lending and appraisal procedures. Principals and interests were repaid on time, and there was no material impact on the business performance and financial position of the Bank.

1) Shareholders holding 5% or more of the capital stock of the Bank are New Hope Investment Co., Ltd. and China Life Insurance Co., Ltd..

2) Outstanding loans to related parties:

(Unit: RMB million)

	Relationship with the Bank	Security	December 31, 2008	December 31, 2007
Beijing Grand Goal Property Management Co., Ltd.	Controlled by a director of the Bank	Guarantee	657	657
Beijing Ruihua Property Management Co., Ltd.	Controlled by a director of the Bank	Guarantee	399	399
Oriental Group Finance Co., Ltd.	A related party of major shareholder / controlled by a director of the Bank	Pledged	254	97
Oriental Home Co., Ltd.	Controlled by a director of the Bank	Guarantee	70	218
Oriental Home Decoration & Building Materials Co., Ltd.	Controlled by a director of the Bank	Pledged	49	-
Oriental Hope (Sanmenxia) Aluminum Products Co., Ltd.	A related party of major shareholder	Guarantee	50	-
Ziyang Jianhao Forage Technology Co., Ltd.	A related party of major shareholder	Pledged	0.5	-
Pengshan New Hope Forage Co., Ltd.	A related party of major shareholder	Pledged	0.5	-
Oriental Hope Group Co., Ltd.	A related party of major shareholder	Guarantee	-	100
Xiamen Fuxin Group Co., Ltd.	Controlled by a director of the Bank	Pledged	300	-
Xiamen Xindi Industry Co., Ltd.	A related party of major shareholder / controlled by a director of the Bank	Guarantee	-	132
China Ship-owners Mutual Assurance Association	Controlled by a director of the Bank / major shareholder	Pledged	34	30
China SME Investment Co., Ltd.	Controlled by a director of the Bank / major shareholder	Guarantee	-	17
Related parties - natural persons	Key management and related party		-	3
Total			1,814	1,653

Note: 1. During the reporting period, in compliance with the Listing Rules of Shanghai Stock Exchange (2004 Revised), the CBRC's Administrative Measures Governing Related-Party Transactions between Commercial Banks and its Insiders or Shareholders (effective on May 1, 2004) and the Bank's Administrative Measures Concerning Related-Party Transactions, the Bank further standardized the disclosures of related party transactions. The above loans have been confirmed by relevant related parties.

2. During the reporting period, the Bank provided no guarantee to and had no unsettled balances with its related parties.

Major Events

5. Major Contracts and Their Performance

During the reporting period, the Bank did not enter into any major custodian, subcontract or lease contracts with other companies or have any such ongoing contracts involving either the assets of the Bank or those of the counterparties. There were also no major contractual disputes. The Bank had not entrusted any cash or assets management businesses to others.

The Bank purchased the Zhongshang Tower at Lujiazui, Shanghai, and carried out reconstruction and expansion of the tower. So far, the parties to the construction contract have fulfilled their contractual duties and the progress of the construction has been smooth. Currently, the reconstruction of the main building has been completed, while the designs of light current system and second phase decoration have been completed. Biddings for light current system and second phase decoration have been completed, and the overall decoration is about to begin.

In regard to the Shunyi Head Office Base project, the Bank has obtained the approval and finalized the document planning and design. It also obtained the approval on detailed construction plan and finished the geological and hydrological investigation on the land of the project. It received review and confirmation on the investigatory results from the regulatory authorities of Beijing municipal government, accomplished the invitation for bidding on the review of engineering designs. It also selected the company for review of the designs, and completed the application and approval procedures for land use planning permit for construction purposes with analysis report on civil air defense, and engineering planning permit for construction purposes. Currently, the Bank is in the process of filing applications for review of extended designs for the fire system and civil air defense system, and completing the design on project engineering.

6. Major Guarantees

The Bank provides no guarantees other than financial guarantees within the scope of business approved by the PBOC.

7. Commitments Made by the Bank

During the reporting period, the Bank had no commitments that required disclosure.

8. Other Major Events

1) On December 28, 2007, the Bank received from the CBRC the Reply on Minsheng Bank's Establishment of Minsheng Royal Fund Management Company (Yinjian Fu [2007] No.615), approving the establishment of Minsheng Royal Fund Management Company, a venture jointly sponsored by the Bank, the Royal Bank of Canada and Three Gorges Financial Co., Ltd.. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on January 3, 2008.

2) The Bank received the notice from the CBRC (Jianguan Erbei [2008] No.004), approving the Bank's equity investment in UCBH Holdings, Inc. with a shareholdings of 4.9%. The Bank received the Reply on the Checking of the Sources of Foreign Funds for Overseas Investment in UCBH Holdings, Inc. (Huishen [2008] No.015) from the Beijing Branch of the State Administration of Foreign Exchange (SAFE), and passed the funding source check for the acquisition of 4.9% equity interests in UCBH Holdings, with the foreign funds, given the amount of less than USD 100 million, to be raised by the Bank through purchase of US dollars with Renminbi . The Bank completed the remittance approval procedure at the Beijing Branch of the SAFE with approved amount of USD 95,731,903.80. For details, please refer

to the China Securities Journal, Shanghai Securities News and Securities Times on March 1, 2008.

3) On March 28, 2008, the Bank received the CBRC's Reply on the Approval of Capital Increase of Shaanxi International Trust & Investment Corp., Ltd. and Other Issues (Yinjian Fu [2008] No.103) forwarded by Shaanxi International Trust& Investment Corp., Ltd., in which the CBRC approved the Bank to subscribe to 143 million shares of Shaanxi International Trust & Investment Corp., Ltd., representing an equity interest of 26.56%. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on March 29, 2008.

4) The Bank received the CBRC's Reply on the Approval the Commencement of Business of Minsheng Financial Leasing Co., Ltd. (Yinjian Fu [2008] No.112), which approved the commencement of business of Minsheng Financial Leasing Co., Ltd.. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on April 8, 2008.

5) The Bank received the CBRC's Reply on CMBC's Issuance of Separately Traded Convertible Corporate Bonds (Yinjian Fu [2008] No.369), which approved the Bank to issue no more than RMB 15 billion of 10-year separately traded convertible corporate bonds. The proceeds of the issuance are eligible for inclusion as supplementary capital in compliance of relevant regulatory requirements. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on September 22, 2008.

6) The Bank received the CSRC's Reply on the Approval of the Establishment of Minsheng Royal Fund Management Co., Ltd. (Zhengjian Xuke [2008] No.1187), which approved the establishment and Articles of Association of Minsheng Royal Fund Management Co., Ltd. (Minsheng Royal Fund), with its registered address at No. 6009, Yitian Road, Futian District, Shenzhen, Guangdong Province. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on October 21, 2008.

7) The Bank received the Opinion on Review of Qualifications of Commercial Banks As Custodian of Insurance Funds (Bao Jian Zi Jin Shen Tuo [2008] No.3) issued by the Department of Insurance Fund Supervision of China Insurance Regulatory Commission, and obtained the qualification to act as insurance fund custodian bank. For details, please refer to the China Securities Journal, Shanghai Securities News and Securities Times on December 3, 2008.

8) The Ningbo branch of the CBRC, in its Reply on the Approval of the Commencement of Business of Cixi Minsheng Rural Banking Corp., Ltd. (Yong Yinjian Fu [2008] No.439), approved the commencement of business and its Articles of Association of Cixi Minsheng Rural Banking Corp., Ltd.. For details, please refer to the Bank's announcements in China Securities Journal, Shanghai Securities News and Securities Times on December 30, 2008.

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Financial Reports

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Auditor's Report

PwC ZT Shen Zi (2009) No.10020

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

We have audited the accompanying financial statements of China Minsheng Banking Corporation Limited (hereinafter referred to as the Bank) and its subsidiaries (hereinafter collectively referred to as the Group), which comprise the balance sheets of the Bank and the Group as at 31 December 2008, and the income statements, the cash flow statements, and the statements on changes in equity of the Bank and the Group for the year then ended and notes to these financial statements.

1. Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes:

(1) Designing, implementing and maintaining internal controls related to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error;
(2) Selecting and applying appropriate accounting policies; and
(3) Making accounting estimates that are reasonable in the circumstances.

2. Auditor's responsibility

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

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

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

3. Audit opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank have been properly prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2008 and the results and cash flows of the Bank and the Group for the year then ended.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company	Certified Public Accountant
Shanghai, the People's Republic of China April, 21 2009	Certified Public Accountant

Financial Reports

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Balance Sheet and the Bank's Balance Sheet

AS AT 31 DECEMBER 2008

(All amounts expressed in millions of Rmb unless otherwise stated)

Items		As at December 31		
		Group	Bank	
Assets	Note	2008	2008	2007
Cash and deposits with the central bank	7(1)	184,778	184,772	110,281
Due from banks and other financial institutions	7(2)	14,748	14,732	8,697
Precious metals		110	110	417
Loans and advances to banks and other financial institutions	7(3)	17,095	17,095	17,438
Trading assets	7(4)	4,405	4,405	2,572
Derivative financial assets	7(5)	1,216	1,216	1,285
Assets purchased under resale agreements	7(6)	35,313	35,313	62,797
Interest receivable	7(7)	3,402	3,399	3,750
Loans and advances to customers, net	7(8)	646,475	646,443	547,296
Available-for-sale financial assets	7(9)	53,472	53,472	60,665
Held-to-maturity investments	7(10)	38,716	38,716	45,816
Investment receivables	7(11)	37,066	37,066	47,449
Long-term receivables	7(12)	5,253	-	-
Long-term equity investments	7(13)	125	2,900	50
Fixed assets	7(14)	6,496	6,472	5,958
Intangible assets		198	187	159
Deferred income tax assets	7(15)	1,079	1,078	64
Other assets	7(16)	4,403	2,765	4,143
Total Assets		1,054,350	1,050,141	918,837

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Balance Sheet and the Bank's Balance Sheet (CONT'D)

AS AT 31 DECEMBER 2008

(All amounts expressed in millions of Rmb unless otherwise stated)

		As at December 31		
Items		Group	Bank	
Liabilities and Shareholders' Equity	Note	2008	2008	2007
Liabilities				
Due to banks and other financial institutions	7(17)	120,244	120,516	79,297
Borrowing from banks	7(18)	31,992	31,992	20,472
Borrowing from foreign governments		391	391	435
Borrowing from other financial institutions		2,600	-	-
Derivative financial liabilities	7(5)	1,239	1,239	1,444
Assets sold under repurchase agreements	7(19)	8,012	7,445	50,484
Customer deposits	7(20)	785,786	785,814	671,219
Payroll and welfare payables		972	972	1,084
Taxes payable	7(21)	2,512	2,516	1,983
Interest payable	7(22)	6,999	6,953	4,900
Provisions		609	609	342
Debt securities in issue	7(23)	33,999	33,999	33,920
Deferred income tax liabilities	7(15)	-	-	1,370
Other liabilities	7(24)	4,323	3,885	1,700
Total Liabilities		999,678	996,331	868,650
Shareholders' Equity				
Share capital	7(25)	18,823	18,823	14,479
Capital surplus	7(26)	18,064	18,048	22,980
Statutory reserve	7(27)	2,983	2,983	2,200
General reserve	7(27)	8,001	8,000	5,800
Retained earnings	7(27)	6,009	5,956	4,728
Capital and reserves attributable to equity holders of the Bank		53,880	53,810	50,187
Minority interest	7(28)	792	-	-
Total Shareholders' Equity		54,672	53,810	50,187
Total Liabilities and Shareholders' Equity		1,054,350	1,050,141	918,837

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

Financial Reports

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Income Statement and the Bank's Income Statement

AS AT 31 DECEMBER 2008

(All amounts expressed in millions of Rmb unless otherwise stated)

		Group	Bank	
Items	Note	2008	2008	2007
Operating Income				
Interest income	7(30)	56,311	56,115	40,070
Interest expense	7(30)	(25,931)	(25,902)	(17,490)
Net interest income		30,380	30,213	22,580
Fee and commission income	7(31)	4,755	4,655	2,665
Fee and commission expense	7(31)	(294)	(293)	(274)
Net fee and commission income		4,461	4,362	2,391
Investment gains/(losses)	7(32)	20	20	(105)
Gain/(loss)from fair value changes of trading assets and derivative financial instruments		206	206	44
Foreign exchange gains		(57)	(57)	388
Other operating income		7	7	3
Operating Expense				
Business tax and surcharges	7(33)	(2,916)	(2,902)	(2,047)
Operating and administrative expenses	7(34)	(14,901)	(14,803)	(11,705)
Impairment losses for assets	7(35)	(6,518)	(6,445)	(2,265)
Other operating expenses		(270)	(270)	(85)
Operating Profit		10,412	10,331	9,199
Add: Non-operating income		157	149	60
Less: Non-operating expenses		(81)	(81)	(47)
Profit Before Income Tax		10,488	10,399	9,212
Less: Income tax expense	7(36)	(2,595)	(2,568)	(2,877)
Net Profit		7,893	7,831	6,335
Attributable to equity holders of the Bank		7,885	7,831	6,335
Minority interest		8	-	-
Earnings per share (expressed in Rmb per share)				
Basic earnings per share	7(37)	0.42		0.36
Diluted earnings per share	7(37)	0.42		0.36

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Group	Note	Capital and reserves attributable to equity holders of the Bank						
		Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Minority interest	Total
At 31 December 2007		14,479	22,980	2,200	5,800	4,728	-	50,187
Add: Cumulative effect of changes in accounting policies		-	-	-	-	-	-	-
Cumulative effect of correction of accounting errors in prior periods		-	-	-	-	-	-	-
At 1 January 2008		14,479	22,980	2,200	5,800	4,728	-	50,187
Arising in the year								
1. Net profit		-	-	-	-	7,885	8	7,893
2. Gains and losses recognized directly in equity								
(1)Net change in fair value of available-for-sale investments								
(i)Amount recognized directly in equity		-	(5,306)	-	-	-	-	(5,306)
(ii)Released to income statement		-	652	-	-	-	-	652
(2) Net change in cash flow hedges								
(i)Amount recognized directly in equity		-	-	-	-	-	-	-
(ii)Released to income statement		-	-	-	-	-	-	-
(iii)Amount charged to initial recognition of hedged instruments		-	-	-	-	-	-	-
(3) Effects of changes in equity of investees under the equity method		-	-	-	-	-	-	-
(4) Income tax impact		-	1,170	-	-	-	-	1,170
(5) Others		-	16	-	-	-	4	20
Subtotal of 1 and 2		-	(3,468)	-	-	7,885	12	4,429

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

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CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Group		Capital and reserves attributable to equity holders of the Bank						
	Note	Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Minority interest	Total
Arising in the year (cont'd)								
3. Movements during the year								
(1) Capital injection		-	-	-	-	-	780	780
(2) Shares issued under share options		-	-	-	-	-	-	-
(3) Shares issued in connection with convertible bonds		-	-	-	-	-	-	-
(4) Changed in equity component of convertible bonds		-	-	-	-	-	-	-
(5) Other		-	-	-	-	-	-	-
4. Distribution of profits								
(1) Appropriation to statutory reserve	7(27)	-	-	783	-	(783)	-	-
(2) Appropriation to general reserve	7(27)	-	-	-	2,201	(2,201)	-	-
(3) Stock dividend	7(29)	2,896	-	-	-	(2,896)	-	-
(4) Cash dividend	7(29)	-	-	-	-	(724)	-	(724)
(5) Others		-	-	-	-	-	-	-
5. Transfers within equity								
(1) Shares issued from capital surplus	7(25)	1,448	(1,448)	-	-	-	-	-
(2) Shares issued from statutory reserve		-	-	-	-	-	-	-
(3) Statutory reserve used to offset losses		-	-	-	-	-	-	-
(4) General reserve used to offset losses		-	-	-	-	-	-	-
At 31 December 2008		18,823	18,064	2,983	8,001	6,009	792	54,672

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao   President: Hong Qi   Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Bank	Note	Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Total
At 31 December 2007		14,479	22,980	2,200	5,800	4,728	50,187
Add: Cumulative effect of changes in accounting policies		-	-	-	-	-	-
Cumulative effect of correction of accounting errors in prior periods		-	-	-	-	-	-
At 1 January 2008		14,479	22,980	2,200	5,800	4,728	50,187
Arising in the year							
1. Net profit		-	-	-	-	7,831	7,831
2. Gains and losses recognized directly in equity							
(1) Net change in fair value of available-for-sale investments							
(i)Amount recognized directly in equity		-	(5,306)	-	-	-	(5,306)
(ii)Released to income statement		-	652	-	-	-	652
(2) Net change in cash flow hedges							
(i)Amount recognized directly in equity		-	-	-	-	-	-
(ii)Released to income statement		-	-	-	-	-	-
(iii)Amount charged to initial recognition of hedged instruments		-	-	-	-	-	-
(3) Effects of changes in equity of investees under the equity method		-	-	-	-	-	-
(4) Income tax impact		-	1,170	-	-	-	1,170
(5) Others		-	-	-	-	-	-
1. Net profit		-	-	-	-	-	-
Subtotal of 1 and 2		-	(3,484)	-	-	7,831	4,347

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

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CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Bank	Note	Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Total
Arising in the year (cont'd)							
3. Movements during the year							
(1) Capital injection		-	-	-	-	-	-
(2) Shares issued under share options		-	-	-	-	-	-
(3) Shares issued in connection with convertible bonds		-	-	-	-	-	-
(4) Changed in equity component of convertible bonds		-	-	-	-	-	-
(5) Others		-	-	-	-	-	-
4. Distribution of profits							
(1) Appropriation to statutory reserve		-	-	783	-	(783)	-
(2) Appropriation to general reserve		-	-	-	2,200	(2,200)	-
(3) Stock dividend		2,896	-	-	-	(2,896)	-
(4) Cash dividend		-	-	-	-	(724)	(724)
(5) Others		-	-	-	-	-	-
5. Transfers within equity							
(1) Shares issued from capital surplus		1,448	(1,448)	-	-	-	-
(2) Shares issued from statutory reserve		-	-	-	-	-	-
(3) Statutory reserve used to offset losses		-	-	-	-	-	-
(4) General reserve used to offset losses		-	-	-	-	-	-
At 31 December 2008		18,823	18,048	2,983	8,000	5,956	53,810

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Bank	Note	Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Total
At 31 December 2006		10,167	2,751	1,566	3,000	1,827	19,311
Add: Cumulative effect of changes in accounting policies		-	-	-	-	-	-
Cumulative effect of correction of accounting errors		-	-	-	-	-	-
At 1 January 2007		10,167	2,751	1,566	3,000	1,827	19,311
Arising in the year							
1. Net profit		-	-	-	-	6,335	6,335
2. Gains and losses recognized directly in equity							
(1) Net change in fair value of available-for-sale investments							
(i)Amount recognized directly in equity		-	8,336	-	-	-	8,336
(ii)Released to income statement		-	124	-	-	-	124
(2) Net change in cash flow hedges							
(i)Amount recognized directly in equity		-	-	-	-	-	-
(ii)Released to income statement		-	-	-	-	-	-
(iii)Amount charged to initial recognition of hedged instruments		-	-	-	-	-	-
(3) Effects of changes in equity of investees under the equity method		-	-	-	-	-	-
(4) Income tax impact		-	(2,069)	-	-	-	(2,069)
(5) Others		-	-	-	-	-	-
Subtotal of 1and 2		-	6,391	-	-	6,335	12,726

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao   President: Hong Qi   Person in charge of financial department: Bai Dan

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CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Changes in Shareholders' Equity and the Bank's Statement of Changes in Shareholder's Equity (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Bank	Note	Capital stock	Capital surplus	Statutory reserve	General reserve	Retained earnings	Total
Arising in the year (cont'd)							
3. Movements during the year							
(1) Capital injection		2,380	15,770	-	-	-	18,150
(2) Shares issued under share options		-	-	-	-	-	-
(3) Shares issued in connection with convertible bonds		-	-	-	-	-	-
(4) Changed in equity component of convertible bonds		-	-	-	-	-	-
(5) Other		-	-	-	-	-	-
4. Distribution of profits							
(1) Appropriation to statutory reserve		-	-	634		(634)	-
(2) Appropriation to general reserve		-	-	-	2,800	(2,800)	-
(3) Stock dividend		-	-	-	-	-	-
(4) Cash dividend							
(5) Others							
5. Transfers within equity							
(1) Shares issued from capital surplus		1,932	(1,932)	-	-	-	-
(2) Shares issued from statutory reserve		-	-	-	-	-	-
(3) Statutory reserve used to offset losses		-	-	-	-	-	-
(4) General reserve used to offset losses		-	-	-	-	-	-
At 31 December 2007		14,479	22,980	2,200	5,800	4,728	50,187

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Cash Flow and the Bank's Statement of Cash Flow

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Items	Note	Group 2008	Bank 2008	Bank 2007
Cash flows from operating activities				
Net increase in deposits from customers and banks		155,514	155,814	111,314
Interest income, fee and commission received		57,587	57,282	38,795
Other income		1,899	1,249	698
Cash inflows from operating activities		215,000	214,345	150,807
Net increase in loans and advances to customers		(104,729)	(104,697)	(83,663)
Net increase in deposit with central bank and due from banks		(4,909)	(4,905)	(34,066)
Net decrease in borrowings from other financial institutions		(3,123)	(3,690)	(13,065)
Interest, expense fee and commission paid		(22,732)	(22,732)	(14,610)
Cash paid to and on behalf of employees		(8,060)	(8,017)	(6,082)
Income taxes paid		(6,312)	(6,263)	(4,433)
Cash paid relating to other operating activities		(11,933)	(7,434)	(8,917)
Cash outflows from operating activities		(161,798)	(157,738)	(164,836)
Net cash from operating activities	7(38)	53,202	56,607	(14,029)
Cash flows from investing activities				
Cash received from disposal of investments		115,192	115,192	49,289
Net investment income received		3,846	3,846	2,317
Cash received from disposal of fixed assets, intangible assets and other long-term assets		8	8	19
Cash inflows from investing activities		119,046	119,046	51,625
Cash paid to acquire investments		(96,242)	(96,417)	(97,049)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,686)	(1,540)	(1,360)
Cash outflows from investing activities		(97,928)	(97,957)	(98,409)
Net cash from investing activities		21,118	21,089	(46,784)

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

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CHINA MINSHENG BANKING CORP., LTD.

Consolidated Statement of Cash Flow and the Bank's Statement of Cash Flow

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in millions of Rmb unless otherwise stated)

Items	Note	Group 2008	Bank 2008	Bank 2007
Cash flows from financing activities				
Cash received from investments		780	-	-
Cash received from issuance of debt securities		-	-	11,970
Cash received from other financing activities		2,670	-	18,150
Cash inflows from financing activities		3,450	-	30,120
Cash paid for interest on debt securities		(2,060)	(2,054)	(862)
Cash paid for other financing activities		(50)	-	-
Cash outflows from financing activities		(2,110)	(2,054)	(862)
Net cash from financing activities		1,340	(2,054)	29,258
Effect of exchange rates on cash and cash equivalents		(378)	(378)	(204)
Net increase/(decrease) in cash and cash equivalents	7(38)	75,282	75,264	(31,759)
Add: Cash and Cash Equivalents at beginning of year	7(38)	37,020	37,020	68,779
Cash and cash equivalents at end of year	7(38)	112,302	112,284	37,020

The accompanying notes form an integral part of these financial statements.

Chairman of the Board/Legal representative: Dong Wenbiao President: Hong Qi Person in charge of financial department: Bai Dan

CHINA MINSHENG BANKING CORP., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts expressed in millions of Rmb unless otherwise stated)

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the"Bank") is a national joint stock commercial bank established in the People's Republic of China ("PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China (the "PBOC"). In 2000, the Bank issued 350,000,000 shares of A-share common stock in local currency Renminbi ("Rmb") which has been listed and traded on the Shanghai Stock Exchange since 2000.

The Bank operates under a financial licence (No. B10911000H0001) granted by the China Banking Regulatory Commission (the"CBRC") and a corporate legal person licence (No. 1000001001898) granted by the State Administration for Industry and Commerce.

By end of December 2008, the Bank had established 25 branches in Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Dalian, Nanjing, Hangzhou, Chongqing, Xi'an, Jinan, Fuzhou, Ningbo, Chengdu, Taiyuan, Suzhou, Quanzhou, Shijiazhuang, Kunming, Tianjin, Qingdao, Wenzhou, Xiamen, Zhengzhou and Changsha. Apart from these branches, the Bank also has a sub-branch in Shantou, Guangdong Province, which directly reports to the Head Office.

The principle activities of the Bank are: deposit-taking; granting of loans; granting of entrusted loans; domestic and international settlement; bill discounting; issuing financial institution bonds; acting as an agent to issue, settle and underwrite government bonds; trading of bonds issued by financial institutions, government and corporations. It is also involved in inter-bank borrowing and lending; trading of foreign exchange and other derivative financial instruments for the bank or on behalf of its customers; issuing letters of credit ("L/C") and financial guarantees; acting as agent for inward and outward payments, and underwriting of insurance products. Other businesses include safety-box services; credit card business; custodian service for national social insurance funds; and other financial businesses approved by the PBOC or CBRC.

In 2008, in partnership with other sponsors, the Bank separately set up Minsheng Financial Leasing Company (hereinafter referred to as Minsheng Leasing), Minsheng Royal Fund Management Company (hereinafter referred to as Minsheng Royal Fund), Pengzhou Minsheng Township Bank (hereinafter referred to as Pengzhou Township Bank), and Cixi Minsheng Township Bank (hereinafter referred to as Cixi Township Bank). The Bank has effective control of these entities, and collectively, the Bank and these entities form the Minsheng Banking Group or the Group. Therefore, in 2008, the Bank prepared consolidated financial statements for the Group for the first time.

On 21 April, 2009, the Board of Directors of the Bank authorized these accounts for issue in accordance with a resolution.

2 BASIS OF PREPARATION

These financial statements of the Bank and the Group have been prepared in accordance with "Accounting Standards for Business Enterprises – Basic Standard" and 38 Specific Standards issued by the Ministry of Finance on 15 February 2006, and the Application Guidance, Interpretations and other relevant rules and regulations subsequently released (hereinafter collectively referred to as the "China Accounting Standards" or CAS).

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

These financial statements for the year ended 31 December 2008 are prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly, in all material respects, the financial position of the Bank and of the Group as of 31 December, 2008, and the results and cash flows for the year then ended.

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4 PRINCIPAL ACCOUNTING POLICIES

(1) Accounting year

The Bank's accounting year starts on 1 January and ends on 31 December.

(2) Functional currency

The functional currency of the Group is the Renminbi ("Rmb").

(3) Basis of measurement

These financial statements have been prepared on a historical cost basis, except as disclosed fair value, net realizable value or present value or others have been used.

(4) Foreign currency translation

Transactions in a currency other than RMB ("foreign currency") are translated into Rmb using the exchange rates at the dates of the transactions.

At the balance sheet date, currency translation differences from the translation of monetary items in foreign currencies into Rmb using exchange rates at the balance sheet date are recognized directly in the income statement unless they arise from borrowings in foreign currencies designated to purchase or produce assets qualifying for capitalization. Non-monetary items in foreign currencies are recorded at historical cost and translated into Rmb using the exchange rates at the dates of the transactions. The effect of exchange rate on the cash flows is presented separately in the cash flow statement.

(5) Cash and cash equivalents

For the purposes of presentation in the cash flow statement, cash refers to cash in hand and deposits in banks readily available for making payments, including unrestricted deposits with the PBOC, due from other banks and financial institutions. Cash equivalents refer to short-term high-liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. These include time deposits with other banks and other monetary assets, such as marketable government bonds, with maturity of less than three months.

(6) Precious metals

Precious metals held by the Group mainly comprise gold traded in international and domestic markets. All precious metals are initially recognised at cost and subsequently re-measured at fair value at the balance sheet date, and all gains or losses from changes therein are recognised in the income statement as they arise.

(7) Financial assets

The Group classifies its financial assets in the following four categories: financial assets at fair value through profit or loss, loans and receivables including investment receivables, held-to-maturity investments and available-for-sale financial investments. Management determines the classification of its financial assets at initial recognition according to the Group's intention for acquiring and ability to hold the investment.

Regular way purchases or sales of financial assets are recognized and derecognized on trade date. The trade date is the date on which an entity commits to purchase or sell the financial asset.

Regular way purchases or sales of a financial asset are those under contractual terms which require delivery of the asset within the time frame generally established by relevant regulations or market convention.

(a) Financial assets at fair value through profit or loss

This category mainly comprises trading assets.

A financial asset is classified as financial asset at fair value through profit or loss if it is acquired principally for the purpose of selling or repurchasing it in the short term, or if it is managed as part of a portfolio of identified financial instruments for which there is evidence of actual patterns of short-term profit-taking. Derivatives are also included as trading assets.

Financial assets in this category are initially recognised at fair value, and subsequently carried at fair value on balance sheet date. Gains and losses arising from changes in the fair value of trading assets are recognized in the income statement in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include deposits with the PBOC, due from banks and other financial institutions, loans and advances to banks and other financial institutions, reverse repurchase agreements, loans and advances to customers, investment receivables, long-term receivables and other receivables. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. Loan and receivables are initially recognised at fair value plus transaction costs, and subsequently carried at amortized cost less impairment allowances on balance sheet date.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, fixed maturities, and the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transaction costs, and carried at amortized cost less impairment allowances on each balance sheet date.

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

(d) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets that are either designated in this category at initial recognition, or not classified as loan and receivables, held-to-maturity investments or financial assets at fair value through profit and loss. In general, available-for-sale investments are held for an indefinite period of time, which may be sold for liquidity or due to changes in interest rates, exchange rates or prices. Available-for-sale investments are initially recognized at fair value plus transaction costs. Gains and losses net of tax, arising from changes in the fair value of available-for-sale financial assets are recognized directly in capital under shareholder's equity. When the financial asset is derecognized or impaired, the cumulative gain or loss previously recognized in equity is transferred to in the income statement.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or when have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value is the amount for which an asset is exchanged, or a liability is settled, between knowledgeable and willing parties at an arm's length transaction. The fair values of financial I instruments traded quoted investments in active markets used by the Group are based on quoted market prices, which refer to prices readily and regularly available from an exchange, industry group, pricing service agency, and represent prices of actual market transactions. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques, including reference to recent arm's length transaction, current fair value of similar instrument in substance, discounted cash flow analysis and option pricing models.

(8) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis.

(9) Impairment of financial assets

Except for financial assets that are measured at fair value and whose changes in faire value are recognized in the income statement, the Group reviews at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. The Group determines that a financial asset or a portfolio of financial assets is impaired and recognizes an impairment loss if there is objective evidence that an event or events since initial recognition have adversely affected the amount and timing of future cash flows from the asset.

Objective evidence that a financial asset is impaired includes the observable data about the following loss events:

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• Significant financial difficulties experienced by the issuer or obligor;
• Breach of loan covenants or conditions, such as a default or delinquency in contractual payments of interest or principal;
• Concession granted to the borrower in financial difficulty for economic or legal reasons, that the lender would not otherwise consider;
• High probability of bankruptcy or financial restructuring in other forms;
• Financial assets are no longer traded in an active market due to severe financial difficulties experienced by the issuer;
• Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since initial recognition, although it cannot be identified against individual financial assets. These include adverse changes in the repayment status of borrowers, increasing unemployment in the country or region of the borrowers, significant decrease in prices of collaterals in the relevant regions or an adverse change in industry conditions that affect the borrowers in the portfolio;
• Significant adverse changes have taken place in the technological, market, economic or legal environment of the issuer, resulting in the possibility of the cost of the investment not recovered;
• Significant and prolonged decrease in market prices of equity investments; and
• Other objective evidence indicating financial assets are impaired.

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

(a) Assets carried at amortized cost

If an impairment loss has been incurred on individual loans and receivables or held-to-maturity investments carried at amortized cost, the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Original effective interest rate is the effective interest rate computed at initial recognition. If loans and receivables or held-to-maturity investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may calculate impairment based on fair value using an observable market price. Estimation of future cash flows does not consider future credit losses that have not been incurred, but considers, net proceeds result from foreclosure less costs disposed of the collateral.

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

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the impairment losses in the income statement.

If the amount of the impairment losses decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by adjusting the allowance account accordingly. The write back is recognized in the income statement.

(b) Available-for-sale financial investments

The Group performs impairment assessment on available-for-sale financial investments as individually significant financial assets.

If there is objective evidence that available-for-sale financial investment is impaired, such as a significant or prolonged decline in the fair value of below its cost, the cumulative loss resulting from the decrease in fair value is removed from equity and recognized in the income statement. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any principal repayment and amortization and any impairment loss on that financial asset previously recognized in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. Impairment losses recognized in the income statement on equity instruments classified as available for sale financial assets are reversed through shareholders' equity.

(10) Long-term equity investments

Long term equity investments include investments in subsidiaries and other equity investments where the Bank does not have control, joint control or significant influence over the investees or the Bank is not able to obtain quoted prices in an active market or reliably measure their fair value.

Subsidiaries are entities over which the Group who has power to govern the financial and operating policies and obtain benefits from its activities. When assessing whether it has the power to control, the Bank considers the existence and effect of potential voting rights currently exercisable or convertible, including convertible debts or share options. Investments in subsidiaries are reported based on the amounts determined using the cost method in the Bank's financial statements, and are consolidated in the consolidated financial statements using the equity method.

The cost method is used for other equity investments where the Bank does not have control, joint control or significant influence over the investees or the Bank is not able to obtain quoted prices in an active market or reliably measure their fair values.

Long-term equity investments accounted for using the cost method are initially measured at cost. Cash dividends or profits declared by the investees are recognized as investment income in the current period, which should be limited to those distributed out of the accumulated net profit generated by the investee after the investment has been made. And any excessive amount received should be treated as recovery of investment cost to reduce the carrying amount of the investments.

(11) Derivative financial instruments and embedded derivative financial instruments

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

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

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. Changes in the fair values of derivative financial instruments are recognized in the income statement as gains/losses from changes in fair values, and reported under “derivative financial assets” and “derivative financial liabilities” on the balance sheet.

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

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

(12) Assets purchased under resale agreements and assets sold under repurchase agreements

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

Assets purchased under resale agreements and assets sold under repurchase agreements are recognized at actual amount paid or received, and booked into "assets purchased under resale agreements" account and "assets sold under repurchase agreements" account respectively at transaction dates. The related discounted bills, bonds and loans under repurchase agreements are also reflected in related asset lines.

(13) Fixed assets

(a) Recognition and depreciation

Fixed assets include premises, buildings, operating equipment and motor vehicles. Fixed assets are stated at cost when they are purchased or constructed.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced parts is derecognized. All other repairs and maintenance costs are charged to the income statement when incurred.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. For fixed assets for which impairment losses have been provided, their depreciable amounts to be allocated over the remaining lives are determined based on their carrying amount less impairment losses.

The following are the estimated useful lives, residual rates and depreciation rates of the fixed assets:

	Estimated useful lives	Estimated residual rates	Estimated depreciation rates
Buildings	20-30 years	5%	3%-4.75%
Operating equipment (including machinery, office equipment, and electronic equipment)	5-10 years	5%	10%-19%
Motor vehicles	5 years	5%	19%

The Group reviews the depreciation methods, residual values and estimated useful lives of its fixed assets, and makes adjusted as appropriate at each balance sheet date.

Fixed assets are derecognized on disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of the fixed assets, including sale, transfer, retirement or destruction, are included in the income statement after deduction of their carrying amounts and relevant taxes from the disposal proceeds.

(b) Construction in progress

Construction in progress represents the assets under construction or being installed and is stated at cost. Cost comprises construction cost and other direct expenses, purchase cost of equipment, installation costs, and also interest expenses from financing the project before it is ready for use. Construction in progress is transferred to fixed assets when it is ready for the intended use, and depreciated from the following month.

(14) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held by the Group, including mainly computer software and other intangible assets.

Computer software is stated at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives and is recognized in the income statement.

(15) Leases

(a) Classification of leases

A finance lease is a lease that the lessor transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

(b) Operating leases

In an operating lease where the Group is the lessee, the rental expenses are charged to the income statement on a straight line basis over the period of the lease.

(c) Finance leases

When the Group is a lessor under finance leases, the present value of the aggregation of the minimum lease payment receivable from the lessee and any unguaranteed residual value is recognized as a receivable in "Other assets". The difference between the aggregation of the minimum lease payment receivable from the lessee and unguaranteed residual value and their present value is recognized as unearned finance income.

Unearned finance income is allocated in each period over the term of the lease using an interest rate which reflects a constant rate of return.

(16) Long-term prepaid expenses

Long-term prepaid expenses represent improvements of operating leased fixed assets and expenditures which have been paid and have an amortization life of more than one year. They are amortized on a straight-line basis over the benefit period, and carried at cost less amortisation.

(17) Foreclosed assets

Foreclosed assets are initially recognized at fair value upon acquisition and stated in the balance sheet at the lower of the carrying amount and their recoverable amount at the period end.

(18) Impairment of non-financial assets

If there is indication at the balance sheet date that fixed assets, construction in progress, intangible assets with limited useful lives, long-term equity investment in subsidiaries and foreclosed assets may be impaired, the Group conducts tests for impairment on these assets. If the results indicate that the recoverable amount of an asset is lower than its carrying amount, the difference is recognized as an impairment loss and impairment provision is accordingly made. The recoverable amount is the higher of the fair value less costs to sell and the present value of the estimated future cash flows from the asset. The allowance for impairment loss is calculated and recognized by individual asset. If the recoverable amount of an individual asset cannot be established, the individual asset shall be included in a cash-generating unit to which the asset belongs to determine the recoverable amount. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Once recognized, such impairment losses shall not be reversed in a subsequent period by any amount recovered.

(19) Financial liabilities

The Group classifies its financial liabilities into the following two categories at initial recognition:

- Financial liabilities at fair value through profit or loss, including financial liabilities held for trading, and those designated at fair value through profit or loss at inception. Derivative financial liabilities are also classified as financial liabilities held for trading.

- Other financial liabilities, including due to banks and other financial institutions, loans and advances to banks and other financial institutions, borrowings from foreign governments, assets sold under repurchase agreements, customer deposits and debt securities in issue, are measured at amortized cost.

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(20) Debt securities in issue

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

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

(21) Employee benefits

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

The employee benefits expense is recognized during an employee' s period of service, and is allocated to relevant cost and expense accounts of parties that benefit from the service provided.

(22) Employee social security benefits

The Group participates in employee social security plans, including pension, medical, housing and other social welfare benefits, organized and administered by the government authorities. The Group also participates in a supplementary pension scheme provided by commercial insurance companies. The Group has no other substantial employee benefit commitment.

In accordance with relevant regulations and contracts, the premiums and benefit contributions are calculated based on percentages of the total salary of employees, subject to certain ceilings, and are paid to the social welfare authorities and insurance companies. The related costs are charged to the income statement as operating expenses when incurred.

(23) Deferred income taxes

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or deferred tax liability is recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit and loss at the time of transaction. At balance sheet date, deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred income tax liabilities on taxable temporary differences arising from investment in subsidiaries are recognized, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future. Deferred income tax assets on taxable temporary differences arising from investment in subsidiaries are recognized when it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset if, and only if:

- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity;
- the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

(24) Provisions

Provisions are recognized in respect of the issuance of letters of credit, letters of guarantee and acceptances, it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation as a result of part extents, and a reliable estimate can be made of the amount of the obligation. Future operating losses are not recognized as provisions.

Provisions are measured at the best estimates of the expenditures expected to be required to settle the present obligation, after comprehensive consideration of relevant risks, uncertainties and time value of money specific to contingent liabilities, among others. If the effect of the time value of money is material, the best estimate is determined by discounting the relevant future cash outflows. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

At each balance sheet date, the Group reviews the carrying amount of provisions and makes adjustment if appropriate to reflect the best estimation at that date.

(25) Interest income and expense

Interest income and expense of financial assets carried at amortized cost and the interest-bearing financial assets classified as available-for-sale are recognized on an accrual basis using the effective interest method.

The effective interest method is a method for calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, repurchase and similar options) but not future credit losses. The calculation includes all transaction costs, including fees and commissions, and premiums and discounts paid or received between parties to the contract. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group uses the contractual cash flows of the financial instrument.

(26) Fee and commission income and expense

Fee and commission income and expense are recognized on an accrual basis when the service is provided.

(27) 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 assets of the Group.

Entrusted loans are those funded by the Group's clients (as principals) who also assume the risks of the loans, and disbursed, administered and collected by the Group as the agent (the trustee) in accordance with the conditions specified by the principals with regard to the potential borrowers, purpose, amount, tenor and interest rates. The entrusted loans are recorded as off balance-sheet transactions. The funds provided by the principal are recorded in the entrusted loans account by the amount received. When the Group grants loans according to the instructions of the principals, it credits the actual amounts in the entrusted loans account. In conducting entrusted loan businesses, the Group does not make advances or assume credit risks, and only charges a commission, which is recognized as an income on an accrual basis.

(28) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

(29) Contingent liabilities

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

A contingent liability is not recognized as a provision but is disclosed in the notes to the financial statements. When changes occur that the outflow becomes probable and the amount can be reliably measured, it will then be recognized as a provision.

(30) Segment reporting

A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns different from those of segments operating in other economic environments. A business segment a distinguishable component of the Group engaged in providing a product or group of products or services that are subject to risks and returns that are different from those of other business segments.

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The Group uses geographical segment as the primary reporting segment, and uses business segment as the secondary.

The Group's businesses operate in four main geographical areas within the PRC: Northern China, Eastern China, Southern China and other locations.

The Group's businesses operate in four main business areas: corporate banking, retail banking, treasury and others.

(31) Preparation of consolidated financial statements

The scope of the consolidated financial statements includes the Bank and its subsidiaries. Basic information on the subsidiaries is included in Note 7 (13).

The Group consolidates its subsidiaries from the date on which control is acquired until the date control ceases. All material intragroup balances, transactions and unrealized profits from intragroup transactions are eliminated in preparing the consolidated financial statements. The portions of equity and current net profit of a subsidiary attributable to equity interests not owned by the Bank are presented separately as minority interests within equity and minority interests in the income statement respectively in the consolidated financial statements.

If a subsidiary adopts accounting policies or a reporting period that are different from those adopted by the Bank, necessary adjustments shall be made to the subsidiary's financial statements according to those of the Bank in consolidation.

(32) Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation in the current period.

5CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below. It is possible that actual results may differ significantly from the accounting estimates and judgments referred to below.

(1) Allowances for impaired loans

In addition to individual impairment assessment identified for impaired loans, the Bank reviews its loan portfolios to assess impairment regularly. In determining whether an impairment allowance should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a decrease in the estimated future cash flows from a portfolio of loans where individual assessment has not identified the decrease. This evidence may include observable data indicating that there has been an adverse change in the payment ability of borrowers or whether there have been significant changes with adverse effect in the economic environment in which the borrowers operate that may result in defaults in the group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimated loss estimates and actual loss experience.

(2) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those responsible for creating the models. To the extent practical, models use only observable data, however, factors such as credit risks (both own and those of the counterparties), market interest rate volatilities and correlations still require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(3) Impairment of available-for-sale financial investments and held-to-maturity investments

The Group follows Accounting Standards for Business Enterprises No. 22 in determining impairment of available-for-sale financial investments and held-to-maturity investments. The determination of impairment requires a high level of management judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term financial position and business outlook for the investee. These include factors such as industry performance, technological changes, credit ratings, delinquency rates, loss provision coverage and counterparty risk.

(4) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances such as, selling an insignificant amount close to maturity, it will be required to reclassify the entire portfolio of assets as available-for-sale investments, and measure them at fair value instead of amortized cost.

(5) Income taxes

During the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period during which such determination is made.

On 16 March 2007, the National People's Congress adopted the Corporate Income Tax Law of the People's Republic of China (hereinafter referred to as the New CIT Law), which became effective on 1 January 2008. In the ordinary course of business, the ultimate tax treatment and computation of many transactions involve uncertainties due to the impact of, among other things, implementation rules of the New CIT Law that have not been finalized. The Group makes tax estimates on the tax deductibility of loan loss write-offs and losses on disposal of non-performing loans based on current applicable tax laws and regulations, and prior responses of government authorities to the Group in previous years.

Where the final tax outcome of these matters is different from the estimates, such differences will impact the income tax and deferred income tax provisions in the period during which such determination is made.

6 TAXATION

The major applicable taxes, tax rates and taxable bases are as following:

Applicable Taxes	Rates	Taxable Bases
Income tax	25% and 18%	Taxable income
Business tax	5%	Taxable turnover

The Group complies with local governmental tax regulations in different tax jurisdictions and is subject to different tax rates and tax bases. The corporate income tax rate applicable to the Group is adjusted from 33% to 25% since 1 January 2008. In accordance with the Notice on the Preferential Policies for the Transitional Period in the Implementation of the Corporate Income Tax Law (Guofa [2007] No. 39), the corporate income tax rate applicable to Shenzhen Branch shall be gradually adjusted to 25% during the 5-year period from 2008 to 2012. The income tax rate applicable to Shenzhen Branch in 2008 is 18% (2007: 15%).

According to the Cooperation Agreement between Tianjin Airport Industrial Park Administrative Committee and Minsheng Financial Leasing Co., Ltd., Minsheng Leasing enjoys full refunding of its business tax in the first two years upon commencement of its operations, and refunding of half of its business tax in the subsequent five years. It also can receive refunds of 40% of the corporate income tax attributable to the local municipality in the first two years upon commencement of its business operation, and refunds of half of the 40% of the corporate income tax attributable to the local municipality in the subsequent three years.

According to Interim Measures for Corporate Income Tax Allocation and Budget Management of Business Enterprises with Branches in Different Provincial Jurisdiction (Cai Yu [2008] No.10) and Interim Administrative Measures for Cross-Region Business Enterprises Taxed as One Entity(Guo Shuifa [2008] No.28), the Bank adopts the tax approach for its domestic operations that involves centralized calculation of taxes, tiered tax administration, provisional tax payment to local tax authorities, centralized settlement at the period end and centralized tax revenue allocation by the Ministry of Finance.

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7 NOTES TO THE FINANCIAL STATEMENTS

(1) Cash and deposits with the central bank

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Cash	2,900	2,898	3,289
Restricted deposits with the PBOC	84,457	84,453	81,284
Unrestricted deposits with the PBOC	97,421	97,421	25,708
Total	184,778	184,772	110,281

The Group is required to maintain a restricted general reserve deposit with the PBOC which cannot be used in its daily operations. As at 31 December 2008, the reserve deposit ratio for Rmb deposits of the Bank was 13.5% (2007: 14.5%), and the reserve deposit ratio for foreign currency deposits is 5% (2007: 5%).

(2) Due from banks and other financial institutions

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Demand deposits with overseas banks and other financial institutions	3,643	3,643	2,644
Demand deposits with domestic banks and other financial institutions	5,270	5,254	4,760
Time deposits with domestic banks			
- Original maturity within 3 months	2,868	2,868	62
- Original maturity over 3 months	2,967	2,967	1,231
Total	14,748	14,732	8,697

(3) Loans and advances to banks and other financial institutions

	31 December 2008 Group & Bank	31 December 2007 Bank
Loans to domestic banks	8,890	11,829
Loans to other domestic financial institutions	8,297	5,703
Total	17,187	17,532
Less: allowance for impairment losses	(92)	(94)
Net	17,095	17,438

Maturity of loans and advances to banks and other financial institutions is analyzed as follows:

	31 December 2008 Group & Bank	31 December 2007 Bank
Within one year	16,225	15,201
Over one year	870	2,237
Total	17,095	17,438

The movement of allowance for impairment losses is as follows:

	31 December 2008 Group & Bank	31 December 2007 Bank
Balance at January 1	(94)	(96)
Allowance for impairment losses	2	2
Balance at December 31	(92)	(94)

(4) Trading assets

	31 December 2008 Group & Bank	31 December 2007 Bank
Government and quasi-government bonds	3,069	1,031
Financial institution bonds	-	328
Corporate bonds	1,336	1,213
Total	4,405	2,572

As at 31 December 2008, government bonds and financial institution bonds amounting to Rmb 2 billion (2007: nil) were pledged as collateral under agreements signed with other financial institutions. Please refer to note 9(4) for details.

(5) Derivative financial assets and liabilities

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

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

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

The credit risk faced by the Group arising from derivative financial products means, if a counterparty fails to fulfil 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 provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates or equity/commodity prices relative to their terms. The aggregate contractual or notional amount of derivative financial instrument on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

		31 December 2008	
	Contract/notional	Fair values	
Group & Bank	Amount	Assets	Liabilities
Currency forwards	11,498	211	(266)
Interest rate swaps	17,711	987	(969)
Currency swaps	1,531	18	-
Precious metal swaps	163	-	-
Credit default swaps	68	-	(4)
Extension options	9,015	-	-
Total		1,216	(1,239)

		31 December 2007	
	Contract/notional	Fair values	
Bank	Amount	Assets	Liabilities
Currency forwards	13,398	310	(301)
Interest rate swaps	44,528	962	(1,135)
Currency swaps	1,359	12	(4)
Precious metal swaps	370	1	(3)
Credit default swaps	73	-	(1)
Extension options	9,015	-	-
Total		1,285	(1,444)

(6) Assets purchased under resale agreements

	31 December 2008 Group& Bank	31 December 2007 Bank
Discounted bills	23,463	55,791
Treasury and central bank bills	10,450	-
Loans	1,400	7,006
Total	35,313	62,797

(7) Interest receivables

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Debt securities	1,629	1,629	1,998
Loans and advances	1,637	1,637	1,605
Other interest receivable	136	133	147
Total	3,402	3,399	3,750

As at 31December 2008, there was no balance of interest receivable with shareholders holding 5% or more of the share capital of the Bank (2007: nil).

(8) Loans and advances to customers

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Loans to corporate entities			
- Corporate loans	475,185	475,176	410,397
- Discounted bills	63,931	63,917	34,662
- Others	10,673	10,673	10,440
Subtotal	549,789	549,766	455,499
Loans and advances to individuals			
- Mortgage loans	87,401	87,397	89,589
- Credit cards	12,727	12,727	5,426
- Others	8,443	8,438	4,445
Subtotal	108,571	108,562	99,460
Total	658,360	658,328	554,959
Less: allowance for impairment losses			
- Individual assessment	(3,990)	(3,990)	(3,494)
- Collective assessment	(7,895)	(7,895)	(4,169)
	(11,885)	(11,885)	(7,663)
Loans, net	646,475	646,443	547,296
Maturity of loans and advances to customers is analyzed as follows:			
Within one year	399,679	399,647	308,344
Over one year	246,796	246,796	238,952
Total	646,475	646,443	547,296

Included in ordinary corporate loans of the Group are those placed as collaterals under repurchase agreements entered into with other banks amounting to Rmb 214 million (2007: Rmb 100 million). Also included in discounted bills are those placed as collateral under repurchase agreements entered into with other banks amounting to Rmb 5.231 billion (2007: Rmb 38.241 billion). Please refer to Note 9(4) for more details.

As at 31 December 2008, there was no balance of receivables with shareholders holding 5% or more of the share capital of the Bank (2007: nil). Please refer to Note 12: Related Parties, for loan balances with other shareholders of the Bank.

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(a) Loans and advances analyzed by industries is as follows:

	31 December 2008 Group		31 December 2008 Bank		31 December 2007 Bank	
	Amount	(%)	Amount	(%)	Amount	(%)
Loans to corporate entities						
Manufacturing	103,132	15	103,129	15	106,276	18
Commercial real estate	90,158	14	90,150	14	71,903	13
Transportation, warehousing and postal service	69,840	11	69,840	11	48,452	9
Leasing and commercial services	51,045	8	51,045	8	26,687	5
Production and supply of power, gas and water	46,761	7	46,761	7	50,563	9
Water conservancy, environment and public utilities management	40,262	6	40,261	6	37,678	7
Mining	28,601	4	28,601	4	15,470	3
Wholesale and retail	25,811	4	25,811	4	26,108	5
Construction	25,307	4	25,307	4	24,786	4
Financial services	25,135	4	25,127	4	8,704	2
Education and community services	14,290	2	14,290	2	17,418	3
Public administration and social organizations	13,942	2	13,942	2	7,811	1
Information transmission, IT service and software industry	4,960	1	4,960	1	4,307	1
Others	10,545	2	10,542	2	9,336	2
Total	549,789	84	549,766	84	455,499	82
Loans and advances to individuals	108,571	16	108,562	16	99,460	18
Total	658,360	100	658,328	100	554,959	100

More information on loans and advances by regions is included in Note 11(2) j (i): Geographical sectors.

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

	31 December 2008 Group		31 December 2008 Bank		31 December 2007 Bank	
	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	173,421	26	173,421	26	151,018	27
Guaranteed loans	150,383	23	150,382	23	142,165	26
Secured loan						
- Collateralized loans	220,754	34	220,742	34	184,585	33
- Pledged loans	113,802	17	113,783	17	77,191	14
Total	658,360	100	658,328	100	554,959	100

(c) Overdue loans is analyzed as follows:

Group & Bank	31 December 2008 Overdue less than 3 months	Overdue for 3 months to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	2,010	774	73	191	3,048
Guaranteed loans	51	751	1,094	410	2,306
Secured loans					
- Collateralized loans	3,512	3,180	1,294	432	8,418
- Pledged loans	24	820	56	25	925
Total	5,597	5,525	2,517	1,058	14,697

Bank	31 December 2007 Overdue less than 3 months	Overdue for 3 months to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	437	158	451	24	1,070
Guaranteed loans	56	456	1,789	582	2,883
Secured loans					
- Collateralized loans	3,310	825	1,925	516	6,576
- Pledged loans	179	7	127	111	424
Total	3,982	1,446	4,292	1,233	10,953

Overdue loans refer to loans with principals or interests overdue for 1 day or more.

(d) Allowance for impaired loans is analyzed as follows:

	Loans to corporate entities and advances Individual assessment	Loans to corporate entities and advances Collective assessment	Loans to individuals and advances Collective assessment	Total
Group & Bank				
Balance at 1 January 2008	(3,494)	(3,250)	(919)	(7,663)
Provision for impairment losses	(1,716)	(3,481)	(489)	(5,686)
Reclassification	(95)	95	-	-
Amounts written off during the year as uncollectible	1,200	16	124	1,340
Transfer out	-	-	-	-
Recovery after write-off	(56)	-	-	(56)
Unwinding of discount on allowance	164	-	-	164
Translation difference	7	7	2	16
Balance at 31 December 2008	(3,990)	(6,613)	(1,282)	(11,885)
Bank				
Balance at 1 January 2007	(3,472)	(2,228)	(716)	(6,416)
Provision for impairment losses	(742)	(1,230)	(265)	(2,237)
Reclassification	(141)	141	-	-
Amounts written off during the year as uncollectible	667	63	62	792
Transfer out	36	-	-	36
Recovery after write-off	(9)	-	(1)	(10)
Unwinding of discount on allowance	160	-	-	160
Translation difference	7	4	1	12
Balance at 31 December 2007	(3,494)	(3,250)	(919)	(7,663)

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(9) Available-for-sale financial assets

	31 December 2008 Group & Bank	31 December 2007 Bank
Debt securities (1)		
Government and quasi-government bonds		
- listed	33,985	28,458
- unlisted	4,585	8,075
Financial institution bonds		
- listed	730	1,019
- unlisted	2,497	3,716
Corporate bonds		
- listed	7,948	8,594
- unlisted	91	297
Subtotal	49,836	50,159
Equity investment (2)	3,636	10,506
Total	53,472	60,665
Maturity of available-for-sale financial assets is analyzed as follows:		
Within one year	11,180	12,559
Over one year	42,292	48,106
Total	53,472	60,665

(a) As at 31 December 2008, available-for-sale financial assets amounting to Rmb 0.183 billion (2007: 0.34 billion) were pledged as collateral under agreements signed with other financial institutions, including repurchase agreements, derivative contracts, issuance of convertible bonds, issuance of guarantees, and contractual deposits. Please refer to Note 9(4) for details.

In 2008, the Group did not reclassify any financial assets carried at fair value to assets carried at amortized cost (2007: nil).

(b) Equity investments include mainly equity interests acquired through foreclosure of assets in Haitong Securities Company Limited (Haitong Securities), a listed related-party of the Bank, and equity interests in UCBH Holdings, Inc. (UCBH).

As at 31 December 2008, the Bank held 380 million shares or 4.63% of total shares in Haitong Securities (2007: 190 million shares and shareholding of 4.63%. The number of shares had increased due to ex-rights exercises.) Upon acquisition of the equity interests, the Bank recorded a book value of Rmb 550 million. As at 31 December 2008, based on the price of Rmb 8.11 per share at the end of the day, the book value of the equity investment in Haitong Securities was adjusted to Rmb 3.09 billion (2007: Rmb 10.46 billion based on the closing price.) On the date of authorization for issue of the financial statements, the share price of Haitong Securities increased by 70% from the closing price on 31 December 2008, resulting in a decrease of Rmb 200 million in the book value of the equity investment. As at the date of issue of these financial statements, the Bank has cumulatively disposed 224 million shares it held in Haitong Securities, with the gains recognized in the income statement of 2009.

With the approval through the Notice on the Response of China Banking Regulatory Commission concerning Reporting and Registration Matters (Jian Guan Er Bei [2008] No.004) and in accordance with the investment agreement between the Bank and UCBH Holdings, Inc., the Bank purchased 5,381,200 UCBH's shares at USD 17.79 per share on 5 March 2008 and 6,164,800 shares at USD 4.85 per share on 23 December 2008, or a total of 11,546,000 shares for Rmb 887 million, representing 9.9% of interests in UCBH. The equity investments in UCBH are recognized at fair value on the dates of purchase, Rmb 564 million. The difference of Rmb 323 million between the carrying amount and the consideration recognised as the gains and losses on investments. On 31 December 2008, the carrying amount of the UCBH investments was adjusted to Rmb 543 million based on the closing price, and adjusted against to capital reserve and deferred tax assets. On the date of issue of these financial statements, the share price of UCBH decreased by more than 60% from the closing price on 31 December 2008, resulting in a decrease of no less than Rmb 300 million in the carrying amount of the equity investment. Accordingly, the Group's capital reserve will decrease and deferred tax assets will increase.

(10) Held-to-maturity investments

	31 December 2008 Group & Bank	31 December 2007 Bank
Government and quasi-government bonds		
- listed	37,228	41,474
- unlisted	180	333
Financial institution bonds		
- listed	456	2,389
- unlisted	906	1,620
Total	38,770	45,816
Less: allowance for impairment losses for HTM	(54)	-
Net	38,716	45,816
Maturity of held-to-maturity financial investments is analyzed as follows:		
Within one year	4,415	8,081
Over one year	34,301	37,735
Total	38,716	45,816

Movement of reserves for HTM is as follows:

	2008 Group & Bank	2007 Bank
Balance at January 1	-	-
Provision for impairment losses	(54)	-
Balance at 31 December	(54)	-

As 31 December 2008, held-to-maturity investments amounting to Rmb 3.12 billion (2007: Rmb 15.27 billion) were pledged as collateral under agreements signed with other financial institutions, including repurchase agreements, interest rate swaps contracts, issuance of convertible bonds and contractual deposits. Please refer to Note 9(4) for details.

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(11) Investment receivables

	31 December 2008 Group & Bank	31 December 2007 Bank
Government and quasi-government agency bonds	20,792	20,816
Financial institutions products	8,384	21,333
Financial institutions bonds	7,890	5,300
Total	37,066	47,449
Maturity of investment receivables is analyzed as follows:		
Within one year	6,242	14,279
Over one year	30,824	33,170
Total	37,066	47,449

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

All the investment receivables are unlisted.

(12) Long-term receivables

	31 December 2008 Group
Long-term receivables	5,991
Less: unearned finance lease income	(681)
	5,310
Less: allowance for impairment losses-collective assessment	(57)
Net	5253

Movement of Allowance for impairment losses is as follows:

	2008
Balance at 1 January	-
Provision for impairment losses	(57)
Balance at 31 December	(57)

As at 31 December 2008, the Group placed Rmb 1.47 billion of long-term receivables (2007: nil) as collaterals in its repurchase agreements with other financial institutions and for borrowings from financial institutions. Please refer to Note 9(4) for details.

(13) Long-term equity investments

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Investment in subsidiaries			
Minsheng Leasing (1)	-	2,600	-
Minsheng Royal Fund (2)	-	120	-
Cixi Township Bank	-	35	-
Pengzhou Township Bank	-	20	-
Subtotal	-	2,775	-
Other Equity Investments	125	125	50
Total	125	2,900	50

The basic information of subsidiaries is as follows:

	Place of registration	Registered capital	Business nature and operating scope	Proportion of shares held	Proportion of voting rights
Minsheng Financial LeasingCompany	Tianjin	3,200	Leasing	81.25%	81.25%
Minsheng Royal Fund Management Company	Guangdong	200	Fund raising and sales	60.00%	60.00%
Pengzhou Minsheng Township Bank	Sichuan	55	Commercial banking	36.36%	36.36%
Cixi Minsheng Township Bank	Ningbo	100	Commercial banking	35.00%	35.00%

The Bank holds less than half of the voting rights in the two township banks, but retains the majority of the voting rights in the board of directors. This enables the Bank to influence their operational decision-making and to control their operating activities under its control, and accordingly, their financial statements are consolidated.

(a) In accordance with the CBRC's Reply regarding the Approval of Establishment of Minsheng Financial Leasing Company Limited (Yin Jian Fu [2007] No.445), the Bank and Tianjin FTZ Investment Co., Ltd. established Minsheng Financial Leasing Company Limited as joint partners. Minsheng Leasing has a registered capital of Rmb 3.2 billion, of which the Bank committed and contributed Rmb 2.6 billion, representing an equity interest of 81.25%. Minsheng Leasing commenced official business operation on 2 April 2008, and engages mainly in financial leasing businesses approved by the CBRC.

(b) In accordance with the CBRC's Reply regarding the Approval of Establishment of Minsheng Royal Fund Management Company (Zheng Jian Xu Ke [2008] No.1187), the Bank, Royal Bank of Canada and Three Gorges Finance Company Limited established Minsheng Royal Fund Management Company as joint partners. Minsheng Royal Fund has a registered capital of Rmb 200 million, of which the Bank committed and contributed Rmb120 billion, representing an equity interest of 60%. The business scope of Minsheng Royal Fund covers raising of funds, sale of funds, asset management and other businesses approved by the CBRC. Minsheng Royal Fund commenced official business operation on 18 November 2008, but so far, has not engaged in funds operations as of 31 December 2008.

(14) Fixed assets

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Original cost	6,080	6,054	5,213
Accumulated depreciation	(2,102)	(2,100)	(1,756)
Net value	3,978	3,954	3,457
Construction in progress	2,518	2,518	2,501
	6,496	6,472	5,958

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(a) Fixed assets

Group	Buildings	Operating equipment	Motor vehicles	Total
Original cost				
1 January 2008	2,896	2,135	182	5,213
Transfer from construction in progress	256	-	-	256
Additions during the year	320	345	34	699
Disposals during the year	-	(72)	(16)	(88)
31 December 2008	3,472	2,408	200	6,080
Accumulated depreciation				
1 January 2008	(390)	(1,269)	(97)	(1,756)
Charged for the year	(100)	(301)	(28)	(429)
Disposals during the year	-	68	15	83
31 December 2008	(490)	(1,502)	(110)	(2,102)
Net book value				
31 December 2008	2,982	906	90	3,978
31 December 2007	2,506	866	85	3,457

As at 31 December 2008, there were no fixed assets acquired by means of finance lease (2007: nil).

Bank	Buildings	Operating equipment	Motor vehicles	Total
Original cost				
1 January 2008	2,896	2,135	182	5,213
Transfer from construction in progress	256	-	-	256
Additions during the year	313	330	30	673
Disposals during the year	-	(72)	(16)	(88)
31 December 2008	3,465	2,393	196	6,054
Accumulated depreciation				
1 January 2008	(390)	(1,269)	(97)	(1,756)
Charged for the year	(100)	(300)	(27)	(427)
Decrease during the year	-	68	15	83
31 December 2008	(490)	(1,501)	(109)	(2,100)
Net book value				
31 December 2008	2,975	892	87	3,954
31 December 2007	2,506	866	85	3,457

(b) Construction in progress

Group & Bank	2008	2007
Balance at beginning of year	2,501	1,962
Additions during the year	273	618
Transfer to fixed assets	(256)	(79)
Balance at end of year	2,518	2,501

The construction in progress is funded by the Bank itself and the balance of construction in progress does not include capitalized interest expenses (2007: nil).

(15) Deferred income tax assets and liabilities

	31 December 2008 Group	
	Deferred income taxes	Deductible/Taxable temporary differences
Deferred income tax assets		
Losses on revaluation of derivative financial instruments	308	1,238
Losses on revaluation of AFS	35	139
Allowances for assets impairment	2,062	8,289
Others	125	503
Total	2,530	10,169
Deferred income tax liabilities		
Gains on revaluation of trading assets	(23)	(92)
Gains on revaluation of derivative financial instruments	(302)	(1,216)
Gains on revaluation of AFS	(1,126)	(4,526)
Total	(1,451)	(5,834)
Net	1,079	4,335

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	31 December 2008		31 December 2007	
	Bank		Bank	
	Deferred income taxes	Deductible/Taxable temporary differences	Deferred income taxes	Deductible/Taxable temporary differences
Deferred income tax assets				
Losses on revaluation of derivative financial instruments	308	1,238	361	1,444
Losses on revaluation of AFS	35	139	265	1,032
Allowances for assets impairment	2,061	8,285	930	3,718
Others	125	503	52	209
Total	2,529	10,165	1,608	6,403
Deferred income tax liabilities				
Gains on revaluation of AFS	(23)	(92)	(6)	(23)
Gains on revaluation of derivative financial instruments	(302)	(1,216)	(321)	(1,285)
Gains on revaluation of trading assets	(1,126)	(4,526)	(2,526)	(10,073)
Others	-	-	(61)	(275)
Total	(1,451)	(5,834)	(2,914)	(11,656)
Net	1,078	4,331	(1,306)	(5,253)

Net deferred tax assets/liabilities

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Net value of deferred tax assets	1,079	1,078	64
Net value of deferred tax liabilities	-	-	(1,370)
	1,079	1,078	(1,306)

According to the ASBE Explanatory Guidance (2008) released by the Ministry of Finance, the Group offsets deferred tax assets and liabilities if they relate to income taxes levied on the same taxable entity of the Group, and therefore, has restated its deferred tax assets and liabilities for the year ended 31 December 2007.

(16) Other assets

Group	Book value	31 December 2008 Allowance for Impairment losses	Net value
Foreclosed assets	1,053	(108)	945
Long-term prepaid expenses	610	-	610
Advances for purchase of assets under finance lease	1,638	(16)	1,622
Prepaid acquisition costs of buildings	321	(18)	303
Prepaid rents and deposits	280	-	280
Prepaid equipment acquisition costs	188	-	188
Prepaid improvements costs	122	-	122
Legal fee receivables	35	(27)	8
Others	472	(147)	325
Total	4,719	(316)	4,403

Bank	Book value	31 December 2008 Allowance for Impairment losses	Net value
Foreclosed assets	1,053	(108)	945
Long-term prepaid expenses	598	-	598
Prepaid acquisition costs of buildings	321	(18)	303
Prepaid rents and deposits	280	-	280
Prepaid equipment acquisition costs	188	-	188
Prepaid improvements costs	122	-	122
Legal fee receivables	35	(27)	8
Others	468	(147)	321
Total	3,065	(300)	2,765

Bank	Book value	31 December 2007 Allowance for Impairment losses	Net value
Capital contribution to financial leasing company	2,600	-	2,600
Long-term prepaid expenses	559	-	559
Foreclosed assets	383	(194)	189
Prepaid rents and deposits	238	-	238
Prepaid acquisition costs of buildings	145	(22)	123
Prepaid equipment acquisition costs	110	-	110
Prepaid improvements costs	96	-	96
Legal fee receivables	63	(49)	14
Others	229	(15)	214
Total	4,423	(280)	4,143

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As at 31 December 2008, there was no balance receivable in Other assets due from shareholders holding 5% or more of the share capital of the Bank (2007: nil).

Movement of allowances of impairment losses is as follows:

	2008 Group	2008 Bank	2007 Bank
Balance at 1 January	280	280	269
Charge during the year	122	106	28
Transfer out	(86)	(86)	(17)
Balance at 31 December	316	300	280

(17) Due to banks and other financial institutions

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Demand deposits from domestic banks	17,300	17,384	8,089
Time deposits from domestic banks	38,730	38,730	8,072
Demand deposits from other domestic financial institutions	27,264	27,452	58,207
Time deposits from other domestic financial institutions	36,950	36,950	4,929
Total	120,244	120,516	79,297
Maturity of due to banks and other financial institutions is as follows:			
Within one year	93,896	94,168	78,939
Over one year	26,348	26,348	358
Total	120,244	120,516	79,297

(18) Borrowings from other banks

	31 December 2008 Group & Bank	31 December 2007 Bank
Borrowings from domestic banks	31,992	20,472

(19) Assets sold under repurchase agreements

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Discounted bills	5,231	5,231	38,241
Bonds			
- Government and quasi-government bonds	-	-	9,144
- Financial bonds	2,000	2,000	2,999
Long-term receivables	567	-	-
Loans	214	214	100
Total	8,012	7,445	50,484

(20) Customer deposits

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Demand deposits			
-Corporate deposits	273,377	273,436	246,861
-Individual deposits	33,599	33,582	30,185
-Fiscal deposits	22,220	22,220	17,145
Time deposits (including call deposits)			
-Corporate deposits	352,275	352,275	298,638
-Individual deposits	102,669	102,655	77,349
Other deposits	1,646	1,646	1,041
Total	785,786	785,814	671,219

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Maturity of customer deposits is as follows:			
Within one year	699,347	699,389	571,744
Over one year	86,439	86,425	99,475
Total	785,786	785,814	671,219

The security and margin deposits are analyzed as follows:

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Security deposits for bank acceptances	90,416	90,416	55,395
Security deposits for letters of credit and letters of guarantee issued	8,480	8,480	6,792
Other security deposits	10,052	10,052	3,475
Total	108,948	108,948	65,662

(21) Current tax liabilities

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Income tax payable	1,238	1,242	977
Business tax payable	892	892	701
Others	382	382	305
Total	2,512	2,516	1,983

(22) Interest payables

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Deposits from customers	6,576	6,576	4,694
Deposits from financial institutions	375	375	183
Borrowings from banks and assets sold under repurchase agreements	44	-	-
Others	4	2	23
Total	6,999	6,953	4,900

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(23) Debt securities in issue

	31 December 2008 Group & Bank	31 December 2007 Bank
Financial bonds	22,459	22,378
Subordinated bonds	7,252	7,253
Hybrid capital bonds	4,288	4,289
Total	33,999	33,920

(a) Financial bonds

	31 December 2008 Group & Bank	31 December 2007 Bank
Rmb 10 billion 3-year 2006 CMBC financial bond	10,173	10,168
Rmb 6 billion 3-year 2007 CMBC financial bond	6,142	6,103
Rmb 6 billion 5-year 2007 CMBC financial bond	6,144	6,107
	22,459	22,378

The 3-year 2006 financial bonds have a face value of Rmb 10 billion and a fixed interest rate of 2.88% and payable annually.

The 3-year 2007 financial bonds have a face value of Rmb 6 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 Rmb 6 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.

(b) Subordinated bonds

	31 December 2008 Group & Bank	31 December 2007 Bank
Rmb 4.32 billion 10-year 2004 fixed-rate CMBC subordinated bonds	4,351	4,351
Rmb 1.49 billion 10-year 2004 floating-rate CMBC subordinated bonds	1,500	1,501
Rmb 1.4 billion 10-year 2005 fixed-rate CMBC subordinated bonds	1,401	1,401
	7,252	7,253

The fixed-rate subordinated bonds issued in 2004 have a maturity of 10 years, with a face value of Rmb 4.315 billion, and a fixed coupon rate of 5.1% per annum from the first year to the fifth year. The interest rate will increase to 8.1% from the sixth year.

The floating-rate subordinated bonds issued in 2004 have a maturity of 10 years, with a face value of Rmb 1.485 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 2.4% per annum for the first five years, and payable annually. From the sixth year, the spread will increase to 2.9% per annum.

The fixed-rate subordinated bonds issued in 2005 have a maturity of 10 years, with a face value of Rmb 1.4 billion, and a fixed coupon rate of 3.68% per annum and payable annually. From the sixth year, the interest rate will increase to 6.68% per annum.

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

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 during the year. None of these bonds are secured.

(c) Hybrid capital bonds

	31 December 2008 Group & Bank	31 December 2007 Bank
Rmb 3.3 billion 2006 fixed-rate CMBC hybrid capital bonds	3,291	3,291
Rmb 1 billion 2006 floating-rate CMBC hybrid capital bonds	997	998
	4,288	4,289

The fixed-rate hybrid capital bonds issued on 28 December 2006 have a maturity of 15 years, with a face value of Rmb 3.3 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%.

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.

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

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

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

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

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(24) Other liabilities

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Clearing account balances	1,678	1,678	750
Suspense balances of wealth management products	877	877	87
Security deposits for finance lease	524	524	296
Accrued expenses	360		-
Unrealized gains	186	186	112
Temporary receipts	126	126	142
Accounts payable for purchase of equipment	100	100	89
Taxes payable on behalf of clients	100	100	33
Dividend payables	54	54	60
Others	318	240	131
Total	4,323	3,885	1,700

As at 31 December 2008, there were no outstanding payables associated with shareholders holding 5% or more of the share capital in the Bank (2007: nil).

(25) Share capital

Bank	2008	2007
1 January	14,479	10,167
Shares issued from capital surplus	1,448	1,932
Stock dividends (Note 7(29))	2,896	-
Capital injection	-	2,380
31 December	18,823	14,479

As at 31 December 2008, the Bank had outstanding ordinary stock of 18.823 billion shares, and Rmb 18.823 billion at a value of Rmb 1 yuan per share including 0.928 billion restricted shares (2007: 2.38 billion shares) and 17.8 billion unrestricted shares (2007: 12.1 billion shares).

On 24 March 2008, the issue of ordinary shares from capital surplus was approved at the annual general shareholders' meeting. Based on total outstanding stock of 14,479,232,299 shares after the market closed on 26 February 2008, the maturity date of the convertible bonds, the Group issued 1.00 ordinary shares for every 10 outstanding shares, and increased its share capital by Rmb 1.448 billion shares.

The above changes in share capital have been verified by PricewaterhouseCoopers Zhong Tian CPAs Limited Company on 9 January 2009 through PwC Zhong Tian Yan Zi (2009) No.006 – Capital Verification Report on the Conversion of Corporate Bonds to Common Shares, Distribution of Dividends on Common Shares and Conversion of Capital Reserve to Share Capital.

(26) Capital surplus

Group	31 December 2007	Additions	Decreases	31 December 2008
Equity premium	16,200	-	(1,448)	14,752
Other capital reserve	-	-		
– Net change in fair value of available-for-sale investments	6,780	-	(3,484)	3,296
– Conversion of bonds into equity	-	-	-	-
Others	-	16	-	16
Total	22,980	16	(4,932)	18,064

Bank	31 December 2007	Additions	Decreases	31 December 2008
Equity premium	16,200	-	(1,448)	14,752
– Net change in fair value of available-for-sale investments	6,780	-	(3,484)	3,296
– Conversion of bonds into equity	-	-	-	-
Total	22,980	-	(4,932)	18,048

Bank	31 December 2006	Additions	Decreases	31 December 2007
Equity premium	2,362	15,770	(1,932)	16,200
– Net change in fair value of available-for-sale investments	389	6,391	-	6,780
– Conversion of bonds into equity	-	-	-	-
Total	2,751	22,161	(1,932)	22,980

(27) Statutory reserve, general reserve and retained earnings

(a) Statutory reserve

In accordance with "PRC Company Law", the Bank bylaw and the Board of Director's resolution, the Bank is required to allocate 10% of its net profit to a surplus reserve based on its statutory accounts. Appropriation to the Statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital. Subject to the approval of the Bank's shareholders, the surplus reserve can be used to replenish accumulated losses or to increase 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 capitalisation is not less than 25% of the share capital. The Bank's Board of Directors authorized transfers at 10% of the surplus reserve for the year ended 31 December 2008, which amounted to Rmb 0.78 billion (2007: Rmb 0.63 billion).

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(b) General reserve

Pursuant to the Administrative Measures for Loan Loss Provisioning of Financial Enterprises (Cai Jin [2005] No.49) issued by MOF in 2005, in addition to impairment loss reserve, the Bank maintains a general reserve for potential losses on risk assets that have not been identified by the Bank. In addition, a general reserve should be established through the appropriation of retained earnings. This general reserve should form part of the shareholders' equity of financial institutions, and as a guiding principle, the balance of general reserve should not be less than 1% of the aggregate amount of all risk assets at the period end. As a transitional provision, financial institutions are allowed to set aside the general reserve in full over a transitional period, and starting from 1 July 2005, general reserve should be provided in full within three years or no longer than five years. In accordance with the resolution of the Board of Directors, the Bank appropriated Rmb 2.2 billion to the general reserve in year 2008 (2007: Rmb 2.8 billion).

In accordance with the MOF's Application Guidance to the Financial Rules for Financial Enterprises (Cai Jin [2007] No.23), Minsheng Leasing contributed Rmb 778,000, or 1% of its net profits to its general reserve, which included Rmb 6,320,000 attributable to the Bank (2007: nil).

(c) Retained earnings

As at 31 December 2008, the retained earnings included Rmb 6.32 million in the general reserve of its subsidiaries attributable to the Bank (2007: nil).

(28) Minority interest

Minority interests attributable to minority shareholders of subsidiaries are as follows:

	31 December 2008
Tianjin FTZ Investment Co., Ltd.	618
Royal Bank of Canada	56
Three Gorges Finance Co., Ltd.	19
Others	99
Total	792

(29) Dividends

On 24 March 2008, the 2007 Annual General Meeting adopted the 2007 profit appropriation plan. On the basis of the total outstanding stock of the Bank after the market closed on 26 February 2008, the maturity date of the convertible bonds, the Bank distributed 2 bonus shares and a cash dividend of Rmb 0.5 (including taxes) for every 10 shares of the share capital, for a total of 2.896 billion bonus shares and cash dividend of Rmb 724 million.

The Second Meeting of the Fifth Board of Directors convened on 21 April 2009 approved the dividend distribution proposal to distribute cash dividend of Rmb 0.8 (including taxes) for every 10 shares held based on the total share capital at the close of market on 31 December 2008. This profit distribution proposal is subject to the approval at the 2008 Annual General Meeting.

(30) Net interest income

	2008 Group	2008 Bank	2007 Bank
Interest income:			
– Due from banks and other financial institutions	216	209	233
– Deposits with the central bank	2,216	2,216	1,322
– Loans and advances to banks and other financial institutions	794	794	451
– Loans and advances to customers			
Loans and advances to individuals	2,990	2,990	1,597
Loans and advances to Corporate borrowers	34,266	34,266	25,458
Discounted bills	7,316	7,316	5,154
– Financial assets purchased under resale agreements	2,851	2,851	1,529
– Investment securities	189	-	-
– Interest income from finance lease	5,451	5,451	4,315
– Others	22	22	11
Subtotal	56,311	56,115	40,070
Including: Interest income on impaired financial assets	164	164	160
Interest expenses			
– Due to banks and other financial institutions	3,982	3,982	1,664
– Placements with banks and other financial institutions	98	98	146
– Customer deposit	18,428	18,450	13,181
– Financial assets sold under repurchase agreements	1,965	1,961	1,395
– Debt securities in issue	1,410	1,410	1,104
– Others	48		-
Subtotal	25,931	25,902	17,490
Net interest income	30,380	30,213	22,580

(31) Fee and commission income

	2008 Group	2008 Bank	2007 Bank
Fee and commission income			
– Financial advisory services	1,702	1,702	1,136
– Bank card commission and fee income	920	920	397
– Credit commitments	917	917	298
– Trust and other fiduciary services	603	603	406
– Settlement services	312	312	301
– Bond agency business	139	139	82
– Others	162	62	45
Subtotal	4,755	4,655	2,665
Fee and commission expense	294	293	274
Net fee and commission income	4,461	4,362	2,391

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(32) Investment gains/(losses)

	2008 Group & Bank	2007 Bank
Precious metals	194	6
Trading assets	19	(20)
Derivative financial assets	149	32
Available-for-sale financial investment	(369)	(125)
Dividend income	27	2
Total	20	(105)

(33) Business tax and surcharges

	2008 Group	2008 Bank	2007 Bank
Business tax	2,615	2,603	1,823
Urban maintenance and construction tax	174	173	121
Education surcharges	84	83	58
Others	43	43	45
Total	2,916	2,902	2,047

(34) Operating and administrative expense

	2008 Group	2008 Bank	2007 Bank
Staff costs, including directors' emoluments			
- Salary and bonus	5,707	5,669	4,118
- Other benefits	2,243	2,236	2,057
Business development expenses	1,295	1,282	927
Office expenses	904	902	673
Lease expenses	824	818	687
Vehicles expenses	572	570	461
Operation costs on information system	432	429	334
Depreciation expense	429	427	413
Mailing and telecommunications	353	353	282
Travelling expenses	244	241	196
Conference expenses	219	216	195
Regulatory fee	134	131	116
Others	1,545	1,529	1,246
Total	14,901	14,803	11,705

(35) Impairment losses on assets

	2008 Group	2008 Bank	2007 Bank
Impairment losses on loans	5,686	5,686	2,237
Impairment losses on long-term receivables	599	599	-
Impairment losses on available-for-sale investments	57	-	-
Impairment losses on held-to-maturity investments	54	54	-
Others	122	106	28
Total	6,518	6,445	2,265

(36) Income tax expense

	2008 Group	2008 Bank	2007 Bank
Current income tax	3,810	3,782	3,144
Deferred tax	(1,215)	(1,214)	(267)
Total	2,595	2,568	2,877

The actual income tax expense differs from the amount that would arise using the statutory income tax explained as follows:

	2008 Group	2008 Bank	2007 Bank
Profit before income tax	10,488	10,399	9,212
Income tax calculated at 25% (2007:33%)	2,622	2,600	3,040
Impact of different rates of different districts	(26)	(31)	(295)
Income tax calculated at standard rates	2,596	2,569	2,745
Impact of new tax law	-	-	332
Tax exemption on interest income from government bonds	(419)	(419)	(434)
Non-deductible salary, entertainment and other expenses	371	371	234
Others	47	47	-
Income tax expense	2,595	2,568	2,877

In June 2008, the State Administration of Taxation issued additional provisions on the criteria for the deduction of performance-based salaries, resulting in lower deductible amounts and an increase of Rmb 263 million of income tax expense for the Bank, which is included in 2008 income statement.

(37) Earnings per share and return on equity

(a) Basic earnings per share

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Basic earning per share is calculated by dividing the net profit available to shareholders by the weighted average number of shares outstanding during the financial years.

	2008	2007
Net profit (in millions)	7,885	6,335
Weighted average number of ordinary shares in issue (in millions)	18,823	17,633
Basic earnings per share (in Rmb)	0.42	0.36

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the Parent by the weighted average number of shares outstanding after adjustment for the effect of dilutive potential ordinary shares. The parent's dilutive potential ordinary shares are its convertible bonds. In calculating the diluted earnings per share, the net profit is adjusted for the after-tax effect of, among other things, the interests on the convertible bonds that have been recognized as expense in the current year, and the weighted average number of shares outstanding is adjusted for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares at the beginning of the year.

	2008	2007
Net profit (in millions)	7,885	6,335
Add: Interest expense on convertible debt, net (in millions)	-	-
Net profit used to determine diluted earnings per share (in millions)	7,885	6,335
Weighted average number of ordinary shares in issue (in millions)	18,823	17,633
Add: additional number of shares assuming conversion of all convertible (in millions)	-	-
Weighted average number of ordinary shares used to determine diluted earnings per share (in millions)	18,823	17,633
Diluted earnings per share (in Rmb)	0.42	0.36

(c) Fully diluted return on equity (ROE) and weighted average return on equity are as follows:

	2008	2007
Net profit (in millions)	7,885	6,335
Shareholders' equity at period end (in millions)	53,880	50,186
Fully diluted ROE	14.63%	12.62%
Weighted average shareholders' equity (in millions)	51,782	34,748
Weighted average ROE	15.23%	18.23%

(38) Notes to cash flow statement

(a) Reconciliation of Net profit to cash flows from operating activities:

	2008 Group	2008 Bank	2007 Bank
Net profit	7,893	7,831	6,335
Add/(less): impairment losses on assets	6,518	6,445	2,265
Depreciation of fixed assets	429	427	413
Amortization of intangible assets	46	46	28
Amortization of long-term prepaid expenses	203	202	166
Gains on disposal of fixed assets, intangible assets and other long term assets	(2)	(2)	-
Gains from fair value changes	(206)	(206)	(44)
Net interest income from operating activities	(3,995)	(4,041)	(1,213)
Gains on equity investments	342	342	123
Decrease/(increase) in deferred tax assets	(1,015)	(1,014)	432
Decrease in deferred tax liabilities	(200)	(200)	(699)
Increase in operating receivables	(86,806)	(82,334)	(170,329)
Increase in operating payables	129,995	129,111	148,494
Net cash flows from operating activities	53,202	56,607	(14,029)

(b) Investing and financing activities that do not involve cash receipts and payments

	2008 Group & Bank	2007 Bank
Convertible bonds converted into capital	-	1

(c) Net Changes in Cash and Cash Equivalents:

	2008 Group	2008 Bank	2007 Bank
Cash and cash equivalents at 31 December	112,302	112,284	37,020
Less: cash and cash equivalents at 1 January	(37,020)	(37,020)	(68,779)
Net increase/(decrease) in cash and cash equivalents	75,282	75,264	(31,759)

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(d) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of the following:

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Cash and balances with banks	2,900	2,898	3,289
Unrestricted deposits with the PBOC	97,421	97,421	25,708
Demand deposits of due from banks	8,913	8,897	7,404
Original maturity within 3 months:			
- Due from banks and other financial institutions	2,868	2,868	62
-Treasury and central bank bills	200	200	557
Total	112,302	112,284	37,020

8 SEGMENT INFORMATION

(1) Geographical distribution

The Group operates in four main geographical areas within the PRC:

i. Northern China - Including Minsheng Leasing and the Head Office in Beijing as well as the following branches: Beijing, Taiyuan, Shijiazhuang and Tianjin;

ii. Eastern China - Including Cixi Minsheng Township Bank and the following branches: Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou and Qingdao;

iii. Southern China - Including Minsheng Royal Fund and the following branches: Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen;

iv. Other locations - Including Minsheng Pengzhou Township Bank and the following branches: Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha and Zhengzhou.

2008 Group	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
Net external interest income	11,648	8,506	5,020	5,206	-	30,380
Net inter-segment interest income	(3,755)	2,157	1,083	515	-	-
Total net interest income	7,893	10,663	6,103	5,721	-	30,380
Fee and commission income	3,196	870	355	334	-	4,755
Fee and commission expense	(129)	(50)	(69)	(46)	-	(294)
Net fee and commission income	3,067	820	286	288	-	4,461
Other operating income	(141)	132	96	89	-	176
Operating expense	(10,428)	(6,488)	(3,596)	(4,093)	-	(24,605)
Non-operating income, net	60	1	10	5	-	76
Total profit	451	5,128	2,899	2,010	-	10,488
Depreciation and amortisation	293	156	124	105	-	678
Capital expenditure	902	503	20	336	-	1,761
31 December 2008						
Segment assets	671,727	335,333	163,954	170,199	(287,942)	1,053,271
Unappropriated						1,079
Total assets						1,054,350
Segment liabilities	(633,845)	(327,846)	(159,454)	(166,475)	287,942	(999,678)
Unappropriated						-
Total liabilities						(999,678)

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2008 Bank	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
Net external interest income	11,482	8,505	5,020	5,206	-	30,213
Net inter-segment interest income	(3,755)	2,157	1,083	515	-	-
Total net interest income	7,727	10,662	6,103	5,721	-	30,213
Fee and commission income	3,096	870	355	334	-	4,655
Fee and commission expense	(128)	(50)	(69)	(46)	-	(293)
Net fee and commission income	2,968	820	286	288	-	4,362
Other operating income	(141)	132	96	89	-	176
Operating expense	(10,268)	(6,486)	(3,596)	(4,070)	-	(24,420)
Non-operating income, net	60	1	10	(3)		68
Total profit	346	5,129	2,899	2,025	-	10,399
Depreciation and amortisation	293	156	122	104	-	675
Capital expenditure	785	538	113	354	-	1,790
31 December 2008						
Segment assets	667,592	335,333	163,922	170,158	(287,942)	1,049,063
Unappropriated						1,078
Total assets						1,050,141
Segment liabilities	(630,233)	(327,945)	(159,607)	(166,488)	287,942	(996,331)
Unappropriated						-
Total liabilities						(996,331)

2007 Bank	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
Net external interest income	7,811	6,478	4,745	3,546	-	22,580
Net inter-segment interest income	(1,131)	624	341	166	-	-
Total net interest income	6,680	7,102	5,086	3,712	-	22,580
Fee and commission income	1,965	303	230	167	-	2,665
Fee and commission expense	(83)	(43)	(91)	(57)	-	(274)
Net fee and commission income	1,882	260	139	110	-	2,391
Other operating income	328	7	(40)	35	-	330
Operating expense	(5,946)	(4,502)	(3,224)	(2,430)	-	(16,102)
Non-operating income, net	10	1	1	1	-	13
Total profit	2,954	2,868	1,962	1,428	-	9,212
Depreciation and amortisation	220	167	123	97	-	607
Capital expenditure	3,029	510	135	286	-	3,960
31 December 2007						
Segment assets	490,930	270,401	198,168	136,336	(177,062)	918,773
Unappropriated						64
Total assets						918,837
Segment liabilities	(449,512)	(265,862)	(195,137)	(133,831)	177,062	(867,280)
Unappropriated						(1,370)
Total liabilities						(868,650)

(2) Business distribution

Income from business operations	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Corporate banking business	26,410	26,410	18,509
Private banking business	6,183	6,183	4,024
Treasury business	2,231	2,208	2,339
Unallocated and others	193	(50)	429
Total	35,017	34,751	25,301

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Total Assets	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Corporate banking business	540,374	540,374	450,025
Private banking business	107,706	107,706	98,875
Treasury business	388,528	388,528	356,178
Unallocated and others	17,742	13,533	13,759
Total	1,054,350	1,050,141	918,837

9 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Credit commitments

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Letters of credit	8,250	8,250	15,879
Letters of guarantee	49,029	49,029	32,770
Acceptances	145,005	145,005	96,624
Irrevocable loan commitments			
- Original maturity within one year	120	120	524
- Original maturity above one year (included one year)	5,880	5,880	4,332
Unused credit limits	28,140	28,140	26,574
Finance lease commitments	475	-	-
Total	236,899	236,424	176,703

(2) Capital commitments

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Contracted but not paid	3,095	2,554	4,345
Approved but not contracted	118	118	302
	3,213	2,672	4,647

As at 31 December 2008, the amount contracted but not disbursed included an amount of Rmb 2.34 billion for investment in Shanxi International Trust & Investment Corp., Ltd. The investment in Shanxi International Trust has been approved by the China Banking Regulatory Commission but is pending approval by the China Securities Regulatory Commission.

(3) Operating lease commitments

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Less than 1 year	625	617	540
1 to 5 years	1,610	1,584	1,338
More than 5 years	379	378	436
Total	2,614	2,579	2,314

(4) Assets pledged

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Government bonds and financial institution bonds (Note 7 (4) (9) (10))	5,352	5,352	15,608
Discounted bills (Note 7 (8))	5,231	5,231	38,241
Long-term receivables (Note 7 (12))	1,470	-	-
Loans to corporate customers (Note 7 (8))	214	214	100
Total	12,267	10,797	53,949

Some of the Group's assets are pledged as collaterals under repurchase agreements with other banks and financial institutions, derivatives contracts, negotiated deposits taken and borrowings from other financial institutions.

Mandatory reserve deposits are also placed with the PBOC in accordance with statutory requirements (Note 7(1)). These deposits are not available for the Bank's day-to-day operations.

The pledged assets accepted by the Bank in relation to reverse repurchase agreements can be sold and re-pledged. As at 31 December 2008, total accepted pledged assets was Rmb 23.5 billion (2007: Rmb 56.17 billion). Furthermore, the face value of these pledged assets which the Bank has sold but has the obligation to return was Rmb 3.11 billion (2006: Rmb 38.11 billion).

(5) Security underwritten

	31 December 2008 Group & Bank	31 December 2007 Bank
Short-term financing bills	2,900	1,950
Certificate treasury bonds	-	21
Total	2,900	1,971

(6) Certificate treasury bond 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 at any time prior to maturity, and the Bank is committed to redeem those bonds determined by the early redemption arrangement. As at 31 December 2008, the Bank had early redemption obligation for Certificate Treasury Bonds for a principal balance of Rmb 3.71 billion (2007: Rmb 4.39 billion), with original maturities varying from 1 to 5 years.

(7) Legal proceedings

There were a number of outstanding litigation matters against the Bank as at 31 December 2008. After consulting professional advice, the Bank's management believe that such litigations will not cause significant losses to the Bank.

10 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 financial statements, as they are not assets of the Group.

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As at 31 December 2008, the Group's balances of custodian operations, credit asset management operations and entrusted loans were Rmb 15.85 billion (2007: Rmb 32.24 billion), Rmb 1.23 billion (2007: Rmb 3.04 billion) and Rmb 25.22 billion (2007: Rmb 23.33 billion).

11 FINANCIAL RISK MANAGEMENT

(1) Financial risk management

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

As at 31 December 2008, the Group provided financial services through the Bank, Minsheng Leasing, Minsheng Royal Fund and the two township banks, including commercial banking, lease, raising and sale of funds. The Bank, Minsheng Leasing, Minsheng Royal Fund and the two township banks are independent entities, and are responsible for managing the financial risks in their own business operations. In 2008, commercial banking risks remained the key financial risks facing the Group.

The Bank accepts deposits from customers at both fixed and floating rates for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for middle and longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. The Group operates its business in Mainland China under an interest rate scheme regulated by the PBOC.

The Bank provides various credit facilities to individuals and business enterprises, and accordingly takes on credit risks, including not only advances and loans to customers as presented in the balance sheet, but guarantees and other commitments, such as letter of credit and acceptance.

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

In 2008, the Board of Directors set up a Strategic Development and Investment Management Committee for the daily management of subsidiaries. The Group is moving towards building its enterprise-wide risk management framework.

(2) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business. Management therefore manages its exposure to credit risk carefully. Credit exposures arise principally from lending activities, which including loans and advances, trade finance, treasury and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and derivative instrument.

Currently, the Bank's Risk Management Committee is responsible for decision-making and centralized coordination in credit risk management. It manages credit risk through methods, including specialized credit assessment, centralized quality monitoring, and centralized management and centralized realization of distressed assets.

(a) Credit risk measurement

(i) Loans and advances and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines for Risk Classification of Loans. The Guidelines for Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which loans in the last three categories are non-performing assets. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit management, where it applies credit limit management, and classifies key off-balance sheet items in accordance with the Guidelines for Risk Management of Loans. The Bank also developed its Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation for its daily risk management of credit assets, so that the classification is fully consistent with CBRC's Guidelines for Risk Classification of Loans.

The core definitions of credit asset classifications in "Loan Risk Classifications Guiding Principles" are as follows:

Pass: The borrower can fulfil the contract, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special mention: The borrower has the ability to make current payments, but there may be potential issues that could have adverse impact on future payments.
Sub-standard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principles plus interest in full. Even with execution of guarantee, there may be certain level of loss.
Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.
Loss: After taking consideration of all possible recovery action or legal proceedings, the future recovery effects are likely to result in little or no recovery.

(ii) Debt securities and other bills

For debt securities and other bills, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments. A credit rating of BBB or above (by Standard & Poor or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments. Rmb debt securities investments require a rating of A or above for long-term securities investments and a rating of A-1 or above for short-term securities investments from an external rating agency recognized by the PBOC. The risk control staff also regularly reviews the changes of credit ratings of issuers of the Bank's existing securities and makes risk management recommendations from both industry and enterprise perspectives for adjustments to risk management practices.

(b) Risk limit control and mitigation policies

The Group and the Bank exercises risk concentration management and control over its counterparties, whether individual or group customers, industries and geographical areas.

The Bank has established relevant mechanisms to apply tiered management of credit risks, and set limits to the acceptable risks for different individual or group counterparties, different industries and geographical areas. The Bank monitors the risk status of these customers on a regular basis and reviews their risk positions at least once a year.

The risk exposures to any borrower, including banks, are further classified into on and off-balance risk exposures, and control has been applied to the daily risk limits of transaction account. The Bank also monitors, on a daily basis, the actual risk exposures in relation to the corresponding risk limits.

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The Group controls its credit risks through, among other necessary measures, regular analyses of customers' ability to repay interests and principals, and making appropriate adjustments to credit limits.

Other specific control and mitigation methods include:

(i) Collateral

The Group's subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantee from the business enterprise or individuals. The Group have specified the types of collaterals acceptable, mainly including the following:

- Real estate and land use right;
- Machinery and equipment;
- Right to receive payments and accounts receivable;
- Financial instruments such as time deposit certificates, debt securities and equities.

In order to minimize its credit loss, the Group will seek additional collateral from the counterparty or require additional guarantors once indication of impairment has been identified with an individual loan.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(ii) Derivative instruments

In the Group, only the Bank is authorized to engage in financial derivative transactions. The Bank maintains strict net transaction limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of transaction limits. The credit risk of derivative instruments faced by the Bank is limited to the derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

(iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. In situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk is equivalent to the total amount of credit commitments.

Loan commitments and finance leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Impairment and provisioning policies

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flows for a particular loan are expected to decrease, and the amounts can be estimated, the loan is recorded as a non-performing loan and the impairment loss is recognized in the income statement.

For the criteria that the Group uses to determine if there is an objective evidence of impairment loss, please refer to Impairment of financial assets under Principal accounting policies (Note 4(9)).

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which impairment loss is provided individually, the amount is determined by an evaluation of incurred losses at balance-sheet date on a case-by-case basis. In making such assessment, the Group considers the value of collaterals held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historic data, experience and statistical techniques: (i) those consisting of homogenous assets that are individually below materiality thresholds; and (ii) those where losses are incurred but have not been identified with any specific asset within the portfolio.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements.

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

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Deposits with the central bank	181,878	181,874	106,992
Due from banks and other financial institutions	14,748	14,732	8,697
Loans and advances to banks and other financial institution, net	17,095	17,095	17,438
Trading assets	4,405	4,405	2,572
Derivative financial instruments	1,216	1,216	1,285
Assets purchased under resale agreements	35,313	35,313	62,797
Interest receivable	3,402	3,399	3,750
Loans and advances to customers	646,475	646,443	547,296
Available-for-sale investments	49,836	49,836	50,159
Held-to-maturity investments	38,716	38,716	45,816
Investment	37,066	37,066	47,449
Long-term receivables	5,253	-	-
Other assets	2,848	1,222	795
Subtotal	1,038,251	1,031,317	895,046
Credit risk exposures relating to off-balance sheet items are as follows:			
Letters of credit	8,250	8,250	15,879
Letters of guarantee	49,029	49,029	32,770
Acceptances	145,005	145,005	96,624
Irrevocable loan commitments	6,000	6,000	4,856
Unused credit limits	28,140	28,140	26,574
Finance leasing commitment	475	-	-
Subtotal	236,899	236,424	176,703
Total	1,275,150	1,267,741	1,071,749

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(e) Lending to banks and other financial institutions and assets purchased under resale agreement

	31 December 2008 Group & Bank	31 December 2007 Bank
Neither past due or impaired	52,408	79,735
Past due but not impaired	-	500
Impaired	92	94
Total	52,500	80,329
Less: allowance for impairment losses	(92)	(94)
Net	52,408	80,235

(i) Neither past due or impaired

The credit risk of lending to banks and other financial institutions and assets purchased under resale agreement that are neither past due or impaired can be assessed by referring to characteristics of the counterparties.

	31 December 2008 Group & Bank	31 December 2007 Bank
Banks	44,203	22,224
Other financial institution	8,205	57,511
	52,408	79,735

(ii) Past due but not impaired

As at 31 December 2008, the Group had no loans and advances to banks and other financial institutions and assets purchased under resale agreements that were past due but not impaired(2007, Rmb 0.5 billion for the Bank).

(iii) Impaired

The Group has made 100% impairment loss allowances for loans and advances to banks and other financial institutions and assets purchased under resale agreement to which impairment has occurred.

(f) Loans and advances

	31 December 2008 Group	31 December 2008 Bank	31 December 2007 Bank
Neither past due or impaired	643,219	643,187	542,766
Past due but not impaired	7,220	7,220	5,420
Impaired	7,921	7,921	6,773
Total	658,360	658,328	554,959
Less: allowance for impairment losses			
- Individual assessment	(3,990)	(3,990)	(3,494)
- Collective assessment	(7,895)	(7,895)	(4,169)
	(11,885)	(11,885)	(7,663)
Loans, net	646,475	646,443	547,296

(i) Neither past due or impaired

The credit risk of loans and advances neither past due or impaired are assessed the same way as they are classified in accordance with the CBRC's five category classification.

(ii) Past due but not impaired

Loans and advances past due for less than 90 days are not considered impaired, unless information is available to indicate otherwise.

At the inception of loan drawdown, the Group requires independent asset evaluation agencies to perform valuation assessments of the collateral. When there is evidence that indicates the collateral is impaired, the Group will review whether the collateral is sufficient to cover the credit risk of the corresponding loans.

Analysis of the assets overdue but not impaired by overdue days：

	31 December 2008			
Group & Bank	Up to 30 days	30 to 90 days	Over 90 days	Total
Loans and advances to corporate customers	995	926	1,473	3,394
Loans and advances to individuals	2,063	1,351	412	3,826
	3,058	2,277	1,885	7,220

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Bank	Up to 30 days	30 to 90 days	Over 90 days	Total
	31 December 2007			
Loans and advances to corporate customers	1,373	405	1,387	3,165
Loans and advances to individuals	1,552	612	91	2,255
	2,925	1,017	1,478	5,420

The Group has made individual impairment assessments on each of the overdue corporate loans, and no impairment has been identified.

For loans yet to be identified as impaired, the Group has made case-by-case impairment assessments on all collateralized loans to individuals which are past due for more than 90 days and all unsecured and guaranteed loans to individuals past due for more than 30 days. No impairment was also identified for these loans.

(iii) Impaired loans

	31 December 2008 Group & Bank	31 December 2007 Bank
Loans to corporate customers		
- Individually significant	6,683	5,690
- Not individually significant	572	514
Loans to individuals	666	569
Total	7,921	6,773
Impaired loans and advances by type of guarantee:		
Unsecured loans	818	496
Guaranteed loans	2,320	3,171
Secured loan		
- Collateralized loans	4,066	2,788
- Pledged loans	717	318
Total	7,921	6,773

The Group carried out case-by-case assessment on all the above impaired corporate loans that are individually significant. Taking into account the realizable value of collateral, among other factors, Allowances for impairment losses of Rmb 3.99 billion (2007: Rmb 3.49 billion) was made. The Group also carried out a collective assessment on the above impaired corporate loans that are not individually significant, and made an allowance for impairment loss of Rmb 0.28 billion (2007: Rmb 0.24 billion).

The majority of the Group's retail loans are mortgage loans. At the end of 2008, mortgage loans represented approximately 81% (2007: 90%) of total retail loans. The Group strictly complies with the mortgage loan regulations issued by the PBOC and the CBRC, under which the loan principal should not exceed 80% of the value of residential properties. At the same time, the Group establishes the five-category classification system for retail loans, to classify these loans with a full consideration of the percentage of the value of collateral against the loan balances, overdue period, and other risk indicators.

The Group has performed collective assessment on all impaired loans to individuals listed above and recorded impairment allowances of Rmb 0.54 billion (2007: 0.37 billion).

(iv) Rescheduled loans

Rescheduled loans refer to those that have their terms in the loan contracts rescheduled due to the deterioration of the borrowers' financial position or of their inability to make repayment when due. In 2008, the Group had rescheduled loans of Rmb5.731 billion, and the balance of rescheduled loans from 2007 was insignificant.

(g) Long-term receivables

No long-term receivables are overdue or impaired, and the Group assesses its exposure to credit risks on these receivables based on the five-grade classification system of China Banking Regulatory Commission.

(h) Debt securities

			31 December 2008		
Group & Bank	Trading assets	Available-for-sale investments	Held-to-maturity investments	Investment receivables	Total
Government and quasi-government agencies	3,069	38,570	37,408	20,792	99,839
Financial institutions	-	3,227	1,308	16,274	20,809
Others	1,336	8,039	-	-	9,375
Total	4,405	49,836	38,716	37,066	130,023

			31 December 2007		
Bank	Trading assets	Available-for-sale investments	Held-to-maturity investments	Investment receivables	Total
Government and quasi-government agencies	1,031	36,533	41,807	20,816	100,187
Financial institutions	328	4,735	4,009	26,633	35,705
Others	1,213	8,891	-	-	10,104
Total	2,572	50,159	45,816	47,449	145,996

The following table shows the foreign currency bonds held by the Bank by ratings of Standard & Poor's.

Foreign currency securities

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

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Bank	Available for sale	31 December 2007 Held to maturity	Total
AAA	4,278	511	4,789
AA- to AA+	618	447	1,065
A- to A+	5,397	640	6,037
Lower than A-	138	146	284
Unrated	40	164	204
Total	10,471	1,908	12,379

(i) Foreclosed assets

Foreclosed assets are sold as soon as practicable after the balance sheet date. Foreclosed assets are classified in other assets on the balance sheet.

As of 31 December 2008, foreclosed assets held by the Group and the Bank were mainly buildings and land use rights with the value of 0.945 billion (2007: Rmb 0.19 billion).

(j) Concentration of risks of financial assets with credit risk exposure

Credit risk increases when counter-parties are concentrated in the same industries or geographical regions. The Group conducts its credit business mainly within China, with major customers concentrated in a number of key industries. Different areas in China and different industries have their own unique characteristics in economic development, and therefore could present different credit risks to the Group.

(i) Geographical sectors

Financial assets other than Bonds and Derivatives (by the location of business)

Group	Northern China	Eastern China	Southern China	Other Locations	Total
31 December 2008					
Deposits with the central bank	165,833	8,776	3,513	3,756	181,878
Due from banks and other financial institutions	9,162	2,563	2,295	728	14,748
Loans and advances to banks and other financial institutions, net	15,980	-	965	150	17,095
Assets purchased under resale agreements	11,560	12,248	7,771	3,734	35,313
Loans and advances to customers	187,563	232,144	93,666	133,102	646,475
Long-term receivables	5,253	-	-	-	5,253
Financial assets, others	6,415	498	99	454	7,466
Total	401,766	256,229	108,309	141,924	908,228
Bank					
31 December 2008	394,877	256,034	108,307	142,076	901,294
Bank					
31 December 2007	295,650	227,296	108,008	118,096	749,050

Financial Assets - debt securities and Derivatives (by business location of issuer)

Group & Bank	China mainland	North America	Europe	Others	Total
31 December2008					
Trading assets	4,405	-	-	-	4,405
Available-for-sale investment-debt securities	47,083	2,476	237	40	49,836
Held-to-maturity investments	37,889	7	312	508	38,716
Investment receivables	37,066	-	-	-	37,066
Total	126,443	2,483	549	548	130,023
Bank					
31 December 2007	138,823	5,230	1,319	624	145,996

(ii) By industry

Group	Government & quasi-government agency	Financial institution	Manufacturing	Commercial real estate	Others	Individuals	Total
31 December2008							
Deposits with the central bank	181,878	-	-	-	-	-	181,878
Due from banks and other financial institutions	-	14,748	-	-	-	-	14,748
Loans and advances to banks and other financial institutions, net	-	17,095	-	-	-	-	17,095
Assets purchased under resale agreements	-	35,313	-	-	-	-	35,313
Loans and advances to customers	-	21,719	175,581	88,837	253,050	107,288	646,475
Debt securities	99,840	20,809	3,942	-	5,432	-	130,023
Long-term receivables	-	-	2,336	-	2,917	-	5,253
Financial assets, others	-	595	1,337	583	4,656	295	7,466
Total	281,718	110,279	183,196	89,420	266,055	107,583	1,038,251
Bank							
31 December 2008	281,714	110,255	179,519	89,412	262,843	107,574	1,031,317
Bank							
31 December 2007	184,027	161,576	171,452	70,919	207,734	99,338	895,046

Note: The manufacturing sector includes the manufacturing, electricity, gas and water production and supply industry and the mining industry as described in Note 7 (8) a.

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(3) Market Risk

The Group is exposed to market risk, which is the risk of loss to the Group's on- and off-balance sheet businesses caused by changes in prices (interest rate, exchange rate, stock price and commodity price). Market risks include open positions in interest rate, exchange rate (including gold bullion), equities and commodities, all of which are exposed to adverse movements in interest rates, exchange rates, equity prices and commodity prices.

The market risk facing the Group mainly arises from the business activities of the Bank. As at 31 December 2008, the Bank and the subsidiary were exposed to an insignificant level of market risks, and they independently managed their own market risks.

The Bank divides its market risk exposures into either trading or non-trading portfolios. Trading portfolio include those positions arising from market-making transactions where the Bank acts as principals for clients or with the market. Non-trading portfolios consist of held-to-maturity and available-for-sale financial instruments held by the Bank and market risk exposures of its loan and advance accounts.

Currently, the Asset and Liability Management Department takes responsibility in monitoring and controlling the market risk of non-trading accounts across the Bank. The Capital Market Department is responsible for the trading accounts and market risk management of non-trading accounts within their domain. Also, the Bank has established the practice of regular reporting to the senior management on market risks, including the monitoring and analysis of market risk changes and limits on net and gross positions by the two departments.

The Financial and Planning Department of Minsheng Leasing is responsible for the monitoring and control of market risks on the fund positions of Minsheng Leasing, while the Capital Market Department is responsible for the market risk management in the business operations of the department.

(a) Market risk measuring techniques

As part of market risk management, the Group adopts various strategies to mitigate risks. The Bank also enters into interest rate swaps to match the interest rate risks associated with fixed-rate long-term debt securities and loans to which the fair value option has been applied.

The tools and techniques for measuring and controlling market risk are as following:

The primary techniques applied for measuring and controlling market risks are mainly net position exposure analysis, stop loss, sensitivity analysis of interest rate and exchange rate, stress testing and scenario analysis. In response to the market conditions and leveraging available technologies, the Group is now able to use VaR to measure market risks.

The Bank applies sensitivity analysis to estimate the interest rate and exchange rate risks arising from transaction accounts and bank accounts, which means periodically calculating the gap between interest-earning assets and interest-bearing liabilities that would mature or subject to repricing during a certain period. Then, the Bank utilizes the gap data to carry out sensitivity analysis against movements of benchmark interest rates, market interest rates and foreign exchange rates, in order to provide guidance on the adjustment of the repricing and maturity structure of interest-bearing assets and interest-paying liabilities. The Bank has set up a reporting system for sensitivity analysis to present the summary on a regular basis for review by the leadership, such as the Risk Management Committee.

(b) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The subsidiaries did not engage in foreign exchange operations in 2008, and the Group's exchange risks concentrated in the Bank.

The Group's principle strategy in controlling currency risk is to substantially match its assets and liabilities in each currency and to maintain currency risk within established limits. The Bank has set risk limits according to the guidelines established by the Risk Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Bank also manages its foreign capital and usage of foreign currencies to minimise potential currency mismatches. The Capital Market Department sets exposure and stop loss limits for foreign exchange risks within the scope of its departmental operations, and applies authority limits in managing foreign exchange risks.

The following table presents the Group and the Bank's foreign exchange risk exposures at the balance sheet dates, and the carrying value of denominated in foreign currencies have been converted to Renminbi.

	Balance at 31 December 2008				
Group	RMB	USD	HKD	Others	Total
Financial assets:					
Cash and balances with the central bank	183,393	1,139	124	122	184,778
Due from banks and other financial institutions	9,466	3,367	430	1,485	14,748
Loans and advances to banks and other financial institutions, net	17,011	-	84	-	17,095
Assets purchased under resale agreements	35,313	-	-	-	35,313
Loans and advances to customers	640,033	5,893	6	543	646,475
Debt securities	126,802	6,754	-	103	133,659
Long-term receivables	5,253	-	-	-	5,253
Other financial assets	7,206	258	1	236	7,701
Total financial assets	1,024,477	17,411	645	2,489	1,045,022
Financial liabilities:					
Due to banks and other financial institutions	117,952	2,232	59	1	120,244
Borrowings from banks	31,700	-	-	292	31,992
Assets sold under repurchase agreements	8,012	-	-	-	8,012
Customer deposits	768,957	14,204	1,152	1,473	785,786
Debt securities in issue	33,999	-	-	-	33,999
Other borrowings	2,600	-	-	-	2,600
Other financial liabilities	11,886	600	6	334	12,826
Total financial liabilities	975,106	17,036	1,217	2,100	995,459
Net on-balance sheet financial position	49,371	375	(572)	389	49,563
Net off-balance sheet position	18	(197)	922	(779)	(36)
Credit commitments	207,101	25,815	207	3,776	236,899

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Bank	RMB	USD	HKD	Others	Total
	Balance at 31 December 2008				
Financial assets:					
Cash and balances with the central bank	183,387	1,139	124	122	184,772
Due from banks and other financial institutions	9,450	3,367	430	1,485	14,732
Loans and advances to banks and other financial institutions, net	17,011	-	84	-	17,095
Assets purchased under resale agreements	35,313	-	-	-	35,313
Loans and advances to customers	640,001	5,893	6	543	646,443
Debt securities	126,802	6,754	-	103	133,659
Other financial assets	8,352	258	1	236	8,847
Total financial assets	1,020,316	17,411	645	2,489	1,040,861
Financial liabilities:					
Due to banks and other financial institutions	118,224	2,232	59	1	120,516
Borrowings from banks	31,700	-	-	292	31,992
Assets sold under repurchase agreements	7,445	-	-	-	7,445
Customer deposits	768,985	14,204	1,152	1,473	785,814
Debt securities in issue	33,999	-	-	-	33,999
Other financial liabilities	11,402	600	6	334	12,342
Total financial liabilities	971,755	17,036	1,217	2,100	992,108
Net on-balance sheet financial position	48,561	375	(572)	389	48,753
Net off-balance sheet financial position	18	(197)	922	(779)	(36)
Credit commitments	206,626	25,815	207	3,776	236,424

Bank	RMB	USD	HKD	Others	Total
	Balance at 31 December 2007				
Total Assets	875,687	30,384	862	1,958	908,891
Total Liabilities	835,137	23,798	2,442	2,354	863,731
Net on-balance sheet financial position	40,550	6,586	(1,580)	(396)	45,160
Net off-balance sheet financial position	12	(2,055)	1,667	402	26
Credit commitments	153,967	19,169	17	3,550	176,703

Given a 1% change of exchange rate between a foreign currency and Reminbi, the potential impact on the pre-tax profits as a result of the translation gains or losses of the Group and the Bank on their foreign exchange exposures is presented as follows:

	31 December 2008 Group & Bank Gains / (losses) RMB	31 December 2007 Bank Gains / (losses) RMB
1% upward change of foreign exchange rate	2	46
1% downward change of foreign exchange rate	(2)	(46)

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

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

(c) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to both fair value and cash flow interest rate risks arising from changes in the major interest rates.

Interest margins may increase or decrease as a result of unexpected interest rate movements. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by the PBOC. As PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction (though not necessarily by the same increment), the Group has primarily managed its exposure to interest rate risk through the management of maturity profile of its loans and deposits.

According to the requirement of PBOC, interest rates on loan denominated in Rmb could vary based on the PBOC benchmark interest rates. Interest rates on discounted bills denominated in Rmb are determined in accordance with market prices. However, such interest rates cannot be set below the PBOC interest rates for re-discounted bills. Interest rates on deposit denominated in Rmb also cannot be higher than the PBOC benchmark interest rates.

The Group closely monitors the trend of interest rate changes in foreign currencies, performs scenario analyses, and adjusts the interest rates of deposits and loans in both Renminbi and foreign currencies so as to manage its interest rate risks.

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The following table presents the Group and the Bank's interest rate exposures, with financial instruments stated at net carrying amount, based on the earlier of contractual repricing date or maturity date.

Group

Balance at 31 December 2008	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with the central bank	181,878	-	-	-	2,900	184,778
Due from banks and other financial institutions	12,406	2,342	-	-		14,748
Loans and advances to banks and other financial institution, net	9,329	6,896	870	-	-	17,095
Assets purchased under resale agreements	34,913	400	-	-	-	35,313
Loans and advances to customers, net	549,798	86,487	8,031	2,159	-	646,475
Debt securities	12,896	26,534	62,465	28,128	3,636	133,659
Long-term receivables	5,253	-	-	-	-	5,253
Other financial assets	4,924	-	-	-	2,777	7,701
Total financial assets	811,397	122,659	71,366	30,287	9,313	1,045,022
Financial liabilities:						
Due to banks and other financial institutions	79,821	35,923	4,500	-	-	120,244
Borrowings from banks	15,370	16,622	-	-	-	31,992
Other borrowings	500	2,100	-	-	-	2,600
Assets sold under repurchase agreements	7,798	214	-	-	-	8,012
Customer deposits	533,734	165,613	85,674	765	-	785,786
Debt securities in issue	-	24,956	-	9,043	-	33,999
Other financial liabilities	7,044	13	84	294	5,391	12,826
Total financial liabilities	644,267	245,441	90,258	10,102	5,391	995,459
Total interest repricing gap	167,130	(122,782)	(18,892)	20,185	3,922	49,563

Bank

Balance at 31 December 2008	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with the central bank	181,874	-	-	-	2,898	184,772
Due from banks and other financial institutions	12,390	2,342	-	-	-	14,732
Loans and advances to banks and other financial institution, net	9,329	6,896	870	-	-	17,095
Assets purchased under resale agreements	34,913	400	-	-	-	35,313
Loans and advances to customers, net	549,797	86,456	8,031	2,159	-	646,443
Debt securities	12,896	26,534	62,465	28,128	3,636	133,659
Other financial assets	3,399	-	-	-	5,448	8,847
Total financial assets	804,598	122,628	71,366	30,287	11,982	1,040,861
Financial liabilities:						
Due to banks and other financial institutions	80,093	35,923	4,500	-	-	120,516
Placements with banks and other financial institutions	15,370	16,622	-	-	-	31,992
Assets sold under repurchase agreements	7,231	214	-	-	-	7,445
Customer deposits	533,776	165,613	85,660	765	-	785,814
Debt securities in issue	-	24,956	-	9,043	-	33,999
Other financial liabilities	6,953	13	84	294	4,998	12,342
Total financial liabilities	643,423	243,341	90,244	10,102	4,998	992,108
Total interest repricing gap	161,175	(120,713)	(18,878)	20,185	6,984	48,753

Bank Balance at 31 December 2007						
Total financial assets	710,833	83,706	63,432	34,996	15,924	908,891
Total financial liabilities	(705,857)	(128,698)	(16,515)	(9,658)	(3,003)	(863,731)
Total interest repricing gap	4,976	(44,992)	46,917	25,338	12,921	45,160

Assuming a parallel shift of 100 basic points in the yield rates of all currencies on 31 December 2008, the potential impact on the net interest income of 2009 of the Group and the Bank is as follows:

	31 December 2008 Group Gains/(losses) RMB	31 December 2008 Bank Gains/(losses) RMB	31 December 2007 Bank Gains/(losses) RMB
100 bps upward changes of interest rate	996	952	(125)
100 bps downward changes of interest rate	(996)	(952)	125

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In determining the interest rate sensitivity analysis, The Group and Bank make the following assumptions but have not considered the following:

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

(4) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through asset realization at reasonable prices on a timely basis.

In 2008, the Bank and the subsidiaries managed their respective liquidity risks separately and independently, while the Bank managed the liquidity risk of all its branches.

The Bank has exposure to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

In addition, the Bank limits its loan to deposit ratio to below 75% as required by the PBOC. As at 31 December 2008, the Bank was required to maintain 13.5% of the total Rmb-denominated deposits and 5% of the total foreign currency-denominated deposits with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amounts under other credit commitments, because the Bank does not generally expect the third party to draw down under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(a) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

Assets and Liabilities Management Committee (the ALM Committee) is responsible for formulating liquidity risk management policies. The Assets and Liabilities Management Department under the ALM Committee is responsible for the daily liquidity risk management through the following procedures:

• Manage the day-to-day position through monitoring of future cash flows to ensure it meets the required funding position, including matured deposits and replenishment of funds for loan demands. The Bank actively participates in global monetary market transactions to ensure the Bank's capital requirements are satisfied.

• Set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to loan-to-deposit ratio, the deposit reserve ratio, liquidity ratio, and liquidity gap ratio, and guiding target ratios have been set for every branch.

• Monitor the liquidity ratio and liquidity gap ratio through the asset and liabilities management system, and performs liquidity scenario analysis and stress-testing on overall assets and liabilities to satisfy internal and external regulatory requirements. Various techniques are used to estimate the Bank's liquidity requirements, and make liquidity management decision based the estimated liquidity requirements and within its authority. A periodical reporting system is established to update the senior management of the latest information on liquidity risks in a timely manner.

• Monitor and enhance the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets. This is to ensure the Bank is well positioned to fund its repayment obligations and asset and business growth in the event of an interruption of cash flows.

(b) Non-derivative cash flows

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

Group

Balance at 31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities:						
Deposit from banks and other financial institutions	50,848	10,079	35,035	28,431	53	124,446
Other borrowings	-	4	2,583	154	-	2,741
Borrowings from banks	4,959	10,949	17,008	-	-	32,916
Assets sold under repurchase agreements	6,711	1,151	214	-	-	8,076
Customer deposits	455,518	85,940	170,497	100,621	872	813,448
Debt securities in issue	-	-	11,456	16,195	14,502	42,153
Other financial liabilities	333	99	3,268	611	339	4,650
Total liabilities (contractual maturity date)	518,369	108,222	240,061	146,012	15,766	1,028,430
Assets:						
Cash and balances with the central bank	184,829	-	-	-	-	184,829
Due from banks and other financial institutions	10,389	2,041	2,416	-	-	14,846
Loans and advances to banks and other financial institutions, net	4,806	4,816	6,907	889	-	17,418
Assets purchased under resale agreements	24,550	10,411	403	-	-	35,364
Loans and advances to customers	43,648	84,703	300,917	182,684	133,313	745,265
Long-term receivables	97	285	1,131	4,478	-	5,991
Debt securities	1,405	6,490	25,798	82,957	38,385	155,035
Others financial assets	233	76	886	2,102	6	3,303
Total assets (expected maturity date)	269,957	108,822	338,458	273,110	171,704	1,162,051

Financial Reports

Bank

Balance at 31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities:						
Deposit from banks and other financial institutions	51,119	10,079	35,035	28,431	53	124,717
Borrowings from banks	4,959	10,949	17,008	-	-	32,916
Assets sold under repurchase agreements	6,145	1,151	214	-	-	7,510
Customer deposits	455,546	85,940	170,497	100,621	872	813,476
Debt securities in issue	-	-	11,456	16,195	14,502	42,153
Other financial liabilities	283	94	3,236	260	339	4,212
Total liabilities (contractual maturity date)	518,052	108,213	237,446	145,507	15,766	1,024,984
Assets:						
Cash and balances with the central bank	184,823	-	-	-	-	184,823
Due from banks and other financial institutions	10,373	2,041	2,416	-	-	14,830
Loans and advances to banks and other financial institutions, net	4,806	4,816	6,907	889	-	17,418
Assets purchased under resale agreements	24,550	10,411	403	-	-	35,364
Loans and advanced to customers	43,648	84,703	300,886	182,684	133,313	745,234
Debt securities	1,405	6,490	25,798	82,957	38,385	155,035
Others financial assets	232	72	677	345	6	1,332
Total assets (expected maturity date)	269,837	108,533	337,087	266,875	171,704	1,154,036

Bank

Balance at 31 December 2007						
Total liabilities (contractual maturity date)	498,987	98,324	137,272	122,137	36,657	893,377
Total assets (expected maturity date)	184,866	122,446	289,024	259,294	198,595	1,054,225

(c) Derivative cash flow

(i) Derivatives settled on a net basis

The table below summarizes the Group's net-settled financial derivatives as at 31 December 2008 by relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

Group & Bank

Balance at 31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(2)	(2)	8	20	4	28
Credit derivatives	-	-	-	2	-	2
Total	(2)	(2)	8	22	4	30

Bank

Balance at 31 December 2007	-	(11)	(50)	(47)	15	(93)

(ii) Derivatives settled on a gross basis

The table below summarizes the Group's gross-settled financial derivatives as at 31 December 2008 by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

Group & Bank

Balance at 31 December 2008	Up to 1 month	1 to 3months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
-Cash outflow	(2,382)	(4,054)	(6,302)	(291)	-	(13,029)
-Cash inflow	2,400	4,063	6,237	291	-	12,991
Precious metal derivatives						
-Cash outflow	(163)	-	-	-	-	(163)
-Cash inflow	165	-	-	-	-	165
Total of cash outflow	(2,545)	(4,054)	(6,302)	(291)	-	(13,192)
Total of cash inflow	2,565	4,063	6,237	291	-	13,156
Bank						
Balance at 31 December 2007						
Total of cash outflow	(3,184)	(1,817)	(11,245)	-	-	(16,246)
Total of cash inflow	3,190	1,818	11,252	-	-	16,260

(d) Off-balance sheet items

		As at 31, December, 2008		
Group	No later than 1 year	1 to 5 years	Over 5 years	Total
Letters of credit	7,218	634	398	8,250
Letters of guarantee	24,465	23,060	1,504	49,029
Acceptances	145,005	-	-	145,005
Unused credit limits	28,140	-	-	28,140
Irrevocable loan commitments	120	1,634	4,246	6,000
Finance lease commitments	475	-	-	475
Operating lease commitments	625	1,610	379	2,614
Capital commitments	96	3,005	112	3,213
Total	206,144	29,943	6,639	242,726

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Bank	No later than 1 year	1 to 5 years	Over 5 years	Total
	As at 31, December, 2008			
Letters of credit	7,218	634	398	8,250
Letters of guarantee	24,465	23,060	1,504	49,029
Acceptances	145,005	-	-	145,005
Unused credit limits	28,140	-	-	28,140
Irrevocable loan commitments	120	1,634	4,246	6,000
Operating lease commitments	617	1,584	378	2,579
Capital commitments	96	2,464	112	2,672
Total	205,661	29,376	6,638	241,675

Bank	No later than 1 year	1 to 5 years	Over 5 years	Total
	As at 31, December, 2007			
Letters of credit	15,216	663	-	15,879
Letters of guarantee	11,742	18,534	2,494	32,770
Acceptances	96,148	476	-	96,624
Unused credit limits	26,574	-	-	26,574
Irrevocable loan commitments	524	2,175	2,157	4,856
Operating lease commitments	540	1,338	436	2,314
Capital commitments	4,334	313	-	4,647
Total	155,078	23,499	5,087	183,664

(5) Fair value of financial assets and liabilities

(a) Fair value of financial instruments measured by valuation techniques.

The Group uses valuation techniques to determine the fair value of certain financial instruments, and recognized fair value changes of these financial instruments in the current income statement as valuation gains of Rmb 52.29 million (2007: Rmb 22.15 million).

(b) Financial instruments not measured at fair value

The estimated fair values of the Group's financial assets and liabilities, of which the respective carrying amounts are different, at 31 December 2007 and 2008 are summarized as follows:

		Carrying value	
	31 December 2008	31 December 2008	31 December 2007
	Group	Bank	Bank
Financial assets			
Loans and advances	646,475	646,443	547,296
Investment securities			
-Held-to-maturity	38,716	38,716	45,816
-Investment receivables	37,066	37,066	47,449
Financial liabilities			
Customer deposits	785,786	785,814	671,219
Debt securities in issue			
and borrowing from foreign government	34,390	34,390	34,355

Please refer to Note 9 (1) for the contractual amounts of off-balance financial instruments, including credit commitments.

		Fair value	
	31 December 2008	31 December 2008	31 December 2007
	Group	Bank	Bank
Financial assets			
Loans and advances	647,209	647,177	547,238
Investment securities			
-Held-to-maturity investments	40,033	40,033	44,203
-Investment receivables	38,203	38,203	46,959
Financial liabilities			
Customer deposits	786,629	786,657	671,184
Debt securities in issue and borrowing from foreign government	34,351	34,351	33,410
Off-balance sheet financial instruments	596	596	331

(i) Cash and due from the central bank, due from banks and other financial institutions, long-term receivables, placement with other banks, placement from other banks and financial institutions, due to banks and other financial institutions and borrowings from banks and other financial institutions.

Given these financial assets and liabilities have a maturity of less than one year or have floating interest rates, their carrying amounts approximate their fair value.

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(ii) Loans, advances, investment receivables and long-term receivable

Loans, advances, investment receivables and long-term receivables are recorded net of allowance for impairment losses. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received and discounted at current market rates.

(iii) Held-to-maturity investment securities

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

(iv) Deposits with and placements from banks and other financial institutions

The fair value of checking, savings and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of fixed interest-bearing deposits and placements without quoted market prices are based on discounted cash flows using interest rates for new debts with similar remaining maturities.

(v) Resale and repurchase agreements

The underlying of resale and repurchase agreements comprise bills, investment securities and loans and advances to customers. The fair values of those short-term financing arrangements approximate their carrying amounts.

(vi) Debt securities in issue, borrowings from foreign government and other financial institutions

Fair values of debt securities in issue, borrowings from foreign governments and other financial institutions are recorded based on quoted market prices. For bonds where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for the nature of obligations with similar remaining maturities.

(vii) Off-balance sheet financial instruments

The fair value of off-balance sheet financial instruments is estimated based on the fair value of a similar financial instrument in the market. If there is no such information, its fair value will be measured using the discounted cash flow method.

(6) Capital management

The capital management of the Group aims to ensure compliance with regulatory requirements, to improve its ability to mitigate risks continuously and to enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and takes a range of measures, including budgeting/planning and performance measurement and limit management. This helps to ensure the realization of management objectives, so as to meet the requirements for regulatory compliance, credit rating, risk premium and shareholders' expected return. It also facilitates the Group's risk management, ensures the orderly expansion of the asset base and enhances its business structure and model.

As a listed joint-stock commercial bank, the Bank's business scale has maintained a relatively rapid development trend, with an increase in the utilization of capital. In order to ensure the CAR is in line with regulatory requirements and to maximise the shareholders' return while controlling risks, the Group commits to establish and foster discipline to manage capital in the most economic and efficient manner. At the same time, there is continuous improvement of capital occupation measurement mechanisms and the introduction of the planning and performance assessment that has return on capital as the primary performance indicator. Enhanced management is exercised in the use of capital, and management policies have been implemented to guide a balanced growth of assets in its business entities, help to reduce capital requirements and to improve the return on capital.

The Group calculates and discloses its Capital Adequacy Ratio in accordance with the *Administrative Rules on Capital Adequacy Ratios of Commercial Banks"* and other related rules and regulations.

The capital adequacy of the Group and the Bank for the years ended 31 December 2008 and 2007 is summarized as follows.

	31 December 2008 Group	31 December 2007 Bank
Core capital:		
Common stock	18,823	14,479
Capital surplus net of AFS adjustment	14,768	15,523
Statutory reserves	2,983	2,200
General reserves	8,001	5,800
Retained earnings	5,940	4,728
Minority interest	792	-
Core capital:	51,307	42,730
Less: 50% of the investment in unconsolidated non-bank financial institutions	(620)	307
Net Core capital	50,687	42,423
Supplementary Capital:		
Revaluation reserves	1,305	3,728
General provision *	7,895	4,169
Hybrid capital bonds	4,300	4,300
Long-term subordinated bonds	7,200	7,200
Total of the supplementary capital (Max of the 100% of net core capital)	20,700	19,397
Total capital	72,007	62,127
Less: Investment in unconsolidated non-bank financial institutions	(1,240)	614
Net Capital	70,767	61,513
Total risk-weighted assets	767,895	573,514
Core capital adequacy ratio	6.60%	7.40%
Capital adequacy ratio	9.22%	10.73%

* The general reserve included in the calculation of supplementary capital for years ended 31 December 2008 and 2007 is the impairment allowance for loan and advances collectively assessed for impairment losses.

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12 RELATED PARTY TRANSACTIONS

(1) Related party relationship

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

Shareholders who own 5% or more of the shares of the Bank's total share capital are New Hope Investment Co., Ltd. and China Life Insurance Co., Ltd.

(2) Related party transactions

The terms of transactions with related parties and directors and senior management follow commercial terms arranged in the ordinary course of the Bank's business, with pricing principles consistent with those applied in independent third-party transactions.

(a) The basic information of the Bank' subsidiaries is as

(b) Outstanding loans to related parties:

	Relationship with the Bank	Guarantee /Pledged	31 December 2008	31 December 2007
Beijing Glandorgal Property Management Co., Ltd.	Controlled by a director of the Bank	Guarantee	657	657
Beijing Ruihua Property Management Co., Ltd.	Controlled by a director of the Bank	Guarantee	399	399
Oriental Group Finance Co., Ltd.	A related party of major shareholder / Controlled by a director of the Bank	Pledged	254	97
Oriental Home Co., Ltd.	Controlled by a director of the Bank	Pledged	70	218
Oriental Home Co., Ltd.	Controlled by a director of the Bank	Pledged	49	-
Oriental Hope (Sanmenxia) Aluminum Products Co., Ltd.	A related party of major shareholder / Controlled by a director of the Bank	Guarantee	50	-
Ziyang Jiahao Feed Technology Co., Ltd	A related party of major shareholder / Controlled by a director of the Bank	Pledged	0.5	-
Pengshan New Hope Feed Co., Ltd.	A related party of major shareholder / Controlled by a director of the Bank	Pledged	0.5	-
Oriental Hope Group Co., Ltd.	A related party of major shareholder	Guarantee	-	100
Xiamen Fuxin Group Co., Ltd.	Controlled by a director of the Bank	Pledged	300	-
Xiamen Xindi Industry Co., Ltd.	A related party of major shareholder /Controlled by a director of the Bank	Guarantee	-	132
China Ship-owners Mutual Assurance Association	Controlled by a director of the Bank/ Major shareholder of the Bank	Pledged	34	30
China SME Investment Co., Ltd.	Controlled by a director of the Bank/ Major shareholder of the Bank	Guarantee	-	17
Individual related persons	Directors, supervisors, key management personnel and their related persons		-	3
			1,814	1,653

	2008	2007
Interest income on loans to related parties	99	85

As at 31 December 2008, no impairment loss had been identified with respect to loans to the above related parties (2007: None).

(c) In addition to the above transactions

	31 December 2008	31 December 2007
Balance of related parties' deposits	19,908	2,544
Balance of due to related party banks and other financial institutions	1,263	3,092
Balance of the loans guaranteed by related parties	1,106	1,321
Balance of drafts accepted by the Bank for related parties	464	290
Bills purchased from related parties under resale agreement	100	-
Related-party bills discounted by the Group	2	-
Balance of assets sold under repurchase agreements with related parties	-	1,000
Balance of lending to related party banks and other financial institutions	-	150

The above transactions with related parties do not have a significant impact on the Group's income statement as at 31 December 2008.

(d) Services provided by related parties

The Bank purchased life insurance contracts from China Life Insurance Company ("China Life") as supplementary retirement benefits for the employees. The Bank pays related insurance fees periodically according to the contracts.

The Bank has also entered into leasing contract with Minsheng Life Insurance Company Limited for use of the Minsheng Life Tower as a business location of the Bank, and the Bank makes rental payments and property management fees when due.

(e) Transactions with key management personnel

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

The Bank engages in business transactions with directors and key management personnel on normal commercial terms. These include placing loans and taking deposits at the same interest rates the Bank offers to a third party.

Salaries and other short-term benefits to the key management personnel for 2008 amounted to Rmb 0.085 billion (2007: Rmb 0.09 billion). No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during 2008 (2007: nil).

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(f) Balances with subsidiaries

The Bank's balance sheet includes insignificant balances with its subsidiaries and the balances have been offset in preparing the consolidated financial statements.

13 POST BALANCE SHEET EVENTS

With the approval of China Banking Regulatory Commission and the People's Bank of China, the Bank made a public offering of Rmb 5 billion 15-year hybrid capital bonds in the national interbank bond market on 25 March 2009. According to relevant regulations, these hybrid capital bonds are eligible for inclusion as supplementary capital of the Bank.

14 NET PROFIT BEFORE EXTRAORDINARY ITEMS

The Group prepares the schedule of extraordinary items in accordance with the Explanatory Convention for Information Disclosure by Companies Offering Securities to the Public: Questions and Answers No. 01 - Extraordinary Items, which defines extraordinary items as income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise. This also includes events or transactions that, though related to the ordinary activities of the enterprise, due to their special and non-recurring nature, affect the users' judgment of the company's operating performance and profitability. Extraordinary items of the Group and the Bank are as follows:

	2008 Group	2007 Bank
Net profit	7,885	6,335
(Less extraordinary profit) / Add extraordinary loss		
-Non-operating income	(157)	(60)
-Non-operating expenses	81	47
Reversal of impairment allowances for non-financial assets	(6)	(42)
Impact of changes in income tax rate	-	332
Effects of the extraordinary profit/loss items on income tax	21	18
Minority shareholders' interest	2	-
Attributable to equity holders of the Bank	7,826	6,630

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Index of Documents for Reference

Index of Documents for Reference

1. Financial statements bearing the signatures and seals of the legal representative, senior executive in charge of accounting function and persons in charge of finance and accounting departments of the Bank

2. Original copy of the auditors' reports bearing the seals of the accounting firm, and the signatures and seals of signing CPAs

3. Body text of the annual report bearing the signatures of the directors and senior executives of the Bank

4. All the originals of documents and announcements disclosed during the reporting period in the China Securities Journal, Shanghai Securities News and the Securities Times

5. Articles of Association of the Bank

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Appendices

Appendices

Written Confirmation on the 2008 Annual Report of the Bank By the Directors and Senior Executives of the Bank

In accordance with the related rules and requirements of the Securities Law and the Contents and Formats Standards No.2 Concerning Information Disclosure of Companies Offering Securiteis to the Public (2007 Revised), we, as the directors and senior executives of the Bank, present our opinion on the basis of our full understanding and review of the 2007 annual report and the abstracts of the Bank as follows:

1. The Bank operates in strict compliance with the Accounting Standards for Business Enterprises. The 2008 Annual Report of the Bank and its abstracts fairly reflect the financial position and operating results of the Bank in year 2008.

2. The 2008 Financial Statements audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Bank and the Auditors' Report is truthful, objective and fair.

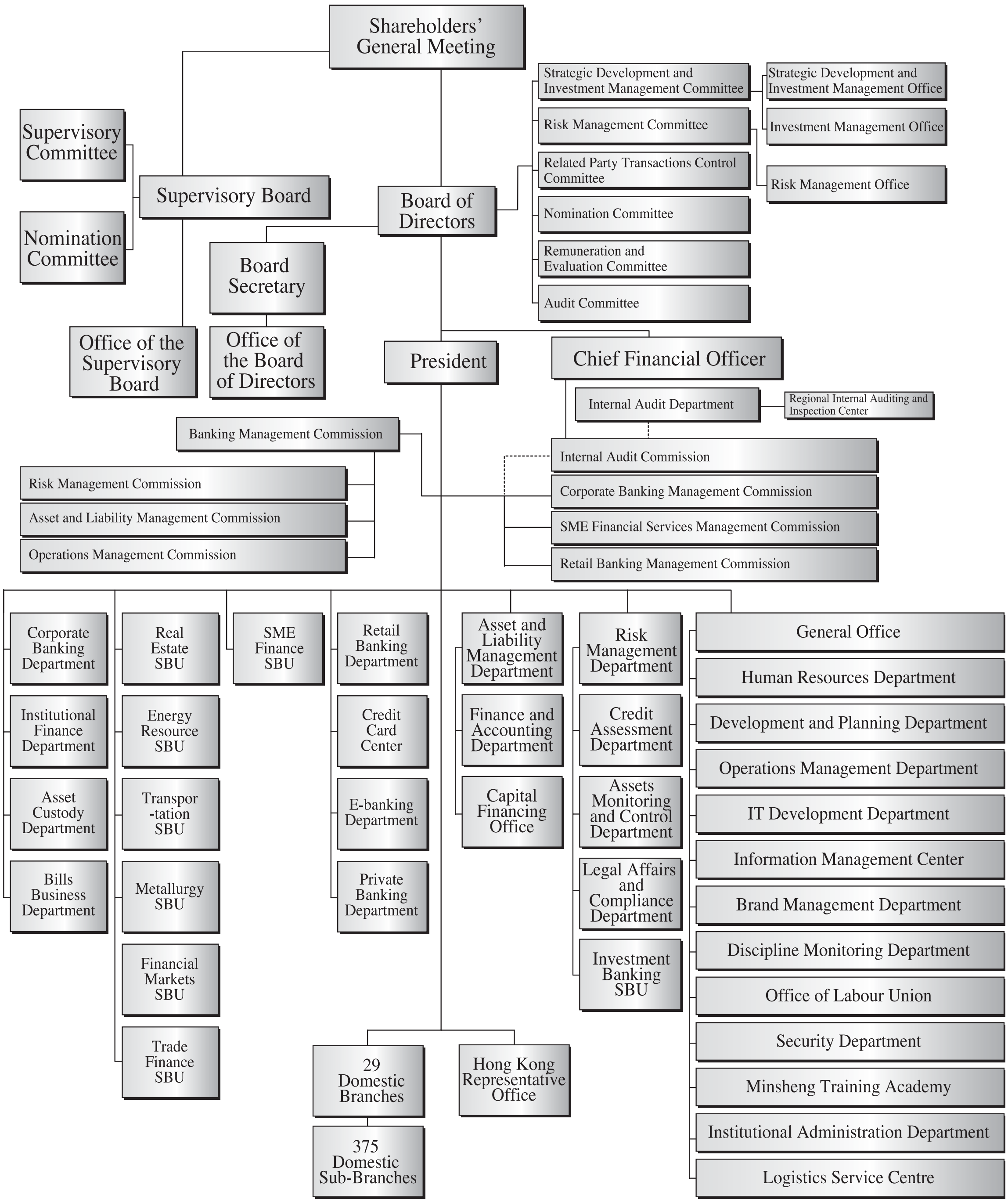
We hereby guarantee the truthfulness, accuracy and integrity of the 2008 Annual Report and its abstracts, warrant that there are no misstatements, misleading representations or material omissions in the report and the abstracts and assume joint and several liabilities for their truthfulness, accuracy and integrity.

Directors and senior executives:

Dong Wenbiao	Zhang Hongwei	Lu Zhiqiang
Liu Yonghao	Wang Yugui	Chen Jian
Huang Xi	Shi Yuzhu	Wang Hang
Wang Junhui	Gao Shangquan	Zhang Ke
Andrew Wong	Wang Songqi	Liang Jinquan
Hong Qi	Liang Yutang	Shao Ping
Zhao Pinzhang	Mao Xiaofeng	Wu Touhong

Board of Directors
China Minsheng Banking Corp., Ltd.

Organization Chart



Appendices

List of Correspondent Banks

* As of December 31, 2008
* 839 banks

ASIA (430 BANKS)				EUROPE (258 BANKS)									
MAINLAND CHINA	131	MALAYSIA	13	GERMANY	43	ITALY	28	LUXEMBURG	7	SERBIA AND MONTENEGRO	1	LATVIA	1
HONG KONG S.A.R.	80	INDONESIA	14	UNITED KINGDOM	26	SWEDEN	12	PORTUGAL	5	TURKEY	7	UKRAINE	1
MACAO S.A.R.	7	PHILIPPINES	5	IRELAND	3	DENMARK	6	ROMANIA	3	CYPRUS	1	MALTA	2
TAIWAN	32	INDIA	16	POLAND	5	GREECE	7	CZECH	7	BELARUS	1	ALBANIA	1
JAPAN	30	PAKISTAN	4	SWITZERLAND	5	FINLAND	6	SLOVAK	4	LITHUANIA	1		
SINGAPORE	40	LEBANON	2	NETHERLAND	11	AUSTRIA	9	CROATIA	2	NORWAY	7		
SOUTH KOREA	26	IRAN	4	FRANCE	10	HUNGARY	7	RUSSIA	6	BULGARIA	2		
THAILAND	15	UNITED ARAB EMIRATES	11	SPAIN	13	BELGIUM	6	SLOVENIA	1	BOSNIA AND HERZEGOVINA	1		

AMERICA (114 BANKS)				AFRICA (19 BANKS)				OCEANIA (19 BANKS)	
U.S.A	64	DOMINICAR	1	EGYPT	5	SUDAN	2	NEW ZEALAND	3
CANADA	13	URUGUAY	3	TUNISIA	2	MOROCCO	1	AUSTRALIA	15
PERU	3	CUBA	1	SOUTH AFRICA	4			FIJI	1
CHILE	3	PANAMA	1	MAURITIUS	1				
BAHAMAS	1	BOUVIA	2	KENYA	1				
COLOMBIA	3			NAMIBIA	1				
ARGENTINA	3			ZAMBIA	1				
BRAZIL	10			CAMEROON	1				

中国民生银行
CHINA MINSHENG BANKING CORPORATION LIMITED

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