中信银行
CHINA CITIC BANK

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2008 Annual Report

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Corporate information

Registered Name in Chinese:	中信銀行股份有限公司 (abbreviated as “China CITIC Bank”, hereinafter referred to as the “Company”, the “Bank”)
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as “CNCB”)
Legal Representative:	Kong Dan
Authorized Representatives:	Chen Xiaoxian, Luo Yan
Secretary to the Board of Directors:	Luo Yan
Representative of Securities Affairs:	Peng Jinhui
Joint Company Secretary:	Luo Yan & Kam Mei Ha, Wendy (ACS, ACIS)
Qualified Accountant:	Lu Wei (MPA, CPA)
Registered Address and Office Address:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China
Postal Code:	100027
Website:	bank.ecitic.com
Contact Telephone Number.:	86-10-65558000
Fax Number.:	86-10-65550809
Email Address:	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong:	28th floor, Three Pacific Place, 1 Queen’s Road East, Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure:	Website designated by the China Securities Regulatory Commission (abbreviated as “CSRC”) to publish A-share Annual Report: www.sse.com.cn Website of Hong Kong Stock Exchanges and Clearing Ltd. (abbreviated as “HKEx”) to publish H-share Annual Report: www.hkexnews.hk

PRC Law Legal Advisor:	King & Wood PRC Lawyers
Hong Kong Law Legal Advisor:	Freshfields Bruckhaus Deringer
Compliance Advisors:	China International Capital Corporation (Hong Kong) Limited
	Citigroup Global Markets Asia Limited
Auditors:	KPMG Huazhen Accounting Firm 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China 100738 KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository & Clearing Corporation Limited, 36th Floor, China Insurance Mansion, No. 166 Lu Jia Zui East Road, Pudong New Area, Shanghai
H-share Registrar:	Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Places Where Shares are Listed, Stock Name and Stock Codes:	A-share Shanghai Stock Exchange CNCB 601998
	H-share Hong Kong Stock Exchanges and Clearing Ltd. CITIC Bank 0998
Date of first registration:	7 April 1987
Date of changing registration:	31 December 2006
Authority of first registration and changing registration:	State Administration for Industry and Commerce, PRC
Registration Number of Business License:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

This report is made in Chinese and English. Should there be any discrepancies in understanding the two language versions, the Chinese version shall prevail.

Financial highlights

Operating Performance

(Unit: in RMB million)

Item	2008	2007	Increase (%)
Operating income	**40,372**	27,955	44.42
Profit before taxation	**17,780**	13,172	34.98
Net profit attributable to shareholders	**13,354**	8,322	60.47
Net operating cash flow	**140,231**	29,519	375.05
Per share			
Basic earnings per share (RMB)	**0.34**	0.23	47.83
Diluted earnings per share (RMB)	**0.34**	0.23	47.83
Net operating cash flow per share (RMB)	**3.59**	0.76	372.37

Scale Indicators

(Unit: in RMB million)

Item	2008 Year end	2007 Year end	Increase (%)
Total assets	**1,188,152**	1,011,186	17.50
Total loans and advances to customers	**664,924**	575,208	15.60
Total liabilities	**1,092,491**	927,095	17.84
Total deposits from customers	**945,835**	787,211	20.15
Total equity attributable to shareholders	**95,658**	84,086	13.76
Net asset value per share attributable to shareholders (RMB)	**2.45**	2.15	13.95

Profitability Indicators

Item	2008	2007	Change
Return on average assets (ROAA)	**1.21%**	0.97%	0.24
Return on average equity (ROAE)	**14.86%**	14.37%	0.49
Cost-to-income ratio	**32.93%**	34.92%	(1.99)
Credit cost	**0.84%**	0.54%	0.30
Net interest spread	**3.11%**	2.95%	0.16
Net interest margin	**3.33%**	3.12%	0.21

Asset Quality Indicators

Item	2008 Year end	2007 Year end	Change
Non-performing loans (NPL) ratio	**1.36%**	1.48%	(0.12)
Provision coverage ratio	**150.03%**	110.01%	40.02
Allowance for impairment of loans to total loans ratio	**2.04%**	1.62%	0.42

Capital Adequacy Indicators

Item	2008 Year end	2007 Year end	Change
Capital adequacy ratio	**14.32%**	15.27%	(0.95)
Core capital adequacy ratio	**12.32%**	13.14%	(0.82)
Total equity to total assets ratio	**8.05%**	8.32%	(0.27)

Five Year Financial Summary

(Unit: in RMB million)

Item	2008	2007	2006	2005	2004
Operating Performance					
Operating income	**40,372**	27,955	17,927	13,655	11,146
Profit before taxation	**17,780**	13,172	7,002	5,453	4,061
Net profit attributable to shareholders	**13,354**	8,322	3,858	3,083	2,427
Net operating cash flow	**140,231**	29,519	(7,574)	(7,650)	30,256
Per Share					
Basic earnings per share (RMB)	**0.34**	0.23	0.12	0.10	0.08
Diluted earnings per share (RMB)	**0.34**	0.23	0.12	0.10	0.08
Net operating cash flow per share (RMB)	**3.59**	0.76	(0.24)	(0.29)	1.70
Scale Indicators					
Total assets	**1,188,152**	1,011,186	706,723	594,602	495,445
Total loans and advances to customers	**664,924**	575,208	463,167	370,254	306,571
Total liabilities	**1,092,491**	927,095	675,029	571,377	484,682
Total deposits from customers	**945,835**	787,211	618,412	530,573	435,020
Total equity attributable to shareholders	**95,658**	84,086	31,689	23,220	10,759
Net asset value per share attributable to shareholders (RMB)	**2.45**	2.15	1.02	0.87	0.60
Profitability Indicators					
Return on average asset (ROAA)	**1.21%**	0.97%	0.59%	0.57%	0.54%
Return on average equity (ROAE)	**14.86%**	14.37%	14.05%	18.15%	30.04%
Cost-to-income ratio	**32.93%**	34.92%	39.67%	41.11%	39.11%
Credit cost	**0.84%**	0.54%	0.34%	0.31%	0.56%
Net interest spread	**3.11%**	2.95%	2.53%	2.38%	2.37%
Net interest margin	**3.33%**	3.12%	2.62%	2.45%	2.42%
Asset Quality Indicators					
Non-performing loans (NPL) ratio	**1.36%**	1.48%	2.50%	4.14%	6.29%
Provision coverage ratio	**150.03%**	110.01%	84.62%	79.88%	77.58%
Capital Adequacy Indicators					
Capital adequacy ratio	**14.32%**	15.27%	9.41%	8.11%	6.05%
Core capital adequacy ratio	**12.32%**	13.14%	6.57%	5.72%	3.33%

Kong Dan
Chairman

Chairman's Statement

"Here, I am pleased to report to all the shareholders that on the basis of adequate provision, China CITIC Bank has seen a rapid growth in its profit; the net profit was RMB13.354 billion, up by 60.47% from the previous year; the return on average assets (ROAA) and return on average equity (ROAE) were 1.21% and 14.86% respectively; the earnings per share was RMB0.34, up by 47.83% year on year; the provision coverage ratio was 150.03%; the capital adequacy ratio and the core capital adequacy ratio reached 14.32% and 12.32% respectively. The strong capital base and adequate provision have laid a solid foundation for us to prevent and respond to risks. At the end of 2008, the Bank has been ranked the 260th among the 2008 Global Top 500 Enterprises in terms of market capitalization by UK's Financial Times and the 77th among the Top 1000 World Banks in terms of tier one capital by The Banker magazine of the United Kingdom."

The year 2008 witnessed a global financial turmoil. The global financial turbulence triggered by the subprime crisis has become increasingly severe. And it rapidly grown from the regional to global level, from developed countries to emerging markets and developing countries, from financial realm to real economy, and thus turned out to be an unprecedented and wiping International financial crisis with deep impact. With the intensified economic globalization, no country can stand alone from this financial crisis. To cope with the crisis, China has made two major adjustments to its macroeconomic policies in 2008 by changing from "preventing overheating and inflation" to "maintaining growth and controlling prices" and then further to "ensuring growth and expanding domestic demand". It is rare ever in history that the policies unveiling was so efficient, powerful and intensified. It is such a series of effective macroeconomic policies that ensured a fast growth rate of 9% of Chinese economy.

In such a complicated environment with various dilemmas intertwined with each other, the commercial banks in China are facing an unprecedented challenge. During the year, China CITIC Bank gained the support of regulatory authorities, domestic and overseas shareholders, customers and all walks of life, as well as the great efforts of the management team and all the employees. This put us on a stronger position in safeguarding the interests of shareholders and depositors, addressing to market changes, refining management and business structure, improving risk management level and strengthening internal control mechanism. Therefore, the bank withstood the impact of the global financial crisis. Here, I am pleased to report to all the shareholders that on the basis of adequate provision, China CITIC Bank has seen a rapid growth in its profit; the net profit was RMB13.354 billion, up by 60.47% from the previous year; the return on average assets (ROAA) and return on average equity (ROAE) were 1.21% and 14.86% respectively; the earnings per share was RMB0.34, up by 47.83% year on year; the provision coverage ratio was 150.03%; the capital adequacy ratio and the core capital adequacy ratio reached 14.32% and 12.32% respectively. The strong capital base and adequate provision have laid a solid foundation for us to prevent and respond to risks. At the end of 2008, the Bank has been ranked the 260th among the 2008 Global Top 500 Enterprises in terms of market capitalization by UK's Financial Times and the 77th among the Top 1000 World Banks in terms of tier one capital by The Banker magazine of the United Kingdom.

We are always in pursuit of continuous improvement of corporate governance and creating more values for our shareholders. In 2008, the Board of Directors has refined its operating system into the one with scientific decision-making, enhanced execution and effective supervision, maintained the professionalism, diversification and independence of the composition of the Board of Directors and the senior management and gave full play to the decision-making function of the Board of Directors. By keeping close ties with global investors, efforts have been made to ensure that the market could make correct judgment and valuation on the investment value of China CITIC Bank.

Under the effective corporate governance, the risk management system of China CITIC Bank has withstood a tough challenge. Although the international financial crisis has not posed a direct impact on the financial system in China, the adverse effect on the real economy in China would spread to the financial sector to a certain extent. We always uphold the prudent opeartion philosophy and insist on nurturing scientific risk culture. We have established an independent, comprehensive and vertical risk management system, enhanced our risk management technique and maintained good assets quality. In light of the financial risk triggered by the U.S. subprime crisis in 2008, the Bank had an accurate understanding of the market trends and promptly adopted proper strategies and moderately trimmed our position in foreign currency denominated bonds, effectively avoided the impact of the financial crisis.

The Bank attached great importance to increase its core competitiveness. We have made full use of the strong brand and comprehensive strength of CITIC Group, and worked hand in hand with other financial subsidiaries under CITIC Group in the field of securities, fund, trust, insurance and futures, etc, so that the advantage of the integrated financial services platform has been better performed. We believe that CITIC Group would better consolidate its financial resources to create ample room for China CITIC Bank by building a platform for the Bank's overseas development. During the past two-year cooperation between the Bank and Banco Bilbao Vizcaya Argentaria S.A. (abbreviated as "BBVA"), our strategic investor, both parties have made an on-going effort to promote an in-depth cooperation. In 2008, BBVA increased its shareholding in the Bank to 10.07%, notwithstanding the weak market sentiments. Upon the completion of settlement, it became the second largest shareholder of the Bank. This demonstrates BBVA's high recognition of the development of Chinese economy and the value of the Bank.

At the same time of maximizing profit, the Bank puts the idea of scientific development into effect and actively takes up corporate social responsibility. The Bank regards the fulfillment of social responsibility as a key component of the sustainable development. The trust and the support from the society is the basis for our further development. In terms of pur work in providing financial service security guarantee during the Olympics Games, the excellent work done by the Bank received wide applause. In the process of fighting against snowstorm and mobilizing earthquake relief, we took the initiative to shoulder social responsibility by making donations in cash and in kind.

Looking forward, where there is challenge, there is opportunity. Although the financial crisis has not been over yet, China has implemented a proactive fiscal policy and a moderately loosened monetary policy, increased the scale of bond issuance, encouraged the project investment as well as merger and acquisition and reorganization of enterprises. All these provide us with an invaluable opportunity to seek greater development in a number of new areas. China CITIC Bank, after getting through all these hardships, has become stronger than ever. I believe that China CITIC Bank is capable of handling the difficulties with ease and achieve continuous, steady and sound development in order to reward our shareholders and all walks of life for their trust and support.

Chairman: Kong Dan
28 April 2009

Chen Xiaoxian
President

Amid the global economic turbulence in 2008, the Bank withstood the severe challenge and maintained a stable and healthy increase in its operating performance. As at the end of 2008, our total assets was RMB1,188.152 billion, a year-on-year increase of 17.50%; the balance of various deposits reached RMB1,054.440 billion, up by 19.30% year on year; the balance of various loans amounted to RMB664.924 billion, up by 15.60% year on year and the net profit reached RMB13.354 billion, up by 60.47% year on year, making the Bank being one of the most profitable commercial banks in China. In 2008, out of the top 1000 world banks as publicized by The Banker magazine of the United Kingdom, we have been ranked the 77th in tier one capital, and the 98th in the Global 100 Banking Brand. As to the operating performance of 2008, the Bank has made further achievements in the following seven key areas.

The profitability was further enhanced

In 2008, the net profit amounted to RMB13.354 billion. On the basis of significant increase in the level of allowance for impairment of loans, the Four-year Compound Annual Growth Rate was as high as 108.09%, making a big leap forward in profitability. The earning base is constantly enhanced with more diversified sources. First, both the interest income and non-interest income increased significantly. In the second half of the year when the interest rate in China was cut for 5 times consecutively, the net interest margin of the Bank was 3.33%, up by 0.21 percentage point over the previous year. The net non-interest income was RMB4.281 billion, up by 139.83% year on year. The ratio of non-interest income to operating income rose to 10.60%. Second, 59 branches and sub-branches were newly established during the year, thereby increasing the total number of branches and sub-braches to 544 by the end of 2008, which laid a solid foundation in uplifting profitability. Third, the cost-to-income ratio fell by 1.99 percentage points to 32.93% year on year. The input-output efficiency of financial resources was further elevated.

The assets quality and the internal control system were further consolidated

The Bank, while strictly embodying the corporate customer strategy of "Quality Industry, Quality Enterprise" and "Mainstream Market, Mainstream Customers", has put greater efforts to adjust the credit structure and strictly restrict loans granted to enterprises with high energy consumption, high pollution and surplus capacity and the real estate sector which were more subject to the impact of macro-economic policy. At the same time, the credit to "both-ends-abroad" enterprises was also strictly controlled. Through strengthening loan management, the daily business activities were closely monitored and our capability in risk warning and resolving has greatly improved. We have overcome the impact of snowstorm at the beginning of 2008, the Wenchuan earthquake and the financial crisis. The non-performing loans in 2008 increased by only RMB554 million (the impact of earthquake included) with the NPL ratio of 1.36%, which decreased by 0.12% year on year. At the same time, the risk prevention capability was elevated rapidly with the provision of RMB5.379 billion in the year and a significant increase of the provision coverage from 110.01% in 2007 to 150.03% in 2008.

In response to the global financial tsunami, the Bank moderately trimmed the foreign-currency denominated bonds exposure, effectively mitigated the asset portfolio risk and made every effort to protect the interests of our customers and the Bank. In 2008, we took strengthening the internal control, prevention of adverse incidents and operating risks, facilitating compliance operation as the goal, focused on preventing and handling adverse incidents and management. As a result, no incident occurred throughout the year. The internal control system has lived up to the tough challenge.

The advantage of corporate banking business was further enhanced

In 2008, the corporate deposit balance passed a new threshold amounting to RMB773.699 billion which was up by 20.89% year on year. The corporate loan balance was RMB577.161 billion, up by 15.64% year on year maintaining the leading position amongst the small and medium-sized joint stock commercial banks. The international settlement amounted to USD130.953 billion, up by 40.32% year on year and the growth rate exceeded 40% over the past four consecutive years. The trading volume of foreign exchange settlement and sale reached USD94.8 billion, a year-on-year increase of 28.20% and maintained the first in market share among small and medium-sized commercial banks in China. While the traditional advantage in corporate banking business was strengthened, the key businesses of the Bank were also further reinforced. First, the quality of deposits was apparently improved. By reducing the RMB20.8 billion of negotiated deposits which involved high costs, the negotiated deposits to corporate deposits ratio further decreased to 1.03% at the end of 2008. Second, the business platform was further refined. There were 732 cash management projects, up by 99.46% year on year. The corporate transaction volume via Internet reached RMB5,000 billion, up by 44.94% year on year. Third, the customer structure was constantly optimized. The deposit balance of over 2,200 strategic customers was RMB307.866 billion, up by 41.89% year on year. The loan balance was RMB236.264 billion, up by 19.26% year on year, and RMB30.14 billion of medium and short-term bills were issued, a 31.79% increase year on year.

The foundation of retail banking business was further consolidated

In 2008, the asset under management was RMB237.252 billion, up by 26.55% year on year. Personal savings deposit balance was RMB172.136 billion, up by 16.94% year on year. The Bank continued to maintain the second place in the ranking of small and medium-sized joint stock commercial banks. The Bank witnessed a fast growth of retail banking business; the competitive advantage was being formed gradually.

First, the customer base was continuously enhanced. 8.3 million were active customers of credit cards and debit cards, 3 million were payroll agency customers, 1.08 million were Internet banking customers with certificate, 780,000 were gold card (over RMB50,000) customers and 88,000 were VIP customers (with over RMB500,000) on monthly average. All these figures are at least 10 times higher than they were prior to the launch of the retail banking development strategy.

Second, the profitable areas of retail banking business yield satisfying results. By the end of 2008, the sale of wealth management products was RMB147.92 billion, up by 42.52% year on year. The number of credit cards issued accumulated to 7.55 million, among which, 3.33 million were newly issued. The transaction volume of credit cards during the whole year was RMB59.030 billion. The outstanding loans were equivalent to RMB11.141 billion. The pre-tax profit was RMB91.1472 million, 4.9 times higher as compared with that of the previous year. Private banking business has been fully launched, and a direct marketing system centered in Beijing and Shenzhen has been established.

Third, the development of electronic banking was rapid. There were 1.0763 million personal Internet banking customers with certificate with a turnover of RMB68.345 billion. The number of customers and the turnover recorded an exponential growth of 142.51% and 216.41% respectively over the previous year.

The basic management work was further enhanced

By implementing the evaluation of economic profit and introducing FTP in the assessment of branches of different tiers, the performance appraisal system was strengthened. The Bank has successfully instituted a bank-wide account centralization system and effectively prevented operational risk while elevating the efficiency of business dealings. In 2008, the Bank continued to steadily promote the development of quasi-sectoral system and constantly yield good results in system buiding in the Credit Card Centre, the Private Banking Centre, the Investment Banking Centre, the Auto Finance Centre and the Custodian Service Centre.

The advantage of the integrated financial services platform of CITIC Group was further enhanced

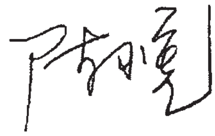
On the basis of strict adherence to laws and regulations in disclosing connected transactions, the Bank has achieved a breakthrough in cooperation with other financial subsidiaries under CITIC Group. In terms of corporate banking, the size of custodian business, in collaboration with subsidiaries under CITIC Group, totalled RMB32.3 billion. RMB3.6 billion worth of short-term financing bills and RMB7.4 billion worth of medium-term notes for enterprises have been issued by the Bank together with CITIC Securities Co., Ltd as lead underwriter. Furthermore, "CITIC Full Licences" annuity products under the brand of "Xin Fu Annuity" has been jointly developed with CITIC Trust & Investment Co., Ltd, CITIC Securities Co., Ltd and China Asset Management Co., Ltd. In terms of private banking business, the Bank has cooperated with other subsidiaries under CITIC Group to develop 73 wealth management products with the total sales volume amounting to RMB79.370 billion. The Bank attracted 4,033 new institutional customers of third-party depositary business and 170,600 new individual customers.

The fulfillment of the social responsibility was further emphasized

The Bank tried its best to ensure a smooth economic and financial operation during Olympic Games. We were recognized by China Banking Regulatory Commission as "Olympic Games Financial Service Advanced Unit". The customer service centre won the award of "Outstanding Contribution Unit on Operation Support" by Beijing Organizing Committee for Olympic Games. In terms of fighting against the heavy snowstorm, rainstorm and Wenchuan earthquake, the Bank made a donation of nearly RMB22 million which shows the philosophy of "Co-existance, Win-Win and Co-development" with all walks of life, a principle we have always upheld. As such, we won the "2008 Best Social Responsibility Enterprise" awarded by the Chinese Banker magazine.

In 2008 with full of global economic ups and downs, China CITIC Bank has achieved excellent results which are attributable to the guidance and support of regulatory authorities, the understanding and trust of investors and all walks of life, the decision-making by the Board of Directors, the supervision of the Board of Supervisors and the hard work and creativeness of all the staff of the Bank. On behalf of the management team, I hereby express my heartfelt thanks to everyone of you!

In 2009, the economy in China will face many uncertainties ahead and China CITIC Bank will also experience unprecedented challenges. However, as the Chinese philosopher Lao Tsu said, "Luck and misfortune come in turn", Where there is challenge, there is opportunity. I firmly believe that when the dawn of 2009 wraps up the land, the economy of China would step out of the hard times of global economic crisis and embrace a glorious future. Our confidence in such difficult moment derives from the economic stimulus package of Chinese government as well as our strong capital strength, sound profitability, excellent basic management especially our risk management and internal control and the firm support of CITIC Group. I deeply believe that under the leadership of the Board of Directors, the magnificent team of China CITIC Bank would definitely deliver satisfactory results to the shareholders and the society in a better tomorrow.



President: Chen Xiaoxian,
28 April 2009

List of Honors

2008

March

The Banker

• Ranked the 77th among the Top 1000 World Banks
• Ranked the 99th among the Top 500 Global Financial Brands for 2008

Euro Money:

• The Best Private Bank in Portfolio Management of China Shares

Global Times:

• The Most Popular Retail Banking among Readers in 2008

June

THE ASIAN BANKER

• The Best Wealth Management Award

Financial Times of the United Kingdom:

• Ranked the 260th among the 2008 Global Top 500 Enterprises in Market Capitalization

21st Century Business Herald

• The Most Innovative Design and the Highest Yield Wealth Management Product of the Year
• China's Private Bank with Best Potential Award of the Year
• Best Corporate Banking Business Award among outstanding banks in Asia

July

The Chinese Banker Magazine

• Ranked the 5th in terms of Core Competitiveness of Nationwide Commercial Banks in China
• 2007 Most Development Potential Award
• The Best Social Responsibility Enterprise Award
• Chen Xiaoxian, the Bank's President, was granted "Top Ten Financial Figures" Award for the fourth consecutive year

Securities Times of China and China Southern Fund Management Co., Ltd.:

•2007 Top 100 Listed Companies in Value

2008

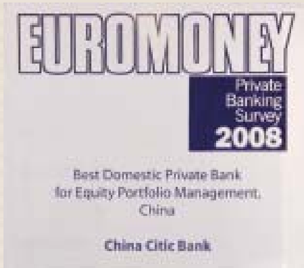
August

ASIAMONEY

• The Best Foreign Currency Services Provider in China
• The Best Overall Foreign Currency Services Provider
• The Best Domestic Bank for Cash Management in China

America Annual Call Centre Exhibition (ACCE Conference):

• The World's Best Call Centre



October

Chief Financial Officer in China:

• 2008 The Most Trusted Bank by Chinese CFO

China Business News:

• 2008 Development Strategy Award
• Annual Corporate Financial Service Brand Award
• Annual Retail Financial Service Brand Award
• Chen Xiaoxian, the Bank's President, was awarded "Financier of the Year 2008"

December

Financial Times and **the Institute of Finance and Banking, Chinese Academy of Social Sciences**

Jointly ranked and selected "The Top 50 Most Influential Events about the Economic Reform of China and 2008 The Best Financial Institution in China":

• Best Joint Stock Bank of the Year
• Best Bank in Risk Control of the Year
• Best Bank in Renminbi Wealth Management of the Year

Our performance

and outstanding results are attributable to our good profit-making capability.

In 2008, the net profit amounted to RMB13.354 billion. On the basis of significant increase in the level of allowance, the Four-year Compound Annual Growth Rate was as high as 108.09%, realizing a big leap forward in profitability. The earning base was expanded with more diversified sources. The performance results are as follows:

First, both interest income and non-interest income increased significantly. In the second half of 2007 when the interest rate in China was cut for 5 times consecutively, the net interest margin of the Bank was 3.33%, up by 0.21 percentage point over the previous year. The non-interest income was RMB4.281 billion, up by 139.83% year on year. The ratio of non-interest income to operating income rose to 10.60%. Second, 59 branches and sub-branches were newly established during the year, thereby increasing the total number of branches and sub-branches to 544 by the end of 2008, which laid a solid foundation in uplifting profitability. Third, the cost-to-income ratio fell by 1.99 percentage point to 32.93%. the input-output efficiency of financial resources was further elevated.

Gunpowder has a wide range of use. Apart from being a material for producing fireworks and firecrackers, gunpowder is also ideal for blowing up mountains to open new roads. It is said that the origin of gunpowder can be traced back to the Tang Dynasty or even the Qin Dynasty. China was about 5 centuries earlier than Europe in using practical firearms. China CITIC Bank is one of the earliest emerging commercial banks set up during China's Reform and Opening Up. By pioneering and innovating, the Bank created numerous "Number Ones" in China's modern financial history, which made its name famous all over the word.

Management Discussion and Analysis

Economic, Financial and Regulatory Environment

In 2008, the global economy has slumped under the impact of the international financial crisis triggered by the U.S. sub-prime crisis. Developed economies such as U.S., Europe and Japan declined synchronously, and major emerging economies and developing countries experienced a slow-down of economic growth. Currently, the global economic growth is characterized by remarkably increasing uncertainties. The international financial market keeps fluctuating with a radical increase in financial risks. The international financial market experiences a sharp drop in interest rates and principal stock indices. The principal bond yields hit a record low in recent years, and there is a violent fluctuation of the exchange rates of principal currencies and the prices of bulk commodities, which have incurred heavy losses to the global financial industry and bankruptcy or distress to numerous world renowned financial institutions.

In 2008, under the adverse impact of devastating natural disasters and international financial crisis, China underwent a slow-down in its economic growth but the fundamentals of economic development remained unchanged, showing a general tendency of rapid growth, stable prices, optimized structure and improved people's livelihood. The annual GDP was RMB30,067 billion, representing a growth rate of 9%; investment kept increasing rapidly with the investment structure improved, which are evidenced by the total investment in fixed assets with RMB17,229.1 billion for the year, representing a year-on-year growth of 25.5%; the growth of sales on the domestic market was steady. The aggregate retail sales of consumer goods during the year reached RMB10,848.8 billion, representing a year-on-year growth rate of 21.6%; import and export kept on increasing at a steadily rapid rate, reaching US$2,561.6 billion, representing a year-on-year growth of 17.8%; the trade surplus was US$295.5 billion, representing a year-on-year growth of 12.49%; the hike in the consumer price slowed down later in the year, resulting in an annual growth of 5.9% in CPI.

China's financial industry was stable as a whole. The year end balance of M2 was RMB47,500 billion, representing a growth of 17.8%, while the balance of M1 was RMB16,600 billion, representing a growth of 9.1%; the balance of various RMB loans of financial institutions was RMB30,346.8 billion, representing a growth of 18.76%; the balance of various deposits was RMB46,620.3 billion, representing a growth of 19.73%. RMB continued to appreciate, the mid price against USD was RMB6.8346 at the end of the year, representing 12.66% appreciation over the year; the stock market slumped, and the market value of Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) at the end of the year totalled RMB12,136.6 billion, down by 62.50% compared with that of the end of the previous year. Domestic banks recorded rapid increase in net profit due to the increase of interest-earning assets, net interest yield and non-interest income and decrease of effective income tax rate.

In 2008, under the impact of the global financial crisis and the pressure against economic growth, the Chinese Government promptly adjusted the macroeconomic control policies and proposed to "safeguard growth and control price rise" at mid-year, with an emphasis on maintaining economic growth. In the third quarter, in response to the escalating global financial crisis and the intensifying pressure on the economic growth in China, the Chinese Government decisively came out with flexible and prudent macroeconomic control policies. Aiming to "expand domestic demand, maintain growth, adjust structure and promote development", proactive fiscal and moderately loosened monetary policies were implemented, including introduction of a RMB4,000 billion stimulus package, promulgation of ten economic promotion measures and formulation and implementation of key industries revitalization plans. In less than 100 days, the Central Bank cut interest rates for five times and the deposit reserve ratio for four times, and cancelled the restriction on credit limit. Such adjustments of macroeconomic policies played an important role in suppressing the deceleration of domestic economic growth and maintaining the steadily rapid economic growth, leading China's economy out of difficulties and to a new development stage.

Radical changes in the economic circumstances and the adjustments of macroeconomic control policies brought both severe challenges and new opportunities for the bank's operation and management. In response to the complicated operating environment, the Bank strengthened its research and prejudgement on the macroeconomic and financial situation, thereby reducing the negative impact of unfavourable economic changes in our operations. We thoroughly implemented macroeconomic control measures, optimized the credit structure, ensured some loan issuance and reduced others, and held entrance and withdrawal mechanism in terms of customer strategy. The development of new businesses such as asset custody, wealth management, investment banking and private banking were speeded up to increase the proportion of non-interest income while reinforcing our traditional predominant businesses. The overall management on credit risks, market risks, operational risks and liquidity risks were strengthened and perfected, the operational risks were closely monitored, the compliance and internal control systems were strengthened so that the assets quality has been constantly improved. In the difficult operating environment, the Bank realized the coordinated development of efficiency, quality and scale, and thus laid a solid foundation for the long-term development.

Financial Statement Analysis

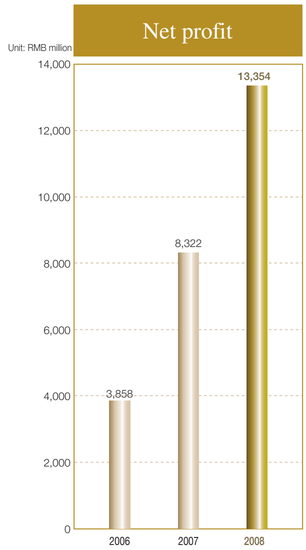
Overview

In 2008, the Bank and its subsidiaries ("the Group" for short hereinafter) experienced a rapid business development, with continuous improvement in profitability, effective cost control measures, enhancement in assets quality, and a more reasonable business and income structure. The overall business operation was satisfactory despite the impact of the global financial crisis in the fourth quarter.

As at the end of 2008, the total assets of the Group reached RMB1,188.152 billion, an increase of RMB176.966 billion or 17.50% over that of the end of the previous year. Total liabilities amounted to RMB1,092.491 billion, up by RMB165.396 billion or 17.84% over that of the end of the previous year. Shareholders' equity (excluding minority interests) was RMB95.658 billion, an increase of RMB11.572 billion or 13.76% over that of the end of the previous year.

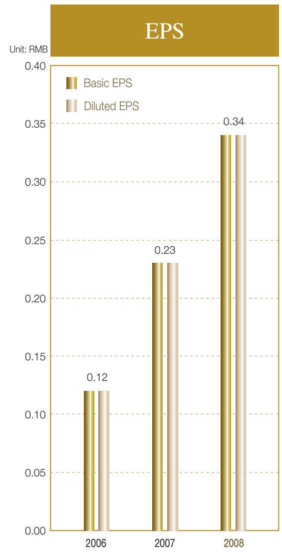
In 2008, the Group realized a net profit of RMB13.354 billion, an increase of RMB5.032 billion or 60.47% over that of the previous year.

Overview of Major Indicators of Operating Results



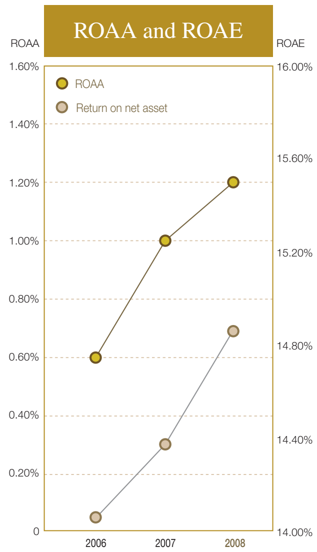
Net profit

In 2008, given a rapid growth of operating income of the Group, the asset working efficiency further increased and the effective tax rate dropped significantly and the net profit increased considerably.



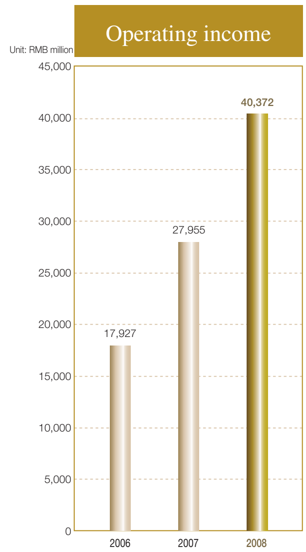
Earnings per Share

The Group's basic and diluted EPS in 2008 was RMB0.34, an increase of RMB0.11 or 47.83%.



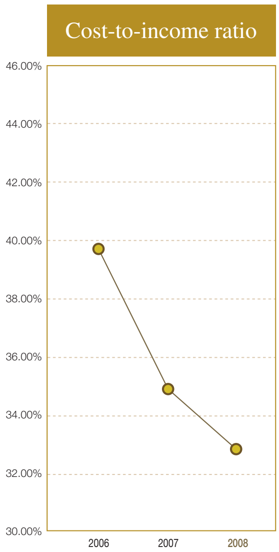
Return on average asset and average equity

In 2008, the Group's ROAA was 1.21%, an increase of 0.24 percentage point, and the ROAE was 14.86%, an increase of 0.49 percentage point.



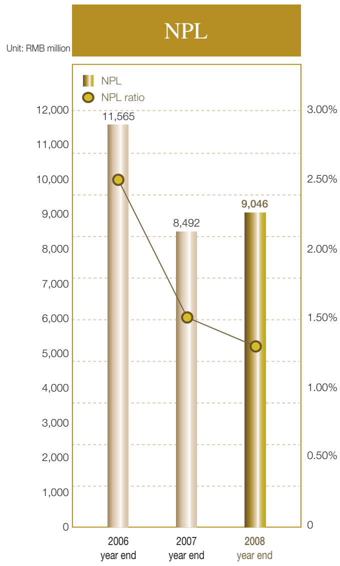
Operating income

In 2008, the Group achieved an operating income of RMB40.372 billion, up by RMB12.417 billion or 44.42%.



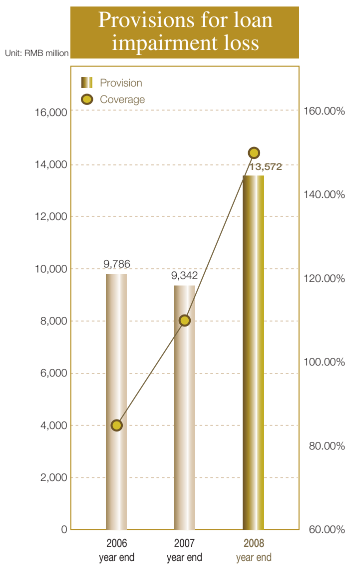
Cost-to-income ratio

In 2008, the Group adopted effective measures to control operating cost, resulting in a cost-to-income the increase of ratio of 40.00%. The cost-to-income ratio was 32.93% after excluding business tax and surcharges, a drop of 1.99 percentage points.



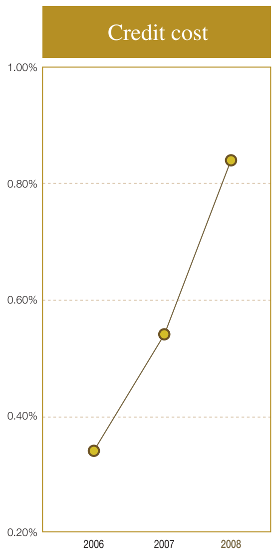
Non-Performing Loans

The Group's total NPLs at the end of 2008 amounted to RMB9.046 billion, an increase of RMB554 million. NPL ratio was lowered to 1.36%, a drop of 0.12 percentage point.



Provisions for loan impairment loss

The Group's balance of provisions for loan impairment loss at the end of 2008 was RMB13.572 billion, an increase of RMB4.230 billion. Provision coverage ratio was 150.03%, up by 40.02 percentage points.



Credit cost

In 2008, the credit cost of the Group was 0.84%, an increase of 0.3 percentage point.

Income Statement Analysis

Unit: in RMB million

	2008	2007	2006
Net interest income	**36,091**	26,170	16,473
Net non-interest income	**4,281**	1,785	1,454
General and administrative expense	**(16,148)**	(11,795)	(9,259)
Provision for impairment loss	**(6,444)**	(2,988)	(1,666)
Profit before tax	**17,780**	13,172	7,002
Income tax	**(4,426)**	(4,850)	(3,144)
Net profit	**13,354**	8,322	3,858
Attributable to:			
Shareholders of the Bank	**13,354**	8,322	3,858
Minority interests	**—**	—	—

Net interest income

Net interest income of the Group was not only affected by the margin between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, but also affected by the average balance of interest-earning assets and interest-bearing liabilities. In 2008, the Group realized a net interest income of RMB36.091 billion, an increase of RMB9.921 billion or 37.91%.

The table below shows the average balances and the average interest rates of the Group's interest-earning assets and interest-bearing liabilities:

Unit: in RMB million

	2008			2007			2006		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets									
Loans and advances to customers	**637,895**	**45,460**	**7.13**	532,614	32,566	6.11	437,124	23,288	5.33
Investments in debt securities	**216,594**	**8,097**	**3.74**	153,944	5,206	3.38	103,329	3,477	3.37
Deposits with the Central Bank	**135,135**	**2,245**	**1.66**	84,035	1,333	1.59	56,904	849	1.49
Deposits and placement with banks	**34,090**	**754**	**2.21**	25,433	710	2.79	14,265	354	2.48
Amounts under resale agreements	**59,894**	**2,311**	**3.86**	41,806	1,679	4.02	17,442	476	2.73
Subtotal	**1,083,608**	**58,867**	**5.43**	837,832	41,494	4.95	629,064	28,444	4.52
Interest-bearing liabilities									
Deposits from customers	**810,579**	**18,866**	**2.33**	641,568	12,673	1.98	551,871	10,790	1.96
Deposits and placement from banks and other financial institutions	**152,243**	**3,099**	**2.04**	103,502	1,713	1.66	35,658	648	1.82
Amounts under repurchase agreements	**5,622**	**177**	**3.15**	7,098	344	4.85	3,240	97	2.99
Others(1)	**12,033**	**634**	**5.27**	12,110	594	4.91	9,330	436	4.67
Subtotal	**980,477**	**22,776**	**2.32**	764,278	15,324	2.00	600,099	11,971	1.99
Net interest income		**36,091**			26,170			16,473	
Net interest spread(2)			**3.11**			2.95			2.53
Net interest margin(3)			**3.33**			3.12			2.62

Notes: (1) Including the amounts due to the Central Bank and subordinated debts issued.
(2) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.
(3) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The table below showed the changes in net interest income of the Group due to the change of scale factor and interest rate factor, where the combined influence of scale factor and interest rate factor was reflected in the changes of interest rate factor.

Unit: in RMB million

	2008 compared with 2007			2007 compared with 2006		
	Scale factor	Interest rate factor	Total	Scale factor	Interest rate factor	Total
Assets						
Loans and advances to customers	6,433	6,461	12,894	5,090	4,188	9,278
Investments in debt securities	2,118	773	2,891	1,701	28	1,729
Deposits with the Central Bank	812	100	912	404	80	484
Deposits and placement with banks	242	(198)	44	277	79	356
Amounts under resale agreements	727	(95)	632	665	538	1,203
Changes in interest income	10,332	7,041	17,373	8,137	4,913	13,050
Liabilities						
Deposits from customers	3,346	2,847	6,193	1,758	125	1,883
Deposits and placement from banks and other financial institutions	809	577	1,386	1,235	(170)	1,065
Amounts under repurchase agreements	(72)	(95)	(167)	115	132	247
Others	(4)	44	40	130	28	158
Changes in interest expense	4,079	3,373	7,452	3,238	115	3,353
Changes in net interest income	6,253	3,668	9,921	4,899	4,798	9,697

Interest income

In 2008, the Group generated an interest income of RMB58.867 billion, an increase of RMB17.373 billion or 41.87%. The rise of interest income was primarily due to the expansion of interest-earning assets scale (in particular, the loans and advances to customers) and the increase of the average yield of interest-earning assets. In 2008, the average balance of the Group's interest-earning assets was RMB1,083.608 billion, an increase of RMB245.776 billion or 29.33%; the average yield of the interest-earning assets grew from 4.95% in 2007 to 5.43% in 2008, an increase of 0.48 percentage point.

Interest Income from Loans and Advances to Customers

The interest income from loans and advances to customers has always been the largest component of the Group's interest income. In 2008, the interest income from loans and advances to customers accounted for 77.22% of the Group's total interest income, down by 1.26 percentage points.

The following table showed the average balances, interest income and average yield of each component of the Group's loans and advances to customers during the periods indicated:

Unit: in RMB million

	2008			2007			2006		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	**509,776**	**36,189**	**7.10**	424,722	27,025	6.36	340,606	19,320	5.67
Discounted bills	**46,839**	**3,586**	**7.66**	48,670	1,932	3.97	54,750	1,571	2.87
Personal loans	**81,280**	**5,685**	**6.99**	59,222	3,609	6.09	41,768	2,397	5.74
Total loans to customers	**637,895**	**45,460**	**7.13**	532,614	32,566	6.11	437,124	23,288	5.33

In 2008, the Group's interest income from loans and advances to customers was RMB45.46 billion, up by RMB12.894 billion or 39.59%, which was primarily due to the rise of average loan yield from 6.11% to 7.13% and the growth of the average balance of loans and advances to customers.

The rise of average loan yield was mainly because: ① although the Central Bank lowered the benchmark interest rate for loans to customers five times successively since September, the impact of which was still less than the accumulated impact, as reflected in the reporting period, of the six times increase of interest rate by the Central Bank in the previous year; ② the average discounted bills rate rose significantly due to market factors; and ③ the Group strengthened its management over interest rate pricing of credit products.

Interest Income from Investments in Debt Securities

In 2008, the Group's interest income from debt securities investments was RMB8.097 billion, an increase of RMB2.891 billion or 55.53%, which was primarily because the average balance of debt securities investments increased from RMB153.944 billion in 2007 to RMB216.594 billion in 2008, up by 40.70%, and the average yield rose from 3.38% in 2007 to 3.74% in 2008.

The increase of the average balance of debt securities investments was due to the sustained growth of various deposits. The Bank had sufficient funds, and therefore invested residual funds which had not been used in loans issuance into debt securities investments which had higher yields than deposits with banks and other financial institutions.

Interest Income from Deposits with the Central Bank

In 2008, the Group's interest income from deposits with the Central Bank amounted to RMB2.245 billion, an increase of RMB912 million or 68.42% resulted from the increase in its average balance and the average yield. Of which, the average balance of deposits with the Central Bank increased from RMB84.035 billion in 2007 to RMB135.135 billion in 2008, mainly because: ① the balance of statutory deposit reserve funds grew along with the increase in deposits from customers, and ② although the Central Bank lowered the statutory deposit reserve ratio for four times successively since September, the impact of which was still less than the accumulated impact of six times increase of statutory deposit reserve ratio by the Central Bank in the first half of the year. The growth of average yield from 1.59% in 2007 to 1.66% in 2008 was attributable to the Group's enhanced funds position operations and stable surplus reserves ratio on the premise of safeguarding liquidity. However, the proportion of average balance of the surplus reserves to the average balance of deposits with the Central Bank dropped compared with the previous year.

Interest Income from Deposits and Placement with Banks

In 2008, the Group's interest income from deposits and placement with banks was RMB754 million, an increase of RMB44 million or 6.20%, mainly due to an increase of RMB8.657 billion in the average balance, which offset the drop of the average yield from 2.79% to 2.21%. The increase of the average balance of deposits and placement with banks was attributable to the sustained growth of various deposits in the Group and our adequate cash flows, while the drop of the average yield was due to the decrease of interest rate in the capital market.

Interest Income from Amounts under Resale Agreements

In 2008, the Group's interest income from amounts under resale agreements was RMB2.311 billion, an increase of RMB632 million or 37.64%, mainly because the average balance of amounts under resale agreements increased by RMB18.088 billion, which offset the drop of average yield from 4.02% to 3.86%.

Interest Expense

In 2008, the Group's interest expense was RMB22.776 billion, an increase of RMB7.452 billion or 48.63%. This was primarily due to an increase of the scale of interest-bearing liabilities, and an increase of the average cost rate of interest-bearing liabilities. The average balance of interest-bearing liabilities of the Group rose from RMB764.278 billion in 2007 to RMB980.477 billion in 2008, up by 28.29%; and the average cost of interest-bearing liabilities increased from 2.00% in 2007 to 2.32% in 2008.

Interest Expense on Deposits from Customers

Customer deposits have always been the primary funding source of the Group. Interest expense on deposits from customers in 2008 and 2007 accounted for 82.83% and 82.70% of the total interest expenses of the Group, respectively.

The table below showed the average balances, interest expenses and average cost rates of corporate deposits and personal deposits of the Group divided by product type.

Unit: in RMB million

	2008			2007			2006		
	Average balance	Interest Expense	Average cost rate (%)	Average balance	Interest Expense	Average cost rate (%)	Average balance	Interest Expense	Average cost rate (%)
Corporate deposits									
Time deposits	**367,979**	**13,011**	**3.54**	280,188	7,924	2.83	252,889	6,854	2.71
Demand deposits	**335,619**	**3,346**	**1.00**	276,279	2,815	1.02	214,347	2,116	0.99
Subtotal	**703,598**	**16,357**	**2.32**	556,467	10,739	1.93	467,236	8,970	1.92
Personal deposits									
Time deposits	**77,711**	**2,320**	**2.99**	63,372	1,766	2.79	72,299	1,727	2.39
Demand deposits	**29,270**	**189**	**0.65**	21,729	168	0.77	12,336	93	0.75
Subtotal	**106,981**	**2,509**	**2.35**	85,101	1,934	2.27	84,635	1,820	2.15
Total deposits from customers	**810,579**	**18,866**	**2.33**	641,568	12,673	1.98	551,871	10,790	1.96

In 2008, the Group's interest expense on deposits from customers was RMB18.866 billion, an increase of RMB6.193 billion or 48.87%, which was mainly due to the increase of RMB169.011 billion in the average balance of deposits from customers, and the rise of average cost rate by 35 basis points.

The rise of average cost rate of deposits from customer was mainly because: ① although the Central Bank lowered the benchmark interest rate for deposits from customers for four times successively since October, the impact of which was still less than the accumulated impact, as reflected in the reporting period, of the six times increase of interest rate successively by the Central Bank in the previous year; and ② the average balance of time deposits of the Group increased from 53.55% in 2007 to 54.98% in 2008.

The average cost rate of deposits from customers of the Group increased by only 35 basis points from that of 2007 owing to our effective adjustments to the structure of liabilities. The proportion of the daily average balance of RMB negotiated deposits (with an average cost higher than that of other deposits) to the daily average balance of corporate deposits dropped from 6.33% in 2007 to 3.47% in 2008.

Interest Expense on Deposits and Placement from Banks and Other Financial Institutions

In 2008, the Group's interest expense on deposits and placement from banks and other financial institutions was RMB3.099 billion, an increase of RMB1.386 billion or 80.91%, which was largely due to the 47.09% increase of the average balance of deposits and placement from banks, and other financial institutions and the rise of the average cost rate from 1.66% to 2.04%. The increase of the average balance was primarily attributable to the intensified development of third-party depository business between the Group and securities companies, while the rise of average cost rate was largely due to the rise of the average inter-bank offered rate for RMB deposit.

Interest Expense on Other Borrowed Funds

In 2008, the Group's interest expense on funds borrowed from the Central Bank and bonds issued was RMB634 million, an increase of RMB40 million or 6.73%, which was primarily due to the rise of average cost rate. The average cost rate rose from 4.91% in 2007 to 5.27% in 2008, mainly attributed to the floating interest rate of the subordinated bonds issued by the Group in 2004.

Net Interest Margin and Net Interest Spread

In 2008, the Group was devoted to improving asset and liability management, reducing the proportion of low yield assets and high-cost liabilities. Although the Central Bank lowered interest rate for five times successively since September, its overall negative impact was still less than the accumulated positive effect, as reflected in the reporting period, of the six times increase in interest rate by the Central Bank in the previous year. The Group's net interest margin rose from 3.12% in 2007 to 3.33%, up by 0.21 percentage point while the net interest spread increased from 2.95% in 2007 to 3.11%, up by 0.16 percentage point.

Based on the analysis of the related factors, the increase in net interest margin mainly came from the increase of credit product yield, and the effect of structural improvement due to the increased proportion of the deposits and placement from banks and other financial institutions.

Net non-interest income

In 2008, the Group generated a net non-interest income of RMB4.281 billion, an increase of RMB2.496 billion or 139.83%. The proportion of the Group's net net non-interest income to operating income was 10.60% and 6.39% in 2008 and 2007 respectively.

Excluding the effect of non-operating factors, such as the foreign exchange losses of RMB276 million and RMB1.441 billion in 2008 and 2007 respectively, the net operating non-interest income in 2008 reached RMB4.557 billion, an increase of RMB1.331 billion or 41.26%. The proportion of net operating non-interest income to the operating income rose from 10.97% in 2007 to 11.21% in 2008.

Unit: in RMB million

	2008	2007	2006
Net fee and commission income	**3,045**	2,080	759
Net gains/(losses) from trading securities	**1,163**	(834)	454
Net gains/(losses) from investment securities	**(290)**	284	45
Other operating income	**363**	255	196
Total net non-interest income	**4,281**	1,785	1,454

Net fee and commission income

Unit: in RMB million

	2008	2007	2006
Consultancy and advisory fees	**734**	269	45
Bank card fees	**868**	434	199
Settlement fees	**459**	236	214
Custody and other trusted service commissions	**187**	135	16
Guarantee fees	**395**	295	215
Agency fees	**302**	358	186
Wealth management fees	**429**	594	16
Others	**79**	44	74
Subtotal	**3,453**	2,365	965
Fees and commission expenses	**(408)**	(285)	(206)
Net fee and commission income	**3,045**	2,080	759

In 2008, the Group generated a net fee and commission income of RMB3.045 billion, an increase of RMB965 million or 46.39%, of which, the fee and commission income amounted to RMB3.453 billion, representing a growth of 46.00%, which was primarily because the Group vigorously developed the fee-based income business. The consultancy and advisory fees, bank card fees, settlement fees, trust and other trusted service commissions and guarantee fees achieved a prominent growth.

In 2008, the Group's consultancy and advisory fees income reached RMB734 million, an increase of RMB465 million or 172.86%. The rapid increase of the above business was primarily attributed to the Group's great efforts to develop investment banking business such as financial consultancy services.

The Group generated income from bank card business of RMB868 million in 2008, up by RMB434 million or 100%, which was primarily because the Group continuously promoted the issuance of credit cards according to the market change and customer demands; meanwhile, the increasing use of credit cards also boosted the trading volume.

In 2008, the settlement fees income of the Group was RMB459 million, up by RMB223 million or 94.49%. Most of the settlement fees income of the Group were from international settlement fees. In 2008, the Group's international settlement fees income were RMB342 million, an increase of 60.56%. The growth of international settlement fees income was mainly due to the increase of the trading volume of settlement business.

In 2008, the Group's commission income from custody and other trusted service was RMB187 million, an increase of RMB52 million or 38.52%, which was largely due to the significant increase of custody and other trusted service commissions.

The Group earned RMB395 million from guarantee fees in 2008, up by RMB100 million or 33.90%. The sustained increase of guarantee fees during the period was mainly attributed to the increase of trading volume resulting from the increasing market demand for such service.

In 2008, the Group's agency fees was RMB302 million, down by RMB56 million or 15.64%, which was mainly due to the decrease of sales in funds and insurance products and services, of which, the decrease of agency fees for fund business was the biggest, down by RMB110 million compared with that of the same period of last year. In 2008, the Group's wealth management fees income was RMB429 million, down by RMB165 million or 27.78%, largely because of the decrease of income from wealth management products.

In 2008, the fee and commission expense of the Group was RMB408 million, up by RMB123 million or 43.16%, which was primarily due to: (1) the increase of handling charges aroused from the increase of the trading volume of bank cards; and (2) the growth of handling charge paid to China Foreign Exchange Trading System largely due to an increase of the Group's foreign exchange trading volume.

Net trading gains/(losses)

Unit: in RMB million

	2008	2007	2006
Net gains/(losses) from foreign exchange	**225**	144	503
Debt Securities	**229**	(161)	10
Derivatives	**729**	(632)	(60)
Financial liabilities measured at fair value through profit or loss	**(20)**	(185)	1
Total	**1,163**	(834)	454

In 2008, the Group's net trading gains amounted to RMB1,163 million. This was mainly due to the realized gains from sale of bonds and derivative products held for trading during the year.

Net Gains/(Losses) arising from Investment Securities

In 2008, the Group's net losses from investment securities amounted to RMB290 million, a decrease of RMB574 million compared with the net gain of RMB284 million in 2007. This was mainly due to loss from sale of retail foreign currency denominated bond investment during the year.

Other Net Operating Income

In 2008, the Group's other operating income was RMB363 million, up by RMB108 million.

Asset Impairment Loss

The table below showed the Group's expenses on asset impairment loss during the periods indicated.

Unit: in RMB million

	2008	2007	2006
Loans and advances to customers	**5,379**	2,860	1,481
Off-balance sheet credit assets	**82**	65	54
Investments	**739**	7	(4)
Amounts due from banks and other financial institutions	**(3)**	(1)	(3)
Other *(Note)*	**247**	57	138
Total asset impairment losses	**6,444**	2,988	1,666

Note: Including the impairment loss of repossessed assets and other assets, of which RMB252 million was reserved as impairment provision for advances of squared agency derivative business.

In 2008, the Group's impairment loss on assets was RMB6.444 billion, up by RMB3.456 billion or 115.66%, primarily due to: ① the increase of impairment provision due to the expansion of loan scale and the expected credit risk; and ② a provision was made for impairment of foreign currency denominate bonds and advances squared agency derivative business as a result of the impact of the international financial crisis.

General and Administrative Expenses

Unit: in RMB million

	2008	2007	2006
Staff cost	**7,406**	4,777	2,914
Property and equipment expenses and amortization	**2,098**	1,793	1,595
Other buiness and administrative expenses	**3,790**	3,191	2,602
Subtotal	**13,294**	9,761	7,111
Business tax and surcharges	**2,854**	2,034	1,398
CITIC Group administrative expenses	**—**	—	750
Total general and administrative expenses	**16,148**	11,795	9,259
Cost-to-income ratio	**40.00%**	42.19%	51.65%
Adjusted cost-to-income ratio (excluding CITIC Group administrative expenses, business tax and surcharges)	**32.93%**	34.92%	39.67%

In 2008, the Group's general and administrative expenses reached RMB16.148 billion, up by RMB4.353 billion or 36.91%. This was mainly because the Group increased its investment in human resources to support the rapid development of our business, expansion of its organization and opening of new branches.

In 2008, the Group's adjusted cost-to-income ratio was 32.93%, down by 1.99 percentage points. This was primarily attributed to the effective cost control management and the rapid growth of the operating income of the Group.

In 2008, the Group's business tax and surcharges reached RMB2.854 billion, an increase of RMB820 million or 40.31%, which was largely due to the growth of taxable income.

Income Tax Analysis

Unit: in RMB million

	2008	2007	2006
Profit before tax	**17,780**	13,172	7,002
Estimated China income tax calculated at statutory tax rate of 25/33%	**4,445**	4,347	2,311
Tax impact of non-deductible expenses			
— Staff cost	**—**	228	654
— Transfer of deferred income tax due to tax rate changes	**—**	295	—
— Others *(Note)*	**242**	226	375
Tax impact of non-taxable income			
— Interest income from Chinese government bonds	**(260)**	(245)	(168)
— Others	**(1)**	(1)	(28)
Income tax	**4,426**	4,850	3,144

Note: The amount mainly represents the tax impact due to the non-deductible portion of business reception fee, advertising fee and marketing fee which exceeded the deductible amount. The amounts included the tax impact of non-deductible administrative expenses paid to CITIC Group in 2006.

In 2008, the Group's income tax expense was RMB4.426 billion, down by RMB424 million or 8.74%. The Group's effective tax rate was 24.89%, down by 11.93 percentage points compared with that of the previous year, mainly because the corporate income tax rate dropped from 33% in 2007 to 25% in 2008.

Balance Sheet Analysis

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Total loans and advances to customers	**664,924**	**—**	575,208	—	463,167	—
Provisions for impairment losses	**(13,572)**	**—**	(9,342)	—	(9,786)	—
Net loans and advances to customers	**651,352**	**54.8**	565,866	56.0	453,381	64.2
Investments[1]	**198,223**	**16.7**	159,848	15.8	104,424	14.8
Cash and deposit with the Central Bank	**206,936**	**17.4**	123,369	12.2	74,650	10.6
Net value of deposits and placement with banks	**50,446**	**4.2**	26,655	2.6	14,409	2.0
Amounts under resale agreements	**57,698**	**4.9**	118,046	11.7	44,811	6.3
Other assets[2]	**23,497**	**2.0**	17,402	1.7	15,048	2.1
Total assets	**1,188,152**	**100.0**	1,011,186	100.0	706,723	100.0
Deposits from customers	**945,835**	**86.6**	787,211	84.9	618,412	91.6
Deposits and placement from banks and other financial institutions	**109,568**	**10.0**	97,248	10.5	34,463	5.1
Amounts under repurchase agreements	**957**	**0.1**	15,754	1.7	1,744	0.3
Outstanding subordinated debts	**12,000**	**1.1**	12,000	1.3	12,000	1.8
Other liabilities[3]	**24,131**	**2.2**	14,882	1.6	8,410	1.2
Total liabilities	**1,092,491**	**100.0**	927,095	100.0	675,029	100.0

Notes: (1) Including financial assets held for trading, available-for-sale financial assets and held-to-maturity investments.
(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, deferred income tax assets and other assets.
(3) Including borrowings from the Central Bank, financial liabilities held for trading, derivative financial liabilities, staff remuneration payable, tax and fee payable, interest payables, estimated liabilities, deferred income tax liabilities and other liabilities.

The assets of the Group are mainly loans and advances to customers. As of the end of 2008, loans and advances to customers after deducting provisions for impairment losses accounted for 54.82% of the total assets of the Group.

Loan Businesses

As of the end of 2008, the total loans and advances to customers of the Group amounted to RMB664.924 billion, an increase of RMB89.716 billion or 15.60%. For the analysis of loan businesses, please refer to the section headed "Management Discussion and Analysis — Risk Management" in this annual report.

Investment Businesses

Investment Portfolio Analysis

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Value	**Proportion (%)**	Value	Proportion (%)	Value	Proportion (%)
Held-to-maturity debt securities	**105,151**	**53.1**	109,391	68.4	68,196	65.3
Available-for-sale debt securities	**84,900**	**42.8**	43,502	27.2	31,166	29.9
Debt securities measured at fair value through profit or loss	**7,755**	**3.9**	6,500	4.1	4,725	4.5
Total debt securities	**197,806**	**99.8**	159,393	99.7	104,087	99.7
Available-for-sale equity investments	**417**	**0.2**	455	0.3	337	0.3
Total investments	**198,223**	**100.0**	159,848	100.0	104,424	100.0
Including: market value of listed securities in held-to-maturity debt securities	**3,229**		5,582		6,641	

Classification of Debt Securities Investment

As of the end of 2008, the Group's investments in debt securities reached RMB197.806 billion, an increase of RMB38.413 billion or 24.10%. This was primarily due to the increase in the investment of the Central Bank notes and treasury bonds.

The classification of the Group's investment portfolios for the last three years is as follows:

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Value	**Proportion (%)**	Value	Proportion (%)	Value	Proportion (%)
Government	**42,860**	**21.7**	36,858	23.2	23,106	22.2
People's Bank of China	**78,042**	**39.4**	42,187	26.5	23,721	22.8
Policy banks	**32,627**	**16.5**	28,594	17.9	24,917	23.9
Banks and other financial institutions	**11,895**	**6.0**	22,223	13.9	15,650	15.1
Public entities overseas	**7,639**	**3.9**	15,295	9.6	8,988	8.6
Others *(Note)*	**24,743**	**12.5**	14,236	8.9	7,705	7.4
Total debt securities	**197,806**	**100.0**	159,393	100.0	104,087	100.0

Note: Mainly corporate debt securities.

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Value	**Proportion(%)**	Value	Proportion(%)	Value	Proportion(%)
Domestic	**166,878**	**84.4**	121,845	76.4	74,760	71.8
Overseas	**30,928**	**15.6**	37,548	23.6	29,327	28.2
Total debt securities	**197,806**	**100.0**	159,393	100.0	104,087	100.0

Breakdown of Significant Financial Debt Securities Investments

The table below showed the breakdown of financial debt securities investments with book value exceeding RMB1 billion (inclusive) held by the Group.

Unit: in RMB million

Debt Securities	Book value	Period	Annual interest rate (%)
Debt Securities 1	7,217	2 Apr 2008 to 2 Apr 2009	4.06%
Debt Securities 2	6,900	12 Oct 2007 to 12 Oct 2010	3.95%
Debt Securities 3	5,000	7 Sep 2007 to 7 Sep 2010	3.71%
Debt Securities 4	4,150	16 Apr 2008 to 16 Apr 2009	4.06%
Debt Securities 5	3,092	30 Jan 2008 to 30 Jan 2009	4.05%
Debt Securities 6	3,000	9 Mar 2007 to 9 Mar 2010	3.07%
Debt Securities 7	3,000	13 Jul 2007 to 13 Jul 2010	3.60%
Debt Securities 8	2,650	20 Feb 2008 to 20 Feb 2015	4.90%
Debt Securities 9	1,713	4 Jul 2008 to 24 Mar 2009	4.86%
Debt Securities 10	1,663	24 Jun 2008 to 24 Mar 2009	4.86%
Debt Securities 11	1,596	28 Jul 2008 to 24 Jan 2009	Zero-coupon debt securities
Debt Securities 12	1,524	30 Dec 2008 to 26 Mar 2009	Zero-coupon debt securities
Debt Securities 13	1,500	24 Apr 2008 to 21 Apr 2013	3.69%
Debt Securities 14	1,300	25 Mar 2008 to 20 Mar 2018	4.07%
Debt Securities 15	1,200	13 Feb 2008 to 13 Feb 2015	3.95%
Debt Securities 16	1,194	13 Mar 2008 to 15 Feb 2009	3.99%
Debt Securities 17	1,090	21 Sep 2000 to 21 Sep 2010	4.61%
Debt Securities 18	1,050	8 Apr 2008 to 8 Apr 2013	4.63%
Debt Securities 19	1,020	25 Aug 2008 to 21 Aug 2009	4.79%
Debt Securities 20	1,008	11 Jan 2008 to 9 Jan 2009	4.04%
Debt Securities 21	1,000	17 Mar 2008 to 22 Feb 2011	4.56%
Debt Securities 22	1,000	15 Feb 2008 to 15 Feb 2011	4.52%
Debt Securities 23	1,000	23 Dec 2008 to 23 June 2009	2.30%
Total debt securities	53,867		

Equity Investments

As at 31 December 2008, the Group's available-for-sale equity investments included (1) the equity investments of RMB114 million in China UnionPay; and (2) other equity investments of RMB303 million.

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Losses

Unit: in RMB million

	2008	2007	2006
Beginning balance	**12**	242	321
Accruals of the year(1)	**739**	7	(4)
Write-offs	**(7)**	(66)	(79)
Transfer out(2)	**—**	(171)	4
Ending balance	**744**	12	242
Including: provisions for available-for-sale investment impairment	**521**	—	19
provisions for held-to-maturity investment impairment	**223**	12	223

Notes: (1) Equal to the net provisions for investment impairment loss accrued in the consolidated income statement of the Group.

(2) Including provisions for impairment loss released arising from the recovery and transfer of non-performing loan assets to repossessed assets according to related laws and the effect of foreign exchange rate changes.

As of the end of 2008, the Group held foreign currency denominated debt securities with the total amount of US4.942 billion equivalent to RMB33.778 billion.

As of the end of 2008, the Group held foreign residential MBS of US973 million equivalent to RMB6.648 billion, accounting for 3.35% of the Group's domestic and foreign currency denominated securities investment, 98% of which are prime residential MBS. The Group held ALT-A residential MBS of US20 million equivalent to RMB 135million, all of which ranked a credit rating of AAA. The provisions for impairment losses amounted to US5 million equivalent to RMB32 million. The Group did not hold U.S. subprime MBS.

As of the end of 2008, the Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of US900 million equivalent to RMB6.151 billion, and the institutional debt issued by Fannie Mae and Freddie Mac amounted to US135 million equivalent to RMB921 million.

As of the end of 2008, the Group held debt securities related to Lehman Brothers with a book value of US79 million equivalent to RMB540 million, in which full provision for impairment losses had been made.

The Group has persisted in a prudential principle. A provision had been made for impairment losses on foreign currency denominated debt securities of US108 million equivalent to RMB738 million.

Derivatives Classification and Fair Value Analysis

Unit: in RMB million

	31 December 2008			31 December 2007		
		Fair value			Fair value	
	Nominal principal	**Assets**	**Liabilities**	Nominal principal	Assets	Liabilities
Interest rate derivatives	**188,022**	**2,921**	**(3,376)**	137,348	947	(312)
Currency derivatives	**130,168**	**2,423**	**(2,141)**	113,307	1,093	(1,600)
Credit derivatives	**1,089**	**13**	**(62)**	456	9	(2)
Total		**5,357**	**(5,579)**		2,049	(1,914)

On-balance Sheet Interest Receivables

The table below showed the changes in the interest receivables of the Group.

Unit: in RMB million

	31 December 2007	Increase during the current period	Collected during the current period	**31 December 2008**
Loan interest receivables	1,497	45,460	(45,521)	**1,436**
Interest receivables from placement with banks and under resale agreements	112	5,310	(5,413)	**9**
Interest receivables from debt securities	1,744	8,097	(7,345)	**2,496**
Other interest receivables	18	—	(18)	**—**
Total	3,371	58,867	(58,297)	**3,941**

Deposits from Customers

Unit: in RMB million

	31 December 2008	31 December 2007	31 December 2006
Corporate deposits			
Demand deposits	**384,024**	338,074	260,971
Time deposits	**389,675**	301,931	251,580
Negotiated	**7,970**	28,770	46,080
Non-negotiated	**381,705**	273,161	205,500
Subtotal	**773,699**	640,005	512,551
Personal deposits			
Demand deposits	**40,456**	66,900	26,053
Time deposits	**131,680**	80,306	79,808
Subtotal	**172,136**	147,206	105,861
Total deposits from customers	**945,835**	787,211	618,412

As of 31 December 2008, deposits from customers of the Group totalled RMB945.835 billion, an increase of RMB158.624 billion or 20.15%. The Group has proactively reduced the corporate negotiated deposits which have higher average cost than the overall corporate deposits since 2005. As of the end of 2008, the Group's negotiated deposits were RMB7.970 billion, down by RMB20.800 billion or 72.30%. As of 31 December 2008, deposits from personal customers accounted for 18.20% of the Group's total deposits, down by 0.5 percentage point compared with that of the end of the previous year.

Breakdown of Deposits from Customers by Currency

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
RMB	**907,048**	**95.9**	735,558	93.4	562,106	90.9
Foreign currencies	**38,787**	**4.1**	51,653	6.6	56,306	9.1
Total	**945,835**	**100.0**	787,211	100.0	618,412	100.0

Breakdown of Deposits by Geographical Location

The Group classified deposits based on the locations of banks which accepted deposits. The table below showed the geographical distribution of deposits from customers as of the dates indicated.

Unit: in RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Amount	**Proportion (%)**	Amount	Proportion (%)	Amount	Proportion (%)
Bohai Rim *(Note)*	**334,401**	**35.4**	355,927	45.2	218,259	35.3
Yangtze River Delta	**267,796**	**28.3**	176,372	22.4	179,751	29.1
Pearl River Delta and West Strait	**133,441**	**14.1**	99,913	12.7	89,082	14.4
Central Region	**100,099**	**10.6**	65,163	8.3	59,844	9.7
Western Region	**78,856**	**8.3**	63,336	8.0	48,181	7.8
Northeastern Region	**31,242**	**3.3**	26,500	3.4	23,295	3.7
Total deposits from customers	**945,835**	**100.0**	787,211	100.0	618,412	100.0

Note: Including the headquarters.

Breakdown of Deposits by Remaining Maturity

The table below set forth the deposits from customers based on the remaining maturity as of 31 December 2008.

Unit: in RMB million

	Overdue/undated		**Less than 3 months**		**Between 3 and 12 months**		**Between 1 and 5 years**		**More than 5 years**		**Total**	
	Amount	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Corporate deposits	388,493	41.1	200,173	21.2	156,014	16.5	25,025	2.6	3,994	0.4	773,699	81.8
Personal deposits	40,922	4.3	65,143	6.9	54,883	5.8	11,184	1.2	4	—	172,136	18.2
Total	429,415	45.4	265,316	28.1	210,897	22.3	36,209	3.8	3,998	0.4	945,835	100.0

Shareholders' Equity

Unit: in RMB million

	31 December 2008	31 December 2007	31 December 2006
Shareholders' equity	**95,658**	84,086	31,689
Minority interests	**3**	5	5
Total shareholder's equity	**95,661**	84,091	31,694

Changes in Shareholders' Equity during the Reporting Period

Unit: in RMB million

	Share Capital	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Surplus reserve	General provision	Retained earnings	Currency translation difference	Minority interests	Total equity
31 December 2007	39,033	36,525	(98)	156	829	3,731	3,915	(5)	5	84,091
Net profit	—	—	—	—	—	—	13,354	—	—	13,354
Impact of changes in fair value of available-for-sale investments	—	—	(68)	—	—	—	—	—	(2)	(70)
Net realized losses due to sale of available-for-sale investments	—	—	40	—	—	—	—	—	—	40
Revaluation gains of the Bank's property	—	—	—	331	—	—	—	—	—	331
Impact of income tax relating to items recognized in shareholders' equity	—	—	5	—	—	—	—	—	—	5
Withdrawal of statutory surplus reserve and general reserve	—	—	—	—	1,332	3,985	(5,317)	—	—	—
Dividend distribution	—	—	—	—	—	—	(2,088)	—	—	(2,088)
Currency translation difference	—	—	—	—	—	—	—	(2)	—	(2)
31 December 2008	39,033	36,525	(121)	487	2,161	7,716	9,864	(7)	3	95,661

Major Off-balance Sheet Items

The table below set forth major off-balance sheet items and their balances as of the end of the reporting period.

Unit: in RMB million

	31 December 2008	31 December 2007
Credit commitments		
— Acceptances	**222,158**	166,939
— Guarantees	**44,886**	32,547
— Letters of credit	**29,515**	36,016
— Irrevocable loan commitments	**7,270**	8,150
— Credit card commitments	**32,608**	16,934
Subtotal	**336,437**	260,586
Operating lease commitments	**3,531**	2,275
Capital commitments	**296**	399
Pledged assets	**965**	15,766
Total	**341,229**	279,026

Supplementary Financial Indicators

		Data of the Group (%)		
Major Indicators[1]	**Standard (%)**	**31 December 2008**	31 December 2007	31 December 2006
Liquidity ratio				
Including: RMB	≥25	**51.37**	38.90	38.66
Foreign currency	≥60	**83.24**	110.01	99.98
Loan-to-deposit ratio[2]				
Including: RMB	≤75	**73.29**	74.40	79.39
Foreign currency	≤85	**45.65**	68.82	33.36

Notes: (1) The figures is calculated by the Bank based on Chinese banking regulatory requirements.

(2) In calculating loan-to-deposit ratio, discounted bills are included in loans.

Capital adequacy ratio

The Bank calculated and disclosed its capital adequacy ratio in accordance with the *Measures for the Administration of Capital Adequacy Ratio of Commercial Banks* (Decree of China Banking Regulatory Commission [2004] No. 2) promulgated by the China Banking Regulatory Commission on 23 February 2004. Since 2005, the Bank has calculated the market risk capital in accordance with the *Circular of China Banking Regulatory Commission Office on the Calculator and Calculation of the Market Risk Capitals of Commercial Banks* (Yin Jian Fa [2004] No. 374) promulgated by CBRC.

Since 2001, the Bank has adopted several measures to improve the capital adequacy ratio. CITIC Group injected capital amounting to RMB2.5 billion in 2004, RMB8.6 billion in 2005 and RMB7.4 billion in 2006 respectively. In addition, the Bank issued subordinated debts and subordinated bonds with a face value of RMB6 billion in 2004 and 2006 respectively. The Bank was listed in Shanghai and Hong Kong successfully at the end of April 2007, raising funds of RMB44.8 billion in total.

As of the end of 2008, the Bank's capital adequacy ratio was 14.32%, a decrease of 0.95 percentage point compared with that of the end of the previous year; the core capital adequacy ratio was 12.32%, a decrease of 0.82 percentage point compared with that of the end of the previous year; the net capital amounted to RMB106.870 billion, up by RMB11.699 billion over that of the end of the previous year, among which, the net core capital was RMB91.993 billion, up by RMB10.099 billion over that of the end of the previous year. The risk-weighted capital totalled RMB746.547 billion, up by RMB123.247 billion over that of the end of the previous year.

Unit: in RMB million

	31 December 2008	31 December 2007	31 December 2006
Core capital:			
Paid-up ordinary share capital	**39,033**	39,033	31,113
Reserves	**53,009**	42,906	(7)
Total core capital	**92,042**	81,939	31,106
Supplementary capital:			
General provision for doubtful debts	**6,527**	3,621	2,663
Subordinated debts	**8,400**	9,600	10,800
Accumulated net profit from unrealized portion of changes in fair value of financial assets for trading purpose	**—**	101	—
Total supplementary capital	**14,927**	13,322	13,463
Total capital basis before deduction	**106,969**	95,261	44,569
Deduction:			
Unconsolidated equity investments	**99**	90	158
Net capital after deduction	**106,870**	95,171	44,411
Net core capital after deduction	**91,993**	81,894	31,027
Risk-weighted assets	**746,547**	623,300	471,957
Core capital adequacy ratio	**12.32%**	13.14%	6.57%
Capital adequacy ratio	**14.32%**	15.27%	9.41%

Major Accounting Estimates and Assumptions

The preparation of the financial statements conforming with International Financial Reporting Standards (IFRS) requires the Group to make certain accounting estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The Group's accounting estimates and assumptions are based on its historical experience and other factors believed to be reasonable under the circumstances, and are reviewed on an on-going basis. The accounting estimates and assumptions made by the Group appropriately reflected the financial positions of the Group.

The main aspects influenced by estimates and judgements of the compilation basis of the Group's financial statements include: financial instruments confirmation and measurement (provisions for loan impairment losses and loan write-offs, classifications of debt securities and equity investments, investments held for trading and measurement of the fair value of financial instruments designated at fair value through profit or loss, measurement of available-for-sale investments at fair value, measurement of derivatives at fair value), affirmation of actuarial obligations for pension and welfare, recognition of deferred income tax and income tax expense.

Measurement at Fair Value

The Bank measured the fair value of financial instruments according to the method stated in Price Determination Method for financial instruments of China CITIC Bank in Treasury and Capital Market Business. The determination methods of the fair value includes financial media quotes, open or individual valuation techniques, and trading counterparty or third-party price inquiry. In principle, it is the Bank's priority to use the quotes of active markets to measure fair values. For the financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly implemented the internal control procedure for the measurement of fair values. The business department, risk management department and accounting and calculation department collectively confirmed the obtaining method and source for the fair values of financial instruments based on their business needs. The accounting and calculation department completed an independent evaluation of fair value based on the requirements of the accounting standands, and prepared valuation reports regularly. The risk management department reviewed all valuation reports, and monitored the implementation of those valuation methods. All the relevant systems and methods related to the measurement of fair values were approved by the Market Risk Management Committee of the Bank.

Items Measured at Fair Value Held

Unit: in RMB million

Item	**Beginning balance**	Gains/losses from changes in fair value for the period	Accumulated changes in fair value recognized in equity	Impairment reserved for the period	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss	**6,635**	683	—	—	7,533
Including: Derivatives[1]	**135**	589	—	—	(222)
2. Available-for-sale financial assets	**43,957**	—	(145)	(521)	85,317
Subtotal of financial assets	**50,592**	683	(145)	(521)	92,850
Financial liabilities					
1. Financial liabilities held for trading	**—**	(9)	—	—	(139)
2. Others[2]	**(7,212)**	(20)	—	—	(2,500)
Total	**43,380**	654	(145)	(521)	90,211

Notes: (1) Derivatives are the net of derivative assets minus the derivative liabilities.
(2) Others refer to structured deposits measured at fair value.

Financial Assets and Liabilities Denominated in Foreign Currencies Held by the Group

Unit: in RMB million

Item	Beginning balance	Gains/losses from changes in fair value for the period	Accumulated changes in fair value recognized in equity	Impairment reserved for the period	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss	**470**	741	—	—	176
Including: Derivatives(1)	**106**	739	—	—	(101)
2. Available-for-sale financial assets	**20,875**	—	(610)	(521)	21,239
3. Held-to-maturity investments	**18,735**	—	—	(218)	11,827
Subtotal of financial assets	**40,080**	741	(610)	(739)	33,242
Financial liabilities					
1. Financial liabilities held for trading	**—**	(9)	—	—	(139)
2. Others(2)	**(6,107)**	(85)	—	—	(2,361)
Total	**33,973**	647	(610)	(739)	30,742

Note: (1) Derivatives are the net of derivative assets minus derivative liabilities.
(2) Others refer to structured deposits measured at fair value.

Discrepancies between Domestic and International Accounting Standards

The following table is the Standards Discrepancy Reconciliation Form on the net asset and net profit attributable to the Bank's Shareholders.

(Unit: in RMB million)

	Net asset		Net profit	
	2008 Year end	2007 Year end	**2008**	2007
Amount in the financial report compiled according to the IFRS	**95,658**	84,086	**13,354**	8,322
Difference arising from buildings and property on revaluation	**(492)**	(152)	**(10)**	10
Difference arising from equipment and other assets as calculated by historical cost	**177**	202	**(24)**	(42)
Amount in the financial report compiled according to the Accounting Standards for Business Enterprises of China	**95,343**	84,136	**13,320**	8,290

Please see the chapter headed "Unaudited Supplementary Financial Information" in this annual report for details.

Segment Reporting

Segment Report by Geographical Segments

Unit: in RMB million

	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central Region	Western Region	Northeastern Region	Headquarters	Hong Kong	Elimination	Total
2008										
Net interest income	**9,774**	**5,215**	**9,400**	**3,636**	**3,072**	**1,017**	**3,933**	**44**	**—**	**36,091**
Net non-interest income	**985**	**463**	**1,224**	**322**	**240**	**80**	**933**	**34**	**—**	**4,281**
Operating income	**10,759**	**5,678**	**10,624**	**3,958**	**3,312**	**1,097**	**4,866**	**78**	**—**	**40,372**
General and administrative expenses	**(4,227)**	**(2,282)**	**(3,518)**	**(1,536)**	**(1,236)**	**(400)**	**(2,883)**	**(66)**	**—**	**(16,148)**
Expense of impairment losses	**(2,117)**	**(635)**	**(1,239)**	**(472)**	**(801)**	**(115)**	**(1,060)**	**(5)**	**—**	**(6,444)**
Profit before tax	**4,415**	**2,761**	**5,867**	**1,950**	**1,275**	**582**	**923**	**7**	**—**	**17,780**
31 December 2008										
Segment assets	**345,595**	**174,612**	**464,662**	**131,638**	**110,100**	**40,852**	**438,152**	**891**	**(518,350)**	**1,188,152**
Segment liabilities	**311,164**	**154,565**	**413,507**	**119,886**	**99,986**	**37,565**	**473,332**	**836**	**(518,350)**	**1,092,491**
2007										
Net interest income	7,469	3,653	6,700	2,291	2,118	746	3,175	18	—	26,170
Net non-interest income/(expenses)	751	272	915	230	168	86	(672)	35	—	1,785
Operating income	8,220	3,925	7,615	2,521	2,286	832	2,503	53	—	27,955
General and administrative expenses	(3,155)	(1,644)	(2,501)	(997)	(859)	(295)	(2,301)	(43)	—	(11,795)
Expense of impairment losses	(652)	(257)	(1,291)	(373)	(125)	(194)	(95)	(1)	—	(2,988)
Profit before tax	4,413	2,024	3,823	1,151	1,302	343	107	9	—	13,172
31 December 2007										
Segment assets	331,920	180,370	400,157	118,343	91,972	32,135	558,446	651	(702,808)	1,011,186
Segment liabilities	290,160	163,985	351,995	105,395	80,262	27,447	610,107	552	(702,808)	927,095

Yangtze River Delta, Pearl River Delta and West Straits, and Bohai Rim have always been the most important contributors to the Group's revenue and profit growth, accounting for 73.36% of the Group's operating profit in 2008. Businesses of the Group in Central, Western and Northeastern regions have been rapidly developing in 2008, and the operating profit increased by RMB1.011 billion over that of the previous year.

Segment Reporting by Business Segments

Unit: in RMB million

	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
2008					
Net interest income/(expenses)	**28,930**	**5,301**	**2,275**	**(415)**	**36,091**
Net non-interest income/(expenses)	**2,621**	**1,293**	**940**	**(573)**	**4,281**
Operating income/(expenses)	**31,551**	**6,594**	**3,215**	**(988)**	**40,372**
General and administrative expenses	**(9,357)**	**(5,542)**	**(772)**	**(477)**	**(16,148)**
Expense of impairment losses	**(5,059)**	**(424)**	**(736)**	**(225)**	**(6,444)**
Profit before tax (loss)	**17,135**	**628**	**1,707**	**(1,690)**	**17,780**
31 December 2008					
Segment assets	**684,950**	**106,346**	**391,681**	**5,175**	**1,188,152**
Segment liabilities	**779,781**	**175,529**	**128,492**	**8,689**	**1,092,491**
2007					
Net interest income/(expenses)	20,882	3,429	2,322	(463)	26,170
Net non-interest income/(expenses)	1,505	1,258	385	(1,363)	1,785
Operating income/(expenses)	22,387	4,687	2,707	(1,826)	27,955
General and administrative expenses	(7,080)	(3,823)	(621)	(271)	(11,795)
Expense of impairment losses	(2,866)	(130)	(7)	15	(2,988)
Profit before tax (loss)	12,441	734	2,079	(2,082)	13,172
31 December 2007					
Segment assets	580,015	99,733	324,391	7,047	1,011,186
Segment liabilities	649,675	149,174	121,412	6,834	927,095

The Group has been able to maintain a leading position in corporate banking business. In 2008, the corporate banking business contributed an operating profit of RMB17.135 billion to the Group. Due to the Group's increasing focus on developing personal banking business, it recorded a 54.59% growth in net interest income generated from personal banking business in 2008, as compared with that of the previous year. But due to the changes in the wealth management market, the service fee income from the capital market business such as wealth management decreased significantly, resulting in a drop of 14.44% in the profit before tax contributed by personal banking business compared with that of the previous year. Meanwhile, in order to prudently respond to the global financial crisis in 2008, the Group flexibly adjusted its investment structure and effectively controlled the portfolio risk, so that the profit before provision contributed by the money market business grew by 17.11% compared with that of the previous year. To prudentially cope with the financial risks, the Group has made reserves for impairment on foreign currency denominated bonds, and the pre-tax profit after provision decreased by 17.89% compared with that of the previous year.

Business Overview

Corporate Banking Business

Operating Strategy

In 2008, leveraging on the strategic objectives of "constructing the mainstream bank in corporate banking business among all small and medium-sized joint-stock commercial banks", the Bank has made efforts in building the corporate banking structure, team, product, procesdure, mechanism and system, reinforcing the management and coordination of the corporate banking business of both the headquarters and branches, accelerating the business structure adjustment, and improving professional services standard. The corporate banking business of the Bank maintained a sustainable, healthy and rapid development.

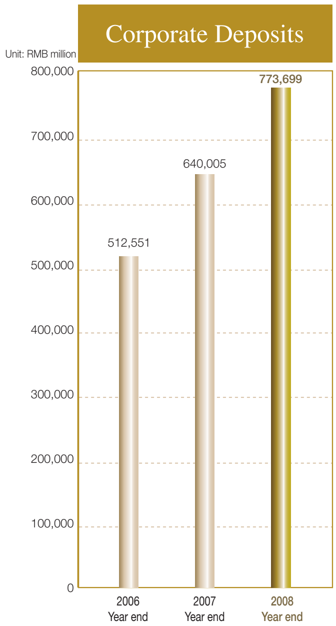
The Bank adhered to its strategy of "high quality industries, high quality enterprises, mainstream markets and mainstream customers" to consolidate the business cooperation with mainstream clients, so as to further consolidate and enhance its competitive edge in market. By the end of 2008, the deposit balance of over 2,200 strategic clients of the Bank had amounted to RMB307.866 billion, up by 41.89% as compared to the previous year and accounted for 39.79% of the total corporate deposits. The loan balance to strategic clients amounted to RMB236.264 billion, up by 19.26% as compared with the previous year end and accounted for 40.94% of the total corporate loans.

Operating Overview

In 2008, the Bank proactively faced the challenges given the difficult operating environment and intense market competition, energetically facilitated the capacity building of the corporate banking business, and made efforts to accelerate the construction of key platforms such as cash management, industry finance, financial peers, and small enterprise finance while continuing to consolidate the advantages in traditional banking business. The Bank has made significant achievement in diversifying the corporate banking business, and formed a good business landscape featuring the concerted development of the traditional corporate banking services and emerging business. By the end of 2008, the corporate deposits of the Bank had grown by 20.89%, the corporate loans had expanded by 15.64%, and the operating income had increased by 40.89%.

- The transaction volume of cash management of the Group grew by 117.81%, the project lineup was 1.99 times as much as that at the end of previous year, and the client base increased by 2,104 from the previous year. The transactions volume and client base of corporate Internet banking expanded by 60.21% and 75.63% respectively. The Internet banking replacement ratio rose to 16.63%.
- The business of industrial chain financing kept growing. The collaborative distributors in steel financing grew by 43.42%, with the accumulated financing size increased by 32.63%; the collaborative manufacturers in auto finance basically covered all the mainstream automotive brands in domestic market, and the collaborative automotive distributors expanded by 23.56%, with a 44.09% accumulated increase in the amount of financing.
- The business with other financial institutions saw a robust growth. 63 securities brokers had executed the third-party depository agreements with the Bank, generating an average daily deposit of RMB42.207 billion, 3.2 times of that as of the end of the previous year.
- The small enterprise financial service witnessed the steady growth, accompanied by an increase of 17.13% in the loan balance and a decrease of 0.79% in NPL ratio.
- The international settlement volume amounted to USD130.953 billion, representing an increase of 40.32%, which was the fourth consecutive year with a growth rate of over 40%.

Due to the excellent performance of the corporate banking business, the Bank won the award of the "2008 Most Trusted Bank by Chinese CFO" award granted by the Chief Financial Officer World magazine, and the "Best Corporate Banking Service Award of Asia Top Ten Commercial Banks in 2008" granted by the 21st Century Asia Finance Annual Conference.

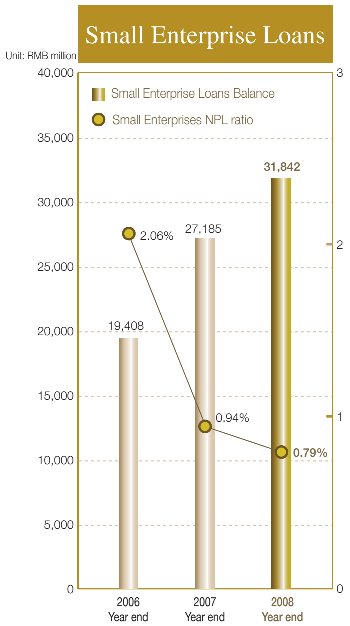


Corporate Deposits Business

Leveraging on the excellent cooperation with institutional clients, the Bank kept enriching the product lines of corporate banking, implemented the cross-selling of key products such as cash management and corporate Internet banking, vigorously explored the diversified sources and channels for liability business, and maintained a rapid and steady growth in corporate deposits under the increasing uncertainties in the external operating environment. The Bank took the initiative in reducing the volume of high cost RMB negotiated deposits. The Bank unloaded RMB20.8 billion of the negotiated deposits that matured in current year, so as to further optimize its deposit mix. By the end of 2008, the corporate deposits balance of the Bank reached RMB773.699 billion, an increase of 20.89% and accounting for 81.80% of the total deposits, of which the deposits from institutional clients such as fiscal authorities and tax authorities increased by 58.16% to RMB206.531 billion, accounting for 26.69% of the total corporate deposits, while the proportion of the negotiated deposits dropped by 3.47 percentage points over that of the previous year to 1.03%.

Financial Institutions Business

The Bank actively developed the financial institution business, strengthened the cooperation with securities firms, finance companies, trust companies, commercial banks and other financial institutions under CITIC Group, and attracted the diversified deposits from financial peers. By the end of 2008, the daily average balance of deposits of the financial institutions in the Bank increased by 44.24% to RMB146.737 billion, of which the daily average balance of deposits was RMB42.207 billion driven by the third-party depository service, accounting for 28.76% of the daily average deposits of the financial institutions.

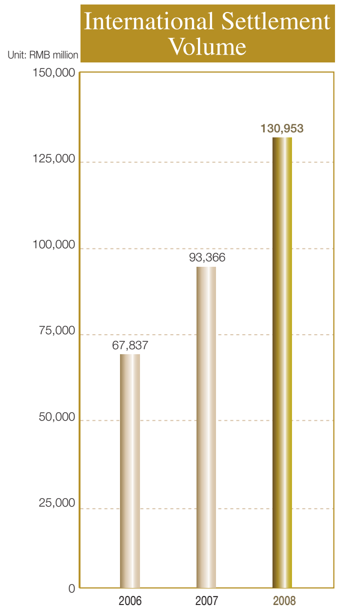


Corporate Loans Business

While actively responding to the changes in the macroeconomy, the Bank took the initiative in adjusting the credit structure, stepped up the marketing efforts against high quality customers, and supported the fundamental and resource-based industries that actively ensured the national development and the people's welfare, such as transportation, power and mining. By the end of 2008, the balance of corporate loans of the Bank increased by 15.64% to RMB577.161 billion, including a balance of discounted bills of RMB43.539 billion, up by 29.58%.

The Bank regarded risk control as the core and the targeted high quality small enterprises in industrial chains, industrial clusters and specialized markets as customer strategy, kept enriching the connotation of the "CITIC Small Enterprise Growth Partner" brand, and enhanced the quality of the financial services for small enterprises. The Bank aimed at launching specialized operation, reinforced the construction of the guarantee platform, and achieved the steady development in the small enterprise financial services. By the end of 2008, the Bank granted credit to 6,678 small enterprises, a figure which remained basically the same as that of the previous year; the loan balance was RMB31.842 billion, an increase of 17.13%; the balance of NPLs for small enterprises was RMB415 million, a decrease of RMB15 million from that of the previous year; and the NPL ratio declined by 0.15 percentage point to 0.79% as compared to that of the previous year.

The Bank further segmented the industry financial service market, and implemented the differentiated marketing service strategies for targeted customer groups in key industries such as steel, automobile, shipbuilding and petrochemical. The Bank maintained the steady and healthy growth of the industry financial services by actively optimizing its client structure and strengthening the investigation on specific issues. By the end of 2008, the Bank had developed 82 collaborative manufacturers in steel financing, and provided financing support valued at RMB50.4 billion for a total of 436 distributors, an increase of 32.63%, The number of collaborative manufacturers in auto financing amounted to 32 manufacturers (covering 34 brands), which basically covered all the mainstream brands in domestic market, and the Bank had provided a total financing amount of RMB85.3 billion for 1,600 distributors, a growth of 44.09%.

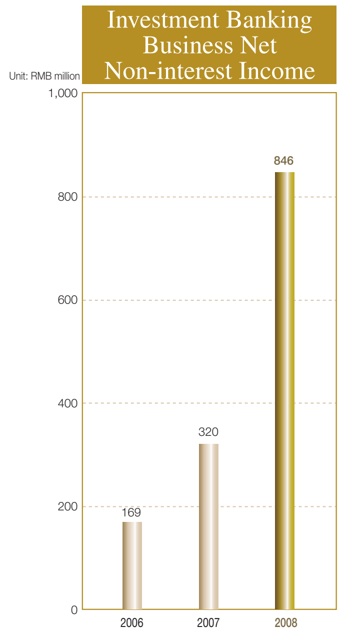


Non-interest income Products and Business

The Bank continued to diversify the development of the corporate banking business, and consolidated the cross-selling with other financial subsidiaries under CITIC Group, which fueled the development of the corporate non-interest income business. By the end of 2008, the corporate business had generated a net non-interest income of RMB2.621 billion, an increase of 74.15% and accounting for 61.22% of the Bank's net non-interest income.

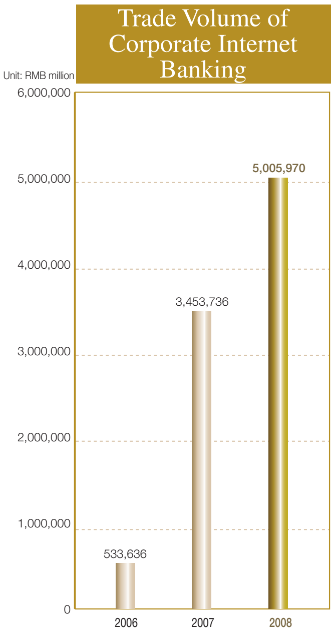
International Settlement

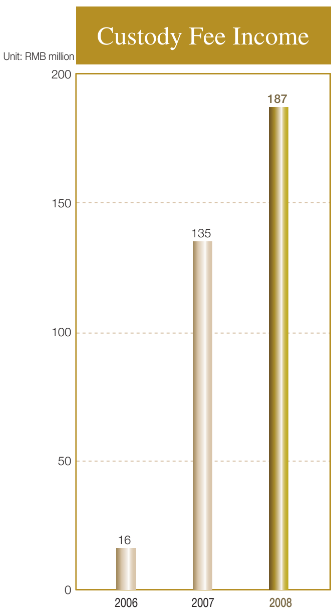
By the end of 2008, the international settlement volume of the Bank amounted to USD130.953 billion, growing by 40.32% and sustaining the momentum of over 40% growth over the past four years, and ranked the Bank the sixth Chinese bank with the import and export settlement volume of more than USD100 billion. The market share of international settlement volume of the Bank under trade increased by 1.0 percentage point to 5.8% as compared with that of the previous year. The business volume ranked the sixth among all the national commercial banks, and the first among small and medium-sized joint-stock commercial banks. The business generated a net non-interest income of RMB1.131 billion, an increase of 42.40% and accounting for 43.15% of the total corporate net non-interest income.



Investment Banking Business

The Bank recognized financial consulting, bonds underwriting, asset management, syndicated loans and off-balance sheet financing as the five key products so as to consolidate and foster the growth sources of investment banking business. As of the end of 2008, the net non-interest income of the Bank from the investment banking business jumped by 164.38% to RMB846 million, and accounted for 32.28% of the Bank's corporate net non-interest income. Among the total income, the financial consulting income ballooned 349.33%, while the net non-interest income from the structured financing services such as syndicated loans, off-balance sheet financing and export credit soared by 299.55%. Throughout 2008, the Bank underwrote the bonds of RMB30.14 billion, an increase of 31.79%. Since the launch of the business, the Bank has underwritten the short-term financing bonds up to RMB84.89 billion, ranking the fourth among all the national commercial banks.





In 2008, the Bank has achieved a lot of significant breakthroughs in the investment banking business innovation: the Bank was among the first batch of joint-stock commercial banks which engaged in the pilot project of the credit asset securitization, and successfully completed the issuance of Renminbi credit asset-backed securities valued at RMB4.077 billion; the Bank was one of the first batch of qualified lead underwriters to underwrite the medium-term notes and financing bonds of small and medium-sized enterprises under the pilot project. The Bank has launched the innovative export credit and syndicated loan products, took the leading position among Chinese commercial banks in terms of the accumulated export credit balance, and was the fifth among all the domestic and foreign banks that acted as the leading banks in syndicated loan business in China.

Corporate Internet Banking and Cash Management Business

Based on the corporate Internet banking platform, the Bank has energetically developed the cash management business, accelerated the establishment of new-generation cash management system, launched the “CITIC Cash Management” brand, and held the “Cash Management Forum” marketing campaign to step up business promotion. Therefore, the Bank expanded its market influence in cash management business. By the end of 2008, the corporate Internet banking client base of the Bank had grown by 75.63% to 41,090 clients, with the accumulated transaction volume expanded by 44.94% to RMB5,006 billion, and the replacement rate of the corporate Internet banking accounts increased by 6.96 percentage points to 16.63%. The Bank also provided the cash management services to 732 group clients, an increase of 99.46%, with the transaction volume of RMB1,976.2 billion, a growth of 117.81%. In 2008, the Bank was granted the “China’s Best Local Bank in Cash Management Award” by Asia Money magazine.

Third-party Depository Service

The Bank has strengthened its partnership with securities firms under CITIC Group, and made a significant achievement in third-party depository business. By the end of 2008, the Bank had executed third-party depository agreements with 63 securities firms, an increase of 13 firms over the previous year. This business generated RMB42.207 billion, a 224.62% increase in daily average balance of the deposits of financial institutions, and it took a share of 28.76% in the Bank’s daily average balance of the deposits of financial institutions, a rise of 15.9 percentage points over that of the previous year. The business generated a net non-interest income of RMB39.1168 million, a share of 1.49% in the corporate net non-interest income.

Asset Custody Service

The asset custody business of the Bank maintained the fast growth despite the adverse impact of the global financial crisis and the domestic economic downturn. By the end of 2008, the business had yielded a custody fee income increase of 38.52% to RMB187 million, representing 7.13% of the net non-interest income in corporate banking business. The Bank succeeded in launching the first annuity brand in China — “Xinfu Annuity”, creating many Firsts in the industry. The Bank won the bids and executed agreements with 105 clients, and the assets under agreements and custody were close to RMB2.5 billion. Due to the fast-growing custody business, the Bank secured the “Best Asset Custody Award” given by the CFO World magazine, while the “Xinfu Annuity” product series won the “2008 Best Annuity Market Brand Award” granted by Hexun.com, etc.

Retail Banking Services

Operating Strategy

By paying special attention to the development of the retail banking business, the Bank commenced the implementation of the retail banking strategy in 2005, and set out the "Three Steps in Three Years" development objective to build up a retail banking service system with unique characteristics of China CITIC Bank. It mainly includes the following four aspects:

- Implementing the "Three Dimensions and Four Driving Forces" retail banking development strategy, which requires integrating the three dimensions of customers, products and core competitiveness and strengthening our efforts to realize synergies between corporate and personal banking businesses, promoting product innovation, developing high quality professionals, and encouraging participation of all personnel.
- Observing the concept of the development of "Three Aspects", which requires the Bank to simultaneously develop the three steps, namely, expanding our customer base, improving our customer service capabilities and enhancing our value added services, in an effort to meet the demands of customers of different market segments with differentiated products.
- Building up a retail banking service system with unique characteristics of China CITIC Bank, which requires the Bank to focus on customers with a high demand for banking products and services, increase technology substitution rate and build up a product and service system for high and middle-end clients.
- Focusing on developing three profitable sources of consumer loans, wealth management and credit card to improve the profitability of retail banking business of the Bank.

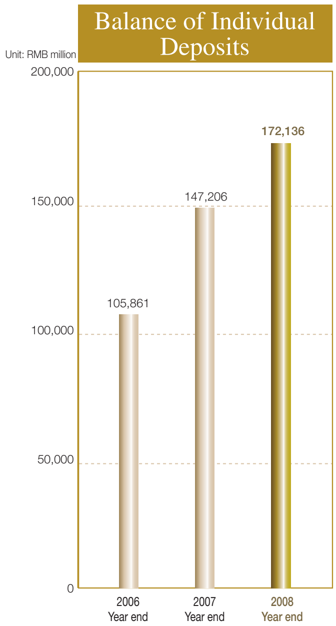
The client base of the retail banking business of the Bank kept growing. By the end of 2008, the Bank had gained 14.61 million retail banking clients, an increase of 21.65%, and the VIP client[1] base amounted to 87,637, an increase of 31.58%.

Operating Overview

In 2008, the Bank realized a steady growth in the retail banking business amid the volatile market environment. By the end of 2008, the balance of personal deposits of the Bank had scaled up by 16.94%, the balance of personal loans had grown by 15.34%, and the business income had increased by 40.69%. The net non-interest income of the Bank from the retail banking business amounted to RMB1.293 billion, an increase of 2.78% over the previous year. The major performance of the Bank in the retail banking business includes:

- Three profitable growth sources, namely personal wealth management, consumer loans and credit card, grew steadily.
  - — The sales volume of the wealth management products jumped by 42.52% to RMB147.92 billion, taking a leading position among the small and medium-sized joint-stock commercial banks;
  - — The personal loan balance saw an increase of 15.34% to RMB87.763 billion, accounting for 13.20% of the total loans, with a slight drop of 0.03 percentage point over that of the previous year;
  - — A total of 7.5514 million credit cards were issued, involving a full-year transaction volume of RMB59.030 billion, and generating a profit of RMB91.1472 million.
- The electronic channel construction witnessed a rapid development. The senior client base and the transaction volume of the personal Internet banking service soared by 142.51% and 216.20% respectively, while the business substitution rate of electronic transactions and automatic equipment rose to 66.92%.
- The private banking business of the Bank has launched six private banking services, ranking the first among peers.

Note: (1) VIP clients: Total AUM exceeding RMB500,000 (inclusive).



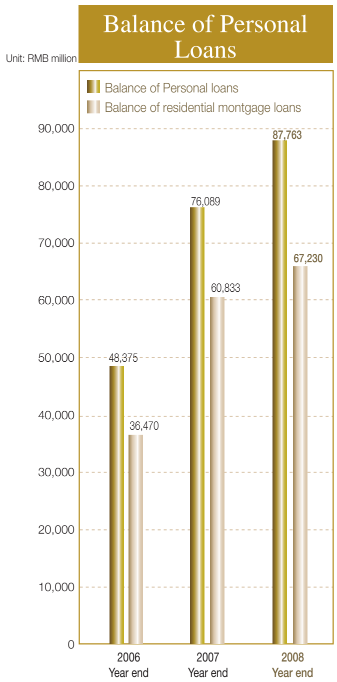
In 2008, the retail banking business of the Bank won several awards such as the "Best Wealth Management Award" of the "Asia-Pacific Retail Financial Service Excellence Award" granted by the Asian Banker magazine, the "2008 China's Best Private Bank in Stock Portfolio Management Award" granted by the Euromoney, and the only "Global Best Call Center for China Region" given by the Annual Call Center Exhibition, etc.

Retail AUM(1)

In 2008, the Bank always relied on the comprehensive financial services to secure clients and generate revenues in view of the highly volatile market environment. The Bank adjusted its focus timely in response to the market changes, strengthened the foundation building and sophisticated marketing efforts centered on personal deposits while improving the research and development, sales and professional management level on the wealth management products, and thus securing the steady growth of the retail AUM. By the end of 2008, the retail AUM of the Bank increased by 26.55% to RMB237.252 billion, of which the balance of personal deposits increased by 16.94% to RMB172.136 billion.

Retail Consumer Loans

In 2008, due to the impact of the macroeconomic environment, the transaction volume of residential housing shrank significantly and the growth rate of personal consumer loans declined to different extent among the banking industry. The Bank continued to develop the retail credit business prudently while ensuring the risk control. By the end of 2008, the personal loans of the Bank had reached a balance of RMB87.763 billion, representing a growth of 15.34%, of which, the balance of residential housing mortgage loans increased by 10.52% to RMB67.23 billion, accounting for 76.60% of the total personal loans, a reduction of 3.35 percentage points over that of the previous year.

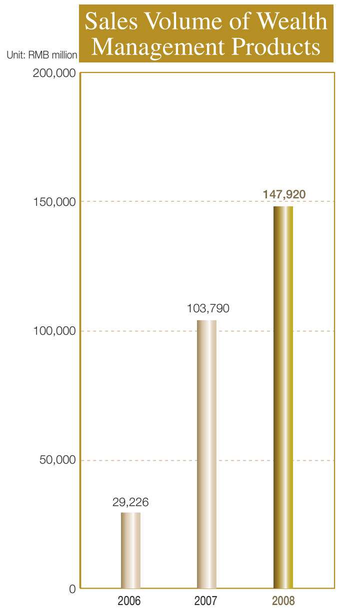


In 2008, the Bank earnestly carried out the favorable policy of the central government on the first common residential property and the improvement-oriented common residential property. In view of the changes in the real estate market, the Bank launched new services such as the second-hand house trading express and the balloon mortgage, designed a host of new personal loan repayment schedules, including the repayment by odd or even weeks, progressive repayment, grace-period repayment, automatic early repayment and repayment by installment, and started optimizing the auto consumer credit, integrated consumer credit and personal loans for studying abroad. The Bank launched the retail credit management system Version 2.0, thus realizing the centralization of personal credit data, opening up the express electronic examination and approval channel between the branches and the headquarters, and providing functions such as the self-service mortgage loan, self-service early repayment and self-service loan inquiry etc on the Internet banking platform.

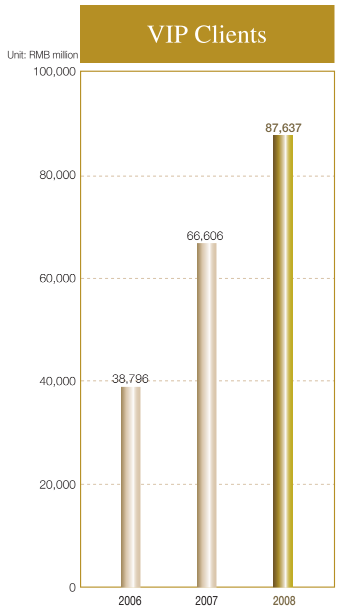
Note: (1) Assets under Management (AUM) refers to the total value of the saving depostits and wealth management assets of personal customers managed by the Bank

Wealth Management and Private Banking Business

In 2008, in view of the changes in the investment and wealth management market and customers' demand, the Bank fully leveraged on the advantage of the financial service platform of CITIC Group, and cooperated with CITIC Securities Co., Ltd. (the "CITIC Securities"), CITIC Fund, CITIC Trust & Investment Co., Ltd. (the "CITIC Trust") and other CITIC financial subsidiaries to launch innovative wealth management products. In 2008, the Bank sold 857 wealth management products denominated in domestic and foreign currencies, with a sales volume of RMB147.92 billion, an increase of 42.52%. The net non-interest income from the wealth management products reached RMB328 million, which accounted for 25.37% of the net non-interest income from the retail banking business. The Bank has launched the "Prudent Wealth Accumulation Plan", the "Prudent Wealth Management Plan" and other RMB wealth management products under proactive management, the wealth management plans under capital market allocations, the credit asset securitization products, and the wealth management plans investing in the real estate related equity trust, all of which were the first of their type in China.

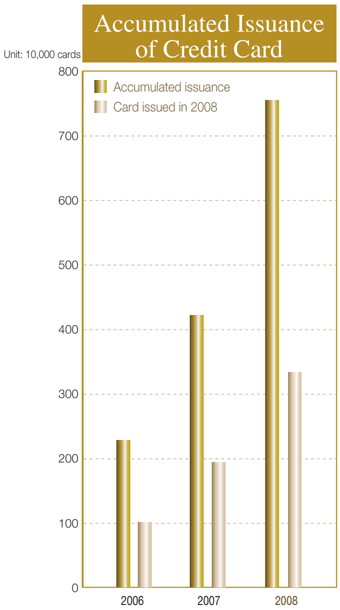


In 2008, the Bank vigorously expanded the fund and insurance sales agency business and further enriched the product lines. By the end of the reporting period, the Bank had established the agency relationships with all the fund houses in China. The number of fund houses under cooperation increased to 59 from 19 at the beginning of the year, and the number of funds sold rose to 440 from 100. The total sales volume reached RMB7.164 billion. For insurance sales agency business, the Bank strengthened the cooperation with CITIC-Prudential Life Insurance Co., Ltd., a company under CITIC Group, and sold the insurance policies with a total premium of RMB577 million in 2008, an increase of 415.18%. In addition, the Bank had entered into partnerships with insurance companies such as Ping An Insurance (Group) Company of China Limited and China Life Insurance Company Limited, etc.



In view of the drastic changes in the capital market in 2008, the Bank established the universal wealth management monitoring system to check the positions, held monthly investment consultation conference, and strengthened the supervision on the operation of the wealth management products. The Bank initiated a verification system for sales persons' qualifications, and the first batch of qualified 3,000 staff for the sales of wealth management products through intensive training and examination received the certification.

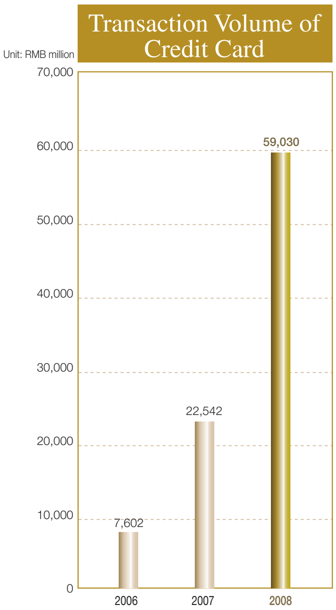
"CITIC PREMIER" is the VIP wealth management service brand of the Bank. In 2008, the Bank continued to integrate and optimize the VIP value-added service system, and provided a host of services such as golf, VIP boarding service at the airports, auto rescue, medical service guide and legal consulting; the annual "China CITIC Bank Junior Golf Challenge" and the "Platinum Evening" events became increasingly popular among VIP clients and effectively enhanced the brand image and market influence of the "CITIC PREMIER" brand. In 2008, the Bank made an effort to build the exclusive service locations for VIP clients, strengthened the training of the VIP wealth management managers, and provided the customized wealth management services for more than 80,000 VIP clients by over 1,100 experienced wealth managers.



The Bank provides private banking services for the high-end clients who maintain an asset size of over RMB8 million at the Bank. Currently, the Bank has launched comprehensive private banking services in 23 branches, and established the direct marketing system based on the Beijing and Shenzhen wealth management centers, which covered most regions in the eastern, northern, southern, northwestern, northeastern and southwestern parts of China. By the end of the reporting period, the Bank had more than 2,000 private banking clients. The private banking center of the Bank become the first one to offer six private banking services in the domestic market, including the commercial banking service, the wealth management service, the international asset planning service, the integrated credit service, the investment banking consultation service and the family value-added service, thus building a product and service development system with special feature. Based on the pioneering performance of its private banking services, the Bank successively won several awards such as the "2008 China's Best Private Bank on Stock Portfolio Management Award" granted by Euromoney, the "China's Private Bank with Best Potential Award of the Year" granted by 21st Century Business Herald and the "2008 Best Private Bank Award" granted by China Times among many other honors.

Credit Card Business

In 2008, the profitability of credit card business of the Bank increased significantly, and entered a steady development. By the end of the reporting period, the Bank had issued a total of 7.5514 million credit cards with a growth of 78.94% over that of the previous year, of which 3.3327 million cards were issued in 2008 with an increase of 71.77%. The transaction volume of the credit cards jumped by 161.86% to RMB59.03 billion, and the outstanding balance of loan at the end of the year amounted to RMB11.141 billion, an increase of 168.78%. The full-year revenue from the credit card business jumped by 167.40% to RMB1.377 billion; and the credit card business generated a pre-tax profit of RMB91.1472 million, an increase of 486.91%.



In 2008, the Bank launched competitive new products such as the credit card for students to study abroad, the golf platinum credit card, the CITIC real estate finance credit card, the joint name credit card for business travels and the female titanium card to meet the demand of the high-end market, the business travel market and the female market, and thus building the credit card brand with market impact. Among these cards, the Air China PhoenixMiles-CITIC Bank Credit Card took 40% of the market share, ranking the first in China's credit card market, with the total card issuance and transaction volume exceeding 1 million cards and RMB10 billion in current year. The total issuance of China CITIC Magic Credit Card targeting Chinese ladies also exceeded 1 million cards. CITIC Platinum "36+1" Golf Service has gradually become the leading service brand in the market. The Bank has set up the product research and development center to ensure the continuous innovation of the credit card products. In 2008, the Bank issued a series of innovative products with considerable market competitiveness, including CITIC PayPass Credit Card supporting both the contact and non-contact payment for the young and vogue client group pursuing a fast life pace, the CITIC Magic Titanium Credit Card for high-end ladies, and the joint name credit card for business travels.

In 2008, the Bank further enhanced its core competitiveness of credit card customer services. The Bank successively won several awards such as "Global Best Call Center for China Region" in China region granted by the Annual Call Center Exhibition, the consecutive "2008 China Best Call Center" issued by the Customer Relations Management Professional Committee of China Federation of IT Promotion, the "Best Customer Service Center in Financial Industry" rated by the Financial Times, the "Best Customer Contact Center" and the "Best Customer Experience" at the APCSC Customer Relationship Excellence (CRE) and Customer Service Quality Standard Leadership Summit, etc.

Channel Building and Service Quality Management

In 2008, the Bank kept accelerating the electronic construction for the retail banking services. (See "Management Discussion and Analysis — Distribution Channels" for details)

Meanwhile, the Bank reinforced the professional service management and further advanced the construction of the service quality system. (See "Management Discussion and Analysis — Service Quality Management" for details)

Treasury and Capital Market Business

Operating Strategies

In 2008, the international and domestic financial markets were complicated and flucturated. Facing such challenging market environment, the Bank actively controlled its risks and provided diversified financial services to its clients.

In 2008, the Bank consistently implemented the business development strategy of "Simple Products and Efficient Marketing". It made effort to promote the sales of such simple products as foreign exchange settlement and sales and achieved significant results. Meanwhile, in accordance with the strategy of getting a foothold in the domestic market and actively making the market, the Bank actively developed foreign exchange transactions and Renminbi bond transactions as well as wealth management business, based on the enhancement of investment capability.

The Bank insisted on the marketing strategy of "professionalism, efficiency and flexibility" and effectively developed the customer base for treasury and capital market business, further strengthening the operation model of "trading and sales" and the sales efforts, achieved the market mutual advancement and coordinated development of transaction and sales.

Description of Operation

The Bank provided funding products and services to corporate and individual clients, and engaged in the asset management and transaction of its own funds. The main products of trading and sales included foreign exchange trading, fixed yield products and derivative products. With such products, the Bank provided services like risk management and financing to its clients of retailing, corporations and financial institutions. Asset Management mainly refers to the investment and trading of securities and bonds.

In 2008, under the premise of effective risk control, the Bank continuously expanded its market advantages and established a prominent market image through product innovation and the enhancement of transaction capability. The operating income of the treasury and capital market business was RMB3.215 billion with an increase of 18.77%, accounting for 7.96% of the total operating income.

The Bank's business of sales and trading focused on the sales strategies and principles for the year, enhancing core competitiveness and market influence. As of the end of 2008, the Bank's net non-interest income of the treasury and capital market business was RMB940 million with an increase of 144.16%, accounting for 21.96% of the total net non-interest income.

The Bank closely focused on the strategic goal of "transforming from product seller to service provider". It made effort to develop the three-tier sales organisational system of headquarters, branches and sub-branches. It continuously expanded the group of customers and promoted the service quality of "professionalism, efficiency and flexibility". The Bank utilized various financial market instruments such as domestic and international exchange rate, interest rate, credit, commodities, futures, options and structural products, providing solution and standardized products such as value-added hedging and convenient financing to individuals, enterprises and government authorities, so as to satisfy the diversified demand of corporate in managing financial risk, lowering financial costs and raising investment yield. Therefore, the Bank established long-term and profound cooperative relationships with a large group of strategic clients.

Foreign Exchange Business

During 2008, the Bank continued to maintain the traditional advantage in foreign exchange business and the leading position in inter-bank foreign exchange market. It was awarded "Best Market Maker of the Year", "Market Maker with Best Market Making Ability of the Year" and "Most Influential Market Maker of the Year" by China Foreign Exchange Trade System. The Bank was also awarded the "Best domestic providers of FX services" for the third consecutive year by Asia Money, and was elected among the top ten of "Best for overall FX services" in Asia-Pacific region for the first time.

Facing the volatility of foreign exchange market due to the global financial crisis, the Bank strengthened risk control and avoided the direct impact of financial crisis. Its foreign exchange transaction business did not incur any non-operating loss. As of the end of 2008, the transaction volume of the Bank's foreign exchange settlement and sales business amounted to US$94.774 billion with an increase of 28.20% and its market share continued to rank the first amongst domestic small and medium-sized joint-stock commercial banks.

Business of RMB Bond and Interest Rate Market Making

During 2008, the Bank actively developed the business of RMB denominated bond market making and interest rate derivative product market making.

The Bank's business of RMB denominated bond market making, compared with that in 2007 increased by 1.5 times in terms of the scale of annual bond transactions in 2008. The business of bond market making has become an important source of profit for the business of RMB interest rate. The Bank had a high market share of interest rate derivative product in 2008. It continued to provide bilateral quotation for various products and established a better image as a market maker.

Business of Wealth Management and Derivative Product Transactions

In 2008, the Bank's wealth management products achieved stable performance under a complicated and flucturated market situation, and obtained wide recognition from the market. Its foreign currency wealth management product was awarded the "Jinbei Award Best Foreign Currency Wealth Management for the Year" by 21st Century Business Herald, as well as number one of "Assessment of wealth management products of banks in China for the year" and "Best Investment Value" by hexun.com. Based on the clients' demand for fixed yield products, the Bank timely launched the corporate wealth management product, stimulating the growth of the Bank's liability business.

During 2008, the Bank prudentially promoted the business of agency derivative products, and provided professional and services to high-end customers. In spite of the adverse changes of the market environment, the Bank actively controlled risks and customized effectively protected the benefits of its clients and the Bank.

Asset Management

In 2008, the US subprime mortgage crisis evolved into a financial crisis that has swept all the major countries in the world. Influenced by the international financial crisis, substantial changes took place to both the Chinese fiscal and monetary policies, namely from the prudent fiscal policy to the proactive fiscal policy, and from the tightened monetary policy to the moderately loosened monetary policy. Based on the scientific investment decision-making mechanism, the Bank maintained a good balance between security, liquidity and profitability and managed the assets in a more efficient and scientific manner.

The Bank timely adjusted the asset structure amid the volatile market environment, reduced the exposure of risk assets and increased the position of government bonds in the foreign currency denominated bond investment, thereby minimizing the impact of the international financial crisis and improving the overall risk resistance capability of the assets. In 2009, the Bank will continue to pay attention to the credit risk, product risk, transaction counterparty risk and interest rate risk.

The size of investment of the RMB investment account of the Bank expanded remarkably in the first half of 2008, accompanying with an extended term of maturity and a relatively high yield. In 2009, the Bank will maintain a prudent investment strategy, in order to mitigate the impact of significant market fluctuations and implement a more prudential credit investment strategy.

Service Quality Management

In 2008, the Bank pursued the "Customer-Oriented" operating philosophy and took a series of measures to strengthen the service quality management. The Bank further accelerated the construction of the service quality system, and completed tasks such as the linkage between the teller remuneration and service assessment, the appointment and appraisal of the business lobby manager, the execution of customer complaint process and the punishment of responsible person, the normal operation of the branch network and self-service equipment during holidays, and management of the morning assembly of the branch network; strengthened the business and marketing training of the business lobby managers throughout the Bank, and improved the service and marketing standard of branches; implemented the third-party satisfaction survey and the "Secret Client" inspection, and promoted the enhancement of the overall service level in the Bank. The Bank smoothly completed the financial service security work during Beijing Olympic Games, and received the "Organization Award for Civilized and Standardized Service Serial Activities of the Banking Industry in China to Welcome the Olympic Games" granted by the China Banking Association. The customer service centre was rated as the "Excellent Contribution Organization for Operation Security" granted by the BOCOG, and 27 branches were honored by China Banking Association as the "2008 Demonstration Unit of Civilized and Standardized Service for Banking Industry in China".

Advantages of Integrated Financial Services Platform of CITIC Group

CITIC Group has subsidiaries in banking, securities brokerage, fund management, trust, insurance and futures business, and many of these subsidiaries are flagship in their respective business sectors. Based on this integrated financial services platform, the Bank is gradually building up its unique competitive advantages. To avoid the competition among the financial peers, CITIC Group will further consolidate its financial resources in domestic and overseas markets and establish overseas development platform, so as to create a broader room for the Bank's development.

Providing Comprehensive Financial Solutions

By cross-selling of financial products and conducting joint marketing for important projects, the Bank provided differentiated comprehensive financial services to clients.

— Short-term financial bonds and medium-term notes underwriting. The Bank, together with CITIC Securities acted as the lead underwriters of enterprises, have issued and underwritten a total of RMB3.6 billion of short-term financial bonds and a total of RMB7.4 billion of medium-term notes.

— Corporate wealth management products issuance. The Bank aligned with CITIC Trust to make several issuance of corporate wealth management plans, valued at RMB660 million in total, exclusively for the investment in IPO subscription, quality credit assets and money market instruments.

Promoting Extensive Sharing of Customer Base

The Bank gained a large number of institutional and personal customers in the third-party depository business by cooperating with 4 securities firms under CITIC Group, namely CITIC Securities, China Securities Co., Ltd., CITIC-Kington Securities Co., Ltd., CITIC Wantong Securities Co., Ltd.

— Institutional clients: A total of 4,033 customers were also the customers of the securities companies under CITIC Group. They opened the customer transaction settlement capital collection accounts, which created a daily average balance of RMB37.34 billion, and contributed a total custody and handling fee of RMB35.8992 million.

— Personal clients: The Bank gained 170,600 new third-party personal depository customers through the securities companies under CITIC Group.

Conducting Cross Design and Cross-selling

— Cooperation in developing and selling wealth management products
The Bank exerted the unique advantage of the banking wealth management products using flexible design and connection with any underlying assets, and joined forces with CITIC Trust, CITIC Securities, China Securities Co., Ltd., CITIC-Prudential Life Insurance Co., Ltd. under CITIC Group for market development and product innovation. For example, the Bank created the RMB wealth management products under active management such as “Prudent Wealth Accumulation Plan” and “Prudent Wealth Management Plan”, the wealth management plans under capital market allocations, the credit asset-backed securitization products, and the wealth management plans investing in the real estate equity trust, all of which were the first of their type in the banking industry. In 2008, the Bank and the financial subsidiaries under CITIC Group jointly sold 73 wealth management products and achieved a sales volume of RMB79.37 billion, accounting for 102.82% and 86.31% of the figures in the previous year respectively. Based on the universal and profound cooperation, the Bank and CITIC Securities designed 17 wealth management products, which generated accumulated sales volume of over RMB40.2 billion. The Bank with CITIC Trust developed the fixed-income products, the capital market-linked products, the equity investment products and other products, including the “Grand View Plan” which was the first ever trust plan intended to invest in the real estate investment fund. The Bank has also strengthened its partnership with CITIC-Prudential Life Insurance Co., Ltd (CITIC Prudential). Last year, the Bank sold the insurance policies for CITIC Prudential with a total premium of RMB577 million, an increase of 415.18%.

— Exerting the advantages of the custody business platform

In 2008, the Bank established the comprehensive cooperation in product development, industrial (venture capital) fund business platform establishment and custody market development with CITIC Securities, CITIC Trust, China Securities Co., Ltd., CITIC Capital Holdings Limited, CITIC Splendid Capital Management Co., Ltd., China Asset Management Co., Ltd. (the "China AMC"), CITIC Private Equity Funds Management Co., ZPMC Finance Company. By the end of 2008, the custody business between the Bank and various subsidiaries of the CITIC Group had reached a total size of RMB32.318 billion.

— Joint development of the "CITIC All Licenses" annuity product

The Bank has developed the "CITIC All Licenses" annuity product under the brand of "Xinfu Annuity" in collaboration with CITIC Trust, CITIC Securities and China AMC, all of which are the CITIC Group subsidiaries. The Bank and CITIC Trust had successively allied with Taikang Life Insurance Co., Ltd. to launch the "Taikang CITIC Xiangrui Xintai Enterprise Annuity Plan", and also formed the alliance with Ping An Insurance (Group) Company of China Limited to launch "Ping An CITIC Splendid Life Enterprise Annuity Plan". Currently, the Bank is continuously expanding and extending the annuity product and the service system.

Cooperation with Strategic Investor

In 2008, the Bank and its strategic investor Banco Bilbao Vizcaya Argentaria S.A. (abbreviated as "BBVA") further deepened the strategic partnership in corporate banking, investment banking, international business, treasury and capital market business, private banking, risk management and human resources training. The Senior Management of both parties held regular meetings through the Strategic Cooperation Committee, ensuring the smooth communication mechanism and jointly promoting an in-depth cooperation in various dimensions.

Based on the strong confidence in the outlook of both the development of the Bank and the cooperation between both parties, BBVA further increased its shareholding in the Bank. BBVA completed the closing procedure on 10 February 2009, increasing BBVA's shareholding in the Bank from 4.83% to 10.07% to date. In future, both parties will continuously strengthen communication and coordination to deepen the partnership.

As to corporate banking business, both parties accelerated the cooperation in the auto finance and annuity business, and deepened the cooperation in areas such as product design, marketing techniques, risk management and system planning.

As to investment banking business, both parties actively pushed forward the cooperation in project financing, cross-border M&A and restructuring and other business areas. On 19 June 2008, both parties cosponsored the "Forum on Chinese Enterprises Invest in Latin America" in Beijing, researching the issues about leveraging on the extensive experience of the Bank in serving international customers and the integrated financial services platform advantage of CITIC Group and allying BBVA to provide the universal financial advisory services and associated financial services for Chinese enterprises investing in the Latin American market.

As to international business, BBVA, as a key agency bank of the Bank, is a preferred collaborative bank of China CITIC Bank in international business. Both parties mutually share the agency network, recommend customers and market to each other. Meanwhile, both parties launched proactive cooperation in areas such as settlement, trade financing, L/C guaranteed loans, export credit, re-lending of the Spanish government loan, and clearing.

As to treasury and capital market business, the Bank established the "Task Force" by leveraging on the successful experience of BBVA in the global market, in an effort to realize the universal sharing of the business system and marketing network by strengthening the cooperation in product and marketing, and provide comprehensive treasury and capital market services for customers.

As to private banking business, both parties made an in-depth communication on aspects such as product research and development, IT system construction, risk management and training, thus laying a solid foundation for further cooperation.

As to risk management, BBVA participated in the Bank's tendering for the corporate debt rating and exposure at default measurement project and the retail rating project, and provided relevant technical supports for the actual project development. BBVA's risk management expert team exchanged their experience in implementing the New Basel Capital Accord and the risk measurement technology with the Bank.

As to human resources training, the Bank organized 12 BBVA training and study teams, with 114 management executives and key business staff participating, who studied and learned more about the advanced experience of BBVA.

Distribution Channel

Branch Network

During the reporting period, the Bank seized the opportunity when Chinese government excercised the policy of the "Rise of Central China", the "Western Region Development", and the "Revitalization of the Northeast Old Industrial Bases" to further strengthen the branch network in central, western and northeastern parts of China, while continuing to improve the branch network in the Yangtze River Delta Region, the Pearl River Delta Region and other coastal developed regions. In 2008, the Bank opened 5 branches in the cities of Nanning, Harbin, Putian, Nantong and Luoyang, and 57 sub-branches. As of the end of 2008, the branch network of the Bank had reached 544 outlets, including 30 tier-one branches, 20 tier-two, 493 sub-branches, and 1 finance company.

Self-Service Outlets and Self-Service Terminals

The Bank continued to expand its network of self-service banking and self-service terminals to reduce operating cost and increase the profitability of the branch network. As of the end of 2008, the Bank had owned 826 self-service banking centers and 2,127 self-service terminals (including ATMs, integrated CDMs and CRSs), representing an increase of 13.46% and 31.03% respectively.

Electronic Banking

Internet Banking

In 2008, the Bank attained a rapid development in electronic banking services, as evidenced by the rapid expansion of customer base and trading volume, the breakthroughs in system building, the frequent upgrading of products, the preliminary effect of the concentrated business platform, and the rising brand influence.

In corporate Internet banking, the Bank launched the development of Version 6.0 by including such functional modules as credit business, custody business and wealth management business, and expanding the Internet banking service coverage, while optimizing the functions of Version 5.0. By the end of the reporting period, the Bank had gained 41,090 corporate Internet banking customers, an increase of 75.63% as compared with the previous year, and realized a trading volume of RMB5,006 billion, a rise of 44.94% from that of the previous year.

In personal Internet banking, the Bank implemented the concentrated operation mode for personal Internet banking customers, and effectively enhanced the customer activities. The Internet consumption merchant base exceeded 1 million, and the online banking payment services reached 62 items (as compared to 22 items at the beginning of the year). By the end of the reporting period, the Bank had gathered a total of 1.0763 million licensed personal Internet banking customers, a jump of 142.51% from the previous year. The personal Internet banking customers accounted for 7.36% of the total personal customers, a rise of 3.66 percentage points from that of the previous year. The personal Internet banking transaction volume soared by 216.41% from the previous year to RMB68.345 billion. The personal Internet banking system was innovated by introducing the customer experience indicator model design. The new personal Internet banking system Version 5.0 was successfully launched on 1 March 2008, and was well recognized by the evaluation institutions in society. The Bank successively won the “2008 China Internet Banking Best Customer Experience Award” granted by China Financial Certification Authority (CFCA), the “Best Internet Banking Award” conferred by China E-commerce Association, and the “2008 Best Customer Experience Award” rated by Hexun.com.

Telephone Banking

The Bank provides 24 hours daily telephone banking service for clients through telephone banking hotline 95558 throughout the country. In 2008, the Bank upgraded the telephone banking system to Version 4.0 and further expanded the online transaction, telemarketing and the internal management functions. Based on the integration with services such as VIP wealth management and Internet banking, the Bank had preliminarily built a concentrated customer operation platform. Through setting up the VIP service hotline of 10105558, the Bank was capable of providing the personalized services and active care for VIP customers, including VIP boarding in airports, auto rescue services, reservation for golf, and green channel to medical services. The telephone banking system enriched the concentrated operation functions, and carried out services such as Money Gram authorization, concentrated approval of DIY credit card, and concentrated services for providing debit card when issuing loans.

Information Technology

In 2008, the Bank was committed to building up the capacity to control IT risks. The measures included reinforcing project management, introducing the quality assurance (QA) flows and testing standard, and enhancing the project delivery capacity and quality; implementing the information system security risk assessment throughout the Bank, implementing the contingency plan for the important information systems, carrying out the network security segregation and modification throughout the Bank, and continuously improving the security and stability of information system throughout the Bank; and perfecting the internal control system, building the meticulous operation and maintenance for information system, and generally increasing the safe operation level of the information system.

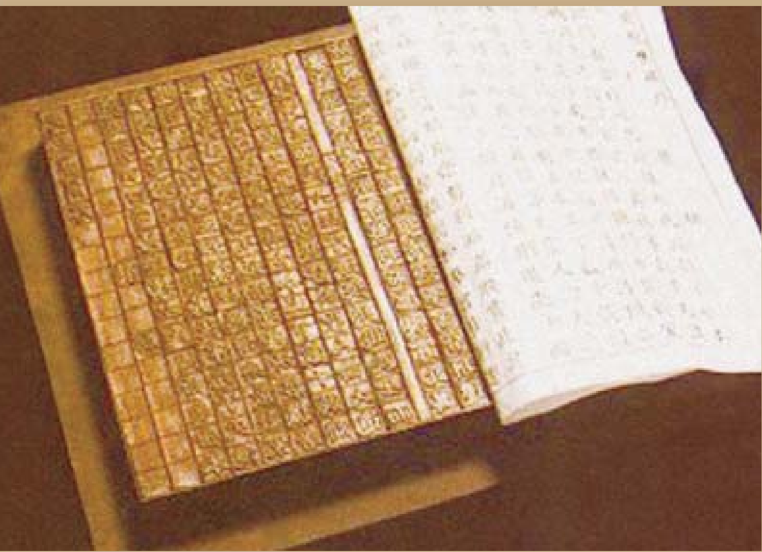
In 2008, the Bank continued to scale up the IT investment as planned, and information technology played an increasingly important role in driving and supporting the business development and operation management throughout the Bank. The Bank made continuous efforts to enhance input in building the information system, and committed itself to improving customer experience and providing better services and more diversified financial products for customers. As a result of promoting products and services such as the electronic bill payment, cash management (new version), mobile phone banking, and savings government bonds, both the customer base and transaction volume of the electronic channel grew remarkably. The Internet banking system and the call center of the Bank won many awards. Moreover, the centralized system of account processing has been successfully put in use, and progress in upgrading business workflow has been greatly achieved. The Bank attached much importance to boosting the internal management using advanced technology. Currently, the Bank has started implementing several major management projects such as off-site audit, comprehensive budget and New Basel Capital Accord.

Our foundation

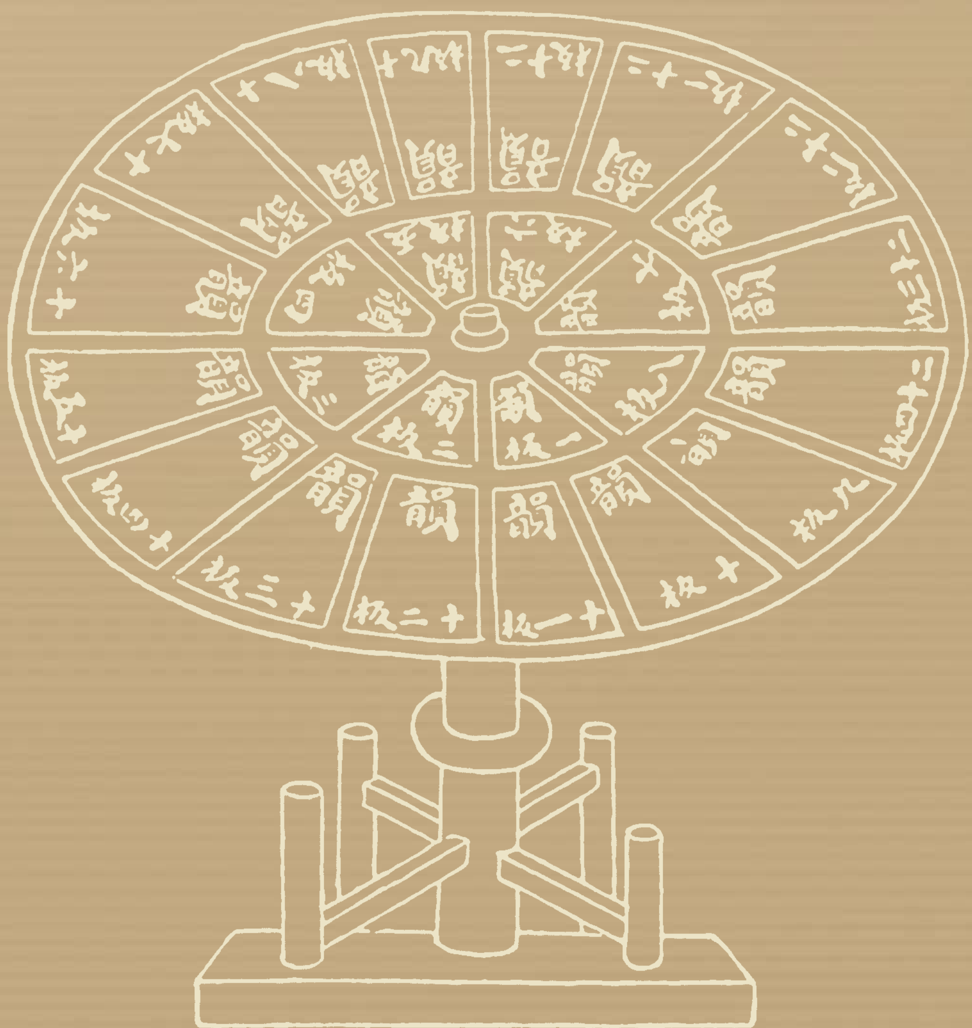
is consolidated, which is attributable to the prudential risk management.

In 2008, the Bank continued to devote itself to building an independent, comprehensive, vertical and specialized risk management system, cultivating risk management culture of pursuing “risk-adjusted return”, implementing risk management strategy of “high quality industries, high quality enterprises, mainstream markets and mainstream customers”, and conducting proactive management on various risks including credit risk, liquidity risk, market risk and operational risk at all levels.

We have overcome the impact of snowstorm, the Wenchuan earthquake and the economic crisis. The non-performing loans in 2008 increased by only RMB554 million (including the impact of earthquake) with the NPL ratio of 1.36%, which decreased by 0.12% over that of the end of the previous year. Meanwhile, the risk prevention capability was elevated rapidly with the provision of RMB5.379 billion for the whole year and a significant increase of the coverage from 110.01% of last year to 150.03%, which further enhanced the Bank’s capability to withstand risks.



Movable-type printing is the origin of modern printing, which makes remarkable contributions to the evolvement of paper money. Mastic movable-type printing, said to be invented by Mr. Bi Sheng in the Northern Song Dynasty, is considered the earliest movable-type printing technique in history. Like the sophisticated the printing technique, China CITIC Bank, adhering to the principle of “Customers First”, established an advanced service system featuring diversified products and high-tech applications, Thus, the Bank is capable of serving customers with comprehensive, convenient and professional service.

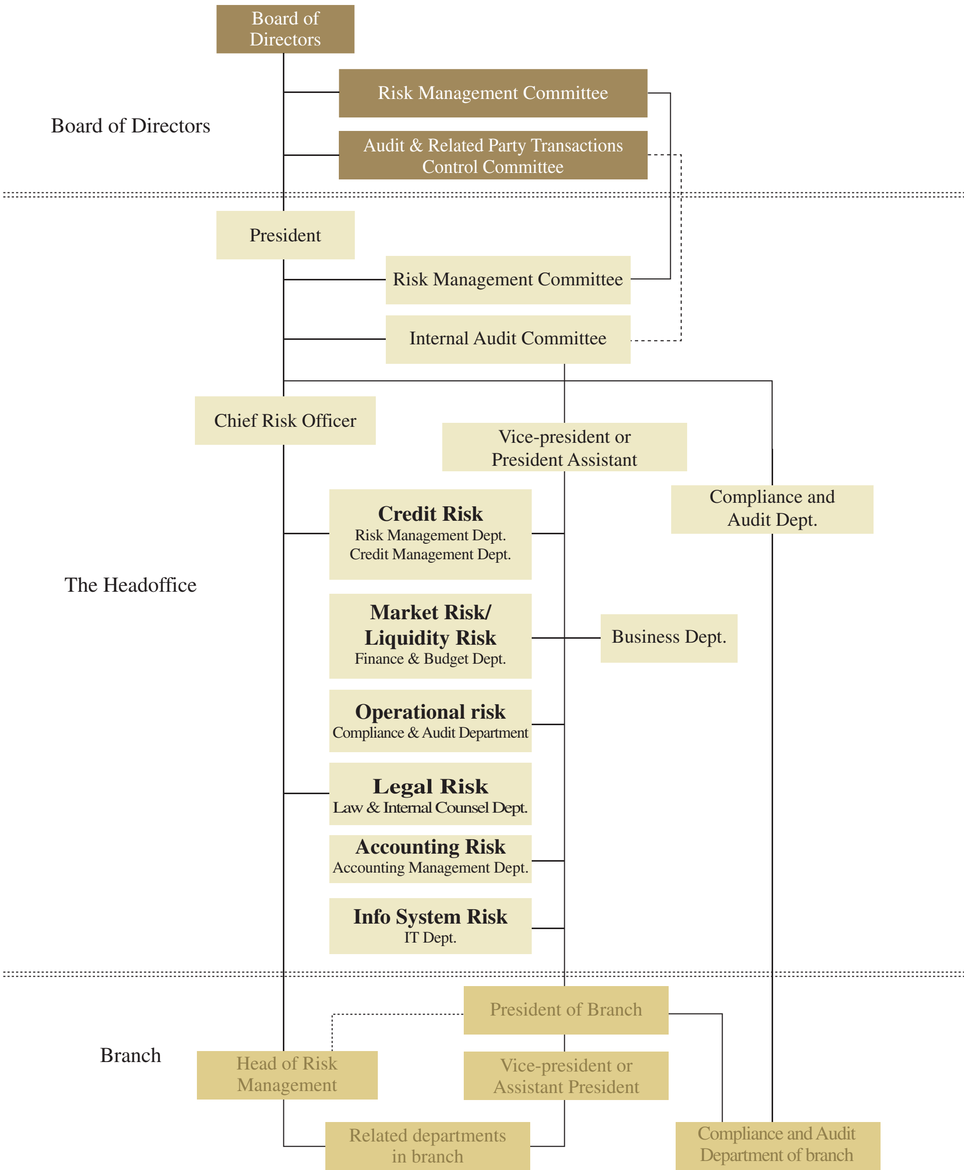


Risk Management

Risk Management System

In 2008, the Bank continued to devote itself to building an independent, comprehensive, vertical and specialized risk management system, cultivating risk management culture of pursuing "risk-adjusted return", implementing risk management strategy of "high quality industries, high quality enterprises, mainstream markets and mainstream customers", and conducting proactive management on various risks including credit risk, liquidity risk, market risk and operational risk at all levels.

Risk Management Structure



Risk Management Technique

The Bank continued to improve and make full use of the corporate client credit rating system. The total number of corporate client which had been rated exceeded 30,000 companies, and the coverage of corporate credit assets rating was about 95%, taking the lead among domestic peers. At present, the risk rating system has been widely applied in customer selection, product design, credit approval, authorization management and policy formulation, and played an active role in enhancing the risk management of the Bank.

In accordance with the Outline for the Bank's Implementation Plan of New Basel Capital Accord, the Bank initiated the development of corporate facility rating and exposure at default (EAD) measurement project and the retail rating project. Based on the Plan, both rating projects will be put in operation by the end of 2009, and by then the Bank will achieve advanced internal rating technique in credit risk.

The Bank further optimized functions of the credit management system. At present, computerized operation was realized in the business procedure of corporate credit business such as customer information maintenance, credit investigation, inspection and approval, disbursement, and post-lending management, which laid a technical foundation for lending business in terms of data processing, statistical analysis, early-warning of counterparty's risks and information support of business decision-making.

Credit Risk

Credit risk refers to the risk caused by the borrowers' or counterparties' failure to perform their contractual obligations. The Bank is exposed to credit risk primarily in loan portfolio, investment portfolio, guarantees, commitments and other on and off- balance sheet credit exposures.

Credit Risk Management

Risk Management for Corporate Loans

In view of the highly uncertain macroeconomic environment and escalating market competition, the Bank developed the guidelines of "preventing systematic risk, improving returns, enhancing structural adjustment and accelerating business innovation" for credit business in 2008. Around the end of the year, in response to the national policy on boosting domestic demand, the Bank strengthened loan extension under a stringent control over risk in support of economic development of the country.

— Proactively accommodating to the changes in macroeconomic climate, maintaining control over the total credit volume, highlighting priorities and restrictions, further accelerating credit structure adjustment and preventing systematic risk; and providing full support for industries with strong risk resisting capacity to economic volatility, including the energy, transportation, communications and major technical equipment sectors.
— Orienting at the development strategy of focusing on "high quality industries, high quality enterprises, mainstream markets and mainstream customers", piloting the quantitative portfolio management, effecting proactive allocation of resources and strengthening credit structure adjustment by centering on the real estate, steel and other key industries under macroeconomic control.
— Properly adjusting authorization management, and relating credit extension/authorization to customer rating, risk levels of products and different types of guarantee.
— Pushing forward industry-specific credit inspection. In addition to the existing five industry inspection teams, the headquarters established another three specialized industry inspection teams for electricity, coal, petrochemicals and government's investment and finance platform, so as to further facilitate specialized management of credit inspection.

Risk Management on Small Enterprise Loans

Based on the changes in external market environment, the Bank developed the "Guidelines of China CITIC Bank on Small Enterprise Credit Policy 2008", which introduced the general policy of "classified management, highlighting priorities, preferring high quality customers, strengthening risk control, assuring profitability" and identified key marketing efforts by regions, industries, customers and products.

— Developing small enterprise credit business through tightening credit issuance and launching pilot projects at priority branches with Yangtze River Delta and Bohai Rim as the key regions and the high quality small enterprises with ample growth potential as the targeted customers.
— Maintaining a general annual withdrawal rate of 10% from small enterprise customers to optimize the small enterprise client structure of the Bank.
— Strengthening post-lending management, monitoring the use of current account of enterprises, concerning the changes in corporate cash flow and guarantee capability, conducting irregular inspection or spot check on the use and guarantee of small enterprise loans, and eliminating potential risk.
— Establishing cooperation platforms, including the external cooperation platforms with guarantee agencies, government and financial peers, and joining Strategic Financial Services Alliance for Small and Medium-sized Enterprises (SMEs) to effectively distract credit risk.

Risk Management on Personal Loans

In view of the macroeconomic volatility, the Bank strengthened personal loan compliance inspection, quality monitoring and NPL recovery.

— Conducting comprehensive self-inspection on personal credit business, including on-site inspection on priority branches and products; and carrying out comprehensive inspection on personal loan mortgage registrations. The percentage of formal mortgage registrations completed increased from 79% at the end of 2007 to 85% at the end of 2008.
— Monitoring housing mortgage loans in key regions granted in 2007 when house prices soared, conducting house price stress test, and strictly preventing credit risk arising from decline in house prices.
— Implementing recovery and mitigation plans for every branch and project, ensuring that the personal loan assets maintain good quality at the end of the year.

Risk Management on Credit Cards

In 2008, the credit card business concentrated on improving the overall risk management system. The client and credit structure were timely adjusted to accommodate the changing economic environment.

— Tightening the client selection criteria and accelerating client structure adjustment mainly through selection policy and initial credit line control.
— Improving risk quantitative technology and introducing risk scoring application technique to raise accuracy, rationality and efficiency of credit approval.
— Enhancing fraud control capability: introducing the INSTINCT system designed for anti-fake applications in approval process and the Fraud Detection Module (FDM) system designed for fraud detection in transaction authorization process.

— Improving risk management, controlling cash-out risk through measures such as reduction in credit limit in wholesale mode, mandatory credit card cancellation, merchants management and earlier recovery; and optimizing recovery strategy and recovery system through local recovery teams to create an effective asset management system.

Risk Management on Treasury Operations

Currently, the Treasury and Capital Market Department of the headquarters is responsible for the daily risk-related decision-making for treasury and capital operations of the Bank. Following the principle of checking and balance, the Risk Management Department and the Budget and Finance Department of the headquarters participated in important risk-related decision-making for treasury operations. Despite the financial crisis and economic recession, the Bank prudently engaged in securities investment and agency business.

— Regarding bond investment business denominated in Renminbi, the Bank took high quality enterprises in the industry under the Bank's credit policy as major investment objective. Regarding bond investment denominated in foreign currency, the Bank buoyed out detection of the risks with outstanding bond investment and reduced holdings at higher risk levels. For agency business, the Bank took high quality enterprises with higher credit ratings as targeted customers and carried out the business prudently.

— The Credit Risk Management Committee of the headquarters made the annual credit policy and established an investment consultation team consisting of dealers, strategy analysts and risk managers, so as to create a top-down and bottom-up mechanism for investment decision-making process.

— The Bank further enhanced the monitoring, reporting and emergency mechanism for market conditions, which promoted the efficiency of operation before and during the crisis.

Loan Monitoring and Post-lending Management

The Bank paid special attention to post-lending management and maintained an overall and comprehensive credit management model. In 2008, for the sake of accommodating the intense changes in domestic and overseas macroeconomic climate, the Bank primarily implemented the following measures:

— Improving the management of the Loan Granting Center, strengthening its function of inspection and approval of loan granting, and repairing many risk loopholes.

— Facilitating the development of the early-warning system, completing the development and introduction of the "Sky Eyes" credit early-warning system and "Sky Eyes Matching System", and launching the project of credit capital flow monitoring system and "early-warning system of risks for group customers", so as to make the early-warning earlier in the loan-lending process.

— Further improving the recovery-upon-maturity plans and maturity management, developing the "Measures for Management of Overdue Corporate Loans", and conducting an overall analysis on the Bank's overdue loans on a monthly and quarterly basis, thereby strengthening the management on loans overdue.

— Strengthening the analysis on SMEs, export-oriented enterprises as well as the industries with high pollution and energy consumption and excess surplus of capacity and real estate industry in line with national macroeconomic controls, and showing concern over the adjustment impact of national policy to the clients, so as to avoid the impact on the safety of credit assets.

— Analyzing and assessing risky loan recovery cases, organizing and guiding the branches to fully detect risks and directing them to identify, react and mitigate risks in early stage.

— Implementing monthly analysis on loans, closely monitored the daily operation and capital turnover of the credited enterprises, and developing risk mitigation plans; providing early-warning to clients trapped in liquidity with reference to media coverage and alerts from regulators, and strengthening risk monitoring and continuous follow-up of key customers.
— Carrying out credit inspection and relevant corrections to ensure the operational compliance. Relevant enterprises were classified into "Maintenance", "Suppression" and "Withdrawal" groups. Enterprises falling into "Maintenance" or "Suppression" group were required to provide additional collaterals with strong capability of risk mitigation, such as mortgage of real estate and pledge of movable property with high liquidity.

To facilitate understanding and assessment of the credit risk borne by the Bank and its subsidiaries (hereinafter collectively the "Group"), the loan distribution, loan quality and allowance for loan impairment are described below.

Credit Risk Analysis

Distribution of Loans

Concentration of Loans by Geographic Regions

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Yangtze River Delta	**205,670**	**31.0**	182,058	31.7	146,784	31.7
Bohai Rim(1)	**188,308**	**28.3**	167,329	29.1	138,310	29.9
Pearl River Delta and West Strait	**100,366**	**15.1**	90,358	15.7	68,230	14.7
Central region	**74,566**	**11.2**	60,410	10.5	46,704	10.1
Western region	**72,068**	**10.8**	55,780	9.7	43,820	9.5
Northeastern region	**23,536**	**3.5**	19,065	3.3	19,141	4.1
Hong Kong	**410**	**0.1**	208	—	178	—
Total loans to customers	**664,924**	**100.0**	575,208	100.0	463,167	100.0

Note: (1) Including the headquarters.

The Group has been placing strong emphasis on the Eastern coastal region where the economy was most developed, such as the Yangtze River Delta, Bohai Rim and Pearl River Delta. As of the end of 2008, 2007 and 2006, the aggregate loans and advances granted by the Group to the above three regions accounted for 74.4%, 76.5% and 76.3% of the total loans and advances to customers respectively. Regions with a relatively rapid growth of loans in 2008 include Yangtze River Delta and Bohai Rim, which recorded an increase of RMB23,612 million and RMB20,979 million, respectively.

Concentration of Loans by Products

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**533,622**	**80.3**	465,520	81.0	369,156	79.7
Personal loans	**87,763**	**13.2**	76,089	13.2	48,375	10.4
Discounted bills	**43,539**	**6.5**	33,599	5.8	45,636	9.9
Total loans and advances to customers	**664,924**	**100.0**	575,208	100.0	463,167	100.0

In 2008, the Group endeavored to develop the personal housing mortgage loans and credit card business. Despite the influence from sluggish commercial housing market, the percentage of personal loans remained the same with that of the end of the previous year. As at the end of 2008, the corporate loans granted by the Group amounted to RMB533.622 billion, representing an increase of RMB68.102 billion or 14.63%; the personal loans amounted to RMB87.763 billion, representing an increase of RMB11.674 billion or 15.34%; and the discounted bills were RMB43.539 billion, representing an increase of RMB9.94 billion or 29.58%.

Concentration of Loans by Sectors

In 2008, the Group gave top priority to providing support for the energy and transportation sectors, and strictly controlled the loans granted to real estate industry. Meanwhile, in response to the challenges of global financial crisis, the Bank strengthened the segmentation and management of manufacturing industry, buoyed out the monitoring of risks in the industries with excessive or potentially excessive production capacity or more subject to the tremendous influence from macroeconomic control, and effectively controlled the risks in these industries.

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	**163,164**	**30.6**	145,272	31.2	108,539	29.4
Transportation, warehousing and postal services	**62,938**	**11.8**	62,856	13.5	35,933	9.7
Production and supply of electricity, gas and water	**57,199**	**10.7**	44,392	9.5	38,022	10.3
Wholesale and retail	**48,855**	**9.2**	42,239	9.1	33,468	9.1
Property development	**42,225**	**7.9**	41,741	9.0	28,796	7.8
Water, environment and public utility management	**36,592**	**6.9**	28,324	6.1	26,915	7.3
Leasing and commercial services	**31,396**	**5.9**	34,793	7.5	29,375	8.0
Construction	**23,739**	**4.4**	22,199	4.8	23,364	6.3
Public and social organizations	**22,004**	**4.1**	8,131	1.7	10,468	2.8
Finance	**2,328**	**0.4**	1,512	0.3	3,107	0.8
Other customers	**43,182**	**8.1**	34,061	7.3	31,169	8.5
Total corporate loans	**533,622**	**100.0**	465,520	100.0	369,156	100.0

Breakdown of Loans by Types of Currency

In 2008, the Group prudentially granted the working capital loans denominated in foreign currencies that were repaid in USD and reduced the granting of long to medium-term foreign currency denominated loans that were repaid in USD, thus accomplishing an evident decrease of the proportion of foreign currency denominated loans.

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
RMB	647,279	97.3	544,532	94.7	444,812	96.0
Foreign currencies	17,645	2.7	30,676	5.3	18,355	4.0
Total	**664,924**	**100.0**	575,208	100.0	463,167	100.0

Breakdown of Loans by Types of Guarantee

With a view to accommodating the high uncertainty under the changes of macroeconomy, the Group continued to adhere to the "high quality industries, high quality enterprises, mainstream markets and mainstream customers" strategy in 2008 and enhanced the credit support to high-quality customers, which led to an increase of the percentage of unsecured loans.

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
Types of Guarantee	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	190,835	28.7	158,972	27.6	129,411	28.0
Guaranteed loans	191,214	28.8	171,145	29.8	142,321	30.7
Collateral loans	178,185	26.8	155,591	27.1	108,502	23.4
Pledged loans	61,151	9.2	55,901	9.7	37,297	8.0
Subtotal	**621,385**	**93.5**	541,609	94.2	417,531	90.1
Discounted bills	43,539	6.5	33,599	5.8	45,636	9.9
Total	**664,924**	**100.0**	575,208	100.0	463,167	100.0

Maturity Profile of Loans

The table below sets out the loan products of the Group as of 31 December 2008 by the remaining maturities.

Unit: In RMB million

	Less than 1 year	1 year to 5 years	More than 5 years	Repayable on demand[1]	Undated[2]	Total
Corporate loans	383,053	92,194	49,425	69	8,881	533,622
Discounted bills	43,526	—	—	13	—	43,539
Personal loans	19,815	19,886	44,431	1,865	1,766	87,763
Total customer loans	**446,394**	**112,080**	**93,856**	**1,947**	**10,647**	**664,924**

Notes: (1) Including all or part of the principals overdue for less than 30 days (inclusive).

(2) Including all NPLs and all or part of the principals overdue for over 30 days, and loans with interests overdue for over 90 days while the principals are not due yet.

Concentration of Borrowers

The Group paid attention to the centralized risk control on loans. Currently, the Group complies with the regulatory requirements of concentration of borrowing. The Group defines a single borrower as a definite legal entity. Therefore, one borrower may be a related party of another.

Major Regulatory Indicators	Standard	As of 31 December 2008	2007	2006
Percentage of loans to the largest single customer (%)	≤10	**4.21**	3.41	6.70
Percentage of loans to the top 10 customers (%)	≤50	**23.95**	25.03	47.60

Notes: Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital
Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital

The table below sets out the top ten largest single borrowers of the Group as at the end of 2008.

Unit: In RMB million

	Industry	31 December 2008 Amount	Percentage in total loans (%)	Percentage in regulatory capital (%)
Borrower A	Mining	**4,500**	**0.67**	**4.21**
Borrower B	Information transmission, computer services and software	**3,000**	**0.45**	**2.81**
Borrower C	Transportation, warehousing and postal services	**2,641**	**0.40**	**2.47**
Borrower D	Production and supply of electricity, gas and water	**2,500**	**0.37**	**2.34**
Borrower E	Real estate	**2,300**	**0.35**	**2.15**
Borrower F	Production and supply of electricity, gas and water	**2,240**	**0.34**	**2.10**
Borrower G	Production and supply of electricity, gas and water	**2,180**	**0.33**	**2.04**
Borrower H	Manufacturing	**2,120**	**0.32**	**1.98**
Borrower I	Public management and social organizations	**2,110**	**0.32**	**1.97**
Borrower J	Transportation, warehousing and postal services	**2,000**	**0.30**	**1.88**
Total		**25,591**	**3.85**	**23.95**

Loan Quality Analysis

Five-Category Classification of Loans

The Group measured and managed the quality of its credit assets pursuant to the "Guidelines on the Classification of Loan Risks" promulgated by CBRC, which required the commercial banks of China to categorize the credit assets into five categories, i.e. normal, special mention, sub-standard, doubtful and loss, and the last three categories are known as non-performing loans.

In 2008, the Bank continued to implement a centralized management over the risk classification of credit assets. The headquarters supervised and managed the classification, and the tier-one branches were responsible for examining and confirming the risk classification of loans. In the process of classifying credit assets, the Group took into consideration all the factors affecting the quality of credit assets, made judgment based on the core standard of "possibility of asset recovery and the level of loss" and ratified the class of loan by running through the procedures of providing initial opinion from competent department of branches based on post-lending inspection, initial confirmation by credit management departments of branches, examination by risk officers of branches and final confirmation by the headquarters. Dynamic classification adjustment was made to the loans undergoing material changes in risk condition.

As at the end of 2008, the total amount of NPLs of the Group confirmed under the regulatory classification standard of loans amounted to RMB9,046 million, an increase of RMB554 million, including RMB452 million of new non-performing loans in total resulting from the Wenchuan Earthquake in Sichuan Province in 2008. As of the end of the reporting period, the NPL ratio was 1.36%, representing a decrease of 0.12 percentage point from that of the end of previous year.

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Normal	**641,463**	**96.4**	554,892	96.4	440,352	95.1
Special mention	**14,415**	**2.2**	11,824	2.1	11,250	2.4
Sub-standard	**1,001**	**0.2**	915	0.2	1,981	0.4
Doubtful	**6,948**	**1.0**	7,085	1.2	7,404	1.6
Loss	**1,097**	**0.2**	492	0.1	2,180	0.5
Total customer loans	**664,924**	**100.0**	575,208	100.0	463,167	100.0
Performing loans	**655,878**	**98.64**	566,716	98.52	451,602	97.50
Non-performing loans	**9,046**	**1.36**	8,492	1.48	11,565	2.50

In 2008, the Group principally made use of conventional means such as collection, legal proceeding, arbitration and restructuring to collect and dispose the non-performing assets.

Migration of Loans

The table below sets out the migration of the Group's loans and advances to customers across the five categories during the indicated period.

	31 December 2008	31 December 2007	31 December 2006
Migration ratio of normal (%)	**1.42**	1.20	0.52
Migration ratio of special mention (%)	**6.94**	6.12	7.20
Migration ratio of sub-standard (%)	**39.03**	54.04	32.03
Migration ratio of doubtful (%)	**19.28**	5.86	23.52
Migration ratio of performing loans to non-performing loans (%)	**0.36**	0.28	0.52

Loans Overdue

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	**653,838**	**98.3**	564,528	98.2	449,427	97.0
Loans overdue[1]:						
1–90 days	**3,526**	**0.5**	2,700	0.5	2,311	0.5
91–180 days	**1,238**	**0.2**	438	0.1	735	0.2
181 days or above	**6,322**	**1.0**	7,542	1.2	10,694	2.3
Sub-total	**11,086**	**1.7**	10,680	1.8	13,740	3.0
Total customer loans	**664,924**	**100.0**	575,208	100.0	463,167	100.0
Loans overdue for 91 days or above	**7,560**	**1.2**	7,980	1.3	11,429	2.5
Restructured loans[2]	**5,365**	**0.8**	5,303	0.9	4,583	1.0

Notes: (1) Loans overdue in the loans and advances to customers represent loans with all or part of the principals overdue, or loans with interest overdue for over 90 days while the principals are not due yet.

(2) Restructured loans refer to the loans and advances overdue or impaired but the lending terms of which have been re-negotiated.

Breakdown of Non-performing Loans by Types of Customer

Unit: In RMB million

	31 December 2008			31 December 2007			31 December 2006		
	Balance	**Percentage (%)**	**NPL ratio (%)**	Balance	Percentage (%)	NPL ratio (%)	Balance	Percentage (%)	NPL ratio (%)
Corporate loans	**8,326**	**92.0**	**1.56**	8,004	94.3	1.72	11,151	96.4	3.02
Personal loans	**720**	**8.0**	**0.82**	488	5.7	0.64	414	3.6	0.85
Discounted bills	**—**	**—**	**—**	—	—	—	—	—	—
Total	**9,046**	**100.0**	**1.36**	8,492	100.0	1.48	11,565	100.0	2.50

Breakdown of Non-performing Loans by Geographic Regions

Unit: In RMB million

	31 December 2008			31 December 2007			31 December 2006		
	Amount	**Percentage (%)**	**NPL ratio (%)**	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Yangtze River Delta	**2,227**	**24.6**	**1.08**	852	10.0	0.47	756	6.5	0.52
Bohai Rim[1]	**3,519**	**38.9**	**1.87**	4,114	48.4	2.46	5,091	44.0	3.68
Pearl River Delta and West Strait	**1,372**	**15.2**	**1.37**	1,877	22.1	2.08	3,977	34.4	5.83
Central region	**624**	**6.9**	**0.84**	772	9.1	1.28	816	7.1	1.75
Western region	**870**	**9.6**	**1.21**	452	5.3	0.81	497	4.3	1.13
Northeastern region	**434**	**4.8**	**1.84**	425	5.1	2.23	428	3.7	2.24
Hong Kong	**—**	**—**	**—**	—	—	—	—	—	—
Total	**9,046**	**100.0**	**1.36**	8,492	100.0	1.48	11,565	100.0	2.50

Note: (1) Including the headquarters.

Breakdown of Corporate Non-performing Loans by Sectors

Unit: In RMB million

	31 December 2008			31 December 2007			31 December 2006		
	Amount	**Percentage (%)**	**NPL ratio (%)**	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	**4,300**	**51.5**	**2.64**	4,051	50.6	2.79	4,780	42.9	4.40
Transportation, warehousing and postal services	**122**	**1.5**	**0.19**	65	0.8	0.10	156	1.4	0.43
Production and supply of electricity, gas and water	**279**	**3.4**	**0.49**	22	0.3	0.05	16	0.1	0.04
Wholesale and retail	**1,266**	**15.2**	**2.59**	1,539	19.2	3.64	2,383	21.4	7.12
Property development	**721**	**8.7**	**1.71**	783	9.8	1.88	1,330	11.9	4.62
Leasing and commercial services	**372**	**4.5**	**1.18**	358	4.5	1.03	829	7.4	2.82
Water, environment and public utilities management	**18**	**0.2**	**0.05**	18	0.2	0.06	18	0.2	0.07
Construction	**93**	**1.1**	**0.39**	28	0.3	0.13	48	0.4	0.21
Finance	**257**	**3.1**	**11.04**	231	2.9	15.28	240	2.2	7.72
Public and social organizations	**—**	**—**	**—**	13	0.2	0.16	102	0.9	0.97
Other customers	**898**	**10.8**	**2.08**	896	11.2	2.63	1,249	11.2	4.01
Total non-performing loans	**8,326**	**100.0**	**1.56**	8,004	100.0	1.72	11,151	100.0	3.02

Provision for Loan Impairment

The Group timely set aside an adequate provision for loan impairment on the principle of prudence and conformed to reality. The provision for loan impairment includes provision evaluated based on single item and on portfolio. Please refer to Note 4.3(e) to the financial statements of this annual report for details about the accounting policies applied to the provision for loan impairment.

Changes in Provision for Loan Impairment

As of the end of December 2008, the balance of provision for loan impairment of the Group was RMB13.572 billion, representing an increase of RMB4.23 billion, which was mainly due to the withdrawal of provision for loan impairment.

As of the end of December 2008, the ratios of the Group's total provision for loan impairment to the total non-performing loans and to total loans and advances to customers were 150.03% and 2.04%, respectively, an increase of 40.02 percentage points and 0.42 percentage point respectively as compared to that of the end of the previous year. The table below sets forth the changes in the Group's provision for loan impairment and advances to customers:

Unit: In RMB million

	As of 31 December 2008	As of 31 December 2007	As of 31 December 2006
Beginning balance	**9,342**	9,786	12,230
Accurals of the year[1]	**5,379**	2,860	1,481
Reversal of impairment allowances[2]	**(160)**	(187)	(210)
Transfer out[3]	**(72)**	(45)	(153)
Write-offs	**(931)**	(3,072)	(3,685)
Recoveries of loans and advances written off in previous years	**14**	—	123
Ending balance	**13,572**	9,342	9,786

Notes: (1) Equivalent to the net impairment allowance expense recognized in the consolidated income statement of the Group.
(2) Equivalent to the increment of the present value of impaired loans after a period of time. The Group recognized it as interest income.
(3) Including the impairment allowance released after the loan assets are converted to repossessed assets.

Breakdown of Provision for Loan Impairment by Types of Customer

Unit: In RMB million

	31 December 2008			31 December 2007			31 December 2006		
	Amount	Percentage (%)	Coverage (%)	Amount	Percentage (%)	Coverage (%)	Amount	Percentage (%)	Coverage (%)
Corporate loans	**12,669**	**93.3**	**152.15**	8,867	94.9	110.78	9,399	96.0	84.29
Discounted bills	**61**	**0.5**		51	0.6		39	0.4	
Personal loans	**842**	**6.2**	**116.98**	424	4.5	86.86	348	3.6	84.06
Total	**13,572**	**100.0**	**150.03**	9,342	100.0	110.01	9,786	100.0	84.62

Breakdown of Provision for Loan Impairment by Methods of Evaluation

Unit: In RMB million

	31 December 2008		31 December 2007		31 December 2006	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Provision for loans impaired based on single item	**6,490**	**47.8**	5,421	58.0	6,859	70.1
Provision for loans impaired based on portfolio	**520**	**3.8**	299	3.2	264	2.7
Provision for loans impaired based on portfolio	**6,562**	**48.4**	3,622	38.8	2,663	27.2
Total	**13,572**	**100.0**	9,342	100.0	9,786	100.0

Market Risk Management

The market risk of the Bank mainly comes from the adverse movement of market prices such as interest rate and exchange rate. The Bank has established a market risk management system which covers the identification, measurement, monitoring and control of market risk, and applied access approval and limits management in market risk management to control the potential loss of market risk within the acceptable levels and to maximize the risk-adjusted returns.

As a decision-making body in market risk management, the Market Risk Committee of the Bank is responsible for formulating the market risk management policies and procedures, and approving the access and limit structure of market risk. The Budget and Finance Department is in charge of market risk management, and responsible for the daily work of market risk management. The Treasury and Capital Market Department, as the business department which bears the market risk, is responsible for implementing the policies and procedures of market risk management to ensure that the market risk be controlled within the limit set by the Market Risk Committee.

Interest Rate Risk Management

The interest rate risk of the Bank mainly comes from the impact on income by the mismatches between the re-pricing periods of the assets and liabilities and the influence on fair value of financial instruments by the movement of market interest rate.

The Bank evaluates the interest rate risk of its balance sheet through gap analysis, and then correspondingly adjusts the frequency of re-pricing and sets the maturity levels of corporate deposits, so as to reduce the mismatch of maturity in re-pricing.

For the treasury operation business, the Bank adopts duration analysis, sensitivity analysis, pressure testing, scenario simulation and other appxroaches to measure and control interest rate risk, and sets up risk limits for interest rate sensitivity, duration and exposure. The Bank, by relying on the advanced risk management system and independent internal control platform, is able to effectively monitor, manage and report the implementation of risk limits.

The Bank enters derivatives contracts such as swaps and forwards to hedge against the interest rate risk exposure of the balance sheet and investment portfolio of treasury operation effectively.

Interest Rate Risk Analysis

The year 2008 witnessed the trend of RMB interest rate changing from upwards to downwards. Due to international financial crisis, PBOC has adjusted the tightened monetary policy since October 2008, reduced the benchmark interest rate for RMB deposits and loans for several consecutive times, and RMB interest rate began to decline, instead of maintaining upwards trend.

Considering the effect of the downward trend of interest rate to the Bank's income, the Bank took proactive measures, and focused on extending the re-pricing cycle of credit assets and the duration of bond investment, thereby mitigating the adverse effects of interest rate decline on net income of the Bank while effectively controlling the risk of mismatches of assets and liabilities. The table below illustrates the interest rate gap as at the end of 2008:

Unit: In RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Total assets	27,606	808,222	286,136	47,496	18,692
Total liabilities	34,768	793,263	220,125	34,599	9,736
Interest rate gap	(7,162)	14,959	66,011	12,897	8,956

Exchange Rate Risk Management

The exchange rate risk of the Bank mainly comes from the currency mismatches of on and off-balance sheet assets and liabilities and the currency position mismatch resulting from foreign exchange trading.

The Bank measures exchange rate risk mainly through analysis on foreign exchange exposure. The foreign exchange exposure of the Bank consists of structured exposure and trading exposure, of which, the former mainly derives from the position of foreign currency capital and foreign currency profit which is inevitable in operation, and the latter mainly derives from the position of foreign exchange trading. The foreign exchange exposure of the Bank is mainly structured exposure.

As to the exchange rate risk of structured exposure such as foreign currency capital, the Bank mitigated exchange loss mainly through enhancing the use of foreign currency capital and hedging of foreign currency capital.

As to the exchange rate risk of foreign exchange trading exposure, the Treasury and Capital Market Department of the headquarters conducted a concentrated management of trading exposure, and the foreign exchange position of all branches must have back-to-back squaring with the headquarters. The Treasury and Capital Market Department of the Bank's Headquarters, through squaring on the market or hedging, controls the exchange rate risk exposure within the limit set by the Market Risk Committee.

Exchange Rate Risk Analysis

The exchange rate risk of the Bank is mainly affected by the exchange rate of RMB against USD. In 2008, the exchange rate of RMB against USD changed significantly. RMB maintained the momentum of appreciation against USD in the first half of 2008, but RMB appreciation slowed down and its exchange rate fluctuated sharply in the second half year as a result of export decrease due to the slowdown of US and European economies, market expectation, market turmoil and intervention of the Central Bank policy. RMB appreciation against USD resulted in risks such as shrinking of foreign currency assets and exchange loss in book value, and the sharp volatility of exchange rate further magnified exchange rate risk.

As to the exchange rate risk of foreign currency capital, the Bank established a dedicated capital hedging portfolio, closely tracked the movements of foreign currency interest rates in domestic market, and adjusted the offer of asset and liability products on a timely basis, striving to enhance the use of foreign currency capital. The Bank also took efforts to improve the yield of domestic assets, especially the credit assets, and to increase the net interest spread of foreign currency assets and liabilities to effectively offset the loss from foreign currency capital depreciation as a result of RMB appreciation.

As to the exchange rate risk in foreign exchange trade business, the Bank entered foreign exchange trade prudentially, controlled risk exposure rigorously, mitigated liquidity risk proactively, adjusted product offer reasonably, and provided advice to customers in order to reducing the exchange rate risk in foreign exchange trade. The table below illustrates the foreign exchange exposure as of the end of 2008:

Unit: In RMB million

Item	USD	Others	Total
Net positions on balance sheet	21,692	(3,177)	18,515
Net positions off balance sheet	(17,098)	1,893	(15,205)
Total	4,594	(1,284)	3,310

Liquidity Risk

The liquidity risk is the risk with which the Bank could not obtain capital at reasonable cost to fulfill the needs of customer to withdraw due liabilities and the growth of asset business. The liquidity risk of the Bank is mainly caused by mismatch between assets and liabilities, customers' early or centralized drawing of money, and providing capital for loans, trading, investment and other operating activities.

Liquidity Risk Management

The objective of liquidity risk management of the Bank is to observe established targets for assets and liabilities and guidelines for liquidity risk management, perform the obligation of payment on a timely basis, and fulfill the needs of business development. The liquidity risk management of the Bank adopts the pattern of centralized management featured by integrated management and multiple-level responsibility division. The Cashier Department of the headquarters is charge of liquidity risk management throughout the bank, providing branches of the Bank with the demand of working capital through the markets it administrates, resolving the shortage of capital through instruments such as money market and open market operation and inter-bank discount, as well as operating surplus capital. The cashier departments of branches are led by the headquarters, and are responsible for liquidity risk management of operations within their authorized rights.

Liquidity Risk Analysis

In 2008, the liquidity of the Bank fluctuated, but relevant risk was under effective control, ensuring normal and orderly operation of various businesses. The Central Bank raised the statutory reserve ratio for six times from 14.5% to 17.5% in the first half of 2008, and reduced the ratio for four times from 17.5% to 13.5% in the second half of the year. The changes in domestic and international environment and adjustments to monetary policy by the Central Bank directly affected the liquidity risk management of commercial banks. Meanwhile, the surrounding capital markets altered the types of wealth management business, asset investment and the direction of deposit flow of financial institutions, thus changing the asset and liability structure of the Bank to a certain extent and urging proactive response and adjustment to liquidity risk management.

In response to the adjustments to the monetary policy and potential liquidity risk as a result of changes in assets and liabilities, the Bank, in line with the guidelines of regulatory authorities and management objectives of the Company, continuously enhanced the level of liquidity risk management, and made efforts to improve the three-tier reserve system of current assets and early-warning mechanism. During the reporting period, the Bank continued to conduct dynamic management of current assets, made proper arrangement for asset instruments and maturity structure, strengthened marketing efforts, kept the stability of liabilities, and maintained smooth channels of liabilities such as open market and money market. By further enhancing scenario analysis and pressure test, the Bank strived to improve liquidity risk management plan and make dynamic adjustment to liquidity portfolio, and it gradually strengthened its capability in liquidity risk resistance.

The Bank continued to identify, measure and monitor liquidity gap through maturity gap analysis. As of the end of 2008, the liquidity gap of less than three months recorded negative figure, while that of other terms of maturity was positive. The demand deposits and time deposits payable on demand took up a large proportion of the Bank's deposits, which led to the negative gap of such term of maturity. The table below illustrates the liquidity gap of the Bank:

Unit: In RMB million

Payable on demand	Less than three months	Three months to one year	One year to five years	More than five years	Undated	Total
(356,065)	(57,168)	158,854	123,429	114,372	112,239	95,661

Operational Risk Management and Anti-money Laundering

Operational Risk Management

In 2008, the Bank consolidated the risk prevention basis and enhanced the risk prevention level throughout the Bank by way of system construction, optimizing the risk monitoring system and enhancing accounting inspection.

The Bank strengthened system construction. The Bank put into use the accounting integration project successfully, brought into practice the fingerprint identity authentification system to significantly reduce operational risk, launched the electronic archives and post-event supervision and management system to improve risk control function of post supervision.

The Bank established an interaction mechanism. A three-tier interactive management mechanism involving the headquarters, branches and sub-branches was established and completed in order to strengthen supervision and management on operational risk through various channels. The Bank formed the revision, review and approval processes of back-office data through office network, solved operational difficulties of branches and sub-branches through QC and gave guidance to branches on business treatment through hotlines in a timely manner, achieving comprehensive risk monitoring and sophisticated management to branches and ensuring a healthy and steady business growth.

The Bank commenced special inspection on accounting. The Bank organized and commenced a bank-wide accounting inspection, in which onsite inspection was performed in particular to areas of anti-money laundering management, authorization management, enterprise-bank reconciliation, cash management and material auditing for newly established banks and upgraded banks. Meanwhile, branches were supervised to rectify problems found during accounting inspections in the past three years.

Anti-Money Laundering

In 2008, the Bank took the following key measures to continuously improve the internal control system on anti-money laundering, which included strengthening system construction, completing Phase II and Phase III of the anti-money laundering system development and the linkage of the anti-money laundering system with the express remittance system and the international banking system to realize more comprehensive and timely delivery of anti-money laundering data; practicing the accountability system for anti-money laundering, hiring anti-money laundering personnel at each level including the headquarters, branches and sub-branches and defining job duties of each position to ensure smooth performance of anti-money laundering work; implementing stringent incentive and punitive measures to strictly investigate and punish those staff who failed to fulfill anti-money laundering duties and push forward down-to-earth fulfillment of various requirements and measures relating to anti-money laundering; and making more endeavors on anti-money laundering training to raise the awareness and improve the capability of anti-money laundering of the staff.

Capital Management

The capital management of the Bank aims to ensure the capital adequacy ratio in compliance with the regulatory requirements in all time, maintain strong capital base and determine asset growth plan in view of capital adequacy, and pursue a maximization of shareholders' value on the premise of risk control. To realize the above objectives, the Bank has practiced the following capital management strategies: regularly monitoring and setting goals on achieving a reasonable capital adequacy ratio and maintaining growth of the risk asset at a reasonable pace; giving prominence to the capital control mechanism, reinforcing the concept of paid use of capital and implementing the performance assessment system focusing on the "economic profit" and the "risk capital return" in 2008; preparing the annual capital management plan, realizing optimized allocation and dynamic monitoring of economic capital throughout the Bank and among the products by making use of the economic capital allocation system, with a view to fulfilling the target of maximizing capital return on a continuous and steady basis.

Outlook

Changes of Operating Environment

Domestic and International Macroeconomic Development Trends

The global economy encounters many uncertainties. International financial crisis spreads further and imposes more obvious adverse impact to the real economy. It is expected that the developed economies such as the U.S., EU and Japan will see their economy plunging into a bigger recession, while the emerging markets and developing countries will experience a significant slowdown in economic growth. The exchange rates of U.S. dollar, Euro and other major currencies in the world, together with the prices of bulk commodities such as oil, metal and agricultural products, will fluctuate continuously and the world will still be exposed to a higher risk of deflation.

Despite the severe international economic and financial conditions, China's economy is expected to recover ahead of other economies under the State's powerful economic stimulation plans. Along with gradual effects of domestic proactive fiscal policy and moderately loosened monetary policy, it is expected that the domestic economy will grow by 8% for the whole year, with the economic structure and the quality of economic growth further improved. Influenced by a remarkable decrease in the price of bulk commodities in the international market and other factors, the domestic price index will continue to fall and the domestic economy may be exposed to the risk of deflation.

Changes in the Competition Environment

The continuous increase in the number of market players will bring about more intense competition in the domestic banking sector. Major state-owned banks are further enhancing their market competitiveness and accelerating comprehensive and internationalized operation by making use of their integrated advantages; small and medium-sized joint-stock commercial banks are speeding up the network building and establishment of branches and continuing with business scale expansion; urban commercial banks are undertaking restructuring and joint-stock reform and seeking for cross-regional operation and expansion while increasing their influences in the regional economy; and foreign banks are engaging in intense competition in major business fields with Chinese banks.

The capital market is expected to recover ahead of the real economy after profound re-adjustment. The stock market will bring back its financing function accordingly. The expansion of the issuance of corporate debts and regional debts will further streamline the personal savings and reduce the dependence of enterprises on bank credits.

New Opportunities for Market Demand

Despite the deteriorated external environment and intensified peer competition bringing about severe challenges to the development of banks, a series of policies and measures promulgated by the government and regulatory authorities create new opportunities for the banks' development. The moderately loosened monetary policy will strengthen the capacity of banks in terms of credit facility; the government's RMB4 trillion of investment package and revival plan for ten sectors will benefit banks from expanding credit scale reasonably and optimizing and adjusting credit structure on the premise of risk control; the State's policies and measures for boosting domestic demand and encouraging consumption will facilitate the development of banks' personal banking businesses including personal consumption, credit business and credit card business; and the stabilized stock market and the growth of bond market will facilitate the banks' non-interest income businesses such as wealth management, custody and investment banking to be back on track of faster development.

Operating and Development Plan of the Bank in 2009

Operating Plan

The Bank had balance of local and foreign currency-denominated customer deposits of around RMB1,096.0 billion and balance of local and foreign currency denominated loans of around RMB785 billion.

Development Plan

The year 2009 will expose the Bank to the greatest uncertainties of macroeconomy. The Bank will keep close track on the changes of domestic and overseas economic and financial conditions to preserve profit, control risk and promote development, and ensure sustainable development and maximized shareholders' value by following the five operating strategies and measures below. First, the Bank will boost marketing efforts through optimized mechanism. The Bank will reinforce the management of corporate strategic customers, establish the co-financing platform for major projects, intensify the efforts to facilitate inter-bank financial business and improve the comprehensive financial service capacity for corporate banking; and the retail banking will take wealth management as an important breakthrough to strengthen cross marketing of businesses such as payroll service, borrowing-lending interaction, third-party depositary service and personal Internet banking, and secure a coordinated development of wealth management and savings business. Second, the Bank will control risk through deepening reform. With respect to credit risk, the Bank will focus on optimizing the credit structure, input a major part of limited resources into those industries which were encouraged by the national policies, the regions with high economic capital returns, the strategic business fields and key targeted customers. And the Bank will also control the resurgence of NPLs strictly. In terms of market risk, the Bank will strengthen the check and balance mechanism, improve the information reporting system and endeavor to carry out rules and regulations. As to operational risk, the Bank will shape up a mechanism gradually independent from business lines management and push ahead professional management on operational risk. Third, the Bank will strengthen the internal control through strictly implementing relevant measures. The Bank will construct an effective internal control system throughout the bank, intensify audit inspection and rectification, and improve the staff's ethics and case prevention efforts to consolidate internal control management. Fourth, the Bank will develop by implementing the scientific assessment. The Bank will put more efforts on Funds Transfer Pricing Systems (abbreviated as "FTP") assessment and adjust the performance assessment system on the principles of integrating overall planning with differentiated management, short-term interests with long-term development and assessment evaluation with resource allocation. Fifth, the Bank will strengthen the fundamentals through effective management. In consideration of the complicated situations in 2009, the Bank will pay special attention to increasing income and reducing expenditure, putting the integrated accounting system into operation throughout the Bank, strengthening IT planning and other measures to consolidate the basic management.

Management Discussion and Analysis

Social Responsibility

Corporate social responsibility remains one of the key elements for the Bank. By increasing profit generated from business, the Bank rewarded society and customers. And the Bank plays an active role in enhancing the strength of the nation as a whole and the construction of harmonious society and participates in various social welfare activities whenever possible.

Public Welfare Activities

Acting as Volunteers for the Olympic Audience Call Centre in Beijing

During 2008 Beijing Olympics, the staff of the Bank's credit card customer service center were selected and recruited as volunteers for the Olympics audience call centre to provide consultation services and languages supports with respect to all kinds of sports and the city which promoted the image building of China CITIC Bank. The Bank received commendations of "Letters of Appreciation" from the Beijing Organizing Committee for the 29th Olympic Games, and was also honored as the "Outstanding Contribution Unit on Operation Support for the Beijing Olympic Games and the Paralympic Games"by BOCOG.

Creating "Green Channels" in All Operating Networks

As soon as the commencement of the disaster relief, the Bank has immediately opened "green channels" in all of its operating networks to provide "queue-free" quick access to donors and waived all remittance charges for all donations made to charities. Simultaneously, the Bank also opened online channels for donations in its Internet banking system.

Conducting Large Scale Social Pro Bono Activity of "Fuel Up China! My Hero! 2008"

During 2008, the Bank jointly sponsored the "Fuel Up China! My Hero! 2008", a large scale charitable activity with China Youth Development Fund and Shanghai Dragon TV, in which RMB530 million of cherishable donations have been successfully collected. The donations was used in the construction of new Hope Schools in the earthquake-striken areas in Sichuan and the alteration and extension of the sports facilities in over 14,000 Project Hope Schools throughout the country. The campaign has achieved a new record in generating needed fund in single campaign in the history of Project Hope.

Sponsoring Different Kinds of Sports

Sports competition has been a long-term focus of the Bank in promoting public health development. The Bank has sponsored a series of sports competition including the China Open Tennis Tournament and the China Youth Golf Tour to educate the public on importance of physical exercises and maintaining physical health.

Education and Charities

During 2008, the Bank took part in all sorts of social assistance and charitable activities, and has made donations in cash and in kind with a worth of RMB16.18 million to various social charities including donation of goods and materials to poverty-stricken areas and schools, construction of "Project Hope Schools". Donations to disabled persons federations and charity funds and education programs to poor universities students were also made. In particular, following the occurrence of the natural disasters and unexpected events in the year, the Bank took the initiatives to provide supports and assistance including financial resources, materials and manpower to help the people in the disaster-stricken areas to overcome the hardships.

Withstanding the Snowstorm in the South

In the relief of the China's southern blizzard in 2008, the Bank managed to collect over RMB5.2 million from its staff for the affected regions within half day, around RMB3 million of which was made in the name of China CITIC Bank and the rest of nearly RMB2.2 million was donated by about 15,000 employees of the Bank. Most notably, the financial services provided by branches and sub-branches of the Bank were strengthened to allocate adequate manpower and resources to ensure a smooth operation of the donations services.

Relief of People in the Affected Region of Wenchuan Earthquake

In 2008, the Bank made donations of over RMB24 million to the affected regions in the relief of the Wenchuan Earthquake. During the period, the Credit Card Centre of the Bank also waived all default fees and interests on the defaulted payment of the cardholders of the Bank due to the earthquakes in Sichuan. Another relief campaign named "One Billion and Three Hundred Million Hearts With One Wish, 'Cause We are Family" was launched subsequently to call for millions of CITIC credit cardholders to make donations to the disaster regions. By simply calling the customer services hotlines of the CITIC card centers every newly opened, CITIC credit cardholder could make donations to the affected regions. As a result, a total of 1,627 bathes of donations were made by the CITIC credit card holders through their credit cards during that period with the amount of RMB330,000.

In addition, the Bank designed a charitable wealth management product called "Caring Plan of CITIC Wealth Management" that was specifically designed for the purpose of rebuilding the Sichuan earthquake affected regions. The product was launched on 28 May 2008 for a period of 26 days' operation and aimed at investing the proceeds collected in quality credit-related assets investment. Different from similar kind of products, the clients who bought the product would finally enjoy the yields of a 7-day demand deposit, and the remaining yields together with the management fees and custodian fees waived by the CITIC Bank would be donated in the name of the clients to the disaster areas via Red Cross Society of China for the post-quake infrastructure rebuilding of Wenchuan and other affected regions.

Environmental Protection

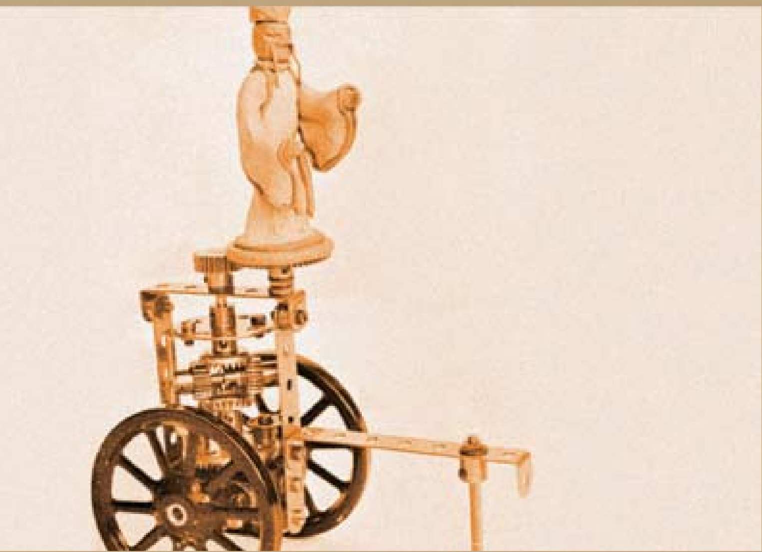
Energy conservation emission reduction and environmental protection have always been a significant part in the Bank's implementation of the national macroeconomic adjustment policies in pursuit of a sustainable development and the fulfillment of the social responsibility. The Bank will adjust its credit strategies to the steel and power industries according to the industrial policies issued by the country so that the development of these credit operations will be in line with the national policies. The Bank has insisted on its vigorous supports to environmental friendly and energy saving enterprises over the years. The environmental indicators were one of the crucial criteria in determinating the credit granting approval policies for medium to large-sized clients. All projects which were in need of funds had to meet the requirements of the environmental protection policies of the country before they were granted credit. Those sectors and projects that were not encouraged would be specifically defined and priority of granting credit would be given to those enterprises that were highly supporting environmental protection and green engineering. The policy of "veto system in environmental protection" was implemented.

Our responsibility

for hamonious development is to make progress and prosper with the society.

The Bank proactively carries out its social responsibility, and sets the objective of building itself to be the most respectable enterprise and fulfills the economic, social and environmental responsibility that shall be borne as a bank in financial industry, so as to promote a harmonious and a sustainable development of economy, society and environment.

Bank's philosophy in fulfilling social responsibility is to "insist on environmental protection and compliance in issuing credit and to realize the green credit", which is also the long term business strategy of the Bank and a way to build a green bank. The Bank sticks to the harmonious development to build a humane bank; continues to reward the society to create a bank with love; persists in "honest operation, customers first and value creation for customers", which is also the operation concept of the Bank, to cultivate an image of honest bank; holds the goal of maximizing the value of shareholders; ensures a coordinated development of efficiency, quality and scale; pursues a risk-adjusted return and a steady growth of market capitalization; makes effort to lead the competition among Chinese and foreign banks and fosters a bank with high investment value.



Compass is evolved from "Sinan" in ancient China, which is an indispensable tool for identifying directions for voyagers and explorers. Compass has imposed far-reaching impacts on trading activities and cultural exchange since early ages. The well defined operation and management policies made by China CITIC Bank, like the compass, play an important role in identifying the Bank's development trend, providing guidance and advice for customers and maximizing the value of shareholders.

Changes in Share Capital and Shareholding of the Substantial Shareholders

Changes in shares

Information on Changes in shares

Unit: share

	31 December 2007		Increase/ decrease during reporting period	31 December 2008	
	Shares	Percentage (%)		Shares	Percentage (%)
Shares subject to restrictions on sale	32,860,195,400	84.18	-6,920,680,305	25,939,515,095	66.45
1. Shares held by the state	0			0	
2. Shares held by state-owned legal persons	25,051,622,919	64.18	-722,014,000	24,329,608,919	62.33
3. Shares held by other domestic investors	0			0	
Including: Shares held by domestic non-state-owned legal persons	0			0	
Shares held by domestic natural persons	0			0	
4. Shares held by foreign investors	7,808,572,481	20.00	-6,198,666,305	1,609,906,176	4.12
Including: Shares held by foreign legal persons	7,808,572,481	20.00	-6,198,666,305	1,609,906,176	4.12
Shares held by foreign natural persons	0			0	
Shares not subject to restrictions on sale	6,173,148,654	15.82	6,920,680,305	13,093,828,959	33.55
1. RMB-denominated ordinary shares	1,784,694,654	4.57	517,238,000	2,301,932,654	5.90
2. Domestically-listed foreign shares	0			0	
3. Overseas listed foreign shares	4,388,454,000	11.24	6,403,442,305	10,791,896,305	27.65
4. Others	0			0	
Total	39,033,344,054	100.00		39,033,344,054	100.00

Changes in shares subject to restrictions on sale

Name of shareholders	Shares subject to restrictions on sale at the beginning of the year	Shares relieved from restriction in this year	Increase of shares subject to restrictions on sale in this year	Shares subject to restrictions on sale at the end of the year	Reason of restriction	Date of relief
CITIC Group	24,329,608,919	—	—	24,329,608,919	Shareholder commitment	2010.4.28
BBVA	1,885,311,281	382,548,000	—	1,502,763,281	Shareholder commitment	2010.3.2
	—	—	107,142,895	107,142,895	Note(1)	Note(2)
CITIC International Financial Holdings Limited	5,855,002,200	5,855,002,200	—	0	Shareholder commitment	2008.4.28
Mizuho Corporate Bank	68,259,000	68,259,000	—	0	Shareholder commitment	2008.4.28
National Council for Social Security Fund	68,259,000	68,259,000	—	0	Shareholder commitment	2008.4.28
PICC Property and Casualty Company Limited	68,259,000	68,259,000	—	0	Shareholder commitment	2008.4.28
China Life Insurance (Group) Company	34,129,000	34,129,000	—	0	Shareholder commitment	2008.4.28
China Life Insurance Company Limited	34,129,000	34,129,000	—	0	Shareholder commitment	2008.4.28
China State Shipbuilding Corporation	29,310,000	29,310,000	—	0	Shareholder commitment	2008.4.28
BaoSteel Group Corporation	25,862,000	25,862,000	—	0	Shareholder commitment	2008.4.28
Other A-share strategic investors	462,066,000	462,066,000	—	0	Shareholder commitment	2008.4.28
Total	32,860,195,400	7,027,823,200	107,142,895	25,939,515,095		

Notes: (1) According to the Framework Agreement entered into among CITIC Group, Gloryshare Investments Limited (abbreviated as "GIL") and BBVA on 3 June 2008, BBVA will increase its shareholding in the Bank in the following three steps: ① CIFH will transfer all shares it holds in the Bank representing approximately 15% of the issued share capital of the Bank to GIL and BBVA pro rata to their shareholdings in CIFH immediately after the transfer of 50% of the New Shares of CIFH by GIL to BBVA; ② GIL will transfer H shares of the Bank to BBVA representing 0.14% of the issued share capital of the Bank pursuant to the exercise of an option granted by CITIC Group under the Share and Option Purchase Agreement executed in 2006; ③ GIL will transfer such number of H Shares of the Bank to BBVA such that BBVA will hold 10.07% of the issued share capital of the Bank. Transfer registration for 107,142,895 H shares transferred under the above agreement had been completed as of 31 December 2008 and the transfer registration for the remaining shares was completed by 10 February 2009.

(2) The lock-up period depends on the earlier of: ① the actual date on which BBVA exercises its call option to increase its shareholding by 4.93% (such date shall fall into the period for the exercise of the call option); and ② the expiry date for the exercise of the call option, i.e. 4 December 2010 (In the Framework Agreement entered into among CITIC Group, GIL and BBVA on 3 June 2008, the period for the exercise of the call option is revised to the period from the date the public shareholding problem was solved to its second anniversary date, i.e. from 4 December 2008 to 4 December 2010).

The listing date of shares subject to restrictions on sale

Provided the date referred to in note (1) is between 4 December 2008 to 2 March 2010:

Eligible for trading	Increase of unlocked shares	Number of remaining shares subject to restrictions on sale	Number of remaining shares not subject to restrictions on sale	Description
Note (1)	107,142,895	25,832,372,200	13,200,971,854	unlocked from a portion of H shares held by BBVA
2 March 2010	1,502,763,281	24,329,608,919	14,703,735,135	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	0	39,033,344,054	unlocked from A shares held by CITIC Group

Note (1): the same with note (2) of the "Changes in shares subject to restrictions on sale"

Provided the date referred to in note (1) is between 3 March 2010 to 28 April 2010:

Eligible for trading	Increase of unlocked shares	Number of remaining shares subject to restrictions on sale	Number of remaining shares not subject to restrictions on sale	Description
2 March 2010	1,502,763,281	24,436,751,814	14,596,592,240	unlocked from a portion of H shares held by BBVA
Note (1)	107,142,895	24,329,608,919	14,703,735,135	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	0	39,033,344,054	unlocked from A shares held by CITIC Group

Note (1): the same with note (2) of the "Changes in shares subject to restrictions on sale"

Provided the date referred to in note (1) is between 29 April 2010 to 4 December 2010:

Eligible for trading	Increase of unlocked shares	Number of remaining shares subject to restrictions on sale	Number of remaining shares not subject to restrictions on sale	Description
2 March 2010	1,502,763,281	24,436,751,814	14,596,592,240	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	107,142,895	38,926,201,159	unlocked from A shares held by CITIC Group
Note (1)	107,142,895	0	39,033,344,054	unlocked from a portion of H shares held by BBVA

Note (1): the same with note (2) of the "Changes in shares subject to restrictions on sale"

Shareholdings of restricted shareholders

Restricted shareholders	Type of shares	Shares subject to restrictions on sale	Eligible for trading	Increase of shares eligible for trading
BBVA	H-share	1,502,763,281	2 March 2010	1,502,763,281
BBVA	H-share	107,142,895	Note (1)	107,142,895
CITIC Group	A-share	24,329,608,919	28 April 2010	24,329,608,919

Note (1): the same with note (2) of the Changes in shares subject to restrictions on sale

Shares Issuing and Listing

Information on share issuing and listing

On 13 April 2006, CITIC Group and CITIC International Financial Holdings Limited ("CIFH") entered into an agreement, pursuant to which both parties agreed that 31 December 2005 was considered as price-fixing reference date for the transfer of shares. CITIC Group transferred 19.9% equity interests in the Bank to CIFH. The transfer price was based on the audited value of net assets of the Bank as of 31 December 2005 according to the International Accounting Standards, with a premium of 15.3%, and was not lower than the assets appraisal result as approved by the Ministry of Finance of PRC. The total consideration price was about HK$5.3008 billion, equivalent of HK$1.12 per share. As a consideration, CIFH issued new shares to CITIC Group. On 16 November 2006, CITIC Group and CIFH entered into a Promoters' Agreement, pursuant to which both parties agreed to establish China CITIC Bank Corporation Limited as promoters.

On 31 December 2006, CITIC Group and CIFH established China CITIC Bank Corporation Limited as promoters by the reorganization. Upon the establishment, the registered capital of the Bank was RMB31,113.1114 million. CITIC Group held 26,394,200,200 shares of the Bank, accounting for 84.83% of the total shares of the Bank before the issuing; CIFH held 4,718,909,200 shares of the Bank, accounting for 15.17% of the total shares of the Bank before the issuing.

In 2007, the controlling shareholder of the Bank, CITIC Group, entered into a Share and Option Purchase Agreement with the Bank's overseas strategic investor, BBVA, pursuant to which, BBVA completed the purchase of 1,502,763,281 shares of the Bank held by CITIC Group by 1 March 2007, accounting for 4.83% of the total shares issued of the Bank prior to its A shares issuing and H shares issuing.

On 27 April 2007, the Bank successfully concurrently listed its shares in Shanghai and Hong Kong. During this public offering, 2,301,932,654 A shares and 5,618,300,000 H shares were issued (including the state-owned shares transferred by CITIC Group to National Council for Social Security Fund, and the anti-dilution right and top up rights exercised by BBVA and CIFH, respectively). After the public offering, the Bank has a total issued shares of 39,033,344,054 shares, comprising 26,631,541,573 A shares and 12,401,802,481 H shares.

Subordinated debts

In accordance with the approval by the PBOC and the CBRC, the Bank issued RMB6 billion of subordinated debts to institutional investors including insurance companies and investment companies in 2004; the Bank also issued another RMB6 billion of subordinated bonds to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006.

The subordinated debts issued in 2004 include four batches that will mature during June 2010 and September 2010, among which the interest rate of three batches will be calculated by plusing the interest spreads of 2.72% with one-year term deposit interest rate of PBOC, and the interest rate of the remaining one batch will be calculated by plusing the interest spreads of 2.6% with one-year term deposit interest rate of PBOC.

The subordinated bonds issued in 2006 include two types. One type is the subordinated bonds with the nominal value of RMB2 billion, which will reach its maturity in June 2021 with the interest rate of 4.12%. The Bank has option to redeem on 22 June 2016. If the Bank does not exercise the redemption option in advance, then during five years since June 2016, the nominal annual rate will increase to 7.12%. The other type is the subordinated bonds with the face value of RMB4 billion, which will reach its maturity in June 2016 with the rate of 3.75%. The Bank has an option to redeem on 22 June 2011. If the Bank does not exercise the redemption option in advance, then during five years since June 2011, the nominal annual interest rate will increase to 6.75%.

Internal employee shares

There are no internal employee shares issued by the Bank.

Information of shareholders

Total Number of Shareholders

By the end of the reporting period, the total number of shareholders of the Bank was 567,407, including 518,068 A shareholders and 49,339 H shareholders. (The shareholdings of the shareholders of H shares are calculated with reference to the number of shares listed in the Bank's share register maintained in the H share registrar.)

Shareholdings of the top 10 shareholders of the Bank

Unit: Share

No.	Name of Shareholders	Nature of Shareholder	Type of Shares	Total number of shares held	Percentage of shareholding (%)	Number of shares held subject to restrictions on sale	Increase and decrease of shares during the reporting period	Shares being pledged or frozen
1	CITIC Group	State-owned	A shares	24,329,608,919	62.33	24,329,608,919	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign capital	H shares	6,111,205,855	15.66	0	1,265,393,855	unknown
3	Gloryshare Investments Limited	Foreign capital	H shares	3,862,548,024	9.90	0	3,862,548,024	0
4	BBVA	Foreign capital	H shares	1,992,454,176	5.10	1,609,906,176	107,142,895	0
5	China Construction Bank	State-owned	H shares	168,599,268	0.43	0	168,599,268	unknown
6	Mizuho Corporate Bank	Foreign capital	H shares	68,259,000	0.17	0	0	unknown
7	National Council for Social Security Fund	State-owned	H shares	68,259,000	0.17	0	0	unknown
8	PICC Property and Casualty Company Limited	State-owned	H shares	68,259,000	0.17	0	0	unknown
9	China Life Insurance (Group) Company	State-owned	H shares	34,129,000	0.09	0	0	unknown
10	China Life Insurance Company Limited	State-owned	H shares	34,129,000	0.09	0	0	unknown

As of the end of 2008, Gloryshare Investments Limited ("GIL") is a wholly-owned subsidiary of CITIC Group; and China Life Insurance Company Limited is a controlled subsidiary of China Life Insurance (Group). Except for the above disclosure, the Bank is not aware of any other relations among the above shareholders. The five cornerstone investors of H shares, Mizuho Corporate Bank, National Council for Social Security Fund, PICC Property and Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Company Limited, undertake not to sell any H shares purchased pursuant to the placing agreement directly or indirectly within the lock-up period or 12 months after the listing date unless they obtain a prior written consent from the Bank and joint Global Coordinators, and to notify the Bank in written before they sell any H shares purchased pursuant to the placing agreement after the end of the lock-up period. (The shareholdings of the shareholders of H shares are calculated with reference to the number of shares listed in the Bank's share register maintained in the H share registrar.)

Shareholdings of the Top 10 non-restricted shareholders

Unit: Share

No.	Name of shareholders	Number of shares not subject to restrictions on sale	Type of shares
1	Hong Kong Securities Clearing Company Nominees Limited	6,111,205,855	H Shares
2	Gloryshare Investments Limited	3,862,548,024	H shares
3	BBVA	382,548,000	H shares
4	China Construction Bank	168,599,268	H shares
5	Mizuho Corporate Bank	68,259,000	H shares
6	National Council for Social Security Fund	68,259,000	H shares
7	PICC Property and Casualty Company Limited	68,259,000	H shares
8	China Life Insurance (Group) Company	34,129,000	H shares
9	China Life Insurance Company Limited	34,129,000	H shares
10	China State Shipbuilding Corporation	29,310,000	A shares

As of the end of 2008, GIL is a wholly-owned subsidiary of CITIC Group; and China Life Insurance Company Limited is a controlled subsidiary of China Life Insurance (Group) Company. Apart from the above, the Bank is not aware of any other connected relation and concerted action between the aforesaid shareholders.

Interests and Short Positions of Substantial Shareholders and Other Persons

According to the register records maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance, as of 31 December 2008, the following substantial shareholders and other persons had the following interests and short positions in shares and underlying shares of the Bank:

Name of shareholders	Number of shares held	Shareholding percentage of total issued share capital (%)	Type of shares
BBVA	9,720,672,261(L) 3,770,622,562(S)	78.38(L) 30.40(S)	H share
BBVA	24,329,608,919(L)	91.36(L)	A share
CITIC Group	3,862,548,024(L) 1,977,236,743(S)	31.15(L) 15.94(S)	H share
CITIC Group	24,402,891,019(L)	91.38(L)	A share
Lehman Brothers Asia Holdings Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H share
Lehman Brothers Asia Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H share
Barclays Global Investors UK Holdings Limited	627,846,439(L) 6,241,000(S)	5.07(L) 0.05(S)	H share
Barclays PLC	627,846,439(L) 6,241,000(S)	5.07(L) 0.05(S)	H share

Note: (L) — long position, (S) — short position

Save for disclosed above, as of 31 December 2008, no other interests or short positions of any person or company in shares or underlying shares of the Bank were required to be recorded in the register maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance under sections II and III of Part XV of the Securities and Futures Ordinance.

Other legal person shareholder holding 10% shares or more

BBVA is a global financial group registered and incorporated in Bilbao (Spain) in 1857, with a registered capital of 1,836,504,869 Euros and a market capitalization of 32,457 million Euros as at the end of 2008. It has almost 8,000 branches around the world, in which over 50% of the branches are outside the territory of Spain and mainly located in the Latin American Region, and it is the largest financial group in the region. The financial services of BBVA include retail banking, corporate banking business, international trade financing, global markets, consumer finance, asset management, private banking, pensions and insurance etc., and it is a leading financial institution in Spain and the Latin American Region.

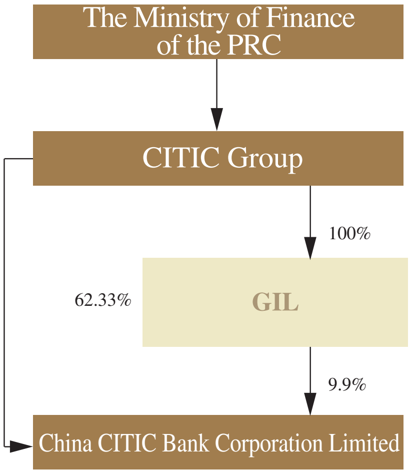
Pursuant to the framework agreement entered into between CITIC Group, GIL and BBVA on 3 June 2008, a total of 2,045,346,465 additional H shares in our bank (being approximately 5.24% of our issued share capital) have been transferred to BBVA and BBVA's shareholding in our bank has been increased from approximately 4.83% to approximately 10.07% of our issued share capital. Such increase was completed in stages. As of 31 December 2008 and 10 February 2009, BBVA was the registered owner of 1,992,454,176 H shares and 3,930,657,746 H shares in our bank respectively (being approximately 5.1% and approximately 10.07% of our issued share capital respectively).

Controlling shareholders and de facto controller of the Bank

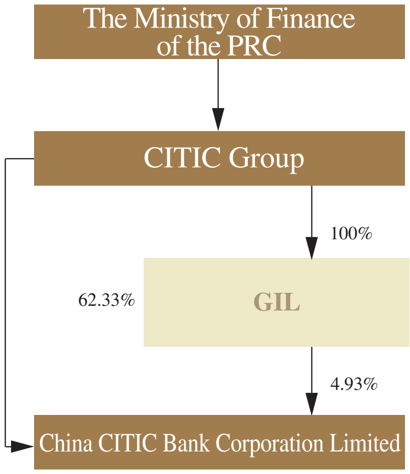
CITIC Group is the controlling shareholder and de facto controller of the Bank. There was no change in shareholders and de facto controller of the Bank within the reporting period herein. As of 31 December 2008, CITIC Group directly held 24,329,608,919 A shares which represented 62.33% of the total share capital and held 3,862,548,024 H shares through GIL, representing 9.90% of the total share capital. CITIC Group held a total of 72.23% of the Bank's shares. Since CITIC Group, GIL and BBVA entered into the Framework Agreement on 3 June 2008, GIL and CIFH transferred their respective shares to BBVA. The transactions were completed on 10 February 2009. Thereafter, CITIC Group directly held 24,329,608,919 A shares of the Bank which represented 62.33% of the total share capital and held 1,924,344,454 H shares through GIL, representing 4.93% of the total share capital. CITIC Group held a total of 67.23% of the Bank's shares.

The registered office and place of business of CITIC Group are located in Beijing. CITIC Group, with the initiation and approval by Deng Xiaoping, the chief architect of China's reform and opening-up and the State Council, was established in October 1979 by Rong Yiren, former Vice Chairman of PRC as the first window corporate. After numerous changes in capital, the registered capital of CITIC Group as of the end of 2008 was RMB30 billion, and its legal representative was Mr. Kong Dan. CITIC Group is a large-scale leading multinational state-owned enterprise in China, whose investment focuses on industries such as financial services, information technology, energy sources and heavy industry. At present, it has business presences in Hong Kong, America, Canada and Australia.

The following chart illustrates the shareholding structure and controlling relationship of the Bank and its de facto controller as of 31 December 2008:



The following chart illustrates the shareholding structure and controlling relationship of the Bank and its de facto controller as of 10 February 2009:



Directors, Supervisors, Senior Management and Staff

Basic Information of Directors, Supervisors and Senior Management of the Bank

Board of Directors

Name	Title	Sex	Age	Tenure of office	Shares held at the beginning of the year	Shares held at the end of the year	Remuneration received from shareholders' units or other related units
Mr. Kong Dan	Chairman, Non-Executive Director	Male	61	Dec 2006 – Jun 2009	0	0	Yes
Mr. Chang Zhenming	Vice-Chairman, Non-Executive Director	Male	52	Dec 2006 – Jun 2009	0	0	Yes
Mr. Chen Xiaoxian	Executive Director, president	Male	54	Dec 2006 – Jun 2009	0	0	No
Mr. Dou Jianzhong	Non-Executive Director	Male	53	Dec 2006 – Jun 2009	0	0	Yes
Mr. Ju Weimin	Non-Executive Director	Male	45	Feb 2007 – Jun 2009	0	0	Yes
Mr. Zhang Jijing	Non-Executive Director	Male	53	Feb 2007 – Jun 2009	0	0	Yes
Mr. Wu Beiying	Executive Director, Executive Vice-President	Male	58	Dec 2006 – Jun 2009	0	0	No
Ms. Chan Hui Dor Lam Doreen	Non-Executive Director	Female	54	Dec 2006 – Jun 2009	0	2,974,689	Yes
Mr. Guo Ketong [(1)]	Non-Executive Director	Male	54	Jun 2008 – Jun 2009	0	0	Yes
Mr. José Ignacio Goirigolzarri	Non-Executive Director	Male	54	Feb 2007 – Jun 2009	0	0	Yes
Mr. Bai Chong-En	Independent Non-Executive Director	Male	45	Dec 2006 – Jun 2009	0	0	No
Mr. Ai Hongde	Independent Non-Executive Director	Male	53	Feb 2007 – Jun 2009	0	0	No
Mr. Xie Rong	Independent Non-Executive Director	Male	56	Feb 2007 – Jun 2009	0	0	No
Mr. Wang Xiangfei	Independent Non-Executive Director	Male	57	Dec 2006 – Jun 2009	0	0	No
Mr. Li Zheping [(2)]	Independent Non-Executive Director	Male	43	Jan 2009 – Jun 2009	0	0	No

Notes: (1) Mr. Guo Ketong resigned from the post of supervisor on 15 April 2008 and was elected the non-executive director of the Bank in the 2007 annual general meeting and was approved to be qualified as a director by CBRC on 15 July 2008.

(2) The independent non-executive director Mr. John Dexter Langlois applied to resign on 2 September 2008. Mr. Li Zheping was elected as the Bank's independent non-executive director in the first 2008 extraordinary general meeting in order to fill the vacancy due to the resignation of Mr. John Dexter Langlois. In 2008, Mr. John Dexter Langlois received a total remuneration before tax of RMB300,000 from the Bank.

Mr. Wang Chuan resigned from the post of director on 15 April 2008 and was elected the Bank's supervisor in the 2007 annual general meeting held on 12 June 2008.

(3) In no later than June 2009, the election and re-election of the First Board of Directors and the First Board of Supervisors will be held.

Board of Supervisors

Name	Title	Sex	Age	Tenure of office	Shares held at the beginning of the year	Shares held at the end of the year	Remuneration received from shareholders' units or other related units
Mr. Wang Chuan (1)	Chairman of the Board of Supervisors	Male	60	Jun 2008 – Jun 2009	0	0	Yes
Mr. Wang Shuanlin	Vice-Chairman of the Board of Supervisors	Male	59	Dec 2006 – Jun 2009	0	0	No
Ms. Zhuang Yumin	External Supervisor	Female	46	Mar 2007 – Jun 2009	0	0	No
Ms. Luo Xiaoyuan	External Supervisor	Female	55	Jun 2008 – Jun 2009	0	0	No
Mr. Zheng Xuexue	Supervisor	Male	54	Aug 2007 – Jun 2009	0	0	Yes
Mr. Lin Zhengyue	Employee Supervisor	Male	45	Dec 2006 – Jun 2009	0	0	No
Mr. Deng Yuewen	Employee Supervisor	Male	44	Dec 2006 – Jun 2009	0	0	No
Mr. Li Gang	Employee Supervisor	Male	39	Dec 2006 – Jun 2009	0	0	No

Notes: (1) Mr. Wang Chuan resigned from the post of director on 15 April 2008 and was elected the Bank's supervisor in the 2007 annual general meeting held on 12 June 2008.

Senior management

Name	Title	Sex	Age	Tenure of office	Shares held at the beginning of the year	Shares held at the end of the year	Remuneration received from shareholders' units or other related units
Mr. Chen Xiaoxian	Executive Director, President	Male	54	Dec 2006 –	0	0	No
Mr. Wu Beiying	Executive Director, Executive Vice-President	Male	58	Dec 2006 –	0	0	No
Mr. Ou Yang Qian	Vice-President	Male	53	Dec 2006 –	0	0	No
Mr. Zhao Xiaofan	Vice-President, General Manager of the Bank's Beijing Branch	Male	44	Dec 2006 –	0	0	No
Mr. Su Guoxin	Vice-President	Male	41	Dec 2006 –	0	0	No
Mr. Cao Tong	Vice-President	Male	40	Dec 2006 –	0	0	No
Mr. Cao Bin	Secretary of the Committee for Discipline Inspection	Male	47	Apr 2008 –	0	0	No
Mr. Wang Lianfu	Chairman of the Trade Union (vice president level)	Male	54	Dec 2006 –	0	0	No
Mr. Cao Guoqiang	Assistant President, Head of Finance Management	Male	44	Dec 2006 –	0	0	No
Mr. Zhang Qiang	Assistant President	Male	45	Dec 2006 –	0	0	No
Mr. Luo Yan	Secretary to the Board of Directors	Male	39	Jan 2007 –	0	0	No

Changes in shares held by directors, supervisors and senior management

During the reporting period, Ms Chan Hui Dor Lam Doreen, Director of the Bank, originally held 2,974,689 CIFH shares. After the cancellation of those shares, in accordance to the arrangement of the relevant agreement under the privatization of CIFH, she was given some corresponding CNCB Shares, as a consideration of the cancellation. As at the end of the reporting period, Ms Chan Hui Dor Lam Doreen held in total 2,974,689 H Shares of the Bank. Except for Ms Chan Hui Dor Lam Doreen, no directors, supervisors and senior management of the Bank held any shares of the Bank.

Directors

Mr. Kong Dan,
61, Chinese nationality

Chairman and Non-Executive Director of the Bank. He joined the Bank's Board of Directors in December 2005, Mr. Kong concurrently holds the positions of Chairman of CITIC Group, CITIC International Financial Holdings Limited, CITIC Hong Kong (Holdings) Limited, CITIC Resources Holdings Limited, and CITIC United Asia Investment Limited, and Non-Executive Director of CITIC Ka Wah Bank Limited (abbreviated as "CKWB"). Mr. Kong was the Vice Chairman and General Manager of CITIC Group from July 2000 to July 2006. During the period from November 2002 to October 2006, Mr. Kong assumed the position of Board Chairman of CKWB. Before joining CITIC Group, Mr. Kong had served China Everbright Group Limited, a financial holding company, for a long period of time, and used to hold the senior management posts including Executive Director and Deputy General Manager, and Vice Chairman and General Manager. Mr. Kong used to work at the Office of State Councilor and Directors of the National Economic Commission. Mr. Kong is a senior economist. He graduated from the Graduate School of Chinese Academy of Social Sciences with a master's degree in Economics.

Mr. Chang Zhenming,
52, Chinese nationality

Vice Chairman and Non-Executive Director of the Bank. Mr. Chang joined the Bank's Board of Directors in December 2006. Mr. Chang is also Vice Chairman and Director of CIFH and Non-Executive Director of CKWB. Mr. Chang has served as Vice Chairman and General Manager of CITIC Group and Director of CITIC Pacific Limited since August 2006, and Chairman of CITIC International Assets Management Limited since October 2006. Mr. Chang was Vice Chairman and President of China Construction Bank Corporation from September 2004 to July 2006, Executive Director and Deputy General Manager of CITIC Group from August 1995 to July 2004, Assistant President of CITIC Group from January 1994 to August 1995, Vice President of the Bank from September 1993 to January 1994, and Assistant President of the Bank from October 1992 to September 1993. Mr. Chang is a senior economist. Mr. Chang graduated from Beijing Second Foreign Language College with a bachelor's degree in Japanese language, and received his master's degree in business administration at New York College of Insurance.

Dr. Chen Xiaoxian,
54, Chinese nationality

Executive Director and President of the Bank. Dr. Chen joined the Bank in November 2004. He also serves as Executive Director and Deputy General Manager of CITIC Group and Non-Executive Director of CIFH and CKWB. Dr. Chen is a mentor of doctoral candidates and professor of Dongbei University of Finance and Economics, as well as professor of Renmin University of China. Dr. Chen was Director, Executive Vice President and Vice President of China Merchants Bank from March, 2000 to October, 2004. Before that, he was President of Beijing Branch of China Merchants Bank from December 1993 to March 2000. In addition, he was Dean, Assistant President and Vice President of Beijing Branch of the People's Bank of China ("PBOC") from September 1982 to December 1993. He is a senior economist, and has 26 years of banking experience in China. Dr. Chen graduated from Renmin University of China with a bachelor's degree in Finance. He received his master's degree in Finance from South-West University of Finance and Economics and a Ph.D in Finance from Dongbei University of Finance and Economics. From 2005 to 2008, Dr. Chen received the "China's Top Ten Finance Figures of the Year Award" from *The Chinese Banker* magazine for four consecutive years. He also received the "Top Ten New Leaders in Finance of the Year Award" from the China International Finance Forum for two consecutive years in 2006 and 2007.

Mr. Dou Jianzhong,
53, Chinese nationality

Non-Executive Director of the Bank. Mr. Dou is also Executive Director and Vice General Manager of CITIC Group, Director and Chief Executive Officer of CIFH, Board Chairman of CKWB, Director of CITIC International Assets Management Limited, Chairman of CIAM Group Limited and Director of China Investment and Finance Limited. Mr. Dou joined CITIC Group in 1980 and joined the Bank in April 1987, and served as Vice President from 1987 to 1994 and President from 1994 to 2004. Mr. Dou graduated from University of International Business and Economics and later received his master's degree in Economics from Liaoning University. Mr. Dou is a senior economist with extensive experience in financial industry.

Mr. Ju Weimin,
45, Chinese nationality

Non-Executive Director of the Bank. Since March 2000, Mr. Ju has served as Chairman and Chief Financial Officer of CITIC Group, Chairman of CITIC Trust Co., Ltd. and Non-Executive Director of CITIC Securities Co., Ltd. (listed on Shanghai Stock Exchange), Asia Satellite Telecommunications Holdings Limited (listed on Hong Kong Stock Exchange), CITIC International Financial Holdings Limited (listed on Hong Kong Stock Exchange, subsequently privatized by way of a scheme of arrangement, and delisted on 5 November 2008) and CITIC Ka Wah Bank Co., Ltd. Mr. Ju has over 20 years of experience in finance, investment and corporate management. Mr. Ju received his bachelor's degree in Economics (majoring in Accounting) from Hangzhou Institute of Electronic Engineering and later received his master's degree in Economics (majoring in Accounting) from Renmin University of China.

Mr. Zhang Jijing,
53, Chinese nationality

Non-Executive Director of the Bank. Mr. Zhang joined the Bank's Board of Directors in February 2007. He also serves as Director, General Manager Assistant and Head of the Strategy and Planning Department of CITIC Group and Director of CITIC Resources Holdings Limited, CITIC Securities Co., Ltd, CITIC Real Estate Co., Ltd. and Zhonghai Trust Co., Ltd. Mr. Zhang served as Director, Head of the Strategy and Planning Department and Director of the Integrated Planning Department of CITIC Group, as well as Deputy General Manager and General Manager of CITIC Australia Pty. Ltd. and Deputy Manager of the Mineral Resources Division of the Overseas Investment Department of CITIC Group since December 1984. Mr. Zhang is a senior economist. He graduated from the Graduate School of Chinese Academy of Social Sciences and received his master's degree in Economics.

Mr. Wu Beiying,
58, Chinese nationality

Executive Director and Executive Vice President of the Bank. Mr. Wu joined the Bank in August 1987 and has been working for the Bank since then. He was Vice President from July 1995 to December 2001, and served concurrently as President of the Bank's Beijing Branch from July 1996 to September 1999, and President of the Bank's Guangzhou Branch from September 1999. Mr. Wu served as Assistant President from December 1993 to July 1995. He is a senior economist. Mr. Wu graduated from Central College of Finance and Economics with a master's degree in Money and Banking.

Ms. Chan Hui Dor Lam Doreen,
54, Chinese nationality

Non-Executive Director of the Bank. Ms. Chan joined the Bank's Board of Directors in December 2006. Ms. Chan joined CIFH in 1998 as Vice Executive President, and then was appointed Director of CIFH in May 2001. She has been the Managing Director and Alternate Chief Executive Officer of CIFH, Director, President and Chief Executive Officer of CKWB and Chairman of HKCB Finance Limited since 2002. Ms. Chan has rich experience in credit, risk management, human resources and strategic development. Ms. Chan is also a member of the Board of Trustees of Hong Kong Baptist University and the Financial Committee of HKBU. She is also the Honorary Advisor of the School of Continuing Education of HKBU and a member of the Board of Directors of Hong Kong Baptist University Foundation. Ms. Chan is also the Chairperson of the China Graduate School of Theology. Before joining CIFH, Ms. Chan was in charge of the retail banking department of Standard Chartered Bank (Hong Kong) Limited. Ms. Chan has over 30 years of extensive experience in banking industry.

Mr. Guo Ketong,
54, Chinese nationality

Non-Executive Director of the Bank. From December 2006 to April 2008, Mr. Guo served as Supervisor of CNCB. From 2006 to date, Mr. Guo concurrently serves as Director of CITIC Group. From 2000 to date, he also serves as Director of the Human Resources and Education Department of CITIC Group. Mr. Guo has previously served as Director of CITIC Australia Pty. Ltd and CITIC Real Estate Co., Ltd. From 1986 to 2008, he was Deputy Director, Assistant Director, Section Head, and Deputy Section Head of the Human Resources Department of CITIC Group. Mr. Guo is an economist. He graduated from Renmin University of China with an associate's degree.

Mr. José Ignacio Goirigolzarri,

54, Spanish nationality

Non-executive Director of the Bank. He became member of the Board of Directors of China CITIC Bank Corporation Limited in February 2007. Since December 2001 Mr. Goirigolzarri is also President and Chief Operating Officer of BBVA Group. Mr. Goirigolzarri joined Banco de Bilbao in the Strategic Planning Area in 1977. In 1992 he was appointed General Manager of BBV (until 1994) and in 1994 became member of the Executive Committee (he still is). From 1995, during the expansion through Central and South America, he headed the BBV America division. In the merger Bilbao Vizcaya Bank – Argentaria in October 1999, he was appointed member of the Executive Committee, responsible for Central and South America operations (until 2001). In April 2001 he was appointed Group Senior Executive Vice-president – Head of Retail Business (until December 2001). Moreover, he is member of the Board of BBVA Bancomer in Mexico (since July 2000) and Chairman of Fundación Consejo Spain-USA (since October 2005).

Mr Goirigolzarri has got a bachelor's degree in Economics and Business Science (Universidad de Deusto), and a postgraduate degree in Finance and Strategic Planning (University of Leeds, UK) and was Professor at University of Deusto Comercial in Strategic Planning Area (1977–1979).

Dr. Bai Chong-En,

45, Chinese nationality

Independent Non-Executive Director of the Bank. He joined the Bank's Board of Directors in December 2006. Dr. Bai is Dean of the Economics Department of the School of Economics and Management of Tsinghua University. Since 1999, he has been an Assistant Professor and Associate Professor of the School of Economics and Finance of University of Hong Kong, a Distinguished Professor at the School of Economics and Management of Tsinghua University. He has also been a Mansfield Freeman Chair Professor of Economics and a mentor of doctoral candidates at the School of Economics and Management of Tsinghua University. He previously taught at Boston College in the United States. Dr. Bai graduated from University of Science and Technology of China with a bachelor's degree in Mathematics, and received his Ph.D in Mathematics from the University of California, San Diego and a Ph.D in Economics from Harvard University.

Dr. Bai has achieved great accomplishments in fields like Development and Transition Economics, Public Economics, Corporate Governance, Finance and Industrial Economics. In 2006, he won the National Science Fund for Distinguished Young Scholars, and was honored Cheung Kong Scholar by the Ministry of Education of the People's Republic of China in 2007. He also holds many social positions, including member of the editorial board of *Chinese Business Review*, and joint Editor-in-Chief of China Journal of Economics of Tsinghua University, member of the IPD Taskforce on Corporate Governance at Columbia University in the United States, research fellow at the William Davidson Institute at University of Michigan in the United States, and used to be an advisor for the World Bank.

Dr. Ai Hongde,

53, Chinese nationality

Independent Non-Executive Director of the Bank. He joined the Bank's Board of Directors in February 2007, and is President of Dongbei University of Finance and Economics. Dr. Ai was elected Representative of the 11th NPC in 2008. Dr. Ai served as Vice President of Dongbei University of Finance and Economics from 1 January 1999 to May 2005, Vice Director of Dalian High-Tech Park from March to December 1998, Vice Secretary General in Dalian Municipal Government from December 1997 to February 1998, Assistant President of Dongbei University of Finance and Economics from July 1996 to November 1997, and Vice Dean of the Finance Department of Dongbei University of Finance and Economics from January 1993 to June 1996. Dr. Ai is a Professor and mentor of doctoral candidates. He has been awarded the special government allowance by the State Council since 2000. Dr. Ai graduated from Dongbei University of Finance and Economics with a Ph.D in Money and Banking.

Dr. Ai has achieved great accomplishments in fields like currency policy and theory, management of financial institutions, international finance, financial market, and regional finance and credit systems. He has led and completed 16 research projects funded by national or provincial government. Dr. Ai's academic opinions and policy advices have been adopted and implemented by the PBOC, the State Council, the Standing Committee of NPC, Liaoning Provincial Government and Dalian Municipal Government. Dr. Ai also holds many social positions, including Executive Director of China Society for Finance and Banking, member of the academic committee of China Society for Finance and Banking, member of Standing Council and Academic Committee of China Society for International Finance and Banking, Vice Chairman of Liaoning Society for Price, Vice Chairman of Liaoning Society for International Economic Law and Vice Chairman of Liaoning Social Sciences Association. Dr. Ai is also Independent Director of Liaoning Chengda Co., Ltd.

Dr. Xie Rong,
56, Chinese nationality

Independent Non-executive Director of the Bank. He joined the Bank's Board of Directors in February 2007. He serves as Vice President of Shanghai National Accounting Institute. Dr. Xie served as Partner of KPMG from December 1997 to October 2002, and Vice Dean of the Accounting Department, mentor of doctoral candidates, Professor, Associated Professor and Lecturer of Shanghai University of Finance and Economics from December 1985 to December 1997, during which Dr. Xie also was Senior Visiting Scholar at Warwick University in the United Kingdom for one year. He was also a part-time Certified Public Accountant at Dahua Accounting Firm and PwC Dahua Accounting Firm. Dr. Xie graduated from Shanghai University of Finance and Economics and received his Ph.D in Economics.

Dr. Xie has achieved great accomplishments in fields like accounting, audit and internal control of financial enterprises. He has led or participated in many research projects funded by the national government, Ministry of Finance and the Chinese Institute of Certified Public Accountants. He also holds many social positions, including member of the accounting master's degree education and guidance subcommittee of the Degree Committee of the State Council, Executive Director of the China Accounting Society, Executive Director of China Audit Society, Executive Director of the Education Division of China Accounting Society, Vice Chairman of Shanghai Institute for Cost Research. He also serves as External Director of Shanghai Automotive Co., Ltd., and Independent director of China Shipping Development Co., Ltd., China Eastern Airlines Co., Ltd., and Tianjin Capital Environmental Protection Company Limited.

Mr. Wang Xiangfei,
57, Chinese nationality

Independent Non-Executive Director of the Bank. He joined the Bank's Board of Directors in December 2006. Mr. Wang serves as Vice Chief Financial Officer of Sonangol Sinopec International Limited and financial advisor of China Sonangol International Holding Limited and Independent Non-Executive Director of Shenzhen Rural Commercial Bank Company Limited. Mr. Wang is currently Independent Non-Executive Director of Chongqing Iron and Steel Company Limited (with H-share listed on Hong Kong Stock Exchange and A-share listed on Shanghai Stock Exchange) and SEEC Media Group Limited (listed on Hong Kong Stock Exchange), and Executive Director of Artfield Group Limited (listed on Hong Kong Stock Exchange). Mr. Wang worked in China Everbright Group for many years. During the period from 1996 to 2002, he was Director and Assistant General Manager of China Everbright Holdings Co Ltd. and was Executive Director and held multiple senior management positions in various listed companies owned by China Everbright Group. Mr. Wang held senior management positions in companies engaging in banking and related financial services providing institutions. Mr. Wang is a senior accountant. He graduated from Renmin University of China with a bachelor's degree in Economics majoring in finance. Mr. Wang has once taught as a teaching assistant at the Department of Finance in Renmin University of China.

Mr. Li Zheping,
43, Chinese nationality

Independent Non-Executive Director of the Bank. Mr. Li now serves as Chief Executive Officer and Editor-in-Chief of *Modern Bankers* Press. Mr. Li served as Chairman of the Board of Tong-xin Assets Evaluation Co., Ltd. from 1995 to 2003. He was column Editor-in-Chief of *China Securities Journal* from 1993 to 1995. He was a teaching assistant of China Financial Training Center from 1989 to 1993. Mr. Li has been Independent Director of UBS SDIC Fund Management Co., Ltd. since August 2008. Mr. Li is a graduate of Shanxi University of Finance and Economics with a bachelor's degree in economics, and was conferred on a master's degree in economics from the Graduate School of People's Bank of China.

Supervisors

Mr. Wang Chuan,

60, Chinese nationality

Chairman of the Bank's Board of Supervisors. Mr. Wang is also Vice Chairman of CITIC Group and Vice Chairman and President of CITIC Holdings Company Limited and Chairman of CITIC-Prudential Life Insurance Company Ltd. Mr. Wang was the Bank's Non-Executive Director from December 2005 to June 2008. Prior to joining CITIC Group, Mr. Wang was Vice Chairman of China Everbright Group Limited and Vice Chairman and President of China Everbright Bank Co., Ltd from October 2001 to July 2004. Prior to that, he also worked at Agricultural Bank of China for more than 20 years and held multiple positions including Vice President of the headquarters, President of Jilin Branch, General Manager of the Credit Department, and Deputy General Manager of the Research Department and the Human Resources Department of the headquarters. Mr. Wang is a senior economist, and graduated from Renmin University of China with an associate's degree.

Mr. Wang Shuanlin,

59, Chinese nationality

Vice-Chairman of the Bank's Board of Supervisors. Mr. Wang has served or serves as a full-time Supervisor of the Boards of Supervisors of key State-owned financial institutions (deputy-bureau or bureau level) since 2003. Before that, Mr. Wang held multiple positions in financial industry, including Deputy General Manager of China Government Bond Depository and Clearance Limited, Director and Deputy General Manager of China Securities Trading System Limited, Section Head of the audit department and Director of the Office of General Affairs of the headquarters of PBOC. Mr. Wang is a senior economist. He graduated from the Department of Finance of Renmin University of China with a bachelor's degree.

Ms. Zhuang Yumin,

46, Chinese nationality

External Supervisor of the Bank. Ms. Zhuang is currently Vice Director of the School of Finance, and Dean, Professor and mentor of doctoral candidates at the Monetary Finance Department of Renmin University of China. She worked at the Finance Department of Remin University of China as Deputy Dean of the Finance Study Unit and Dean of Finance Department since 1995. From 1984 to 1995, Ms. Zhuang was Deputy Dean of a research unit of the Fiscal Department of Renmin University of China. She graduated from the Fiscal Department of Renmin University of China with a master's degree and then Ph.D degree in Economics.

Ms. Luo Xiaoyuan,
55, Chinese nationality

External Supervisor of the Bank. From 1983 to 1991, Ms. Luo served as Vice Editor-in-Chief of *Public Finance Research* Magazine and Deputy Director of the Editing Department in Finance Science Institute of PRC Ministry of Finance. Since 1991, Ms. Luo was General Accountant of the Chinese Institute of Certified Public Accountants, and she served as member of the Chinese Certified Public Accountants Test Committee and Director of Test Department, Registration Center and Finance Department of Examination Committee of Certified Public Accountants. She was Director of the Editing Department of *Accounting Research* Magazine and the *Chinese Institute of Certified Public Accountant* Magazine. Ms. Luo held and holds many social positions, including Deputy Secretary-General of China Institute of Cost, Executive Director of China Institute of Cost for Young and Mid-career Professionals, Distinguished Editor of Peking University's Economics and Finance Education Series, adjunct Associate Professor of Beijing Technology and Business University, adjunct Professor in Accounting Department of Zhongnan University of Economics, Independent Director of Hua Xia Bank and Harvest Fund Management Co., Ltd. Ms. Luo is a senior economist, and a CPA (non-practice). She graduated from Fiscal Department of Renmin University of China with a bachelor's degree majoring in Accounting.

Mr. Zheng Xuexue,
54, Chinese nationality

Supervisor of the Bank. Mr. Zheng is also Director of the Audit Department of the CITIC Group. Mr. Zheng is Chief Supervisor of CITIC Construction Co., Ltd., CITIC Investment Holdings Limited, CITIC Bohai Aluminium Industries Holding Company Limited, CITIC East China (Group) Corp., Ltd., CITIC Asset Management Corporation Ltd., CITIC Heavy Industries Co., Ltd. and CITIC Real Estate Co., Ltd. and Supervisor of CITIC Holdings Company Limited. He was Vice Director of the Audit Department of CITIC Group and its predecessor China International Trust and Investment Corporation from March 2000 to April 2007. Mr. Zheng was cadre, Vice Director, Director and Dean Assistant in CITIC Group from March 1986 to March 2000. He worked in Beijing Police Bureau from March 1983 to March 1986. Mr. Zheng is a senior accountant and graduated from Renmin University of China with a bachelor's degree in Economics in March 1983.

Mr. Lin Zhengyue,
45, Chinese nationality

Supervisor of the Bank, Mr. Lin is also the director of China Investment and Finance Limited. He has been General Manager of the Compliance and Audit Department of the headquarters since August to date 2007. He was Assistant to General Manager and Deputy Manager of the Compliance and Audit Department of the headquarters from June 2005 to July 2007 and Deputy Manager of the Audit Department of the Bank's Nanjing Branch from March 2004 to June 2005. Prior to joining the Bank, Mr. Lin worked at Jiangsu Provincial Branch of Industrial and Commercial Bank of China. Mr. Lin is an economist of China, America Registered Financial Planner (RFP) and America Certified Financial Consultant (CFC). Mr. Lin has 24 years of banking experience in China. He received his bachelor's degree in Finance from Jiangsu TV University.

Mr. Deng Yuewen,
44, Chinese nationality

Supervisor of the Bank. Mr. Deng has been General Manager of the Risk Management Department of the Bank's headquarters since February 2007 to date. Mr. Deng has also been in charge of the Risk Management Department of the Bank's Beijing Branch from October 2005 to February 2007. He was Deputy General Manager of the Risk Management Department of the Bank's Beijing Branch from February 2004 to October 2005. Prior to that position, he worked at the Credit Department of the headquarters, the Retail Banking Department of the Bank's Beijing Branch and the Credit Department of Shenzhen Branch from April 1996 to February 2004. Mr. Deng has been working at the Bank since April 1996. Mr. Deng graduated from Wuhan Technology Institute with a bachelor's degree and received his master's degree in Money and Banking from the Finance Research Institute of the headaquarters of PBOC.

Mr. Li Gang,
39, Chinese nationality

Supervisor of the Bank. Mr. Li has served or serves as the Assistant to General Manager of the Budget and Finance Department and General Manager of Assets and Liabilities Management Section and Deputy General Manager of the Budget and Finance Department and General Manager of Assets and Liabilities Management Section since June 2006. Mr. Li was the General Manager of the Treasury Management Section of the Budget and Finance Department of the Bank, and general manager of the Budget and Finance Department of the Bank's Beijing Branch from June 2000 to June 2006. He also served as Assistant to Manager and Deputy Manager of the Finance Department of CITIC Daxie Development Limited, and Vice Section Head and Section Head of the Treasury Section of the Finance and Taxation Bureau. Mr. Li graduated from China Finance Institute.

Senior Management

Dr. Chen Xiaoxian,
54, Chinese nationality

He has served as Executive Director and President of the Bank. Please refer to Directors of the Bank for his Resume.

Mr. Wu Beiying,
58, Chinese nationality

He has been the Executive Director, Executive Vice President and person in charge of risk management of the Bank. Please refer to Directors of the Bank for his Resume.

Dr. Ou Yang Qian,
53, Chinese nationality

Vice President of the Bank. Dr. Ou Yang has been working for the Bank since 1988. Since 2005, he has also been working with China Investment and Finance Limited as Board Chairman. Dr. Ou Yang was appointed Vice President of the Bank in July 1995. Before that, he had been Assistant President from April 1994 to July 1995. Dr. Ou Yang was in charge of research and design for internal risk control system of the Bank in 1991. In January 1989, he worked in the Treasury and Capital Market Department of the Bank engaging in foreign exchange transactions, bond transactions and gold deal. In September of the same year, Dr. Ou Yang took up asset portfolio investment management. Dr. Ou Yang is a senior economist. He graduated from Tsinghua University with a master's degree in Hydraulic Machinery, and then received a Ph.D in Aeronautical Engineering from University of Manchester in the United Kingdom.

Dr. Zhao Xiaofan,
44, Chinese nationality

Vice President of the Bank. Dr. Zhao has also been General Manager of the Bank's Beijing Branch from April 2006 to date. Dr. Zhao was the Bank's Assistant President from August 1998 to December 2001. He has been working at the Bank since July 1986. Dr. Zhao is a senior accountant. He graduated from Renmin University of China with a bachelor's degree in Financial Accounting, and received his master's degree in International Finance from Liaoning University and a Ph.D in Finance from the School of Economics of Peking University.

Mr. Su Guoxin,

41, Chinese nationality

Vice President of the Bank. Mr. Su was Deputy Director of the General Office of CITIC Group, Secretary to Chairman of CITIC Group and Chairman of CNCB. He has been Secretary to Chairman of CITIC Group since June 1997. He worked in the Ministry of Foreign Affairs of PRC from August 1991 to October 1993. He worked in CITIC Group in charge of corporate communications from October 1993 to May 1997. He worked in financial companies including SBC and UBS from January 1996 to January 1997. Mr. Su graduated from Tianjin Foreign Studies University with a bachelor's degree in Arts. He has been a graduate student under the United Nations Translation Program in Beijing Foreign Studies University. Mr. Su received his master's degree in Business Administration from the Open University of Hong Kong.

Mr. Cao Tong,

40, Chinese nationality

Vice President of the Bank. He was Assistant President from December 2004 to December 2006 and concurrently served as General Manager of the Retail Banking Department of the Bank from January 2005 to March 2006. Prior to joining the Bank, Mr. Cao worked at China Merchants Bank and served as Deputy Manager of the Planning and Treasury Department, Manager of the Business Operating Department, Assistant President and Vice President of Beijing Branch, General Manager of the Personal Banking Department of the headquarters of China Merchants Bank and Deputy Director of its Shenzhen Administrative Department as person in charge. He also worked at the Beijing Branch of the PBOC from July 1990 to January 1994. Mr. Cao has 18 years of banking experience in China. He is a senior economist and graduated from Renmin University of China with a bachelor's degree in Economics. He received his master's degree in Finance from the same university.

Mr. Cao Bin,

47, Chinese nationality

Secretary to the Bank's Discipline Inspection Committee. Mr. Cao joined the Bank in March 2008. Prior to that, he was a cadre in the Human Resource and Education Department of CITIC Group from January 2001 to February 2002. From March 2002 to August 2002, he was the Person-in-Charge of the General Office of CITIC Securities Co., Ltd. From August 2002 to March 2008, he served as Secretary to the Board and General Manager of the General Office of CITIC Holdings Company Limited. Mr. Cao graduated from Jilin University with a master's degree in Economics.

Mr. Wang Lianfu,

54, Chinese nationality

Chairman of the Trade Union of the Bank (Vice President Level). Mr. Wang served as Secretary to the Bank's Discipline Inspection Committee and Director in charge of human resources (Vice President Level) from March 2006 to April 2008. From February 1999 to March 2006, Mr. Wang served as the Secretary to the Bank's Discipline Inspection Committee, the Secretary to the Party Committee and the Chairman of the Tade Union. Mr. Wang also held the position of General Manager of the Human Resources Department of the Bank from January 2005 to March 2006. He was Assistant President of the Bank from June 1995 to February 1999, and has been working at the Bank since May 1987. During the period from December 1984 to May 1987, he worked at the Personal Distribution Section of the Human Resources Department of CITIC Group. Mr. Wang is a senior economist, and got a bachelor's degree in Politics and Law from Beijing Normal University and a master's degree in Money and Banking from Dongbei University of Finance and Economics.

Mr. Cao Guoqiang,

44, Chinese nationality

Assistant President of the Bank. Mr. Cao is also the Director of China Investment and Finance Limited since 2005. He served as General Manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as Deputy General Manager and General Manager of the Planning and Treasury Department of the headquarters of China Merchants Bank, General Manager of the Planning and Treasury Department of China Merchants Bank Shenzhen Administrative Department, Director and Deputy General Manager in charge of China Merchant Bank Pawn Co., Ltd, Director of Shenzhen Speed International Investment Co., Ltd, and Assistant Manager of the Planning and Treasury Department of China Merchants Bank. Mr. Cao also worked at the Planning and Treasury Department of the Shaanxi Branch of the PBOC as senior staff member and Vice Section Head from July 1988 to June 1992. He has worked in China's banking industry for 20 years. Mr. Cao is a senior economist. He graduated from Hunan College of Finance and Economics with a bachelor's degree in Money and Banking. He received his master's degree in Money and Banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang,

45, Chinese nationality

Assistant President of the Bank. He was Deputy General Manager, Executive Deputy General Manager and General Manager of the Bank's Beijing Branch from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Credit Department of the Bank, Jinan Branch and Qingdao Branch, including Deputy General Manager and General Manager of the Credit Department of the headquarters, Vice President and President of branch. Mr. Zhang has been working at the Bank since September 1990. Mr. Zhang has 21 years experience in China's banking industry. Mr. Zhang is a senior economist. He graduated from Zhongnan University of Economics and Law with a bachelor's degree in Planning and Statistics, and received his master's degree in Finance from Liaoning University.

Secretary to the Board of Directors

Mr. Luo Yan,

39, Chinese nationality

Secretary to the Board of Directors of the Bank. He is also Head of the Board Office and Head of the General Office of the Bank. Mr. Luo joined the Bank in October 2004, and served as Deputy Head of General Office of the Bank from June 2005 to March 2006. From October 2004 to June 2005, Mr. Luo was Assistant General Manager of the Bank's Administration and Management Department. Prior to that, he worked with China Merchants Bank from March 1996 to October 2004 and worked in the Yangzhou Branch of the Bank of Communications from July 1990 to March 1996. Mr. Luo graduated with a bachelor's degree in Economics from Inner Mongolia Finance and Economics College. He received a master's degree in Management Engineering and Science from Zhejiang University.

Engagement or Removal of the Bank's Directors, Supervisors and Senior Management

In April 2008, Mr. Wang Chuan resigned from the post of director due to the adjustment to the work arrangement. He was elected Supervisor of the Bank at the 2007 annual general meeting.

In April 2008, Mr. Guo Ketong resigned from the post of supervisor due to the adjustment to the work arrangement. He was elected Non-Executive Director of the Bank at the 2007 annual general meeting and was approved to be qualified as a Director by CBRC in July 2008.

In April 2008, Ms. Liu Chongming resigned from the post of supervisor because of her retirement.

In June 2008, Ms. Luo Xiaoyuan was elected External Supervisor of the Bank at the 2007 annual general meeting.

In June 2008, Mr. Wang Chuan was elected Chairman of the Board of Supervisors and Mr. Wang Shuanlin was elected Vice Chairman of the Board of Supervisors.

In September 2008, Mr. John Dexter Langlois applied to resign from the post of independent non-executive director of the Bank due to personal work-related reasons.

In October 2008, Mr. Ju Weimin was elected member of the Strategic Development Committee under the Board at the nineteenth meeting of the First Board of Directors.

In October 2008, Mr. Guo Ketong was elected member of the Nomination and Remuneration Committee under the Board at the nineteenth meeting of the First Board of Directors.

In December 2008, Mr. Li Zheping was elected Independent Non-Executive Director of the Bank at the Bank's first 2008 extraordinary general meeting. Mr. Li was approved to be qualified to assume the office by CBRC in January 2009.

Remunerations of Directors, Supervisors and Senior Management

The remuneration scheme of the Bank's directors, supervisors and senior management are approved by the Board of Directors after being examined by the Nomination and Remuneration Committee under the Board of Directors. The Bank emphasizes matching performance with the value of the post, and clearly regulates the remuneration structure, and the determination of the basic annual salary. Performance appraisals were conducted based on a combination of various factors such as the fulfillment of financial indicators, risk control and internal management. An allowance system was implemented for independent non-executive directors. In accordance to the requirements of relevant laws in China, the Bank has adopted for its executive directors, employee supervisors and staff (including senior management) various types of statutory contribution pension schemes organized by the Chinese government.

The Bank offers remuneration to executive directors, supervisors and senior management who are also the Bank's employees, including basic salary, bonus, employee welfare and insurances, housing fund and annuity. Independent non-executive directors and external supervisors of the Bank receive allowance. None of the non-executive directors (except for independent directors) and shareholder supervisors who are holding posts in the Bank's shareholder's unit receives any salary or directors' fee from the Bank. The Bank has not provided any incentive shares to the directors, supervisors or senior management.

In 2008, the performance of the Bank is outstanding with the net profit of RMB13.354 billion, an increase of 60.47% compared with that of 2007. The coverage ratio rose to 150.03%, and NPLs and NPLs ratio dropped with the decrease from 1.48% in 2007 to 1.36%. With such a good result, the remuneration of the Bank's senior management decreased by about 15% (calculating by the same method with the previous year) over that of 2007. During the reporting period, a total of 22 directors, supervisors and senior management received remunerations from the Bank, among which, 5 are independent directors, 6 are supervisors, 2 are senior management holding the post of Director and 9 are senior management without holding the post of Director. For the whole year of 2008, the Bank paid directors, supervisors and senior management with a sum of RMB49.36 million before tax.

Human Resources Management and Staff Profile

As of the end of 2008, the Bank had 21,385 employees(1), of which 3,165 were management staff, 15,699 were business staff and 2,521 were administrative staff. 2,324 employees, representing 10.87% of the total staff, hold post-graduate qualifications or above, 11,691 employees, representing 54.67% of the total staff, hold undergraduate qualifications, 6,009 employees, representing 28.10% of the total staff, hold specialist qualifications, and 1,361 employees have qualifications not reaching specialist level, accounting for 6.36% of the total staff. The Bank had a total of 202 retirees.

Human Resources Management

In 2008, the Bank kept on improving the human resources management system according to the principle of effective motivation and strict control and close coordination. The Bank devoted much effort in stepping up the establishment of management teams for its branches at different levels, actively promoted the adjustment and arrangement of management staff in tier 1 branches and the Bank's headquarters. As a result, the overall quality and management level of the management team was enhanced significantly. To cater to market changes and the need arising from future competition, the Bank strived to improve the bank-wide recruitment mechanism, enhance our expertise in selecting talents, steadily implement the enterprise division system and actively explore adjustment of departmental functions, enhance operation and management efficiency, actively adapt to policy changes, adjust and regulate employment relationship management and promote internal harmony. The Group improved its remuneration and welfare system with priority given to efficiency, the principle of fair play taken into account and market allocation being the guidance. The Group also established and regulated uniform technical posts grading, widened the channels that assist the growth of staff, increased incentive, optimized remuneration structure, perfected welfare and insurance system and protected interest of its staff.

Note: (1) In 2008, the Bank regulated the labour employment system and included the labour dispatch staff working with the Bank in the total number of staff.

Training and Development of Human Resources

In 2008, the Bank set up a Training Centre in its headquarters, and established another training centre in Shanghai so as to step up its training efforts and improve the overall quality of the Bank's staff teams. 8,323 intensive training projects of various types were organized during the year, with 290,000 attended and an average of 13.5 trainings per employee. 230,000 employees of the Bank attended Internet training and the on-line training hours amounted to 160,000 study hours.

The Bank utilized domestic and overseas training resources so as to cultivate core talents and enhance the operation and management capability of the Bank's middle and senior management and key members in business operation. The Bank has put in place a new staff orientation training system and a qualification certification system for professional posts such as the customer service manager for VIP wealth management, and corporate banking customer service manager. The Bank also fully utilized the platform and resources of online colleges and launched numerous types of online training courses, so as to further enhance the professional expertise of all its staff.

Our vision

is to maximize shareholders’ value and to take a lead in competition among Chinese and foreign banks.

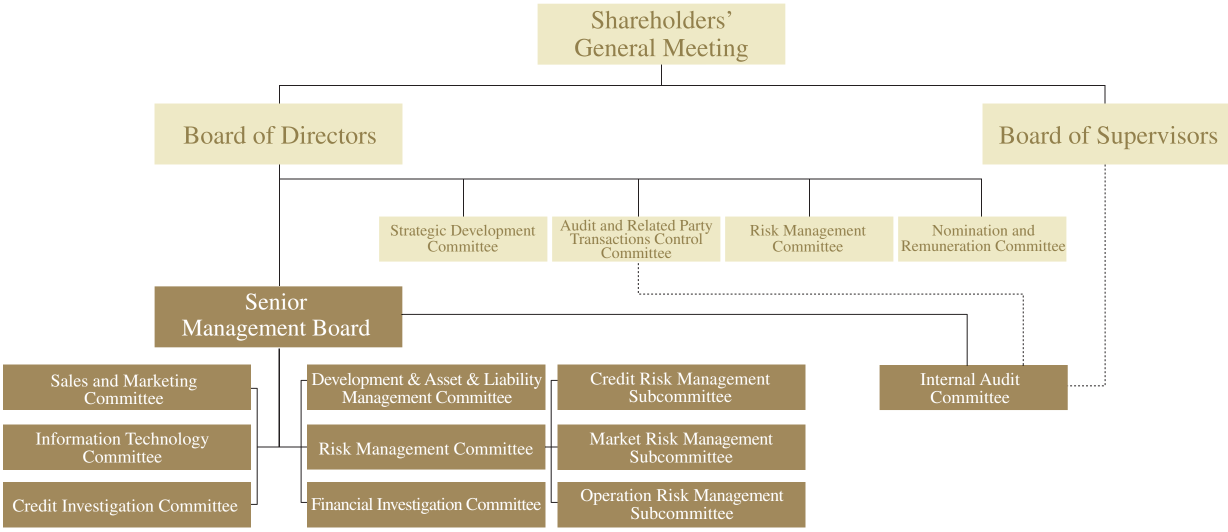
The Bank sticts to its operation principles of “coordinating the development of efficiency, quality and scale”, “pursuing a risk-adjusted retrun and a steady growth of market capitalization” and “taking the lead in competition among Chinese and foreign banks”, so as to maximize shareholders value.

The Bank positions itself at the forefront of the competition among domestic and foreign banks, meaning that we place ourselves at the forefront of the competition in terms of comparable operating results and management performance, catering for the needs of shareholders, customers and employees, provision of the best integrated financial solutions for customers, risk management, system and technical developments, building of an outstanding banking service brand and fostering of enterprise culture, as well as financial innovation capability and core competitiveness.

Papermaking is said to be invented by Mr. Cai Lun in the Eastern Han Dynasty. The invention of paper and its use throughout the enable the culture to be saved and spread, and promote the world's civilization to develop. Over 540 branches and sub-branches of China CITIC Bank are strategically located in places where the economy is more developed in China. They have agency banks in over 80 countries and regions with the business radiating to over 70 countries and regions.

Report of Corporate Governance

The Corporate Governance Structure of the Bank



Overall Corporate Governance

We believe that a sound corporate governance structure of the Bank is the foundation upon which we can protect the interests of our investors and depositors and ensure a high-quality and sustainable development. Ever since our simultaneous listing in Chinese Mainland and Hong Kong in April 2007, the Bank has, as required by the Company Law of the People's Republic of China (the "Company Law") and the Securities Law of the People's Republic of China (the "Securities Law"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the actual situation of the Bank, established systems of Shareholders' General Meeting, Board of Directors and its specialized committees, Board of Supervisors and senior management as the main body of its organizational structure, to ensure the independent operation and the effective check and balance for all corporate organizations. During the reporting period, the Bank has strictly complied with relevant laws and regulations and taken into account the reality of the Bank in improving its corporate governance:

Working groups have been organized to support all specialized committees of the Board of Directors and an operating system for the working groups has been formulated to support the work of each of the specialized committees of Board of Directors. Structural mechanism for the Board of Directors and its specialized committees have been refined to provide the basis of highly effective decision-making for the Board of Directors.

Audit Work Procedures of Audit and Related Party Transactions Control Committee and *Work system of Annual Report of CITIC Independent Directors* have been formulated, enhancing the supervisory function of Audit and Related Party Transactions Control Committee of the Board of Directors of the CITIC Bank and ensuring the due performance of duties by independent directors.

Rules for the Implementation of Credit Management for Related Parties and *Measures Governing the Related Party Transactions* have been improved and formulated, further regulating the credit management of the Bank's related parties, controlling risks of related party transactions, and guaranteeing the interests of the Bank and shareholders.

The *Regulatory Measures on Information Disclosure, Rules for the Implementation of the Regulatory Measures on Information Disclosure*, and *Significant Information Internal Reporting System* have been formulated, providing systemic guarantee for legally implementing information disclosure.

The Bank actively executed the *Basic Standard for Enterprise Internal Control* jointly issued by Ministry of Finance of China, CSRC, CBRC, China Insurance Regulatory Commission (CIRC) and National Audit Office of the People's Republic of China (Audit Office), further optimizing the environment for internal control, upgrading internal control measures, and ensuring the realization of the Bank's strategic goals, the priority of its financial control and the compliance operation of its businesses.

Continuing improvement of corporate governance has been launched in accordance with the *Notice on the Matters concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies* issued by CSRC and in response to the arrangement of Beijing Securities Regulatory Bureau. In the light of the Rectification Plan for Corporate Governance, the Bank executed rectification carefully, and completed the rectification report of corporate governance upon the approval of the Board, including the setting up of the working groups to support the operation of the specialized committees of the Board, the formulation of the rules of implementation of *The Regulatory Measures on Information Disclosure of China CITIC Bank* and *Significant Information Internal Reporting System*, and the strengthening of the institution and functions of the office of Board of Supervisors. The aforesaid self-inspection report and rectification plan for corporate governance and rectification report of corporate governance have been disclosed at the websites specified by the CSRC, the corporate website of the Bank and the Bank's specified media for information disclosure.

Information of Shareholders' General Meeting, Meeting of the Board of Directors and Meeting of the Board of Supervisors

During 2008, the Bank convened the annual shareholders' general meeting, and held one extraordinary general meeting, eight Board meetings and eight meetings of the Board of Supervisors, all in compliance with the procedures as specified in the Articles of Association of China CITIC Bank Corporation Limited (hereinafter the "Articles of Association").

General Meeting

The General Meeting is the organ of power of the Bank. The Bank has established an effective channel of communication with its shareholders, ensuring that all shareholders are properly informed of and are able to participate in and vote in their capacity on all major issues of the Bank. During 2008, the Bank convened the annual shareholders' general meeting for 2007 and one extraordinary general meeting, and considered and aproved 12 resolutions. The General Meeting decided upon significant matters of the Bank according to the law, and considered and approved such matters as the report of the Board of Directors, the report of the Board of Supervisors, the profit distribution proposal, the financial budget, the amendments to the articles of association, the election and re-election of directors and supervisors, the engagement of external auditors and the auditors' fee, and the cap of certain continuing related party transactions for the next three years. In doing so, the General Meeting managed to safeguard the legal interests of all shareholders and ensure the lawful exercise of the rights and duties by shareholders, which promoted the long-term solid and sustainable development of the Bank.

Board of Directors

Composition and Functions of the Board of Directors

The Board of Directors of the Bank consists of fifteen members, including two Executive Directors, namely Mr. Chen Xiaoxian and Mr. Wu Beiying; eight Non-executive Directors, namely Mr. Kong Dan, Mr. Chang Zhenming, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Zhang Jijing, Ms. Chan Hui Dor Lam Doreen, Mr. Guo Ketong and Mr. José Ignacio Goirigolzarri; and five Independent Non-executive Directors, namely Mr. Bai Chong'en, Mr. Ai Hongde, Mr. Xie Rong, Mr. Wang Xiangfei and Mr. Li Zheping. The principal functions of the Board of Directors of the Bank include but are not limited to the followings:

- to be responsible for convening the general meeting and reporting its work to the general meeting;
- to make decisions on development strategies, business plans and investment plans for the Bank;
- to prepare the annual financial budget and financial statements of the Bank;
- to prepare the profit distribution plan and compensation makeup plan of the Bank;
- to decide significant investments, significant asset disposal plans and other significant proposals of the Bank in accordance with the articles of association or within the terms of reference granted by the General Meeting;
- to formulate the plan for increase or decrease of the registered capital of the Bank;
- to prepare plans for the merger, division, dissolution, liquidation or transformation of the Company;
- to formulate the plan for issuing corporate bonds or other marketable securities and listing;
- to formulate the plan for buyback of the shares of the Bank;
- to appoint or dismiss the president and Board secretary of the Bank, and decide their remunerations, awards and punishments;
- to appoint or dismiss Vice President and President Assistant of the Headquarters as nominated by the President and other senior executives designated by the Board of Directors, and to determine their remunerations, awards and punishments;
- to propose appointment or dismissal of accounting firm to the General Meeting;
- to examine and approve regulations on related party transactions, to examine and approve or authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve related party transactions (excluding those that should be examined and approved by the General Meeting); and
- other authorities and powers as specified in relevant laws, administrative rules, regulations or the Articles of Association, and as granted by the General Meeting.

Meetings of the Board of Directors

In 2008, the Board of Directors of the Bank held eight meetings in total (including votings by correspondence), at which 25 resolutions were considered and passed, including amendments of the *Articles of Association*, working system on annual report, audit work procedures, financial budget plan, establishment of new branches, profits distribution, annual report for 2007, election of directors and supervisors, appointment of accounting firms and their remunerations, the caps of certain continuing related party transactions for the next three years, and written-off limit of non-performing loans for 2008, etc. Besides, the Board of Directors also listened to the working reports of the senior management regarding the operation of the Bank. Attendance rates of directors of the Bank during 2008 are as follows:

Directors	Times of Attendance	Attendance Rates
Kong Dan	8/8 meetings	100%
Chang Zhenming(2)	8/8 meetings	100%
Wang Chuan(3)	2/2 meetings	100%
Chen Xiaoxian	8/8 meetings	100%
Dou Jianzhong	8/8 meetings	100%
Ju Weimin	8/8 meetings	100%
Zhang Jijing	8/8 meetings	100%
Guo Ketong(4)	5/5 meetings	100%
Wu Beiying	8/8 meetings	100%
Chan Hui Dor Lam Doreen	8/8 meetings	100%
José Ignacio Goirigolzarri(5)	8/8 meetings	100%
Bai Chong'en	8/8 meetings	100%
Ai Hongde(6)	8/8 meetings	100%
Wang Xiangfei	8/8 meetings	100%
John Dexter Langlois(7)	4/4 meetings	100%
Xie Rong	8/8 meetings	100%

Notes: (1) According to *the Articles of Association*, a director can entrust other directors to attend board meetings and exercise voting rights on his/her behalf.

(2) Mr. Chang Zhenming did not attend the Board Meeting in person on 20 August 2008 and he entrusted another director to attend the meeting and exercise his voting rights by proxy.

(3) Mr. Wang Chuan attended the Board Meetings in person both on 19 March 2008 and 26 March 2008. In April 2008, Mr. Wang Chuan resigned as director.

(4) Mr. Guo Ketong was elected non-executive director of the Bank at the 2007 annual general meeting and was approved by CBRC in July 2008.

(5) Mr. José Ignacio Goirigolzarri did not attend the Board Meeting in person on 20 August 2008 and he entrusted another director to attend the meeting and exercise his voting rights by proxy.

(6) Mr. Ai Hongde did not attend the Board Meetings in person on 26 March 2008 and 20 August 2008 and he entrusted another director to attend the meetings and exercise his voting rights by proxy.

(7) Mr. John Dexter Langlois attended the Board Meetings on 19 March 2008 and 26 March 2008 respectively, but did not attend the Board Meetings in person on 29 April 2008 and 20 August 2008 and he entrusted another director to attend the meetings and exercise his voting rights by proxy.

The Execution of Resolution of the General Meeting by the Board

According to *Proposal of Report on Financial Accounting 2007* and *Profit Distribution Plan 2007* discussed and approved by annual general meeting for 2007, the Board of the Bank distributed dividends out of the profits as at the end of 2007 to both domestic and overseas shareholders;

According to *Proposal on Appointment of Accounting Firm in 2008 and Reward* discussed and approved by annual general meeting for 2007, the Board of the Bank appointed KPMG Huazhen for domestic accounting and KPMG for International accounting of the Bank for 2008;

According to *Proposal on Nominating Ms. Luo Xiaoyuan as External Supervisor, Proposal on Nominating Mr. Wang Chuan as Supervisor and Proposal on Nominating Mr. Guo Ketong as Director* discussed and approved by annual general meeting for 2007, Supervisor Mr. Wang Chuan and External Supervisor Ms. Luo Xiaoyuan have taken office on the Board of Supervisors and Non-executive Director Mr. Guo Ketong, newly appointed by the Board of Directors, has been approved by CBRC;

According to *Proposal on Amendment of Part of the Articles of Association of the Bank* discussed and approved at annual general meeting for 2007 and CBRC, the amended articles have taken effect;

According to *Proposal on Electing Mr. Li Zheping as Independent Director* discussed and approved at the First Extraordinary General Meeting 2008, Mr. Li Zheping was elected Independent Non-Executive Director of the Bank and his qualification has been approved by CBRC and he has taken the office formally;

According to *Proposal on Application of Caps in the Coming Three Years of Part of Continuing Related Party Transactions* discussed and approved at the First Extraordinary General Meeting 2008, the Bank has set the caps of continuing related party transactions carried out in the usual course of business which involve the transfer of credit assets and wealth management of the Bank for the next three years, and such limit has been implemented accordingly.

Responsibility Statement of Directors on Financial Reports

The following statement, which set out the responsibilities of the directors regarding the financial statements, should be read in conjunction with, but distinguished from, the auditor's statement of responsibilities as set out in the auditor's report contained in this annual report.

The directors acknowledge that they are responsible for preparing the financial statements of the Bank that truly represent the operating results of the Bank for each financial year. The directors are not aware of any events or conditions that could have material and adverse effect on the continuing operation of the Bank.

The Independence of Independent Non-executive Directors and their Performance

The independent non-executive directors of the Bank have no business or financial interests in the Bank and its subsidiaries, nor do they assume any managerial positions in the Bank. Their independence is best guaranteed. The Bank has already received annual confirmation letter of independence from all the independent non-executive directors and recognized their independence.

The independent non-executive directors of the Bank attended the meetings of the Board of Directors (with the attendance rate of 100%) and the specialized committees and actively expressed their opinions. They also expressed their opinions and provided guidance to the work of the management by means of on-site workshops and seminars. The offices of the chairman of the Audit and Related Party Transactions Control Committee and the chairman of the Nomination and Remuneration Committee are both sassumed by independent non-executive directors and independent non-executive directors account for the majority of the two committees. According to *the Independent Directors' Working System on Annual Report*, the independent directors of the Bank strengthened communication with auditors, giving full play to the function of independent supervision. In 2008, the independent directors did not raise any objections to the resolutions of the Board or the committees of the Bank.

Independent Non-Executive Directors' Statement on Undertakings Made By CITIC Group and CIFH in the Non-competition Deed

The independent non-executive directors of the Bank have made decision on the non-competition undertakings of CITIC Group and CIFH, and confirmed that the controlling shareholders of the Bank have complied with the Non-competition Deed. CITIC Group and CIFH have each made declarations to the Bank to confirm their compliance with the Non-competition Deed entered into with the Bank on 13 March 2007.

Compliance with *the Model Code for Securities Transactions by Directors of Listed Issuers*

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* under Appendix 10 of *the Hong Kong Listing Rules*, to regulate the securities transactions conducted by Directors and Supervisors. The Bank has made special inquiries with all Directors and Supervisors on this issue, and all Directors and Supervisors have confirmed that they have strictly complied with the provisions set out in the Model Code throughout the reporting period.

Specialized Committees under the Board of Directors

There are four specialized committees under the Board of Directors of the Bank, namely Strategic Development Committee, Audit and Related Party Transactions Control Committee, Risk Management Committee and Nomination and Remuneration Committee.

Strategic Development Committee

The Bank's Strategic Development Committee comprises six directors. They are Mr. Chang Zhenming, as chairman of the Committee, and Mr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Zhang Jijing and Mr. José Ignacio Goirigolzarri, as members of the Committee. The Committee's major responsibilities are to formulate and assess the Bank's business targets and long-term development strategies, business and organization development plans, major investment and financing plans as well as other important matters that would affect the Bank's development. The Committee has been authorized by the Board of Directors to supervise and examine the execution of annual business and investment plans, and to give advice to the Board.

In 2008, the Strategic Development Committee held three meetings in total, during which financial budget plan for 2008 and purchase of new office buildings by branches were discussed and approved. The Committee also listened to reports on operation plan and financial budget report of the Bank, development and the next strategic direction of the retail business of the Bank, and the progress of IT construction. Attendance rates of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Chang Zhenmin	3/3 meetings	100%
Wang Chuan(1)	2/2 meetings	100%
Chen Xiaoxian	3/3 meetings	100%
Dou Jianzhong	3/3 meetings	100%
Ju Weimin(2)	1/1 meeting	100%
Zhang Jijing(3)	3/3 meetings	100%
José Ignacio Goirigolzarri	3/3 meetings	100%

Notes: (1) Mr. Wang Chuan did not attend the Committee meeting in person on 25 February 2008 and he entrusted another director to attend the meeting and exercise his voting rights by proxy. In April 2008, Mr. Wang Chuan resigned as Director and a member of the Strategic Development Committee.

(2) Mr. Ju Weimin was elected member of Strategic Development Committee on the nineteenth meeting of the First Board of Directors.

(3) Mr. Zhang Jijing did not attend the Board Meeting in person on 16 December 2008 and he entrusted another director to attend the meeting and exercise the voting rights by proxy.

Audit and Related Party Transactions Control Committee

The Bank's Audit and Related Party Transactions Control Committee comprises six directors. They are Independent Non-executive Director Mr. Ai Hongde, as chairman, and Mr. Ju Weimin, Mr. Bai Chong'en, Mr. Xie Rong, Mr. Wang Xiangfei, and Mr. Li Zheping, as members of the Committee. The major responsibilities of the Committee involve the supervision of the Bank's internal controls, financial information and internal audit matters, identification of related parties of the Bank, and the review and filing of the Bank's related party transactions under relevant authorization.

In 2008, Audit and Related Party Transactions Control Committee held seven meetings in total, during which matters such as regular report, Rules of Procedure of the Committee, independent directors' working system on annual report, engagement of accounting firms, and approval of related party transactions within authority and so on were discussed.

Attendance rates of meetings of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Ai Hongde(1)	7/7 meetings	100%
Ju Weimin(2)	7/7 meetings	100%
Xie Rong	7/7 meetings	100%
Bai Chong'en	7/7 meetings	100%
Wang Xiangfei(3)	7/7 meetings	100%
John Dexter Langlois(4)	5/5 meetings	100%

Notes: (1) Mr. Ai Hongde did not attend the meeting in person on 21 March 2008, and he entrusted another director to attend the meeting and exercise his voting rights by proxy.

(2) Mr. Ju Weimin did not attend the meeting in person on 23 April 2008, and he entrusted another director to attend the meeting and exercise his voting rights by proxy.

(3) Mr. Wang Xiangfei did not attend the meeting in person on 23 April 2008, but he entrusted another director to attend the meeting and exercise his voting rights by proxy.

(4) Mr. John Dexter Langlois did not attend the meetings in person on 23 April 2008 and 13 August 2008, and he entrusted another director to attend the meetings and exercise his voting rights by proxy.

According to the requirements of CSRC and the designated corporate governance responsibilities, the Audit and Related Party Transactions Control Committee of the Bank played an important role in supervising the independent audit and disclosure of annual report 2008, thus maintained the independence of audit. The Committee discussed the financial accounting statements provided by the Bank. And by fully communicating with the internal audit department, the Committee believed that the statements were comprehensive and should be audited by CPAs of annual examination. After the initial audit opinions of CPAs of annual examination, the Committee reviewed the financial statements again and thought the statements truly, accurately and completely reflected the overall corporate situation of the bank after full communication with annual audit accounting firm (including KPMG Huazhen and KPMG undertaking domestic and overseas audit respectively). During the period, the Committee kept communicating with annual audit accounting firms about financial report audit 2008, and urged them to submit audit reports on schedule on the premise of assuring audit quality. In order to make relevant preparations, the Committee presided by Chairman Ai Hongde, directly communicated with annual audit CPAs on 21 January 2009. Upon negotiation, the attendees and the accounting firms determined the schedule of financial report audit 2008. On 4 March 2009, the Committee communicated with CPAs of annual examination again, listened to CPAs' reports about audit progress for 2008, and continuously urged the accounting firms to ensure the work progressing as scheduled by making follow-ups with draft financial statement audit reports. At the 12th Committee Meeting on 10 April 2008, all members listened to, reviewed and discussed the accounting firms' conclusive reports about corporate audit for 2008, and suggested submitting the reports to the Board for review; discussed the proposal on engaging accounting firm and its remuneration for 2009, and suggested the Bank to continue engaging KPMG Huazhen and KPMG as the Bank's domestic and overseas audit authorities respectively.

In addition, the Committee held discussions on the Bank's social responsibility, internal control and matters relating avoiding peers competition, and deliberated relevant proposals. The Committee also continued to strengthen the management and control of related transactions, further revised *Rules for the Implementation of Credit Management for Related Parties* according to domestic and International regulation requirements, discussed continuing related party transactions between the Bank and CITIC Group and its affiliates, annual cap and announcement, and listened to independent opinions by its independent non-executive directors.

Risk Management Committee

The Bank's Risk Management Committee comprises five directors. They are Mr. Chen Xiaoxian, as chairman, and Mr. Ju Weimin, Mr. Wu Beiying, Mr. Ai Hongde and Mr. Bai Chong'en, as members of the Committee. The Committee's major responsibilities are to formulate the Bank's risk management strategies, policies and measures, and internal control procedures, as well as to supervise and evaluate the risk management activities conducted by the relevant senior management and risk management departments.

In 2008, Risk Management Committee held two meetings in total, during which matters such as credit policy and the implementation thereof were discussed. Attendance rates of meetings of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Chen Xiaoxian	2/2 meetings	100%
Ju Weimin	2/2 meetings	100%
Wu Beiying	2/2 meetings	100%
Ai Hongde	2/2 meetings	100%
Bai Chong'en	2/2 meetings	100%

Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises five directors with Mr. Wang Xiangfei, the Bank's Independent Non-Executive Director, as chairman, and Mr. Guo Ketong, Mr. Ai Hongde, Mr. Xie Rong, and Mr. Bai Chong'en, as members of the Committee. The Committee's major responsibilities are to formulate the nomination procedures and standards for directors and senior management candidates, preliminarily review and discuss the qualifications and other experiences of directors and senior management, formulate and supervise the implementation of the compensation scheme for directors, supervisors and senior management, as well as other functions authorized by the Board.

In 2008, Nomination and Remuneration Committee held two meetings in total, during which matters such as report on the performance disclosure in annual report of Nomination and Remuneration Committee under the Board, proposal to the Board of nominating Mr. Li Zheping to the position of Independent Non-Executive Director, proposal of electing Mr. Ju Weimin as member of the Strategic Development Committee under the Board were discussed. Attendance rates of meetings of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Wang Xiangfei	2/2 meetings	100%
Ju Weimin(1)	2/2 meetings	100%
Guo Ketong (2)	0/0 meeting	—
Ai Hongde (3)	2/2 meetings	100%
Xie Rong	2/2 meetings	100%
Bai Chong'en	2/2 meetings	100%

Notes: (1) Mr. Ju Weimin was appointed as member of the Strategic Development Committee and resigned as member of the Nomination and Remuneration Committee at the nineteenth meeting of the First Board of Directors.

(2) Mr. Guo Ketong was appointed as member of Nomination and Remuneration Committee in the nineteenth meeting of the First Board of Directors.There was no Committee Meeting after Mr. Guo Ketong was elected member of the Committee.

(3) Mr. Ai Hongde did not attend the meeting in person on 21 March 2008, and he entrusted another director to attend the meeting and exercise his voting rights by proxy.

According to the regulatory requirements of CSRC and the designated corporate governance responsibilities, Nomination and Remuneration Committee under the Board studied and examined the corporate remuneration management system and the remuneration policies and schemes relating to directors, independent directors, supervisors, external supervisors and senior management in 2008, and supervised the implementation of remuneration schemes. The Committee is of the view that the senior management of the Bank, within the terms of reference specified in laws, regulations and articles of association, under the leadership and authorization of the Board, and under the supervision and guidance of the Board of Supervisors, performed integrity and diligence obligations in 2008, further enhancing corporate value and shareholders' value. Upon review, the Committee is of the view that the disclosed remunerations of directors, independent directors, supervisors, external supervisors and senior management complied with the remuneration policies, schemes, and disclosure standards required by domestic and overseas regulatory authorities of listed companies, which the Bank should observe. The Committee confirmed that the Bank did not implement any equity incentive schemes as at the end of 2008.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the Shareholders' General Meeting. The Board of Supervisors of the Bank consists of eight supervisors, including two external supervisors, 3 shareholder representatives, 3 employee supervisors. The quorum and composition of the Board of Supervisors comply with statutory requirements and *Articles of Association*. Members include Mr. Wang Chuan, as chairman of the Board of Supervisors, Mr. Wang Shuanlin, as vice chairman of the Board of Supervisors, and Ms. Zhuang Yumin, Ms Luo Xiaoyuan, Mr. Zheng Xuexue, Mr. Lin Zhengyue, Mr. Deng Yuewen and Mr. Li Gang as members of the Board of Supervisors. The principal functions of the Board of Supervisors include but are not limited to the following:

- to supervise directors and senior management in their fulfilment of duties and due diligence;
- to question directors and senior management;
- to propose to remove or institute legal proceedings on any directors or senior management who violates the laws, administrative regulations, regulations or Articles of Association or resolutions of the General Meeting;
- to review and supervise the financial operations of the Bank;
- to examine financial information and regular reports such as financial reports, business reports and profit distribution plans as proposed by the Board to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Bank to assist in the re-examination;
- to audit if necessary the business policies, risk management and internal control of the Bank and to guide the work of the internal control department of the Bank;
- within 5 working days after receipt of the regular reports submitted by senior management to the banking regulatory authority of the State Council, to express opinions on credit asset quality, asset-liability ratio, risk control and other matters in the said regular reports;
- to exercise other functions and powers as specified by relevant laws, administrative rules and regulations or these Articles of Association and as granted by the General Meeting.

In 2008, the Board of Supervisors of the Bank held eight meetings, and discussed and passed annual work report of the Board of Supervisors, regular reports and other relevant proposals. In addition, the Board of Supervisors supervised and examined the Bank's operations and management by attending Board of Directors meetings, making field study in some of the branches, considering various documents and receiving reports from management. For more information about the work of the Board of Supervisors in the reporting period, please refer to "Report of the Board of Supervisors" in Chapter 11.

Senior Management

Senior management is the executive body of the Bank and is accountable to the Board of Directors. The Bank's senior management is composed of eleven members. For specific information, please refer to Chapter 10 "Directors, Supervisors, Senior Management and Staff". There is a strict separation of duties and powers between the Bank's senior management and the Board of Directors. Under the authorization by the Board of Directors, the senior management determines the operational management and decision-making within its scope of authority. The Board of Directors assesses the performance of the senior management, and uses this as the basis for determining their remunerations and other incentive arrangements.

Internal Control

The Bank makes sure that the operation and management conform to laws and regulations, and ensures the safety of asset, the truthfulness and completeness of financial report and relevant information, and makes effort to realize the strategic and business objective as internal control objective, and fully sets up three preventive lines of internal control, gradually forming an internal control system which covers all aspects and the whole process of internal control.

- **Major measures taken by the Bank in the reporting period**

The Bank improved the internal control environment. The Bank optimized the corporate governance structure of the Company, enhanced the management on related party transactions so as to form an effective and scientific system of check and balance; optimized rating of administrative management system and the incentive and restraint mechanism, promoted FTP profit evaluation steadily, regulated the sequence of professional technologies, and endeavoured to explore a diversified distribution model; stepped up the construction of internal control, so as to fundamentally improve staff's ability to safeguard against ethical and operational risk.

The Bank optimized risk identification and continuous supervision measures. In respect of credit risk, the Bank comprehensively applied corporate clients credit risk rating system, launched corporate facility rating and the measurement of default risk exposure, and the retail rating; in respect of market risk, the Bank improved the reporting mechanism of transaction risk and market value; in respect of operational risk, the Bank enhanced check and balance and coordination of functions, strengthened the capacity of operation risk identification and continuous supervision; in respect of liquidity risk, the Bank continued to optimize the system of 3-level provisions and the early warning system.

The Bank enhanced the internal control measures. In respect of credit, the Bank implemented hierarchical authorization, promoted the establishment of an early warning control; in respect of the treasury market, the Bank strengthened the balance between internal and external control, established a risk evaluation and control system for fund transaction, and optimized the quick feedback mechanism against crisis; in respect of accounting and branch front desk management, the Bank centralized the account treatment, standardized the process of operation, and implemented real-time risk control; in respect of financial planning, the Bank further specified the multi-level loss-prevention authorization system for bond investment, and promoted the construction of evaluation system based on the returns on risk capital; in respect of intermediary business, the Bank implemented strict access system, and optimized the 3-level system; in respect of computer information system, the Bank regulated the application of development, quality control, system operation.

The Bank improved the supervision appraisal and rectification system. The bank has conducted an evaluation on internal control across the bank, intensively promoted the governance on specific issues one by one, and lauched an extensive education activity about "Six-ban", so as to prevent financial crimes effectively.

The Bank strengthened compliance management. In 2008, in accordance with the regulations of *Guidelines on Compliance Risk Management of Commercial Banks* of the CBRC, the Bank actively advocated the management philosophy of compliance operation, exercised codes of conduct on honesty and integrity, furthered optimized the organization system of compliance management, intensively organized compliance training and education for employees, and upheld compliance operation as the top priority, and risk control as the supreme principle of the Bank in order to continuously improve the management of compliance risk.

- **Self-evaluation Report on Internal Control**

The Bank has established a governance structure constituted by Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management, which forms a complete internal control system to prevent, control, supervise or rectify any risks in advance. The structure of internal control management of the Bank consists of three levels, namely the decision-making level, the development and execution level and the supervision and appraisal level. This structure has integrated the leadership of senior officers at various branch levels and functional departments and the participation of all staff within the Bank. At present, the Bank can perform well in ensuring the completeness, rationality and efficiency of internal control environment, risk identification and evaluation, internal control measures of major businesses, information exchange and feedback, supervision and appraisal and rectification, so that it can provide reasonable grounds to meet the Bank's business objective, and the steady growth of all businesses. The internal audit report is made available to the Board of Supervisors and Board of Directors, and the external supervisors and members of the Board of Directors can review the audit report at any time. In 2008, the Bank organized an evaluation on the internal control across the Bank to examine, evaluate and supervise all the business lines and the branches. The Bank has chosen renowned consulting firms as partners to practise *Basic Standard for Enterprise Internal Control* published by five governemnt departments and commissions.

- **Evaluation comments of the auditors**

The Bank confirmed that it has maintained effective internal control which was established in accordance with the requirements of *Guideline on Internal Control of Commercial Banks*, and related to the preparation of financial statements for all aspects. After examination by KPMG Huazhen and KPMG of the Bank, no major differences were found between the internal control evaluation relating to the preparation of the financial statements as stated in the *Self-evaluation Report of Internal Control* prepared by the management of the Bank and the auditor's audit on the aforesaid financial statements.

Internal Audit

The internal auditor of the Bank is responsible for the supervision and evaluation of the risk management, the adequacy and effectiveness of internal control across the Bank and reports to the Board of Directors, the Board of Supervisors, and the senior management in this regard. The Bank exercises dual management of the headquarters and branches on auditing work, and the headoffice arranges and coordinates the audit, as well as the deployment of personnel. In 2008, the Bank strengthened the independence, authority and effectiveness of internal audit, mainly by way of the following measures:

First, perfecting the internal audit management system. Established "eight-unification" operation model, namely the unification of management of audit plan, project operation, deployment of resources, process regulation, process control, reporting of results, tracking of restructuring, and management of filings.

Second, strengthening on-site inspection. On-site inspection performed by the Bank covers all key parts of the business, institution and risk control within the Bank, and the Bank also conducted no-notice[(1)] audit on high-risk areas.

Third, innovative auditing method. The first stage of off-site audit information system was fulfilled and applied to conduct off-site supervision, analysis and evaluation on the business, and the off-site collection, compilation and inspection, analysis and study on the data.

Fourth, strengthening of the internal audit team. By strengthening auditing capacity, improving personnel structure, and intensifying audit training, the overall quality and work capacity of the audit team can be improved constantly.

Management of Related Party Transactions

The Bank has always attached great importance to the management of related party transactions and prevented improper related party transactions by establishing a comprehensive corporate governance structure. After listing, the Bank has been subject to more stringent domestic and overseas regulations, and the related party transaction management system has been further improved.

In 2008, the Bank built on its existing foundation and further perfected its related party transaction management system in the following aspects. First, the *Measures Governing the Related Party Transactions* was passed at the 15th meeting of the First Board of Directors and was promulgated and implemented by the Bank. As a bank listed in both A-Share and H-Share market concurrently, the Bank have to comply with both the domestic and overseas regulatory requirements and under the principle of strict compliance, the Bank's related party transaction management framework was fully regulated in every aspects, from related natural persons to related companies, from credit extension to the Bank's on- and off-balance sheet businesses, to the division of functions among the senior management, the Board of Directors and the general meeting. Second, the Bank amended the original *Rules for the Implementation of Credit Management for Related Parties* in accordance with the domestic and overseas regulatory requirements, to further regulate the management of the review and approval process of the business in relation to credit extension to related parties, control the risk associated with credit extension to related parties and starting with the Bank's core business, i.e. credit extension business, the Bank has mitigated the operational risk that may arise from related party transactions.

Note: (1) "No-notice" audit means the audit department and personnel makes ad hoc on-site inspection to the to-be-audited department and personnel of the Bank without advance notice thereof.

During the reporting period, the Board of Directors of the Bank reviewed and approved numerous important proposals relating to related party transactions, including the 2009 credit extension proposal that extended a credit line in the total amount of up to RMB1.4 billion and USD66 million to CITIC Ka Wah Bank, in order to ensure that the Bank's related party transactions comply with relevant laws and regulations. In addition, the Bank applied for 3-year caps on continuing related party transactions in 2008 to 2010 so as to commence various business in a compliant manner. The resolution was reviewed, voted and passed by independent shareholders in an extraordinary general meeting. The passing of the resolution enabled the Bank to simplify the management of procedures in relation to transaction disclosure and shareholders' review and approval, enhance work efficiency and protect shareholders' interest under the premise of satisfying regulatory requirements.

In addition, in compliance with the domestic and overseas regulatory requirements, the Bank gathered and managed lists of all its related parties. The Bank's related parties are mainly CITIC Group and its subsidiaries, such as CITIC Trust, CITIC Securities and CITIC-Prudential Life Insurance. The Bank reviewed and approved general and major related party transactions according to different procedures and monitored its related party transactions according to the credit extension and non-credit extension business types. Credit extension business includes primarily on- and off-balance sheet business such as loan, acceptance and guarantee business. Non-credit extension business includes mainly the provision of third-party escrow service, investment product agency sales service, asset custody service, loan asset transfer and wealth management service. The Bank's proactive management measures enabled the Bank's related party transactions to better promote the comprehensive development of the Bank's business under the premise of compliance with domestic and overseas regulatory requirements, and full protection of the interest of minority shareholders.

Statement of Independence from the Controlling Shareholder

The Bank is completely independent from the controlling shareholder in business operation, personnel independence, assets, corporate structure and financial aspects. We have our own business separate from that of our controlling shareholder and have exercised independent operation.

From the perspective of business operation, the Bank has a comprehensive structure of business operation and has the ability to operate independently. The Bank has carried out its business within its scope of operation independently, and has not experienced interference or control by the controlling shareholder and other related parties. There was also no adverse impact on the Bank's operation of business in a fully independent manner due to the connected relationship with the controlling shareholder and other related parties.

From the perspective of human resources, the Bank has its own independent work force and a separate compensation and payroll system. Save for the President who also serves as the executive director and vice general manager of CITIC Group, none of the other members of senior management of the Bank have taken any position in the controlling shareholder and any other entities controlled by it; and none of the financial officers of the Bank have taken any offices in the controlling shareholder and any other entities controlled by it.

From the perspective of assets, the Bank has the ownership or use rights of the land and properties, as well as intellectual properties such as trademarks and domain names in relation to the operation of our business.

From the perspective of financial matters, the Bank has established an independent financial accounting department and a separate system of financial management to carry out independent financial decisions. We have set up our own account according to the law, which is separate from the account of the controlling shareholder. The procedure and requirements in relation to the opening of accounts with the Bank by the controlling shareholder are identical to those applicable to all other accounts opened with the Bank by third parties, and the accounts of the controlling shareholder are absolutely separated from the fund and account of the Bank.

From the perspective of corporate structure, we have established the Shareholders' General Meeting, Board of Directors, and Board of Supervisors, as well as other operational and management departments in accordance with needs of the Bank in carrying out the business. The Bank exercises its discretion in the operation and management of business, and there is no mix of corporate structure with that of the controlling shareholder.

Compliance with the *Code on Corporate Governance Practices* of the Hong Kong Listing Rules

The Bank endeavours to establish a good corporate governance mechanism, and believes that it is crucial to adopt an international leading corporate governance to safeguard the rights and interests of shareholders. The Bank has organized the corporate governance structure consisting of Shareholders' General Meeting, Board of Directors, Board of Supervisors and senior management, based on which, it has established and formed a set of integrated internal control system. The structure of internal control management of the Bank consists of three levels, namely the decision-making level, the development and execution level and the supervision and appraisal level. This structure has integrated the leadership of key officers of the Bank at various branch levels and functional departments and the participation of all staff of the Bank.

The Bank has been in compliance with the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the *Listing Rules by Hong Kong Stock Exchange* throughout the reporting period except for the following circumstances:

According to Code A.1.3 of the CG Code, a 14-day notice shall be given for each regular Board Meeting, whereas a 10-day notice to directors and supervisors is prescribed in Article 167 of the Articles of Association of the Bank. We adopted the 10-day prior notice for regular Board Meeting in the Articles of Association of the Bank because it is held that 10-day prior notice is sufficient according to PRC law.

Given the changes in external business environment, regulatory requirements, and the business scope and scale of the Bank, efforts on the improvement of internal control of the Bank are endless. The Bank will follow the requirements of external regulation and listed companies, and continuously optimize internal control management according to the standards of world's leading banks.

Appointment and Dismissal of Accounting Firm

As approved by the 2007 Annual Shareholders' General Meeting, the Bank employed KPMG Huazhen as its domestic accounting firm and KPMG as its overseas accounting firm for the year 2008. Ever since the Bank's IPO auditing in 2006, the two firms have been serving as the Bank's legal auditors.

Within the reporting period, the Bank (including its overseas subsidiary) paid RMB8.2 million (prepaid in 2007) for services provided by KPMG and KMPG Huazhen in respect of interim audit and annual audit 2007. Within the reporting period, the Bank incurred a total amount of RMB12,000,000 (including but not limited to the reimbursement of travel, accommodation and transportation expenses, communications and other miscellaneous charges) payable yet unpaid to KPMG and KPMG Huazhen for their interim review and annual audit service provided on the auditing of the Bank's financial statements 2008. The audit service charges of the Bank's overseas subsidiary payable yet unpaid to KPMG is HK$220,000. Except for the above-mentioned audit fees, the Bank has not paid any material non-audit service fees to KPMG.

Management of Investor Relations

The management team of the Bank has been attaching great importance to investor relations ever since listing. In 2008, in accordance with *Regulations on Information Disclosure of Listed Companies* and in the spirit of compliance, confidentiality, impartiality and efficiency, the investor relations of the Bank was well recognized and yield good results.

Based on publication of regular reports, the Bank organized and carried out large-scale releases and global road shows and media promotion, involving Europe, North America, Middle East, Hong Kong, mainland China, and Asia-Pacific Region, etc. and had extensive and intensive exchanges with investors and analysts, facilitating to set up the reputation of the Bank on capital markets.

In respect of application for the caps of continuing related party transactions, the Bank launched special road show, enhanced communication with investors, and fully realized the aim of maximizing the value for the Bank and investors by optimizing and utilizing the communication platform between the Bank and investors, thereby earning high compliments of investors and strengthing investors' trust on us.

During the daily management of investor relations, the Bank via various channels and media kept close communication with investors, held some 100 one-on-one and one-to-multiple press conferences and dozens of teleconferences, answered more than 5,000 inquiries from investor hotline, and more than 1,000 mails. Through the process of accumulation, the Bank has basically built up an investor relation network, and gradually established stable connection with investors.

Information Disclosure

The Bank disclosed its information in compliance with the securities regulatory requirements of the places of listing and trading of the Bank's securities to publish various regular reports and announcements to ensure the disclosure of information in a prompt, fair, accurate, authentic and complete manner, and to safeguard legitimate interests of investors and other parties concerned. Since the Bank has concurrently listed on Hong Kong Stock Exchange and Shanghai Stock Exchanges, the Bank will make sure it applies the more stringent disclosure requirements of the two stock exchanges during information disclosure to ensure equal treatment to all investors. In 2008, the Bank published 66 announcements according to requirements of domestic and overseas regulatory authorities. In order to promote the system building of information disclosure and to further enhance its transparency, the Bank has enacted *The Regulatory Measures on Information Disclosure, Rules for the Implementation of the Regulatory Measures on Information Disclosure, Significant Information Internal Reporting System*, which further regulated the content, form, procedure, and management of information disclosure.

Report of the Board of Directors

Principal Business

The Bank is engaged in banking and related financial services.

Major Customers

As of the end of the reporting period, the incomes from the biggest five customers constitute less than 30% of the total interest income and other operating income.

Profit and Dividends Distribution

The cash bonus of the Bank after the listing is listed as below:

Unit: in RMB million

Year of bonus distribution	Amount of cash bonus (including tax)	Net profit for the year of bonus distribution	Distribution ratio (%)
2007	2,088	8,290	25

The audited after-tax profit in the 2008 domestic financial statements prepared in accordance with PRC GAAP was RMB13.320 billion. The audited after-tax profit in the 2008 overseas financial statements prepared in accordance with International Financial Reporting Standards was RMB13.354 billion. The Board of Directors proposed to distribute the profit in 2008 as follows: 10% of the after-tax profit in the financial statements, which was prepared in accordance with PRC GAAP, was transferred to the statutory surplus reserve, totalling RMB1.332 billion; RMB3.985 billion was transferred to the general reserve; discretionary reserve would be not appropriated; by following the principle of the lower of the domestic and overseas audited profit, the distributable profit in 2008 was based on the data of financial statements prepared in accordance with domestic financial reporting standards. The proposed dividends distribution amounted to RMB3.33 billion. The total share capital of A-share and H-share shall be taken as base and the cash bonus of every 10 shares shall be RMB0.853 (before tax), which is denominated and declared in Renminbi. The dividend of A-share shall be paid in Renminbi. The dividend of H-share shall be paid in Hong Kong dollar, with the sum calculated in accordance with the average benchmark exchange rate of Renminbi released by the People's Bank of China one week (including the date of shareholders' general meeting) prior to the convening of shareholders' general meeting. The transfer of capital reserve to share capital plan was not applied in this year. The aforesaid profit distribution plan shall be submitted to 2008 Annual Shareholders' General Meeting for approval and implementation.

The base date for this dividend payment of H-share is 29 June 2009, i.e. the dividends shall be paid to all shareholders of H-share registered in the Bank's list of shareholders after close of stock market on 29 June 2009. The transfer registration of the shareholders of H-share will be temporarily suspended from Saturday, 30 May 2009 to Monday, 29 June 2009 (both dates inclusive). In case that the shareholders of H-share want to enjoy the right of being paid the final dividend but had not registered the transfer documents, such shareholders are required to deliver the transfer documents and the related share certificates to Computershare Hong Kong Investor Services Limited, the Hong Kong branch of the share registrar of H-share, before 4:30 p.m. on 29 May 2009. The address of Computershare Hong Kong Investor Services Limited is Room 1712–1716, Floor 17, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The base date for the payment of dividends to A-share shareholders and the relevant matters such as the specific form of payment shall be publicized upon negotiation between the Bank and the Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Reserve

The details of change of reserve as at the end of 2008 are set out in Notes 44, 45 and 46 of the financial statements in the annual report.

Distributable Reserve

The detailed information of distributable reserve is included in the consolidated statements of changes in equity of the financial statements of this annual report.

Financial Highlights

A summary of the operation results and assets and liabilities of the Bank during the three years ended on 31 December 2008 can be found in the "Financial Highlights" of the annual report.

Donations

The Bank has made donations totaling RMB32,558,400 during the reporting period.

Property and Equipment

The detailed information on changes in property and equipment as at 31 December 2008 is included in the Note 27 to the financial statements of the annual report.

Fixed Assets

The detailed information on changes in fixed assets for the year ended 31 December 2008 is included in the Note 27 to the financial statements of the annual report.

Subsidiary

The holding subsidiary of our Bank, CIFL, was established in 1984 with the place of incorporation and principal place of business in the Hong Kong Special Administrative Region, and obtained the "Money Lender License" issued by the Companies Registry of Hong Kong. Its business scope includes capital market investment, loans, financial consulting, investment banking and direct investment. As of the end of 2008, its registered capital was HKD25,000,000, the total assets in RMB was 897.31 million, the net asset in RMB was 60.87 million and the net profit in RMB was 4.07 million.

Share capital and Public Float

The detailed information on changes in share capital of the Bank during the reporting period is included in Note 43 to the financial statements of the annual report. According to the public information as at the date on which the annual report is printed, the Board of the Directors of the Bank is of the view that the Bank has enough public float.

Purchase, Sale or Redemption of Shares

During the reporting period, the Bank and any of its subsidiaries have not purchased, sold or redeemed any shares of the Bank.

Pre-emptive Rights

The Articles of Association of the Bank has not provided for any mandatory rules on pre-emptive rights. According to the Articles of Association, to increase its share capital, the Bank may issue stocks privately or publicly, allocate or issue new shares to the existing shareholders, transfer capital reserve to increase capital and in other means allowed by laws and administrative regulations as well as in any ways as approved by the relevant authorities.

Retirement and Benefits

The detailed information on the provision of retirement benefits to the employees is included in the Note 37 to the financial statements of the annual report.

Use of Proceeds Raised From the IPO and Material Investment of Funds Not Raised From the IPO

The proceeds raised by the Bank were used in accordance with the purpose as disclosed in the prospectus, namely all the proceeds were used in increasing the Bank's capital, enhancing the capital adequacy ratio and risk resolving.

During the reporting period, the Bank did not have any material investment of funds not raised from the IPO.

Issuance of Shares

During the reporting period, the detailed information on the Bank's issuance of shares is included in Chapter 7 "Changes in Share Capital and Shareholding of the Substantial Shareholders — Securities Issuing and Listing" of the annual report.

Shares, Underlying Shares or Debentures or Short Positions in the Bank Held by the Directors, Supervisors and Senior Management

As at the end of the reporting period, any interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporation (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance) as recorded in the register required to be kept by the Bank pursuant to section 352 of the Hong Kong Securities and Futures Ordinance or otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules which were held by the Directors, Supervisors and Senior Management are as follows:

Name of Director	The Associated Shareholding Corporation	Nature of Interests	Type/Number of Shares	Percentage in the Shares Capital Issued	Execution Period
Kong Dan	CITIC Resources Holdings Limited	personal interests	20,000,000 shares (L) options	0.33%	2008.3.7–2012.3.6
Chang Zhenming	CITIC Pacific Limited	personal interests	500,000 shares (L) options	0.01%	2007.10.16–2012.10.15
Chan Hui Dor Lam Doreen	CITIC Bank Corporation Limited	personal interests	2,974,689 shares (L) H shares	0.02%	—

Note: (L) refers to long position

Save as disclosed above, the directors, supervisors and senior management of the Bank have no interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporation during the reporting period.

Interests of Substantial Shareholders

Please refer to the disclosure in Chapter 7 "Changes in Share Capital and Shareholding of the Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Interests of Directors and Supervisors in Contracts of Significance

During the reporting period, the Bank, its holding companies or any of its subsidiaries or fellow subsidiaries have not, in relation to the business of the bank, entered into any significant contract in which a director or supervisor has material interests, whether directly or indirectly.

All directors and supervisors of the Bank have not entered into any service contract with the Bank or any of its subsidiaries which is unable to be terminated within one year or which requires any compensation to terminate the contract in addition to the statutory compensation.

Tax Deduction and Exemption

For tax deduction and exemption of the Bank, please refer to Chapter 6 "Management Discussion and Analysis — Financial Statement Analysis" of the annual report.

Auditors

The information on auditors of the Bank is included in Chapter 9 "Report of Corporate Governance" of the annual report. At the forthcoming 2008 annual shareholders' general meeting, the proposal for appointing the auditors of the Bank will be submitted for approval.

Relationships among Directors, Supervisors and Senior Management

There is no material financial, business, family or other relationships among members of the Directors, Supervisors and Senior Management.

Interest of Directors in Competing Business

None of the Directors of the Bank has any interest in business which directly or indirectly competes or may compete with our business.

Members of the Bank's Board of Directors

Executive directors:	Chen Xiaoxian, Wu Beiying
Non-executive directors:	Kong Dan, Chang Zhenming, Dou Jianzhong, Ju Weimin, Zhang Jijing, Chan Hui Dor Lam Doreen, Guo Ketong, José Ignacio Goirigolzarri
Independent non-executive directors:	Bai Chong-en, Ai Hongde, Xie Rong, Wang Xiangfei, Li Zheping

By order of the Board of Directors
Kong Dan
Chairman

Report of the Board of Supervisors

Information on Meetings of the Board of Supervisors

Meetings of the Board of Supervisors

During the reporting period, a total of 8 meetings were held by the Board of Supervisors of the Bank to review and pass nine proposals including the amendment of the Articles of Association of China CITIC Bank Corporation Limited (the "Articles of Association"), nomination of candidates of external supervisors, 2007 Annual Work Report of Board of Supervisors, election of chairman and vice chairman of Board of Supervisors, 2007 Annual Report, 2008 First Quarter Report, 2008 Interim Report and 2008 Third Quarter Report and so on. The status of members of Board of Supervisors attending the meetings of Board of Supervisors is as below:

Members of Board of Supervisors	Actual Attendance/ Required Attendance	Attendance Rate
Wang Chuan(2)	5/5	100%
Liu Chongming(3)(6)	2/2	100%
Wang Shuanlin(4)	8/8	100%
Zhuang Yumin(6)	8/8	100%
Luo Xiaoyuan	5/5	100%
Guo Ketong	2/2	100%
Zheng Xuexue	8/8	100%
Lin Zhengyue	8/8	100%
Deng Yuewen(5)	8/8	100%
Li Gang	8/8	100%

Notes: (1) According to the Articles of Association, the supervisors can entrust other supervisors in writing to be present at meetings by proxy.

(2) Mr. Wang Chuan was elected supervisor in the 2007 Annual Shareholders' General meeting. He was elected chairman in the 8th meeting of the First Board of Supervisors.

(3) Ms. Liu Chongming resigned from the position of supervisor in March 2008 due to retirement. Mr. Guo Ketong resigned from the position of supervisor in March 2008 due to adjustment of duties.

(4) Mr. Wang Shuanlin was elected vice chairman of the Board of Supervisors in the 8th meeting of the First Board of Supervisors.

(5) Mr. Deng Yuewen was unable to attend the meeting of 11 March 2008 in person and he entrusted other supervisor in writing to attend on his behalf and exercise voting right.

(6) Ms. Liu Chongming, Ms. Zhuang Yumin and Mr. Guo Ketong were unable to attend the meeting of 26 March 2008 and had all entrusted other supervisors to attend the meeting and exercise voting rights by proxy.

Works Performed by the Board of Supervisors

During the reporting period, from the perspective of protecting the interests of our shareholders and depositors, the Board of Supervisors has performed various duties faithfully under the laws and regulations and the Articles of Association. In accordance with the requirements of the regulatory authority and corporate governance, by convening meetings of the Board of Supervisors, sitting in on meetings of Board of Directors and relevant meetings of the management team, the Board of Supervisors grasped the status of operation of the Bank promptly, supervised the financial affairs and the performance of duties of directors and senior management. The Board of Supervisors conducted investigation and inspection of branches and sub-branches of the Bank, seeking improvement of work result and exploring the mode of work which best fits the Bank. Also, it strengthened communication with regulatory authority, participated in various regulatory training and meetings, had a deeper understanding of regulatory requirements and macro-economic environment and kept enhancing the ability of discharging its duties.

Discharge of Duties Faithfully, Strengthening Supervision of Financial Affairs, Supervising the Performance of Board of Directors and Senior Management

During the reporting period, the Board of Supervisors had reviewed and passed the 2008 Work Report of Board of Supervisors, amendment of Articles of Association, regular reports, etc. Due diligence was carried out in relation to the conformity with laws in the business operation, the authenticity of the financial reports, particulars of the acquisition and disposal of assets of the Bank, connected transactions, internal control mechanism and corporate governance. Independent opinion was also given.

The Board of Supervisors has attended all shareholders' general meetings held in 2008, sat in on all the meetings of Board of Directors and the various specialized committee meetings, meetings of presidents of all the banks throughout the country as well as work meetings of the presidents of some of the banks. By attending the meetings, information about the management and operation of the Bank can be grasped promptly. The validity and legitimacy of the meetings of shareholders, Board of Directors and management, voting procedure, discharge of duties by directors and senior management were all under supervision.

Actively Carrying Out the Investigation of Branches and Sub-branches and Peers, Refining the Work Mechanism of Board of Supervisors

In light of some important issues such as credit assets quality and the impact of financial turmoil, the Board of Supervisors visited 8 branches and sub-branches and conducted in-depth on-site investigation. At the same time, it also visited the peers and carried out research on the works of Board of Supervisors of the peers and learnt from the work model and experience of the Board of Supervisors of the peers. Special reports were formulated and the supervisory mechanism of the Board of Supervisors has been further improved.

Tightening Supervision of Internal Control, Effectively Facilitating Conformity with Laws and Regulations and Stable and Sound Operation

In accordance with the regulatory requirements, the Board of Supervisors actively participated in directing the Bank to establish a comprehensive internal control system under the relevant laws and regulations. By looking into the work of internal audit department and the problems discovered during audit checks conducted by external auditors, The Board of Supervisors identified any new issues and problems surrounding the ordinary course of business of the Bank. Also, by integrating with The Basic Standard for Enterprise Internal Control issued by the five ministries and commissions including the Ministry of Finance of the Ministry of PRC, the Board of Supervisors gave guidance to the establishment of internal control system and therefore reinforced the internal control, management and compliance with laws and regulations.

Active Learning and Development of Board of Supervisors

The Board of Supervisors actively participated in meetings such as the Annual Regulatory and Grading Report of China Banking Regulatory Commission ("CBRC") and especially conducted a study on the result of regulatory grading. It proposed to enhance the development of the Board of Supervisors and made suggestion on measures of strengthening the supervisory capabilities. At the same time, all members of the Board of Supervisors had participated in the 2008 training for directors and supervisors organized by the Beijing Branch of China Securities Regulatory Commission (the "Beijing Securities Regulatory Bureau") and have been granted certificates by the Beijing Securities Regulatory Bureau after passing the examinations.

Independent Opinions of Board of Supervisors on Relevant Issues

Operation is in Compliance With Laws

The Bank conducts its business in accordance with the Company Law, Law of the People's Republic of China on Commercial Banks (the "Law for Commercial Banks") and the Articles of Association of the Bank. The decision-making procedures are legitimate and valid. No violations of relevant laws and regulations as well as the Articles of Association of the Bank were found in directors and senior management in executing their duties that resulted in impairment of the interests of the Bank and its shareholders.

Authenticity of the Financial Report

The financial report of this year has reflected the financial condition and operating results of the Bank in an authentic, objective and accurate manner.

Use of Proceeds from IPO

During the reporting period, the real purpose of use of proceeds was consistent with those purposes as stated in the prospectus.

Purchase and Sale of Assets

During the reporting period, we did not find any purchase or sale of the assets of the Bank which might result in impairment of the interests of the shareholders or any act which results in the loss of the Bank's assets.

Related Party Transactions

During the reporting period, we did not find any related party transactions that might result in the impairment of the interests of the Bank or its shareholders.

Implementation of Resolutions Passed in Shareholders' General Meetings

The Board of Supervisors had no disagreement with the reports and proposals submitted to the Shareholders' General Meeting by the Board of Directors during the reporting period. The Board of Supervisors supervised the implementation of the resolutions passed at the meeting and believed that the Board of Directors of the Bank faithfully implemented the resolutions passed at the Shareholders' General Meeting.

Particulars of A-Share and H-Share Listing

On 27 April 2007, the Bank was successfully listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange concurrently. A total of 2,301,932,654 A shares and 5,618,300,000 H shares (including the state-owned shares that CITIC Group transferred to the National Council for Social Security Fund and the anti-dilution rights and the top-up rights exercised respectively by BBVA and CIFH) were issued as part of the initial public offering. Following the listing, the Bank had 39,033,344,054 shares in its total share capital, comprising 26,631,541,573 A shares and 12,401,802,481 H shares. The issue prices for A shares and H shares are RMB5.80 and HK$5.86 respectively, which equated to the same price upon the adjustment of exchange rate.

Funds raised from the initial public offering of A shares and H shares (before deduction of listing costs) were RMB45.818 billion in total, RMB13.351 billion of which was raised in the A-share offering, and about RMB32.467 billion, if denominated in RMB, in the H share offering.

Material Acquisitions, Disposals or Restructuring of Assets

Save and except as disclosed, the Bank did not have material acquisitions, disposals or restructuring of assets during the reporting period.

Material Contracts and Its Performance

During the reporting period, the Bank did not have material assets business with other companies to custody, contract or lease its assets, and did not entrust other companies to custody, contract or lease its assets.

The guarantee business is one of the off-balance-sheet items in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within the approved business scope of the Bank. The Independent Directors of the Bank examined the guarantees offered by the Bank to external parties in an impartial, fair and objective manner, independent opinions concerning guarantees that offered by the Bank to external parties are as follows:

1. Upon our inspection, the guarantees offered by the Bank to external parties are based on L/G, and such regular banking business within our business scope has been approved by PBOC and CBRC. As at 31 December 2008, the balance of L/Gs offered by the Bank was RMB44.886 billion.

2. The Company has been attaching importance to the risk management of the said business, and formulated credit standard of the guaranteed, and the operation flow and examination and approval procedure of security business based on the risk characteristics of the business. Within the reporting period, the said business ran well, with no illegal guarantee. We are of the view that the risk management of guarantee business by the Company is effective.

Significant Related Party Transactions

When entering into related party transactions, the Bank only entered into such transactions on normal commercial terms, the terms available to the related parties are no more favorable than those available to independent third parities of the same kind of transactions. Please refer to the section of Related Party Transactions set out in Note 56 Related Parties to the Financial Statements for detailed data of related party transactions.

Related Party Transactions of Credit Granting

As of the end of the reporting period, the loan balance extended by the Bank to related parties was RMB5.731 billion, increased by 104.90% from the beginning of the year, accounting for 0.88% of the net loan amount of the Bank. The risks of loans granted to the related parties are classified as normal, the loan amount, categories and quality would not have material impact on the normal operation of the Bank in terms of amount, catagories and quality. The following table sets forth the loans granted by the Bank to the shareholders holding 5% or more of the shares of the Bank at the end of the reporting period:

Unit: in RMB million

Name of the shareholder	Percentage of Shareholding (%)	Loan balance as of 31 December 2008	Loan balance as of 31 December 2007
CITIC Group	72.23	**380**	380
BBVA	5.10	**0**	0

As of the end of the reporting period, there was no capital exchange and appropriation occurred which violated the provisions of Zheng Jian Fa [2003] No. 56 and Zheng Jian Fa [2005] No. 120. The loan between the Bank and its biggest shareholder and its affiliated companies had no adverse impact on the operation and financial condition of the Bank.

During the reporting period, BBVA, a strategic investor of the Bank, increased its shareholdings in the Bank up to 5.1% of outstanding shares of the Bank at the end of the reporting period, and thus became a related party of the Bank. There was no related party transaction of credit extension between the Bank and BBVA.

Continuing Related Party Transactions of Non-Credit Granting

We conduct transactions with our connected persons in the ordinary and usual course of our business. We entered into connected transactions as well as executed continuing connected transaction agreements with our largest shareholders, CITIC Group and its associates, during 2008. The terms, annual caps and other details of the continuing connected transactions of the Bank for the year ended 31 December 2008 which are required to be reported in this annual report pursuant to Chapter 14A of the Hong Kong Listing Rules are set out below.

Third-Party Escrow Service Framework Agreement

On 4 November 2008, the Bank entered into the Third-Party Escrow Service Framework Agreement with CITIC Group. The agreement will expire on 31 December 2010 and is renewable subject to the agreement of the parties.

Pursuant to the agreement, the Bank provides third-party escrow services to CITIC Group and its associates in connection with the transaction settlement funds of the customers of securities companies. CITIC Group shall procure its associates to pay service fees to the Bank with respect to the third-party escrow services it provides. The third-party escrow services provided by the Bank shall be made on terms not more favourable to CITIC Group and its associates than those available to independent third parties.

The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The current standard of service fees charged by the Bank for third-party escrow services are equal to the total balance of the customers' accounts under management as at the end of each quarter multiplied by an annual interest rate ranging from 0.5% to 2.7% (which is to be converted into a daily rate), and the service fees will be deducted from the fund accounts of CITIC Group and its associates within three business days after the interest settlement date of each quarter.

As of 31 December 2008, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement for the year ended 31 December 2008 was RMB51 million. The actual amount incurred was RMB36 million.

Investment Product Agency Sales Service Framework Agreement

On 4 November 2008, the Bank entered into the Investment Product Agency Sales Service Framework Agreement with CITIC Group. The agreement will expire on 31 December 2010 and is renewable subject to the agreement of the parties.

Pursuant to the agreement, the Bank provides sale services to CITIC Group and its associates on an agency basis in relation to their different types of investment products. CITIC Group shall procure its associates to pay the sales commissions to the Bank with respect to the agency sales services it provides. The agency sale services to be provided by the Bank shall be made on terms not more favourable to CITIC Group and its associates than those available to independent third parties.

The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The current level of sales commission charged by the Bank for such agency sales service is between 0.3% and 35.0% of the face value of the investment products the Bank sell depending on the type of investment products.

As of 31 December 2008, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement for the year ended 31 December 2008 was RMB24 million. The actual amount incurred was RMB18 million.

Asset Custody Service Framework Agreement

On 4 November 2008, the Bank entered into the Asset Custody Service Framework Agreement with CITIC Group. The agreement will expire on 31 December 2010 and is renewable subject to the agreement of the parties.

Pursuant to the agreement, the Bank provides assets custody services to CITIC Group and its associates in connection with their financial assets funds. CITIC Group shall procure its associates to pay custody fees to the Bank with respect to the asset custody services the Bank provides. The asset custody services to be provided by the Bank shall be made on terms not more favourable to CITIC Group and its associates than those available to independent third parties.

The current custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The current custody fees charged by the Bank for such asset custody services range from 0.1% to 0.3% of the assets/funds under management depending on the types of asset/funds. The custody fees for certain special assets, such as company pension funds, is based on competitive market rate and charged at a level not more favorable to CITIC Group and its associates than those available to comparable independent third parties.

As of 31 December 2008, the annual cap for the transactions under the Asset Custody Service Framework Agreement for the year ended 31 December 2008 was RMB160 million. The actual amount incurred was RMB147 million.

Loan Asset Transfer Framework Agreement

On 4 November 2008, the Bank entered into the Loan Asset Transfer Framework Agreement with CITIC Group. The agreement will expire on 31 December 2010 and is renewable subject to the agreement of the parties.

Pursuant to the agreement, the Bank will sell and buy interest in loan and other related assets (including but not limited to loans, account receivables, creditors' interest and other financial assets) to and from CITIC Group and its associates. The transactions to be conducted by the Bank pursuant to the Loan Asset Transfer Framework Agreement shall be made on terms not more favourable to CITIC Group and its associates than those available to independent third parties.

The price payable by the transferee to the transferor shall be determined on the basis of the following principles: the statutory or guidance prices prescribed by the PRC government; where there is no government-prescribed price or guidance price, the market prices shall prevail; and where there is no such government-prescribed price or guidance price or market price, the price shall be determined by the book value of the loan assets after appropriate discounting to reflect the appropriate risks of the loan assets.

As of 31 December 2008, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement for the year ended 31 December 2008 was RMB40,138.00 million. The actual amount incurred was RMB40,138.00 million.

Wealth Management Service Framework Agreement

On 4 November 2008, the Bank entered into the Wealth Management Service Framework Agreement with CITIC Group. The agreement will expire on 31 December 2010 and is renewable subject to the agreement of the parties.

Pursuant to the agreement, the Bank will engage, for its own account or on behalf of its customers, CITIC Group and its associates to provide different types of wealth management services. The Bank shall pay the service fees to CITIC Group and its associates with respect to the wealth management services it provides to the Bank or the Bank's customers. CITIC Group and its associates shall perform their respective duties and charge appropriate fees based on the roles played by them in the cooperation with regard to the personal wealth management services. The wealth management service fee to be paid by the Bank shall be made on terms not more favourable to CITIC Group and its associates than those available to comparable independent third parties.

The wealth management fees payable to CITIC Group and its associates by the Bank shall be determined based on the relevant market rates and subject to review on a periodic basis, and CITIC Group and its associates shall perform their respective duties and charge relevant fees based on the services each of them provides in the cooperation with regard to the personal wealth management services. The rates are subject to the relevant market prices and the level of fees of the relevant wealth management products is subject to the disclosure in the corresponding wealth management product explanatory booklet which is disclosed to and agreed by the Bank's customers who purchase the relevant wealth management products.

As of 31 December 2008, the annual cap for the transactions under the Wealth Management Service Framework Agreement for the year ended 31 December 2008 was RMB1,050 million. The actual amount incurred was RMB147 million.

The independent non-executive directors of the Bank have reviewed the continuing connected transactions and have confirmed that these continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Bank;
(b) on normal business terms; and
(c) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of shareholders of the Bank as a whole.

The auditor of the Bank has obtained a full list of continuing connected transactions prepared by the Bank's management, and performed agreed-upon procedures, on a sample basis, with below findings:

(a) The continuing connected transactions have received the approval of the Bank's Board of Directors;
(b) The pricing of the continuing connected transactions are in accordance with pricing provision in relevant agreements related to connected transactions of the Bank;
(c) The continuing connected transactions have relevant agreements governing them; and
(d) The total amount of the continuing connected transactions this year have not exceeded the annual cap disclosed in previous announcements of the Bank.

Material Litigations and Arbitrations

The Bank has been involved in several lawsuits during its daily operation. Most of these lawsuits were sought by the Bank to enforce loan repayment. Besides, there were also lawsuits regarding disputes with clients. As at 31 December 2008, the Bank was involved in 41 lawsuits with the disputed amount exceeding RMB30 million (either as plaintiff or defendant), with a total disputed amount of RMB2.189 billion; there are 35 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendants, with a total dispute amount of RMB276 million. The management of the Bank holds that such litigations would not have any material impact on the financial situation of the Bank.

Shareholding in Other Listed Companies and Financial Enterprises

As of the end of reporting period, the following table sets out the shareholding of the Bank in the shares and securities of other listed companies:

Unit: RMB

No	Stock code	Abbreviation	Initial investment amount	Shareholding percentage	Book value at the end of the period	Gain or loss during reporting period	Book value at the beginning of the period	Changes in owner's equity during reporting period	Financial accounting subject	Source of investment
1	00762	China Unicom (HK)	15,795,000.00	—	7,348,182.66	(6,344,458.69)	15,795,000.00	—	Available-for-sale financial assets	Purchase in cash
2	V	Visa Card	—	—	8,406,233.36	—	—	—	Available-for-sale financial assets	Accquire for free
	Total		15,795,000.00	—	15,754,416.02	(6,344,458.69)	15,795,000.00	—	—	—

As of the end of reporting period, the following table sets out the shareholding of the Bank in non-listed financial enterprises:

Name of object company	Initial investment amount (RMB)	Shares Held (shares)	Shareholding percentage	Book value at the end of the period (RMB)	Gain or loss during reporting period (RMB)	Changes in owner's equity during reporting period	Financial accounting subject	Source of investment
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	1,400,000.00	—	Long-term equity investments	Purchase in cash

Note: Besides the equity investment set out in the above table, China Finacial Investments Limited, subsidiary of the Bank, has also held private equity fund with a net value of RMB287 million as at the end of the reporting period.

Apart from the abovementioned, the Bank did not hold any investments in other securities and shares of listed companies.

Punishment and Remedial Actions of the Bank, Board of Directors, Directors and Senior Management

During the reporting period, neither the Bank, the Board of Directors, any Directors nor Senior Management was subject to any investigation of CSRC, administrative punishment, banning the entry to securities markets, criticism by notice circulation, identification as inappropriate candidate, punishment by other administrative departments, public reprimand from any stock exchanges, or was subject to any punishment that imposes material impact on the Bank's operating activities from other regulatory authorities.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

There is no appropriation of funds by controlling shareholder and other related parties in the Bank. The auditor has issued the *2008 Special Statement on Fund Appropriation by Controlling Shareholder and Other Related Parties of China CITIC Bank Corporation Limited.*

Undertakings of the Bank or Its Shareholders Holding More Than 5% Shares in the Bank

Shareholders have no new undertakings during reporting period, and the undertakings within reporting period are same as the contents disclosed in 2008 interim report. The Bank is not aware that shareholders with shareholding of 5% or above in the Bank conducted any incompliance with former undertakings.

Auditor's Report and Financial Report

Independent auditor's report to the shareholders of China CITIC Bank Corporation Limited
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 145 to 247, which comprise the consolidated and Bank balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong,

28 April 2009

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Interest income		**58,867**	41,494
Interest expense		**(22,776)**	(15,324)
Net interest income	6	**36,091**	26,170
Fee and commission income		**3,453**	2,365
Fee and commission expense		**(408)**	(285)
Net fee and commission income	7	**3,045**	2,080
Net trading gain/(loss)	8	**1,163**	(834)
Net (loss)/gain from investment securities	9	**(290)**	284
Other operating income		**363**	255
Operating income		**40,372**	27,955
General and administrative expenses	10	**(16,148)**	(11,795)
Provisions for impairment losses on			
— loans and advances to customers	11	**(5,379)**	(2,860)
— others	11	**(1,065)**	(128)
Profit before taxation		**17,780**	13,172
Income tax	15	**(4,426)**	(4,850)
Net profit		**13,354**	8,322
Attributable to:			
Shareholders of the Bank		**13,354**	8,322
Minority interests		**—**	—
Net profit		**13,354**	8,322
Profit appropriations	47	**2,088**	726
Earnings per share attributable to shareholders of the Bank			
— Basic and diluted (Renminbi)	16	**0.34**	0.23

The notes on pages 151 to 247 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2008	31 December 2007
Assets			
Cash and balances with central bank	17	**206,936**	123,369
Deposits with banks and non-bank financial institutions	18	**31,303**	15,565
Placements with banks and non-bank financial institutions	19	**19,143**	11,090
Trading financial assets	20	**7,755**	6,500
Positive fair value of derivatives	21	**5,357**	2,049
Financial assets held under resale agreements	22	**57,698**	118,046
Interest receivable	23	**3,941**	3,359
Loans and advances to customers	24	**651,352**	565,866
Available-for-sale financial assets	25	**85,317**	43,957
Held-to-maturity investments	26	**105,151**	109,391
Fixed assets	27	**9,129**	8,568
Intangible assets	28	**118**	83
Deferred tax assets	29	**2,068**	954
Other assets	30	**2,884**	2,389
Total assets		**1,188,152**	1,011,186
Liabilities			
Deposits from banks and non-bank financial institutions	32	**108,605**	96,609
Placements from banks and non-bank financial institutions	33	**963**	639
Trading financial liabilities	34	**139**	—
Negative fair value of derivatives	21	**5,579**	1,914
Financial assets sold under repurchase agreements	35	**957**	15,754
Deposits from customers	36	**945,835**	787,211
Accrued staff costs	37	**5,170**	2,996
Taxes payable	38	**3,788**	4,187
Interest payable	39	**6,427**	4,092
Provisions	40	**50**	40
Subordinated debts/bonds issued	41	**12,000**	12,000
Deferred tax liabilities	29	**—**	13
Other liabilities	42	**2,978**	1,640
Total liabilities		**1,092,491**	927,095
Equity			
Share capital	43	**39,033**	39,033
Capital reserve	44	**36,525**	36,525
Investment revaluation reserve		**(121)**	(98)
Properties revaluation reserve		**487**	156
Surplus reserve	45	**2,161**	829
General reserve	46	**7,716**	3,731
Retained earnings		**9,864**	3,915
Exchange difference		**(7)**	(5)
Total equity attributable to shareholders of the Bank		**95,658**	84,086
Minority interests		**3**	5
Total equity		**95,661**	84,091
Total equity and liabilities		**1,188,152**	1,011,186

Approved and authorised for issue by the board of directors on 28 April 2009.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	President	Assistant President	Head of planning and financial department

The notes on pages 151 to 247 form part of these financial statements.

Balance Sheet

As at 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2008	31 December 2007
Assets			
Cash and balances with central bank		**206,936**	123,360
Deposits with banks and non-bank financial institutions		**31,298**	15,560
Placements with banks and non-bank financial institutions		**19,900**	11,608
Trading financial assets		**7,755**	6,500
Positive fair value of derivatives		**5,357**	2,049
Financial assets held under resale agreements		**57,767**	118,046
Interest receivable		**3,943**	3,359
Loans and advances to customers		**650,942**	565,659
Available-for-sale financial assets		**85,077**	43,670
Held-to-maturity investments		**105,044**	109,348
Investment in subsidiaries		**33**	33
Fixed assets		**9,106**	8,909
Intangible assets		**118**	82
Deferred tax assets		**2,065**	954
Other assets		**2,836**	2,011
Total assets		**1,188,177**	1,011,148
Liabilities			
Deposits from banks and non-bank financial institutions		**108,605**	96,609
Placements from banks and non-bank financial institutions		**963**	639
Trading financial liabilities		**139**	—
Negative fair value of derivatives		**5,579**	1,914
Financial assets sold under repurchase agreements		**957**	15,754
Deposits from customers		**945,842**	787,214
Accrued staff costs		**5,168**	2,996
Taxes payable		**3,791**	4,184
Interest payable		**6,427**	4,092
Provisions		**50**	40
Subordinated debts/bonds issued		**12,000**	12,000
Deferred tax liabilities		**—**	4
Other liabilities		**2,969**	1,624
Total liabilities		**1,092,490**	927,070
Equity			
Share capital		**39,033**	39,033
Capital reserve		**36,525**	36,525
Investment revaluation reserve		**(72)**	(89)
Properties revaluation reserve		**487**	155
Surplus reserve		**2,161**	829
General reserve		**7,716**	3,731
Retained earnings		**9,837**	3,894
Total equity		**95,687**	84,078
Total equity and liabilities		**1,188,177**	1,011,148

Approved and authorised for issue by the board of directors on 28 April 2009.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	President	Assistant President	Head of planning and financial department

The notes on pages 151 to 247 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Capital Reserve	Investment revaluation reserve	Properties Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2008		**39,033**	**36,525**	**(98)**	**156**	**829**	**3,731**	**3,915**	**(5)**	**5**	**84,091**
Movements during the year											
(I) Net profit		—	—	—	—	—	—	13,354	—	—	13,354
(II) Gain and loss directly recognised in equity											
1. Net change in fair value of available-for-sale investments											
(1) Recognised in equity		—	—	(68)	—	—	—	—	—	(2)	(70)
(2) Recognised in income statement		—	—	40	—	—	—	—	—	—	40
2. Deferred tax in relation to items recognised in equity	29(b)	—	—	5	—	—	—	—	—	—	5
3. Revaluation gain of bank premise		—	—	—	331	—	—	—	—	—	331
(III) Profit appropriation											
1. Appropriations to surplus reserve	45	—	—	—	—	1,332	—	(1,332)	—	—	—
2. Appropriations to general reserve	46	—	—	—	—	—	3,985	(3,985)	—	—	—
3. Appropriations to shareholders	47	—	—	—	—	—	—	(2,088)	—	—	(2,088)
(IV) Exchange difference		—	—	—	—	—	—	—	(2)	—	(2)
As at 31 December 2008		**39,033**	**36,525**	**(121)**	**487**	**2,161**	**7,716**	**9,864**	**(7)**	**3**	**95,661**

	Note	Share capital	Capital reserve	Investment revaluation reserve	Properties Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2007		31,113	(391)	(14)	102	—	—	879	—	5	31,694
Movements during the year											
(I) Net profit		—	—	—	—	—	—	8,322	—	—	8,322
(II) Gain and loss directly recognised in equity											
1. Net change in fair value of available-for-sale investments											
(1) Recognised in equity		—	—	(100)	—	—	—	—	—	—	(100)
(2) Recognised in income statement		—	—	(8)	—	—	—	—	—	—	(8)
2. Deferred tax in relation to items recognised in equity	29(b)	—	—	24	—	—	—	—	—	—	24
3. Revaluation gain of bank premise		—	—	—	54	—	—	—	—	—	54
(III) Changes in share capital											
1. Share issued		7,920	36,916	—	—	—	—	—	—	—	44,836
(IV) Profit appropriation											
1. Appropriations to surplus reserve	45	—	—	—	—	829	—	(829)	—	—	—
2. Appropriations to general reserve	46	—	—	—	—	—	3,731	(3,731)	—	—	—
3. Appropriations to shareholders	47	—	—	—	—	—	—	(726)	—	—	(726)
(V) Exchange difference		—	—	—	—	—	—	—	(5)	—	(5)
As at 31 December 2007		39,033	36,525	(98)	156	829	3,731	3,915	(5)	5	84,091

The notes on pages 151 to 247 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Operating activities			
Profit before taxation		**17,780**	13,172
Adjustments for:			
— Revaluation loss on investments and derivatives		**291**	812
— Investment losses		**86**	141
— Net (gain)/loss on disposal of fixed assets		**(3)**	2
— Unrealised foreign exchange loss		**639**	626
— Impairment losses		**6,444**	2,988
— Depreciation and amortisation		**886**	780
— Interest expense on subordinated debts/bonds issued		**632**	588
		26,755	19,109
Changes in operating assets and liabilities:			
Increase in balances with central bank		**(10,083)**	(43,560)
(Increase)/decrease in deposits with banks and non-bank financial institutions		**(727)**	677
Decrease/(increase) in placements with banks and non-bank financial institutions		**573**	(323)
Increase in trading financial assets		**(2,053)**	(1,788)
Decrease/(increase) in financial assets held under resale agreements		**60,348**	(73,235)
Increase in loans and advances to customers		**(90,647)**	(112,041)
Increase in other operating assets		**(1,235)**	(1,749)
Decrease in amounts due to central bank		**—**	(160)
Increase in deposits from banks and non-bank financial institutions		**11,996**	65,288
Increase/(decrease) in placements from banks and non-bank financial institutions		**324**	(2,503)
Increase/(decrease) in trading financial liabilities		**130**	(81)
(Decrease)/increase in financial assets sold under repurchase agreements		**(14,797)**	14,010
Increase in deposits from customers		**158,624**	168,799
Income tax paid		**(6,056)**	(1,376)
Increase/(decrease) in other operating liabilities		**7,079**	(1,548)
Net cash flows from operating activities		**140,231**	29,519

The notes on pages 151 to 247 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Investing activities			
Proceeds from disposal and redemption of investments		**371,524**	254,118
Proceeds from disposal of fixed assets, land use rights, and other assets		**68**	62
Payments on acquisition of investments		**(427,619)**	(287,898)
Payments on acquisition of fixed assets, and land use rights		**(1,523)**	(1,408)
Cash received from equity investment income		**1**	3
Net cash flows from investing activities		**(57,549)**	(35,123)
Financing activities			
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid		**—**	44,843
Cost of issuing shares paid		**(22)**	—
Interest paid on subordinated debts/bonds issued		**(632)**	(551)
Dividends paid		**(2,088)**	—
Profit paid to CITIC Group		**—**	(726)
Net cash flows from financing activities		**(2,742)**	43,566
Net increase in cash and cash equivalents		**79,940**	37,962
Cash and cash equivalents as at 1 January		**90,545**	53,027
Effect of exchange rate changes on cash and cash equivalents		**(1,836)**	(444)
Cash and cash equivalents as at 31 December	48	**168,649**	90,545
Cash flows from operating activities include:			
Interest received		**58,285**	40,152
Interest paid, excluding interest expense on Subordinated debts/bonds issued		**(19,809)**	(13,864)

The notes on pages 151 to 247 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

1 Company status

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006, and headquartered in Beijing.

The Bank obtained the financial service certificate No.B10611000H0001 on 26 December 2006, as approved by the China Banking Regulatory Commission (the "CBRC"), and the business license No.1000001000600 on 31 December 2006, as approved by the State Administration for Industry and Commerce of the PRC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council").

CNCB (previously known as "CITIC Industrial Bank") was a state-owned financial institution established on 7 April 1987 with the approval of the State Council. CITIC Industrial Bank was wholly owned by CITIC Group Company ("CITIC Group"), which was previously known as China International Trust and Investment Corporation. The name CITIC Industrial Bank was changed to China CITIC Bank on 2 August 2005.

China CITIC Bank was restructured into the Bank by the end of 2006. With the approval from the CBRC, CITIC Group and CITIC International Finance Holdings Limited ("CIFH"), a CITIC Group fellow subsidiary, as joint promoters established the Bank as a joint stock company in December 2006 and renamed China CITIC Bank into China CITIC Bank Corporation Limited.

The Bank issued A shares and H shares through initial public offerings (the "Offerings") in April 2007. Upon completion of the Offerings, the Bank has issued in total 26,632 million A shares and 12,401 million H shares, which were then listed on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively. All A shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business and other financial services.

As at 31 December 2008, the Group mainly operates in Mainland China with branches covering 23 provinces, autonomous regions and municipalities. The newly-established branches in 2008 are Harbin branch and Nanning branch.

The financial statements were approved by the Board of Directors of the Bank on 28 April 2009.

The particulars of the Bank's principal subsidiary as at 31 December 2008 are set out below. The results and affairs of its subsidiaries have been consolidated into the financial statements of the Group.

Name of the company	Place of incorporation and operation	Particulars of the issued and paid up capital	% of ownership directly held by the Bank	Principal activities
China Investment and Finance Limited	Hong Kong	250,000 shares of HK$100 each	95%	Money lending

2 Basis of preparation

The accounting year of the Group is from 1 January to 31 December.

The consolidated financial statements for the year ended 31 December 2008 comprise the Bank and its subsidiaries.

The functional currency of the Bank is Renminbi. The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the financial statements according to Note 4(2)(b). The financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

The financial statements of the Group are prepared on historical cost, except for the following assets and liabilities which are stated at their fair value: financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets, except those for which a reliable measure of fair value is not available; and properties.

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(19).

3 Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRS and its interpretations promulgated by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The Bank early adopted IFRIC 13 and the impact on prior accounting period was considered not significant.

Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures) addresses the permission to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in particular circumstances, and transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables if the financial asset had not been designated as available for sale and the Group has the intention and ability to hold that financial asset for the foreseeable future. The Group has not made such reclassification during the year ended 31 December 2008.

3 Statement of compliance (Continued)

The Group has not adopted other new standards and interpretations not yet effective for the current accounting period (see Note 57).

The accounting policies set out below have been applied consistently by the Group in the preparation of these financial statements.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

Subsidiaries and minority interests

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statement, the Bank shall make necessary adjustment on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's equity that is not attributable to the Bank is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests".

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation (such as the articles of association or agreement stipulate) to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

4 Significant accounting policies and accounting estimates (Continued)

(2) Foreign currency translations

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange at the balance sheet date. The resulting exchange differences are recognised in income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in income statement, except for the differences arising from the translation of available-for-sale equity investments, which is recognised in shareholders' equity.

(b) Translation of financial statements denominated in foreign currency

The foreign currency financial statements are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the foreign currency financial statements are translated into Renminbi at the spot exchange rates prevailing at the balance sheet date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses in the income statement are translated into Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions. The resulting exchange differences are presented as "exchange difference" in the consolidated balance sheet within the shareholder's equity.

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through the income statement, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through the income statement

Financial assets and financial liabilities at fair value through the income statement include those classified as held for trading, and those designated by the Group upon recognition as at fair value through the income statement.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) Categorisation (Continued)

Financial assets and financial liabilities at fair value through the income statement (Continued)

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets and financial liabilities are designated at fair value through the income statement upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets or financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (1) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (2) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

Held-to-maturity investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through the income statement or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise balances with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) Categorisation (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through the income statement, (ii) held-to-maturity investments or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through the income statement, and mainly comprise borrowing from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and subordinated debts/bonds issued.

(b) Derivatives and embedded derivatives

Derivatives mainly include forward and swap contracts performed in foreign currency market and interest rate market. The Group uses derivatives to hedge its exposure on foreign exchange and interest rate risks, and does not adopt hedge accounting to account for such derivatives. Derivatives are recognised at fair value. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Certain derivative is embedded into a non-derivative instrument (the host contract). The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement. When the embedded derivative is separated, the host contract is accounted for in accordance with Note 4(3)(a).

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised in the balance sheet, when and only when, the Group becomes a party to the contractual provisions of the instrument.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(c) Recognition and derecognition (Continued)

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset have been retained, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged/cancelled, or (ii) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement for the period.

(d) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through the income statement, transaction costs that are directly attributable to the acquisition or issue of the instruments. Transaction costs for financial instruments at fair value through the income statement are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost under effective interest rate method, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

A gain or loss on a financial instrument classified as at fair value through the income statement is recognized in profit or loss.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(d) Measurement (Continued)

A gain or loss on an available-for-sale financial asset is recognized directly in shareholders' equity, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in shareholders' equity are removed from shareholders' equity and recognized in the income statement.

For financial instrument carried at amortised cost, a gain or loss is recognized in the income statement when the financial instrument is derecognized, impaired, or through the amortization process.

(e) Impairment

The Group assesses at the balance sheet date the carrying amount of a financial asset (other than those at fair value through the income statement). If there is objective evidence that the financial asset is impaired, the Group will recognize the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

— disappearance of an active market for that financial asset because of financial difficulties of the issuer;

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

— other objective evidence indicating there is an impairment of a financial asset.

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in the income statement.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans not considered individually significant and individually assessed loans with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognized and recorded in the income statement.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

Loans and receivables and held-to-maturity investments (Continued)

Collective assessment (Continued)

Individually assessed loans and receivables with no objective evidence of impairment, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognized on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

Collective assessment covers those loans and receivables that were impaired at the balance sheet date but was not individually identified as such until some time in the future. As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of financial assets.

Impairment reversal and loan written-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal, had the impairment not been recognised. The amount of the reversal is recognised in the income statement.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in the income statement through impairment losses.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

Loans and receivables and held-to-maturity investments (Continued)

Renegotiated loans

Renegotiated loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. The renegotiated loans are classified as impaired loans and advances and assessed individually for impairment upon restructuring. Renegotiated loans are subject to ongoing monitoring. Should the renegotiated loans, after being verified, meet specific standards by the end of monitoring period, it is no longer considered to be impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in shareholders' equity is removed from shareholders' equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from shareholders' equity is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in the income statement.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be treated in accordance with following principle: (i) the impairment loss on debt instruments classified as available-for-sale should be reversed, with the amount of the reversal recognised the income statement; (ii) the impairment loss on equity instruments classified as available-for-sale should not be reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in shareholders' equity; or (iii) the impairment loss of available-for-sale equity investments carried at cost should not be reversed. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instrument and that techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale and repurchase agreements on the balance sheet. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the sale and repurchase consideration, and that between the purchase and resale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

4 Significant accounting policies and accounting estimates (Continued)

(4) Investment in subsidiaries

Investment in subsidiaries is accounted for at cost in the separate financial statements of the Bank, and consolidated and included in consolidated financial statement according to the policy set out in Note 4(1). At initial recognition, investment in subsidiaries is measured as: the cost of acquisition determined at the acquisition date when the subsidiaries are obtained through business combination; or the cost of capital injected into the subsidiaries which is set up by the Group.

(5) Fixed asset

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction-in-progress, an item of property and equipment, represents property and equipment under construction and is transferred to fixed assets when ready for its intended use.

(a) Cost or revaluation

Fixed assets are stated at cost upon initial recognition.

Subsequent to initial recognition, the Group adopts a revaluation policy to carry all classes of bank premises at revaluation, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of bank premises does not differ materially from that which would be determined using fair values at the balance sheet date.

Increases in the carrying amount arising on revaluation of each bank premises are credited to revaluation reserves. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

(b) Subsequent costs

The Group recognises in the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

4 Significant accounting policies and accounting estimates (Continued)

(5) Fixed asset (Continued)

(c) Depreciation

Depreciation is calculated to write off the cost or revalued value, less residual value if applicable, of fixed assets and is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

	Estimated useful lives
Bank premises	30–35 years
Computer equipment and others	5–10 years

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each balance sheet date.

(d) Impairment

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised in the income statement except for property where it is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the greater of the net selling price and value in use.

If in a subsequent period the amount of impairment loss for fixed assets carried at cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowances are reversed through the income statement. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in the income statement in prior years.

(e) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of disposal or retirement. In respect of the disposal or retirement of property, any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(6) Land use rights

Land use rights are stated at cost less amortisation. Land use rights are amortised on a straight-line basis over the respective periods of grant.

4 Significant accounting policies and accounting estimates (Continued)

(7) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the income statement. Impaired intangible assets are amortised net of accumulated impairment losses.

(8) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses. Allowances for repossessed assets where indicators of impairment have disappeared are reversed through the income statement with the reversal limited to the original allowances provided.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the income statement.

(9) Provision for impairment of non-financial assets

The Group assesses at the balance sheet date whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group determine the recoverable amount of a Cash Generating Unit ("CGU") to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the income statement. For CGU or group of CGUs, the amount of impairment loss first reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

4 Significant accounting policies and accounting estimates (Continued)

(9) Provision for impairment of non-financial assets (Continued)

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(10) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for service rendered by employees. Except for the termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the income statement. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values in balance sheet.

(a) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, The Group has joined a defined contribution retirement plan for the employees arranged by local government organisations of labour and social security. The Group is required to make contributions to a separate entity which could be the government or publicly administered retirement schemes at certain rates of the salaries, bonuses and certain allowances of its employees. The contributions are charged to the profit or loss for the current period on an accrual basis. A member of the schemes is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date, payable by local government organisations of labour and social security.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross wages which are expensed in the income statement when the contributions are made.

(b) Housing provident funds and other social insurance

Apart from retirement benefits, in accordance with the related laws, regulations and policies of the PRC, the Group participates in required social insurance programmes, including housing provident funds, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. The Group makes contributions of housing provident funds and social insurance to government agencies in a certain percentage of salary and expensed in the income statement.

4 Significant accounting policies and accounting estimates (Continued)

(10) Employee benefits (Continued)

(c) Supplementary retirement benefits

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine its present values. In calculating the Group's obligations, any cumulative unrecognised gains or losses is recognised in the income statement.

(11) Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A possible obligation arising from past transactions or events whose existence can only be confirmed by the occurrence or non-occurrence of one or more future uncertain events; or a present obligation that arises from past transactions or events and it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(12) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statement as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

4 Significant accounting policies and accounting estimates (Continued)

(13) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(a) Interest income

Interest income arising from the use of entity assets by others is recognised in income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in the income statement when the corresponding service is provided.

(c) Dividend income

Dividend income from unlisted equity investment is recognised in the income statement on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 Significant accounting policies and accounting estimates (Continued)

(14) Income tax

Current income tax is the expected tax payables on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(15) Cash equivalents

Cash equivalents comprise non-restricted balances with central banks, banks and non-bank financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(16) Profit distribution

The proposed dividend which is approved and declared after the balance sheet date are not recognised as a liability in the balance sheet and disclosed as a subsequent event after the balance sheet date in the note to the financial statements separately. Dividend payable is recognised as liabilities in the period in which they are approved.

4 Significant accounting policies and accounting estimates (Continued)

(17) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control or exercise significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties are included but not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) an jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Group's parent and close family members of such individuals;

(k) other entities that are controlled, jointly controlled, or significantly influenced by the Group's principal individual investors, key management personnel, or close family member of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(18) Segment reporting

The Group discloses its business and geographical segment information in the financial statements. A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and rewards that different from those of other segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and rewards that are different from those of other segments.

4 Significant accounting policies and accounting estimates (Continued)

(19) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity security investments

The Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity security investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sales or held-to-maturity security investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For impairment loss for held-to-maturity security investments, the Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt security is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

When loans and advances and held-to-maturity security investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity security investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management review the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, and financial information regarding the investee.

4 Significant accounting policies and accounting estimates (Continued)

(19) Significant accounting estimates and judgements (Continued)

(c) Fair value of financial instruments

The fair values for financial instruments without active market to provide quoted price are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified before implementation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on Group-specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management make significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

5 Taxation

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

(Expressed in millions of Renminbi unless otherwise stated)

5 Taxation (Continued)

City construction tax

City construction tax is calculated as 1%–7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

On 16 March 2007, the Tenth National People's Congress Plenary Session passed the unified enterprise income tax law. Pursuant to the unified income tax law, the income tax rate that is applicable to the Group's operation in Mainland China is reduced from 33% to 25% effective from 1 January 2008.

The provision for Hong Kong profits tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for Hong Kong operation for the year.

6 Net interest income

	2008	2007
Interest income arises from:		
Balances with central bank	**2,245**	1,333
Deposits with banks and non-bank financial institutions	**222**	331
Placements with banks and non-bank financial institutions	**532**	379
Financial assets held under resale agreements	**2,311**	1,679
Loans and advances to customers (note(i))		
— corporate loans	**36,189**	27,025
— personal loans	**5,685**	3,609
— discounted bills	**3,586**	1,932
Investments in debt securities (note(ii))	**8,097**	5,206
	58,867	41,494
Interest expense arises from:		
Balance due to central bank	**(2)**	(6)
Deposits from banks and non-bank financial institutions	**(2,886)**	(1,640)
Placements from banks and non-bank financial institutions	**(213)**	(73)
Financial assets sold under repurchase agreements	**(177)**	(344)
Deposits from customers	**(18,866)**	(12,673)
Subordinated debts/bonds issued	**(632)**	(588)
	(22,776)	(15,324)
Net interest income	**36,091**	26,170

Notes: (i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired loans and advances to customers of RMB170 million for the year ended 31 December 2008 (2007: RMB221 million), which includes interest income on the unwinding of discount of allowances for loan impairment losses of RMB160 million for the year ended 31 December 2008 (2007: RMB187 million) (Note 24(c)).

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(Expressed in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	2008	2007
Fee and commission income		
Bank card fees	**868**	434
Consultancy and advisory fees	**734**	269
Settlement fees	**459**	236
Commission for wealth management services	**429**	594
Guarantee fees	**395**	295
Agency fees and commission (note(i))	**302**	358
Commission for custodian business	**187**	135
Others	**79**	44
Total	**3,453**	2,365
Fee and commission expense	**(408)**	(285)
Net fee and commission income	**3,045**	2,080

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

8 Net trading gain/(loss)

	2008	2007
Dealing profit/(loss)		
— debt securities	**229**	(161)
— foreign currencies	**225**	144
— derivatives	**729**	(632)
— financial liabilities designated at fair value through profit and loss	**(20)**	(185)
Total	**1,163**	(834)

9 Net (loss)/gain from investment securities

	2008	2007
Net (loss)/income from sale of available-for-sale securities	**(190)**	274
Net revaluation (loss)/gain transferred from equity on disposal	**(40)**	10
Others	**(60)**	—
Total	**(290)**	284

(Expressed in millions of Renminbi unless otherwise stated)

10 General and administrative expenses

	2008	2007
Staff costs		
— salaries and bonuses	**5,543**	3,675
— social insurance	**470**	199
— welfare expenses	**294**	207
— labor union expenses and employee education expenses	**249**	129
— housing fund	**237**	178
— housing allowance	**128**	113
— defined contribution retirement schemes	**96**	42
— supplementary retirement benefits	**5**	(10)
— others	**384**	244
Subtotal	**7,406**	4,777
Property and equipment expense		
— depreciation	**597**	586
— rent and property management expenses	**728**	577
— electronic equipment operating expenses	**166**	172
— maintenance	**121**	106
— others	**197**	158
Subtotal	**1,809**	1,599
Business tax and surcharges (note(i))	**2,854**	2,034
Amortisation expenses	**289**	194
Other general and administrative expenses (note(ii))	**3,790**	3,191
Total	**16,148**	11,795

Notes: (i) Business tax of 5% is levied primarily on interest income from loans and advances to customers, interest income from bonds investment other than Chinese government bonds, and fee and commission income.

The surcharges, which include education surcharges and city construction tax, are charged at 3% and between 1% and 7% of business tax paid respectively.

(ii) The amount includes auditor's remuneration of RMB12 million for the year ended 31 December 2008 (2007: RMB8 million).

11 Provisions for impairment losses on assets

	2008	2007
Impairment losses charge on		
— Loans and advances to customer	**5,379**	2,860
— Off-balance sheet credit commitments	**82**	65
— Investments	**739**	7
— Others	**244**	56
Total	**6,444**	2,988

(Expressed in millions of Renminbi unless otherwise stated)

12 Directors' and Supervisors' emoluments

The aggregate of the emoluments before individual income tax in respect of the Directors and Supervisors who held office during the year is as follows:

	2008						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	4,339	5,239	243	31	5,513
Wu Beiying	—	600	2,940	3,540	177	31	3,748
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Chen Xuduolin	—	—	—	—	—	—	—
Guo Ketong (note(i))	—	—	—	—	—	—	—
José Ignacio Goirigolzarri	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Zhong En	300	—	—	300	—	—	300
Ai Hongde	300	—	—	300	—	—	300
Xie Rong	300	—	—	300	—	—	300
Wang Xiangfei	300	—	—	300	—	—	300
Li Zheping	—	—	—	—	—	—	—
Supervisors/External Supervisors							
Wang Chuan (note(i))	—	—	—	—	—	—	—
Wang Shuanlin	—	504	1,948	2,452	94	24	2,570
Zhuang Yumin	270	—	—	270	—	—	270
Luo Xiaoyuan (note(i))	45	—	—	45	—	—	45
Zheng Xuexue	—	—	—	—	—	—	—
Lin Zhengyue	—	129	1,815	1,944	84	29	2,057
Deng Yuewen	—	110	1,668	1,778	79	13	1,870
Li Gang	—	113	1,050	1,163	75	28	1,266
Former Directors and Supervisors resigned in 2008							
Liu Chongming (note (i))	—	—	—	—	—	—	—
John Dexter Langlois (note (i))	300	—	—	300	—	—	300
	1,815	2,356	13,760	17,931	752	156	18,839

(Expressed in millions of Renminbi unless otherwise stated)

12 Directors' and Supervisors' emoluments (Continued)

	2007						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	450	5,105	5,555	143	788	6,486
Wu Beiying	—	182	3,574	3,756	106	573	4,435
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Wang Chuan	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Chen Xuduolin	—	—	—	—	—	—	—
Ju Weimin (note(ii))	—	—	—	—	—	—	—
Zhang Jijing (note(ii))	—	—	—	—	—	—	—
José Ignacio Goirigolzarri (note(ii))	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Zhong En	50	—	—	50	—	—	50
John Dexter Langlois	50	—	—	50	—	—	50
Ai Hongde (note(ii))	50	—	—	50	—	—	50
Xie Rong (note(ii))	50	—	—	50	—	—	50
Wang Xiangfei	50	—	—	50	—	—	50
Supervisors/External Supervisors							
Liu Chongming	—	—	—	—	—	—	—
Wang Shuanlin	—	—	—	—	—	—	—
Zhuang Yumin (note(ii))	45	—	—	45	—	—	45
Zheng Xuexue (note(ii))	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Lin Zhengyue	—	115	1,196	1,311	53	135	1,499
Deng Yuewen	—	109	966	1,075	58	126	1,259
Li Gang	—	110	751	861	51	130	1,042
Former Directors and Supervisors resigned in 2007							
Li Qianxin (note(ii))	—	—	—	—	—	—	—
Xi Bolun (note(ii))	—	—	—	—	—	—	—
	295	966	11,592	12,853	411	1,752	15,016

12 Directors' and Supervisors' emoluments (Continued)

Notes:

(i) Mr. Wang Chuan resigned the position of non-executive director in April 2008 and was appointed as supervisor in June 2008. Mr. Guo Ketong resigned the position of supervisor in April 2008, and was appointed as non-executive director in June 2008. Mrs. Liu Chongming, the supervisor, resigned in April 2008. Mrs. Luo Xiaoyuan was appointed as external supervisor in June 2008. John Dexter Langlois, the independent non-executive director, resigned in September 2008. Mr. Li Zheping was appointed as independent non-executive director in December 2008.

(ii) Mr. Ju Weimin, José Ignacio Goirigolzarri, and Zhang Jijing were appointed as non-executive director of the Bank in February 2007. Mr. Xie Rong and Ai Hongde were appointed as independent non-executive director of the Bank in February 2007. Ms. Zhuang Yumin was appointed as an external supervisor in March 2007. Mr. Zheng Xuexue was appointed as a supervisor in August 2007. Mr. Li Qianxin, the supervisor, resigned in August 2007. Mr. Xi Bolun, the independent non-executive director, resigned in January 2007.

(iii) Other benefits in kind included the Bank's contributions to medical fund, housing provident fund and other social insurances, which are payable to labour and social securities authorities based on the lower of certain percentages of the salaries or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to the defined contribution retirement schemes, which was set up by China CITIC Group in accordance with the relevant government policies, and supplementary medical insurance scheme.

(iv) None of the Directors and Supervisors received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2008 and 2007.

(Expressed in millions of Renminbi unless otherwise stated)

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2007: two) are Directors or Supervisors whose emoluments are disclosed in Note 10 above. The aggregate of the emoluments before individual income tax in respect of the other three (2007: three) highest paid individuals are as follows:

	2008 **RMB'000**	2007 RMB'000
Salaries and other emoluments	**1,893**	2,232
Discretionary bonuses	**8,737**	10,671
Retirement scheme contributions	**526**	315
Total	**11,156**	13,218

The emoluments before individual income tax of the three (2007: three) individuals with the highest emoluments are within the following bands:

	2008	2007
RMB3,500,001–RMB4,000,000	**3**	—
RMB4,000,001–RMB4,500,000	**—**	3

14 Loans to directors, supervisors and officers

Loans to the Directors, Supervisor and Officers (and their affiliates) of the Bank as defined under section 161B of the Hong Kong Companies Ordinance during the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
Aggregate amount of relevant loans outstanding at year end	**23**	26

	2008	2007
Maximum aggregate amount of relevant loans outstanding during the year	**26**	26

15 Income tax

(a) Recognised in the income statement

	2008	2007
Current tax		
— Mainland China	**5,547**	3,697
— Hong Kong	**1**	1
Deferred tax (Note 29(b)) (Note(i))	**(1,122)**	1,152
Income tax	**4,426**	4,850

Note: (i) Deferred tax assets and liabilities are adjusted for the change in income tax rate through income statement and equity.

(Expressed in millions of Renminbi unless otherwise stated)

15 Income tax (Continued)

(b) Reconciliation between tax expense and accounting profit

	2008	2007
Profit before tax	**17,780**	13,172
Income tax calculated at statutory tax rate (note 15(a)(i))	**4,445**	4,347
Tax impact on non-deductible expenses		
— Staff costs (note(i))	**—**	228
— Others (note(ii))	**242**	226
	242	454
Tax impact on non-taxable income		
— Interest income from PRC government bonds	**(260)**	(245)
— Others	**(1)**	(1)
	(261)	(246)
Total	**4,426**	4,555
Effect of tax rate reduction from 33% to 25%	**—**	295
Income tax	**4,426**	4,850

Notes: (i) The non-deductible staff costs for the relevant periods are calculated in accordance with the relevant PRC income tax rules and regulations effective during the periods.

(ii) The amounts primarily represent entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

16 Earnings per share

The calculation of basic and diluted earnings per share amounts is based on the following:

	2008	2007
Earnings:		
Consolidated net profit for the year attributable to shareholders of the Bank	**13,354**	8,322
Shares:		
Weighted average number of shares in issue or deemed to be in issue (million)	**39,033**	36,499
Earnings per share (RMB)	**0.34**	0.23

Earnings per share information for the year ended 31 December 2008 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the year.

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2008 and 2007.

(Expressed in millions of Renminbi unless otherwise stated)

17 Cash and balances with central bank

	2008	2007
Cash	**3,693**	4,341
Balances with central bank		
— Statutory deposit reserve funds (note(i))	**94,254**	84,968
— Surplus deposit reserve funds (note(ii))	**107,677**	33,545
— Fiscal deposits reserve funds	**1,312**	515
	203,243	119,028
Total	**206,936**	123,369

Notes: (i) The Bank places statutory deposit reserves with the People's Bank of China (the "PBOC"). The statutory deposit reserves are not available for use in the Bank's daily business.

As at 31 December 2008, the statutory deposit reserve placed with the PBOC was calculated at 13.5% (as at 31 December 2007: 14.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2007: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

18 Deposits with banks and non-bank financial institutions

(a) Analysed by types of counterparty

	Note	2008	2007
In Mainland China			
— Banks		**7,725**	7,445
— Non-bank financial institutions		**235**	255
Subtotal		**7,960**	7,700
Outside Mainland China			
— Banks		**23,343**	7,865
Gross balance		**31,303**	15,565
Less: Allowances for impairment losses	31	**—**	—
Net balance		**31,303**	15,565

(b) Analysed by remaining maturity

	Note	2008	2007
Demand deposits		**29,192**	14,063
Time deposits with remaining maturity			
— within one month		**650**	500
— between one month and one year		**1,461**	1,002
		2,111	1,502
Gross balance		**31,303**	15,565
Less: Allowances for impairment losses	31	**—**	—
Net balance		**31,303**	15,565

(Expressed in millions of Renminbi unless otherwise stated)

19 Placements with banks and non-bank financial institutions

(a) Analysed by types of counterparty

	Note	2008	2007
In Mainland China			
— Banks		**15,823**	9,658
— Non-bank financial institutions		**167**	471
Subtotal		**15,990**	10,129
Outside Mainland China			
— Banks		**3,296**	1,107
Gross balance		**19,286**	11,236
Less: Allowances for impairment losses	31	**(143)**	(146)
Net balance		**19,143**	11,090

(b) Analysed by remaining maturity

	Note	31 December 2008	31 December 2007
Within one month		**15,254**	10,535
Between one month and one year		**4,032**	701
Gross balance		**19,286**	11,236
Less: Allowances for impairment losses	31	**(143)**	(146)
Net balance		**19,143**	11,090

20 Trading financial assets

Debt securities at fair value and issued by

	2008	2007
In Mainland China		
— Government	**324**	—
— PBOC	**1,134**	1,093
— Policy banks	**2,513**	2,167
— Corporate entities	**3,506**	2,876
Outside Mainland China		
— Government	**142**	—
— Banks and other financial institutions	**136**	364
Total	**7,755**	6,500
Listed outside Hong Kong	**95**	—
Unlisted	**7,660**	6,500
Total	**7,755**	6,500

(Expressed in millions of Renminbi unless otherwise stated)

21 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary between a wide range of customers for structuring deals to produce risk management products to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses derivatives (principally foreign exchange options and swaps, and interest rate swaps) in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity groupings based on the remaining periods to settlement and the corresponding fair values at the balance sheet date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

	2008						
	Notional amounts with remaining life of					**Fair values**	
	Less than three months	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	**43,656**	**67,153**	**68,200**	**9,013**	**188,022**	**2,921**	**(3,376)**
Currency derivatives	**55,769**	**69,961**	**3,829**	**609**	**130,168**	**2,423**	**(2,141)**
Credit derivatives	**—**	**239**	**666**	**184**	**1,089**	**13**	**(62)**
Total	**99,425**	**137,353**	**72,695**	**9,806**	**319,279**	**5,357**	**(5,579)**

	2007						
	Notional amounts with remaining life of					Fair values	
	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives	45,327	64,572	19,913	7,536	137,348	947	(312)
Currency derivatives	66,747	39,980	6,580	—	113,307	1,093	(1,600)
Credit derivatives	—	—	259	197	456	9	(2)
Total	112,074	104,552	26,752	7,733	251,111	2,049	(1,914)

(Expressed in millions of Renminbi unless otherwise stated)

21 Derivatives (Continued)

Credit risk weighted amounts

	2008	2007
Interest rate derivatives	**1,373**	261
Currency derivatives	**1,021**	1,166
Credit derivatives	**44**	29
Total	**2,438**	1,456

The credit risk weighted amount has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparty and the maturity characteristics of the instrument.

22 Financial assets held under resale agreements

(a) Analysed by types of counterparty

	Note	2008	2007
In Mainland China			
— PBOC		**12,630**	86,030
— Banks		**41,140**	26,157
— Non-bank financial institutions		**3,618**	3,039
— Corporate entities		**310**	2,820
Gross balance		**57,698**	118,046
Less: Allowances for impairment losses	31	**—**	—
Net balance		**57,698**	118,046

(b) Analysed by remaining maturity

	Note	2008	2007
Within one month		**43,365**	108,605
Between one month and one year		**14,088**	9,002
More than one year		**245**	439
Gross balance		**57,698**	118,046
Less: Allowances for impairment losses	31	**—**	—
Net balance		**57,698**	118,046

(c) Analysed by collateral

	2008	2007
— Debt securities	**27,050**	101,848
— Bills	**26,721**	10,648
— Loans and receivables	**3,927**	5,550
Total	**57,698**	118,046

(Expressed in millions of Renminbi unless otherwise stated)

23 Interest receivable

	Note	2008	2007
Debt securities		**2,496**	1,744
Loans and advances to customers		**1,436**	1,497
Others		**9**	130
Gross balance		**3,941**	3,371
Less: Allowance for impairment losses	31	**—**	(12)
Net balance		**3,941**	3,359

24 Loans and advances to customers

(a) Analysed by nature

	Note	2008	2007
Corporate loans			
— Loans		**533,622**	465,520
— Discounted bills		**43,539**	33,599
Personal loans			
— Residential mortgages		**67,230**	60,833
— Credit cards		**11,141**	4,145
— Others		**9,392**	11,111
Gross loans and advances to customers		**664,924**	575,208
Less:	31	**(13,572)**	(9,342)
— Individual impairment allowances		**(6,490)**	(5,421)
— Collective impairment allowances		**(7,082)**	(3,921)
Net loans and advances to customers		**651,352**	565,866

(Expressed in millions of Renminbi unless otherwise stated)

24 Loans and advances to customers (Continued)

(b) Analysed by legal form of borrowers

	2008	2007
Corporate loans to		
— Joint-stock enterprises	**229,692**	207,396
— State-owned enterprises	**186,987**	165,218
— Foreign invested enterprises	**67,820**	55,100
— Private enterprises	**37,123**	27,673
— Collectively-controlled enterprises	**5,479**	5,847
— Others	**6,521**	4,286
Subtotal	**533,622**	465,520
Personal loans		
— Residential mortgages	**67,230**	60,833
— Credit cards	**11,141**	4,145
— Others	**9,392**	11,111
Subtotal	**87,763**	76,089
Discounted bills	**43,539**	33,599
Gross loans and advances to customers	**664,924**	575,208
Less: Impairment allowances	**(13,572)**	(9,342)
Net loans and advances to customers	**651,352**	565,866

(Expressed in millions of Renminbi unless otherwise stated)

24 Loans and advances to customers (Continued)

(c) Analysed by assessment for allowance of loans and advances to customers

	2008				
	(note(i)) Loans and advances for which allowances are collectively assessed	(note(ii)) Impaired loans and advances: for which allowances are collectively assessed	(note(ii)) Impaired loans and advances: for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	2,071	—	257	2,328	11.04%
— non-financial institutions	653,807	720	8,069	662,596	1.33%
	655,878	720	8,326	664,924	1.36%
Less: Impairment allowances against loans and advances to					
— financial institutions	(34)	—	(191)	(225)	
— non-financial institutions	(6,528)	(520)	(6,299)	(13,347)	
	(6,562)	(520)	(6,490)	(13,572)	
Net loans and advances to					
— financial institutions	2,037	—	66	2,103	
— non-financial institutions	647,279	200	1,770	649,249	
	649,316	200	1,836	651,352	

(Expressed in millions of Renminbi unless otherwise stated)

24 Loans and advances to customers (Continued)

(c) Analysed by assessment for allowance of loans and advances to customers (Continued)

	2007				
	(note(i)) Loans and advances for which allowances are collectively assessed	(note(ii)) Impaired loans and advances for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	1,281	—	231	1,512	15.28%
— non-financial institutions	565,435	488	7,773	573,696	1.44%
	566,716	488	8,004	575,208	1.48%
Less: Impairment allowances against loans and advances to					
— financial institutions	(9)	—	(65)	(74)	
— non-financial institutions	(3,613)	(299)	(5,356)	(9,268)	
	(3,622)	(299)	(5,421)	(9,342)	
Net loans and advances to					
— financial institutions	1,272	—	166	1,438	
— non-financial institutions	561,822	189	2,417	564,428	
	563,094	189	2,583	565,866	

Notes: (i) Loans and advances assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (representing corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; that is the portfolios of homogeneous loans and advances (representing personal loans and advances which are graded substandard, doubtful or loss).

(iii) The definitions of the loan classification as stated above are described in Note 53(a).

(iv) As at 31 December 2008, the loans and advances for which the impairment allowances were individually assessed amounted to RMB8,326 million (2007: RMB8,004 million). The covered portion and uncovered portion of these loans and advances were RMB923 million (2007: RMB1,424 million) and RMB7,403 million (2007: RMB6,580 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,003 million (2007: RMB1,774 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The individual impairment allowances made against these loans and advances were RMB6,490 million (2007: RMB5,421 million).

(Expressed in millions of Renminbi unless otherwise stated)

24 Loans and advances to customers (Continued)

(d) Movements of allowances for impairment losses

	2008			
	Loans and Advances for which allowances are collectively assessed	Impaired loans and advances: for which allowances are collectively assessed	Impaired loans and advances: for which allowances are individually assessed	Total
As at 1 January	**3,622**	**299**	**5,421**	**9,342**
Charge for the year				
— new impairment allowances charged to income statement	**2,940**	**257**	**2,806**	**6,003**
— impairment allowances released to income statement	**—**	**—**	**(624)**	**(624)**
Unwinding of discount	**—**	**—**	**(160)**	**(160)**
Transfers out	**—**	**—**	**(72)**	**(72)**
Write-offs	**—**	**(36)**	**(895)**	**(931)**
Recoveries of loans and advances previously written off	**—**	**—**	**14**	**14**
As at 31 December	**6,562**	**520**	**6,490**	**13,572**

	2007			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances: for which allowances are collectively assessed	Impaired loans and advances: for which allowances are individually assessed	Total
As at 1 January	2,663	264	6,859	9,786
Charge for the year				
— new impairment allowances charged to income statement	959	81	2,193	3,233
— impairment allowances released to income statement	—	—	(373)	(373)
Unwinding of discount	—	—	(187)	(187)
Transfers out	—	—	(45)	(45)
Write-offs	—	(46)	(3,026)	(3,072)
Recoveries of loans and advances previously written off	—	—	—	—
As at 31 December	3,622	299	5,421	9,342

(Expressed in millions of Renminbi unless otherwise stated)

24 Loans and advances to customers (Continued)

(e) Overdue loans analysed by overdue period

	2008				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**642**	**346**	**372**	**654**	**2,014**
Guaranteed loans	**216**	**898**	**910**	**1,086**	**3,110**
Loans with pledged assets	**2,668**	**714**	**838**	**1,742**	**5,962**
— Loans secured by tangible assets	**2,543**	**628**	**767**	**1,652**	**5,590**
— Loans secured by monetary assets	**125**	**86**	**71**	**90**	**372**
Total	**3,526**	**1,958**	**2,120**	**3,482**	**11,086**

	2007				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	249	125	366	544	1,284
Guaranteed loans	303	440	2,290	903	3,936
Loans with pledged assets	2,148	569	1,241	1,502	5,460
— Loans secured by tangible assets	2,052	424	1,153	1,410	5,039
— Loans secured by monetary assets	96	145	88	92	421
Total	2,700	1,134	3,897	2,949	10,680

Overdue loans represent loans of which the whole or part of the principal was overdue, or interest was overdue for more than 3 months but for which the principal was not yet due.

(Expressed in millions of Renminbi unless otherwise stated)

25 Available-for-sale financial assets

	Note	2008	2007
Debt securities	(a)	**84,900**	43,502
Equity investments	(b)	**417**	455
Total		**85,317**	43,957

(a) Debt securities:

	2008	2007
Issued by entities in Mainland China		
— Government	**1,311**	231
— PBOC	**35,402**	5,129
— Policy banks	**7,233**	8,424
— Banks and non-bank institutions	**540**	—
— Other entities	**19,952**	9,569
Issued by overseas entities		
— Government	**14,674**	2,506
— Policy banks	**156**	452
— Banks and non-bank financial institutions	**3,631**	11,745
— Public entities	**1,765**	5,400
— Other corporate entities	**236**	46
Total	**84,900**	43,502
Listed in Hong Kong	**537**	484
Listed outside Hong Kong	**3,493**	7,243
Unlisted	**80,870**	35,775
Total	**84,900**	43,502

(b) Equity investments

	2008	2007
Other equity investments	**417**	455
Total	**417**	455
Listed in Hong Kong	**7**	15
Listed outside Hong Kong	**9**	—
Unlisted	**401**	440
Total	**417**	455

(Expressed in millions of Renminbi unless otherwise stated)

26 Held-to-maturity investments

Analysed by locations and types of the issued entities:

	Note	2008	2007
In Mainland China			
— Government		**26,341**	34,048
— PBOC		**41,506**	35,965
— Policy banks		**22,636**	17,424
— Banks and non-bank financial institutions		**4,234**	3,839
— Other entities		**246**	1,085
Outside Mainland China			
— Government		**68**	73
— PBOC		**89**	127
— Policy banks		**3,577**	6,282
— Public sector entities		**5,874**	9,895
— Other corporate entities		**803**	665
Gross balance		**105,374**	109,403
Less: Allowance for impairment losses	31	**(223)**	(12)
Net balance		**105,151**	109,391
Listed in Hong Kong		**197**	210
Listed outside Hong Kong		**3,156**	5,449
Unlisted		**101,798**	103,732
Net balance		**105,151**	109,391
Market value of listed securities		**3,229**	5,582

In 2008, the Group made no disposals or reclassifications of those not yet matured held-to-maturity investments into available-for-sale financial assets.

In 2007, debt securities to be held to maturity by the Group with an amortised cost of RMB1,450 million were transferred to available-for-sale category. Such transfer was made due to isolated events which were not anticipated by the Group.

(Expressed in millions of Renminbi unless otherwise stated)

27 Fixed assets

	Bank premises (Note 20(a))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2008	**7,383**	**72**	**2,889**	**10,344**
Additions	**49**	**105**	**772**	**926**
Disposals	**(15)**	**—**	**(187)**	**(202)**
Transfers	**51**	**(51)**	**—**	**—**
Surplus on revaluation	**331**	**—**	**—**	**331**
Elimination of accumulated depreciation on revaluation	**(285)**	**—**	**—**	**(285)**
As at 31 December 2008	**7,514**	**126**	**3,474**	**11,114**
Accumulated depreciation and impairment losses:				
As at 1 January 2008	**—**	**—**	**(1,776)**	**(1,776)**
Depreciation charges	**(285)**	**—**	**(313)**	**(598)**
Disposals	**—**	**—**	**104**	**104**
Elimination on revaluation	**285**	**—**	**—**	**285**
As at 31 December 2008	**—**	**—**	**(1,985)**	**(1,985)**
Net carrying value:				
As at 31 December 2008 (note(i))	**7,514**	**126**	**1,489**	**9,129**

	Bank premises (Note 20(a))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2007	7,253	237	2,613	10,103
Additions	145	75	463	683
Disposals	(5)	—	(187)	(192)
Transfers	240	(240)	—	—
Surplus on revaluation	54	—	—	54
Elimination of accumulated depreciation on revaluation	(304)	—	—	(304)
As at 31 December 2007	7,383	72	2,889	10,344
Accumulated depreciation and impairment losses:				
As at 1 January 2007	—	—	(1,664)	(1,664)
Depreciation charges	(304)	—	(282)	(586)
Disposals	—	—	170	170
Elimination on revaluation	304	—	—	304
As at 31 December 2007	—	—	(1,776)	(1,776)
Net carrying value:				
As at 31 December 2007 (note(i))	7,383	72	1,113	8,568

Note: (i) As at 31 December 2008, the net book value of the Group's bank premises for which the registration procedures for ownership had not been completed was approximately RMB574 million (as at 31 December 2007: RMB593 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(Expressed in millions of Renminbi unless otherwise stated)

27 Fixed assets (Continued)

(a) Analysed by remaining term of leases

The net carrying value of bank premises at the balance sheet date is analysed by the remaining terms of the leases as follows:

	2008	2007
Long term leases (over 50 years), held in Hong Kong	**23**	38
Medium term leases (10–50 years), held in the PRC	**7,491**	7,345
Total	**7,514**	7,383

(b) Valuation

The bank premises of the Group were revalued as at 31 December 2008 and 2007 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of valuer, Jones Lang Lasalle Sallmanns Limited.

The revaluation surpluses have been transferred to the properties revaluation reserve of the Group.

Had these bank premises been carried at cost less accumulated depreciation, the carrying amounts would have been RMB4,981 million as at 31 December 2008 (as at 31 December 2007: RMB5,081 million).

(Expressed in millions of Renminbi unless otherwise stated)

28 Intangible assets

	Software	Others	Total
Cost			
As at 1 January 2008	**130**	**14**	**144**
Additions	**67**	**—**	**67**
As at 31 December 2008	**197**	**14**	**211**
Amortization			
As at 1 January 2008	**(55)**	**(6)**	**(61)**
Charge for the year	**(31)**	**(1)**	**(32)**
As at 31 December 2008	**(86)**	**(7)**	**(93)**
Net carrying value			
As at 1 January 2008	**75**	**8**	**83**
As at 31 December 2008	**111**	**7**	**118**

	Software	Others	Total
Cost			
As at 1 January 2007	87	11	98
Additions	44	3	47
Disposals	(1)	—	(1)
As at 31 December 2007	130	14	144
Amortization			
As at 1 January 2007	(36)	(5)	(41)
Charge for the year	(20)	(1)	(21)
Disposals	1	—	1
As at 31 December 2007	(55)	(6)	(61)
Net carrying value			
As at 1 January 2007	51	6	57
As at 31 December 2007	75	8	83

(Expressed in millions of Renminbi unless otherwise stated)

29 Deferred tax assets/(liabilities)

(a) Analysed by nature

	2008		2007	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Allowances for loans and advances to customers	**7,176**	**1,794**	3,632	908
— Fair value adjustments	**260**	**65**	—	—
— Others	**836**	**209**	184	46
Subtotal	**8,272**	**2,068**	3,816	954
Deferred tax liabilities				
— Fair value adjustments	**—**	**—**	(52)	(13)
Net balance	**8,272**	**2,068**	3,764	941

(b) Analysed by movements

	Impairment loss on loans and advances to customers	Fair value Note(i)	Others	Total deferred tax assets/ (liabilities)
As at 1 January 2008	**908**	**(13)**	**46**	**941**
Recognised in income statement	**886**	**73**	**163**	**1,122**
Recognised in equity	**—**	**5**	**—**	**5**
As at 31 December 2008	**1,794**	**65**	**209**	**2,068**
As at 1 January 2007	1,732	(141)	478	2,069
Recognised in income statement	(824)	104	(432)	(1,152)
Recognised in equity	—	24	—	24
As at 31 December 2007	908	(13)	46	941

Notes: (i) Unrealised gains or losses arising from fair value adjustments for securities and derivatives are subject to tax when realised.

(ii) The Group did not have significant unrecognised deferred tax arising at the balance sheet date.

(Expressed in millions of Renminbi unless otherwise stated)

30 Other assets

	Note	**2008**	2007
Repossessed assets	(a)	**411**	487
Land use rights		**528**	187
Others	(b)	**1,945**	1,715
Total		**2,884**	2,389

(a) Repossessed assets

	Note	**2008**	2007
Premises		**723**	579
Others		**78**	225
Gross balance		**801**	804
Less: Allowance for impairment losses	31	**(390)**	(317)
Net balance		**411**	487

(i) During the year ended 31 December 2008, the original cost of repossessed assets disposed by the Group amounted to RMB65 million (2007: RMB108 million).

(ii) Group intends to dispose repossessed assets through various methods including auction, competitive bidding, disposal, etc.

(b) Others

	Note	**2008**	2007
Gross balances		**2,438**	2,017
Less: Allowance for impairment losses	31	**(493)**	(302)
Net balance		**1,945**	1,715

(Expressed in millions of Renminbi unless otherwise stated)

31 Movements of allowances for impairment losses

	2008					
	As at 1 January	**Charge for the year**	**Reversal for the year**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	**—**	**—**	**—**	**—**	**—**	**—**
Placements with banks and non-bank financial institutions	**146**	**—**	**(3)**	**—**	**—**	**143**
Financial assets held under resale agreements	**—**	**—**	**—**	**—**	**—**	**—**
Interest receivable	**12**	**—**	**—**	**(12)**	**—**	**—**
Loans and advances to customers	**9,342**	**6,003**	**(624)**	**(218)**	**(931)**	**13,572**
Available-for-sale financial assets	**—**	**521**	**—**	**—**	**—**	**521**
Held-to-maturity investments	**12**	**218**	**—**	**—**	**(7)**	**223**
Repossessed assets	**317**	**22**	**—**	**51**	**—**	**390**
Other assets	**302**	**283**	**(58)**	**(18)**	**(16)**	**493**
Gross balance	**10,131**	**7,047**	**(685)**	**(197)**	**(954)**	**15,342**

	2007					
	As at 1 January	Charge for the year	Reversal For the year	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	56	—	—	—	(56)	—
Placements with banks and non-bank financial institutions	249	9	(10)	13	(115)	146
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	24	—	—	—	(12)	12
Loans and advances to customers	9,786	3,233	(373)	(232)	(3,072)	9,342
Available-for-sale financial assets	19	—	—	—	(19)	—
Held-to-maturity investments	223	7	—	(171)	(47)	12
Repossessed assets	271	71	—	(8)	(17)	317
Other assets	410	—	(14)	186	(280)	302
Gross balance	11,038	3,320	(397)	(212)	(3,618)	10,131

Notes: Besides allowances for impairment losses above, the Group charges allowances for assets off-balance sheet. Please refer to Notes 11.

(Expressed in millions of Renminbi unless otherwise stated)

32 Deposits from banks and non-bank financial institutions

Analysed by types of counterparty

	2008	2007
In Mainland China		
— Banks	**26,695**	4,732
— Non-bank financial institutions	**81,910**	91,877
Total	**108,605**	96,609

33 Placements from banks and non-bank financial institutions

Analysed by types of counterparty

	2008	2007
In Mainland China		
— Banks	**205**	—
— Non-bank financial institutions	**758**	639
Total	**963**	639

34 Trading financial liabilities

	2008	2007
Short position in debt secuities	**139**	—

35 Financial assets sold under repurchase agreements

(a) Analysed by types of counterparty

	2008	2007
In Mainland China		
— PBOC	**—**	415
— Banks	**300**	4,733
— Non-bank financial institutions	**—**	3,313
Subtotal	**300**	8,461
Outside Mainland China		
— Banks	**657**	380
— Non-bank financial institutions	**—**	6,913
Subtotal	**657**	7,293
Total	**957**	15,754

(Expressed in millions of Renminbi unless otherwise stated)

35 Financial assets sold under repurchase agreements (Continued)

(b) Analysed by collateral

	2008	2007
Debt securities	**657**	9,842
Discounted bills	**—**	520
Loans and advances to customers	**300**	5,392
Gross balance	**957**	15,754

36 Deposits from customers

	2008	2007
Demand deposits		
— Corporate customers	**373,597**	330,078
— Personal customers	**40,456**	66,900
Subtotal	**414,053**	396,978
Time and call deposits		
— Corporate customers	**389,675**	301,931
— Personal customers	**131,680**	80,306
Subtotal	**521,355**	382,237
Outward remittance and remittance payables	**10,427**	7,996
Total	**945,835**	787,211

Note: Deposits from customers include:

	Note	2008	2007
Pledged deposits		**132,810**	100,851
Structured deposits	(i)	**2,500**	7,212

(i) Structured deposits are those financial liabilities designated as at fair value through profit and loss upon initial recognition. The fair value change of these deposits is mainly influenced by the change of benchmark interest rate.

(Expressed in millions of Renminbi unless otherwise stated)

37 Accrued staff costs

		2008			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		**2,862**	**5,543**	**(3,467)**	**4,938**
Welfare expenses		**—**	**294**	**(294)**	**—**
Social insurance	(i)	**5**	**470**	**(470)**	**5**
Housing fund		**—**	**237**	**(237)**	**—**
Housing allowance		**—**	**128**	**(128)**	**—**
Defined contribution retirement schemes	(ii)	**2**	**96**	**(94)**	**4**
Supplementary retirement benefits	(iii)	**38**	**5**	**(1)**	**42**
Labor union expenses and employee education expenses		**89**	**249**	**(157)**	**181**
Others		**—**	**384**	**(384)**	**—**
Total		**2,996**	**7,406**	**(5,232)**	**5,170**

Notes: (i) Social insurance

Social insurance includes cost of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labour and social security, the Group joins a statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) Defined contribution retirement schemes

In addition to the above statutory retirement plan, the Group's employees join its defined contribution retirement schemes (the "scheme") which was established by the Group. The scheme is managed by the CITIC Group. The Group has made annuity contributions at 3% of its employee's gross wages. In 2008, the Group made annuity contribution amounting to RMB96 million (2007: RMB42 million).

The Group's employees based in Hong Kong join statutory fund scheme with certain contribution ratio pursuant to the relevant laws and regulations.

(iii) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its qualified employees in Mainland China. Both current staff and retired staff join this supplementary retirement benefits. The balance at the balance sheet date represents the present value of un-contributed fund.

The Group's obligations in respect of the supplementary retirement benefits as at the balance sheet date based on the projected unit credit actuarial cost method were reviewed by qualified staff (a member of Society of Actuaries in America) of an external independent actuary: Mercer.

In addition to the plans mentioned above in 37(i) and 37(ii), the Group has no other material retirement or post retirement benefits for employees.

38 Taxes payable

	2008	2007
Income tax	**2,936**	3,444
Business tax and surcharges	**847**	735
Others	**5**	8
Total	**3,788**	4,187

39 Interest payable

	2008	2007
Deposits from customers	**6,096**	3,751
Others	**331**	341
Total	**6,427**	4,092

(Expressed in millions of Renminbi unless otherwise stated)

40 Provisions

	2008	2007
Litigation provisions	**50**	40

Movement of provisions:

	2008	2007
As at 1 January	**40**	20
Charge for the year	**10**	40
Payments made	**—**	(20)
As at 31 December	**50**	40

41 Subordinated debts/bonds issued

The carrying value of the Group's subordinated debts/bonds issued at the balance sheet date represents:

	Note	2008	2007
Subordinated floating rate debts maturing			
— in June 2010	(i)	**4,778**	4,778
— in July 2010	(i)	**602**	602
— in September 2010	(i)	**300**	300
— in June 2010	(ii)	**320**	320
Subordinated fixed rate bonds maturing			
— in June 2016	(iii)	**4,000**	4,000
— in June 2021	(iv)	**2,000**	2,000
Total nominal value		**12,000**	12,000

Notes: (i) The interest rate per annum on the subordinated floating rate debts is the PBOC one-year fixed deposit rate plus an interest margin of 2.72%.

(ii) The interest rate per annum on the subordinated floating rate debts is the PBOC one-year fixed deposit rate plus an interest margin of 2.60%.

(iii) The interest rate per annum on the subordinated fixed rate bonds is 3.75%. The Group has an option to redeem the debts on 22 June 2011. If they are not redeemed early, the interest rate of the debts will increase in June 2011 to 6.75% per annum for the next five years.

(iv) The interest rate per annum on the subordinated fixed rate bonds is 4.12%. The Group has an option to redeem the debts on 22 June 2016. If they are not redeemed early, the interest rate of the debts will increase in June 2016 to 7.12% per annum for the next five years.

42 Other liabilities

	2008	2007
Settlement accounts	**1,254**	369
Payment and collection clearance accounts	**205**	104
Dormant accounts	**204**	183
Bond issuance and redemption payable	**79**	53
Others	**1,236**	931
Total	**2,978**	1,640

(Expressed in millions of Renminbi unless otherwise stated)

43 Equity

(a) Share capital

Structure of shareholding as at balance sheet date:

	2008	2007
Shares held by promoters of the bank		
— CITIC Group	**28,192**	24,330
— CIFH	**—**	5,855
Shares held by strategic investor of the bank		
— BBVA	**1,992**	1,885
Shares held by other third parties	**8,849**	6,963
Total	**39,033**	39,033
including:		
— Listed in Mainland China (A Share)	**26,631**	26,631
— Listed overseas (H Share)	**12,402**	12,402
Total	**39,033**	39,033

(b) Movements of share capital

	2008		2007	
	No. of Shares	Amount	No. of Shares	Amount
As at 1 January	**39,033**	**39,033**	31,113	31,113
— Shares issued in A share offering	**—**	**—**	2,302	2,302
— Shares issued in H share global offering	**—**	**—**	5,618	5,618
As at 31 December	**39,033**	**39,033**	39,033	39,033

On 31 December 2006, the Bank was incorporated with a registered and paid up capital of RMB31,113 million divided into 31,113 million shares with a par value of RMB1 each. Shares of 31,113 million were issued to the joint promoters of the Bank, CITIC Group and CIFH.

With the approval from the CBRC dated 28 February 2007 (Yin Jian Fu [2007] No.85) in respect of the sale of the Bank's shares from CITIC Group to Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), CITIC Group sold 1,502,763,281 shares of the Bank to BBVA on 1 March 2007.

In April 2007, a total of 2,302 million A shares with a par value of RMB1 each were issued by the Bank at a subscription price of RMB5.80 per share, with share premium totalling RMB11,049 million, through the A share initial public offering to domestic investors. Upon the completion of the A share initial public offering, the shares held by CITIC Group before the A share public offering were converted into A shares.

(Expressed in millions of Renminbi unless otherwise stated)

43 Equity (Continued)

(b) Movements of share capital (Continued)

In April 2007, a total of 4,885 million H shares with a par value of RMB1 each were issued by the Bank at a subscription price of HKD5.86 per share, with share premium totalling RMB23,352 million, through the H share initial public offering to Hong Kong and overseas investors (the "Global Offering"). Upon the completion of the Global Offering, all of the shares held by CIFH and BBVA before the Global Offering were converted into H shares.

In May 2007, a total of 733 million H shares with a par value of RMB1 each were issued by the Bank at a subscription price of HKD5.86 per share, with share premium totalling RMB3,497 million, as a result of the exercise of the over-allotment option.

The share capital increase has been verified by KPMG Huazhen with the capital verification report KPMG-A(2007)CR No.0018 on 4 April 2007 and KPMG-A(2007)CR No.0025 on 30 June 2007.

As at 27 August 2008, CIFH signed a mutual agreement with CITIC Group and BBVA to dispose its shares of the Bank to them in cash. After this transaction, CIFH did not hold any shares of the Bank while the shareholdings of CITIC Group and BBVA increased to 72.23% and 5.10% respectively as at 31 December 2008.

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

44 Capital reserve

	Notes	**2008**	2007
As at 1 January		**36,525**	(391)
Share premium before costs of issuing shares	(i)	—	37,898
Costs of issuing shares	(i)	—	(982)
Net share premium	(i)	—	36,916
As at 31 December		**36,525**	36,525

Notes: (i) As described in Note 25(a), the Bank issued a total of 7,920 million ordinary shares of RMB1 each at a total consideration of RMB45,818 million in 2007. After accounting for interest income and costs directly associated with the share issue, the Bank credited the share premium of RMB36,916 million to capital reserve.

Capital reserve may be used for increasing paid-in capital as approved by the shareholders.

(Expressed in millions of Renminbi unless otherwise stated)

45 Surplus reserve

Under relevant PRC Laws, the Bank is required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders in general meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

46 General reserve

Pursuant to notices, the "Measures for Administering the Withdrawal of Reserves for Non-performing Debts by Financial Enterprises" (Cai Jin [2005] No. 49) issued by the MOF on 17 May 2005 and the "Application Guidance of Financing Measures for Financial Institutions" (Cai Jin [2007] No. 23) issued by the MOF on 30 March 2007, banks and certain non-bank financial institutions in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The provision ratio for the general reserve is determined by financial instruments, with reference to the confronted risk factors. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The general reserve forms part of the equity of the financial institution, and transfers to it are made through appropriations of profit after tax.

The MOF issued another notice, the "Answers to the Questions on Impairment Loss on Loans (Cai Jin [2005] No.90), on 5 September 2005. This notice requires financial institutions to set aside the required general reserve within a transitional period of approximately three years, but no more than five years, from 1 July 2005. Management considers that the Bank has complied with the above requirements of 31 December 2008.

47 Profit appropriations

(a) Profit appropriations and distributions other than dividends declared during the year

	2008	2007
Appropriations to:		
— Statutory surplus reserve	**1,332**	829
— General reserve	**3,985**	3,731
	5,317	4,560

In accordance with the approval from the Directors dated 28 April 2009, the Group appropriated RMB1,332 million to Statutory Surplus Reserve Fund and RMB3,985 million to General Reserve, representing 10% and 29.9% of the net profit after taxation under relevant PRC accounting rules and regulations, respectively.

(Expressed in millions of Renminbi unless otherwise stated)

47 Profit appropriations (Continued)

(b) Dividends payable to equity shareholders of the Bank attributable to the year

On 28 April 2009, the Directors proposed a final cash dividend of RMB0.8531 per ten shares in respect of the year ended 31 December 2008. Subject to the agreement of the shareholders in the Annual General Meeting, the total amount of approximately RMB3,330 million is payable to those on the register of shareholders as at 29 June 2009. This dividend has not been recognised as liability at the balance sheet date.

(c) Profit/dividend approved and paid to shareholders during the year

In accordance with relevant PRC rules and regulations, the Bank's shareholders are entitled to the profit and loss made by the Bank since the date of the Bank's incorporation. In accordance with the resolution approved in the Annual General Meeting of the Bank on 12 June 2008, a total amount of approximately RMB2,088 million (RMB53.5 cents per 10 shares) was distributed in the form of cash dividend to the Bank's shareholders during the year.

48 Notes to consolidated cash flow statement

Cash and cash equivalents

	2008	2007
Cash	**3,693**	4,341
Surplus deposit reserve funds	**107,677**	33,545
Deposits with banks and non-bank financial institutions due within three months when aquired	**30,541**	15,530
Placements with banks and non-bank financial institutions due within three months when aquired	**18,987**	10,365
	160,898	63,781
Investment securities	**7,751**	26,764
Total	**168,649**	90,545

49 Commitments and contingent liabilities

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amount reflected in the table for guarantees and letters of credit represents the maximum potential loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	2008	2007
Contractual amount		
Loan commitments		
— with an original maturity of under one year	**442**	102
— with an original maturity of one year or over	**6,828**	8,048
	7,270	8,150
Guarantees	**44,886**	32,547
Letters of credit	**29,515**	36,016
Acceptances	**222,158**	166,939
Credit card commitments	**32,608**	16,934
	336,437	260,586

These commitments and contingent liabilities have off-balance sheet credit risk. Before the commitments are fulfilled or expire, management assess and make allowances, which are recorded in other liabilities, for any probable losses accordingly. As the facilities may expire without being drawn upon, the total of the contractual amounts is not representative of expected future cash outflows.

	2008	2007
Credit risk weighted amount of contingent liabilities and commitments	**138,149**	108,025

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed by IFRS in calculating the above credit risk weighted amounts.

(b) Capital commitments

The Group had the following authorised capital commitments at the balance sheet date:

	2008	2007
Purchase of property and equipment		
— Contracted for	**252**	391
— Authorized but not contracted for	**44**	8

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities (Continued)

(c) Operating lease commitments

The Group leases certain properties under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases for premises were as follows:

	2008	2007
Within one year	**675**	447
After one year but within two years	**596**	388
After two years but within three years	**509**	336
After three years but within five years	**796**	495
After five years	**955**	609
Total	**3,531**	2,275

(d) Outstanding litigations and disputes

As at 31 December 2008, the Group was the defendant in certain pending litigations with gross claims of RMB276 million (as at 31 December 2007: RMB214 million). Based on the opinion of internal and external legal counsels of the Group, the possible loss of these litigations is recognised as other liability and provisions. The Group believes that these accruals are reasonable and adequate.

(e) Underwriting obligations

The Group has no underwriting commitments of PRC bonds as at 31 December 2008 and 31 December 2007.

(f) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the balance sheet date:

	2008	2007
Redemption obligations	**6,418**	7,642

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities (Continued)

(g) Provision against commitments and contingent liabilities

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the balance sheet date in accordance with its accounting policies.

50 Pledged assets

(a) Financial assets pledged as collaterals

The following assets have been pledged as security for bills rediscounting transactions and assets and securities sold under repurchase agreements. These transactions are conducted under terms that are usual and customary to standard lending. The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the balance sheet date.

	2008	2007
Debt securities	**665**	9,853
Discounted bills	**—**	521
Loans and advances to customers	**300**	5,392
Total	**965**	15,766

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2008, the Group did not hold for resale agreements any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

51 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the balance sheet. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in the income statement as fee income.

(Expressed in millions of Renminbi unless otherwise stated)

51 Transactions on behalf of customers (Continued)

(a) Entrusted lending business (Continued)

At the balance sheet date, the entrusted assets and liabilities were as follows:

	2008	2007
Entrusted loans	**34,787**	21,982
Entrusted funds	**34,787**	21,982

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans and IPO shares. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the income statement as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the balance sheets. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the balance sheet date, the assets and liabilities under wealth management services were as follows:

	2008	2007
Investments under wealth management services	**49,478**	30,798
Funds from wealth management services	**49,478**	30,798

Amongst the above funds from wealth management service, RMB24,467 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 31 December 2008 (2007: RMB27,253 million).

52 Segment reporting

The segment reporting is disclosed both by business segments and geographical segments. The business segment information is presented as the Group's primary segment reporting formats.

Measurement of segment assets and liabilities, and segment income and results is based on the Group's accounting policies.

52 Segment reporting (Continued)

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the year to acquire fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

The Group comprises the following main business segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions and repurchase transactions, and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currencies for its own account. The treasury carries out customer driven transactions on derivatives and foreign currency trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of subordinated debts/bonds issued.

Others and unallocated

These represent equity investments and head office assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (Continued)

(a) Business segments (Continued)

	2008				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income/(expense)	24,988	3,388	7,807	(92)	36,091
Internal net interest income/(expense)	3,942	1,913	(5,532)	(323)	—
Net interest income/(expense)	28,930	5,301	2,275	(415)	36,091
Net fee and commission income/(expense)	1,719	1,289	174	(137)	3,045
Net trading gain/(loss)	738	—	1,056	(631)	1,163
Net operating gain from investment securities	—	—	(290)	—	(290)
Other income	164	4	—	195	363
Operating income/(expense)	31,551	6,594	3,215	(988)	40,372
General and administrative expenses					
— depreciation and amortisation	(401)	(422)	(35)	(28)	(886)
— others	(8,956)	(5,120)	(737)	(449)	(15,262)
Provision for impairment losses	(5,059)	(424)	(736)	(225)	(6,444)
Profit/(loss) before tax	17,135	628	1,707	(1,690)	17,780
Capital expenditure	959	962	85	61	2,067

	31 December 2008				
Segment assets	684,950	106,346	391,681	5,175	1,188,152
Segment liabilities	779,781	175,529	128,492	8,689	1,092,491
Off-balance sheet credit commitments	303,829	32,608	—	—	336,437

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (Continued)

(a) Business segments (Continued)

	2007				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income/(expense)	18,804	1,915	5,499	(48)	26,170
Internal net interest income/(expense)	2,078	1,514	(3,177)	(415)	—
Net interest income/(expense)	20,882	3,429	2,322	(463)	26,170
Net fee and commission income/(expense)	826	1,258	51	(55)	2,080
Net trading gain/(loss)	551	—	47	(1,432)	(834)
Net operating gain from investment securities	—	—	284	—	284
Other income	128	—	3	124	255
Operating income/(expense)	22,387	4,687	2,707	(1,826)	27,955
General and administrative expenses					
— depreciation and amortisation	(360)	(358)	(32)	(30)	(780)
— others	(6,720)	(3,465)	(589)	(241)	(11,015)
Provision for impairment losses	(2,866)	(130)	(7)	15	(2,988)
Profit/(loss) before tax	12,441	734	2,079	(2,082)	13,172
Capital expenditure	685	637	60	52	1,434

	31 December 2007				
Segment assets	580,015	99,733	324,391	7,047	1,011,186
Segment liabilities	649,675	149,174	121,412	6,834	927,095
Off-balance sheet credit commitments	243,652	16,934	—	—	260,586

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 23 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiary, China International Finance Limited, is registered and operating in Hong Kong.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

52 Segment reporting (Continued)

(b) Geographical segments (Continued)

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Nanning and Xiamen;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang and Jinan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming and Hohhot;

— "Northeastern" region refers to the following areas where tier-1 branch of the Group is located: Shenyang and Harbin;

— "Head Office" refers to the headquarter of the Group and the credit card center; and

— "Hong Kong" region refers to the Hong Kong Special Administrative Region where the subsidiary of the Bank is located.

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2008									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	8,917	3,982	5,103	3,317	3,338	1,091	10,320	23	—	36,091
Internal net interest income/(expense)	857	1,233	4,297	319	(266)	(74)	(6,387)	21	—	—
Net interest income	9,774	5,215	9,400	3,636	3,072	1,017	3,933	44	—	36,091
Net fee and commission income	667	296	730	247	210	62	830	3	—	3,045
Net trading gain	246	149	383	62	23	12	288	—	—	1,163
Net operating (loss)/gain from investment securities	(4)	(8)	—	(3)	(1)	—	(292)	18	—	(290)
Other operating income	76	26	111	16	8	6	107	13	—	363
Operating income	10,759	5,678	10,624	3,958	3,312	1,097	4,866	78	—	40,372
General and administrative expenses										
— depreciation and amortisation	(219)	(99)	(179)	(64)	(59)	(19)	(246)	(1)	—	(886)
— others	(4,008)	(2,183)	(3,339)	(1,472)	(1,177)	(381)	(2,637)	(65)	—	(15,262)
Provision for impairment losses	(2,117)	(635)	(1,239)	(472)	(801)	(115)	(1,060)	(5)	—	(6,444)
Profit before tax	4,415	2,761	5,867	1,950	1,275	582	923	7	—	17,780
Capital expenditure	367	207	317	150	266	68	683	9	—	2,067

	31 December 2008									
Segment assets	345,595	174,612	464,662	131,638	110,100	40,852	438,152	891	(518,350)	1,188,152
Segment liabilities	311,164	154,565	413,507	119,886	99,986	37,565	473,332	836	(518,350)	1,092,491
Off-balance sheet credit commitments	102,930	36,891	81,338	49,359	20,801	12,510	32,608	—	—	336,437

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2007									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	6,853	2,817	4,344	2,193	2,328	847	6,773	15	—	26,170
Internal net interest income/(expense)	616	836	2,356	98	(210)	(101)	(3,598)	3	—	—
Net interest income	7,469	3,653	6,700	2,291	2,118	746	3,175	18	—	26,170
Net fee and commission income	495	172	591	178	145	72	427	—	—	2,080
Net trading gain/(loss)	177	67	267	41	15	9	(1,410)	—	—	(834)
Net operating gain from investment securities	2	2	1	—	—	—	264	15	—	284
Other operating income	77	31	56	11	8	5	47	20	—	255
Operating income	8,220	3,925	7,615	2,521	2,286	832	2,503	53	—	27,955
General and administrative expenses										
— depreciation and amortisation	(182)	(64)	(148)	(46)	(45)	(14)	(281)	—	—	(780)
— others	(2,973)	(1,580)	(2,353)	(951)	(814)	(281)	(2,020)	(43)	—	(11,015)
Provision for impairment losses	(652)	(257)	(1,291)	(373)	(125)	(194)	(95)	(1)	—	(2,988)
Profit before tax	4,413	2,024	3,823	1,151	1,302	343	107	9	—	13,172
Capital expenditure	432	100	380	116	220	11	175	—	—	1,434

	31 December 2007									
Segment assets	331,920	180,370	400,157	118,343	91,972	32,135	558,446	651	(702,808)	1,011,186
Segment liabilities	290,160	163,985	351,995	105,395	80,262	27,447	610,107	552	(702,808)	927,095
Off-balance sheet credit commitments	82,503	36,734	66,603	36,687	13,495	7,630	16,934	—	—	260,586

53 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

Credit risk: Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.

Market risk: the exposure to market variables such as interest rates, exchange rates and equity markets.

Liquidity risk: where Group is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

Operational risk: the risk arising from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents the asset value attributable to the Group impaired for the lowering of ratings for issuers of debt securities.

Credit business

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful, and loss loans are considered to be impaired loans and advances, when one or more event demonstrates there is objective evidence of impairment and causes losses. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

53 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The core definitions of the five categories of loans and advances are set out below:

Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' abilities to service their loans are in question as they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or no principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying amount of each financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2008	2007
Balances with central banks	**203,243**	119,028
Deposits with bank and non-bank financial institutions	**31,303**	15,565
Placements with banks and non-bank financial	**19,143**	11,090
Trading financial assets	**7,755**	6,500
Positive fair value of derivatives	**5,357**	2,049
Financial assets held under resale agreements	**57,698**	118,046
Interest receivable	**3,941**	3,359
Loans and advances to customers	**651,352**	565,866
Available-for-sale financial assets	**84,900**	43,502
Held-to-maturity investments	**105,151**	109,391
Other financial assets	**1,109**	1,075
Subtotal	**1,170,952**	995,471
Credit commitments	**336,437**	260,586
Maximum credit risk exposure	**1,507,389**	1,256,057

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, and investments are as follows:

	Note	2008			
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
Individuallyassessed					
Carrying amount		**8,326**	**167**	**—**	**1,138**
Allowance for impairment		**(6,490)**	**(143)**	**—**	**(738)**
Net balance		**1,836**	**24**	**—**	**400**
Collectively assessed					
Carrying amount		**720**	**—**	**—**	**—**
Allowance for impairment		**(520)**	**—**	**—**	**—**
Net balance		**200**	**—**	**—**	**—**
Overdue but not impaired	(1)				
Carrying amount		**3,567**	**—**	**—**	**—**
Within which					
Less than 3 months		**3,080**	**—**	**—**	**—**
3 months to 1 year		**481**	**—**	**—**	**—**
Over 1 year		**6**	**—**	**—**	**—**
Allowance for impairment		**(181)**	**—**	**—**	**—**
Net balance		**3,386**	**—**	**—**	**—**
Neither overdue nor impaired					
Carrying amount		**652,311**	**50,422**	**57,698**	**197,406**
Allowance for impairment	(2)	**(6,381)**	**—**	**—**	**—**
Net balance		**645,930**	**50,422**	**57,698**	**197,406**
Net balance of total assets		**651,352**	**50,422**	**57,698**	**197,806**

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements, and investments are as follows: (Continued)

		2007			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
Individually assessed					
Carrying amount		8,004	171	—	31
Allowance for impairment		(5,421)	(146)	—	(15)
Net balance		2,583	25	—	16
Collectively assessed					
Carrying amount		488	—	—	—
Allowance for impairment		(299)	—	—	—
Net balance		189	—	—	—
Overdue but not impaired					
Carrying amount	(1)	2,737	—	—	—
Within which					
Less than 3 months		2,524	—	—	—
3 months to 1 year		213	—	—	—
Over 1 year		—	—	—	—
Allowance for impairment		(65)	—	—	—
Net balance		2,672	—	—	—
Neither overdue nor impaired					
Carrying amount		563,979	26,630	118,046	159,832
Allowance for impairment	(2)	(3,557)	—	—	—
Net balance		560,422	26,630	118,046	159,832
Net balance of total assets		565,866	26,630	118,046	159,848

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions and investments are as follows: (Continued)

Notes: (1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 31 December 2008, the above loans and advances which were overdue but not impaired and which were subject to individual assessment were RMB656 million (2007: 377 million). The covered portion and uncovered portion of these loans and advances were RMB320 million (2007: 116 million) and RMB336 million (2007: 261 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB592 million (2007: 210 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(2) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the balance sheet date:

	2008			2007		
		%	Loans and advances secured by collaterals		%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	**163,164**	**24.5**	**48,260**	145,272	25.3	40,942
— Transportation, storage and postal services	**62,938**	**9.5**	**16,811**	62,856	10.9	19,193
— Production and supply of electric power, gas and water	**57,199**	**8.6**	**9,654**	44,392	7.7	7,729
— Wholesale and retail	**48,855**	**7.3**	**21,119**	42,239	7.3	17,394
— Real estate	**42,225**	**6.4**	**27,514**	41,741	7.3	28,733
— Water, environment and public utility management	**36,592**	**5.5**	**7,483**	28,324	4.9	5,704
— Rent and business services	**31,396**	**4.7**	**9,740**	34,793	6.1	10,036
— Construction	**23,739**	**3.6**	**7,090**	22,199	3.9	4,721
— Public management and social organizations	**22,004**	**3.3**	**8,954**	8,131	1.4	1,156
— Financing	**2,328**	**0.4**	**842**	1,512	0.3	306
— Other customers	**43,182**	**6.5**	**6,009**	34,061	5.9	4,576
Subtotal	**533,622**	**80.3**	**163,476**	465,520	81.0	140,490
Personal loans	**87,763**	**13.2**		76,089	13.2	
Discounted bills	**43,539**	**6.5**		33,599	5.8	
Gross loans and advances to customers	**664,924**	**100.0**		575,208	100.0	
Less: Impairment allowances	**(13,572)**			(9,342)		
Net loans and advances to customers	**651,352**			565,866		

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the balance sheet date: (Continued)

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

	2008				
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**	**Impairment charged to income statement during the year**	**Impaired loan Written off during the year**
Manufacturing	**4,300**	**3,256**	**1,768**	**1,589**	**424**

	2007				
	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances	Impairment charged to income statement during the year	Impaired loan written off during the year
Manufacturing	4,051	2,833	1,026	1,366	848
Transportation, storage and postal services	65	50	456	196	30

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) *Loans and advances to customers and the balance secured by collaterals analysed by geographical sector risk concentrations at the balance sheet date:*

	2008			2007		
		%	**Loans and advances secured by collaterals**		%	Loans and advances secured by collaterals
Yangtze River Delta	**205,670**	**31.0**	**65,865**	182,058	31.7	66,350
Bohai Rim (including Head Office)	**188,308**	**28.3**	**58,310**	167,329	29.1	51,896
Pearl River Delta and West Strait	**100,366**	**15.1**	**42,653**	90,358	15.7	39,085
Central	**74,566**	**11.2**	**26,849**	60,410	10.5	19,529
Western	**72,068**	**10.8**	**36,149**	55,780	9.7	27,991
Northeastern	**23,536**	**3.5**	**9,286**	19,065	3.3	6,631
Hong Kong	**410**	**0.1**	**224**	208	0.0	10
Total	**664,924**	**100.0**	**239,336**	575,208	100.0	211,492

See Note 52(b) for the definitions of geographical segments.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers and the balance secured by collaterals analysed by geographical sector risk concentrations at the balance sheet date: (Continued)

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

	2008		
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**
Yangtze River Delta	**2,227**	**1,396**	**1,942**
Bohai Rim (including Head Office)	**3,519**	**2,500**	**2,567**
Pearl River Delta and West Strait	**1,372**	**1,048**	**945**
Central	**624**	**554**	**752**
Western	**870**	**677**	**612**
	8,612	**6,175**	**6,818**

	2007		
	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances
Yangtze River Delta	852	488	1,160
Bohai Rim (including Head Office)	4,114	2,720	1,307
Pearl River Delta and West Strait	1,877	1,057	581
Central	772	638	381
	7,615	4,903	3,429

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers analysed by types of collateral

	Notes	2008	2007
Unsecured loans		**190,835**	158,972
Guaranteed loans		**191,214**	171,145
Secured loans		**239,336**	211,492
— Tangible assets other than monetary assets		**178,185**	155,591
— Monetary assets		**61,151**	55,901
Subtotal		**621,385**	541,609
Discounted bills		**43,539**	33,599
Gross loans and advances to customers		**664,924**	575,208
Less:	31	**(13,572)**	(9,342)
— Individual impairment allowances		**(6,490)**	(5,421)
— Collective impairment allowances		**(7,082)**	(3,921)
Net loans and advances to customers		**651,352**	565,866

(vi) Rescheduled loans and advances to customers

	2008		2007	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	**5,365**	**0.81%**	5,303	0.92%
Less:				
— rescheduled loans and advances but overdue more than 3 months	**2,835**	**0.43%**	2,799	0.48%
Rescheduled loans and advances overdue less than 3 months	**2,530**	**0.38%**	2,504	0.44%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. Rescheduled loans and advances are required to be graded at a minimum of substandard and subject to an observation period of six months, until when no upgrade to a higher loan classification is considered.

53 Financial risk management (Continued)

(b) Market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments, as well as from balance sheet or structural positions. Market risk arises from adverse movement in market rates including interest rates, foreign exchange rates and stock prices etc. as well as their volatility. Market risk would arise from both the Group's trading and non-trading business. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Group's exposure to the volatility inherent in financial instruments.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures, setting risk exposure limits and approving new products. The Budget and Finance Department is responsible for the day-to-day tasks of managing market risk, including formulating procedures to identify, assess, measure and control market risks. The Treasury and Capital Markets Department is responsible for managing the Group's investment portfolios, conducting proprietary and customer-driven transactions, implementing market risk management policies and rules and ensuring that risk levels are within set limits.

The use of derivatives for proprietary trading and their sale to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

Sensitivity analysis and foreign currency exposure analysis are the key methods used by the Group to measure and monitor the market risk of its trading business with Value-at-Risk ("VaR") as a supplementary method. Gap analysis is the key method used by the Group to monitor the market risk of its non-trading business.

The Group applies a wide range of sensitivity analyses to assess the potential impact on the Group's earnings as a result of a set of forward-looking movements in market prices and the result is regularly reviewed.

Foreign currency exposure analysis is a method to measure the effect on the Group's net earnings by foreign exchange rate changes. The Group calculates individual foreign currency exposure for both net spot and net forward positions. All the individual foreign currency exposures are then aggregated to form an overall exposure. Foreign currency exposure limits are set for individual currencies as well as the overall level. The Group also distinguishes between trading and non-trading foreign currency exposures.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The Group's Treasury and Capital Markets Department calculates interest rate VaR using historical movement in market rates and prices, at 99% confidence level, with a 10-day holding period on its foreign currency denominated investments.

Gap analysis is a technique to project future cash flows in order to quantify the differences, for a range of future dates, between assets and liabilities.

Currently, the Group is upgrading its present market risk management information system to monitor its overall market risk through new Assets and Liability Management (ALM) and Fund Transfer Pricing (FTP) systems.

53 Financial risk management (Continued)

(c) Interest rate risk

The Group's interest rate exposures mainly comprise those originating in its commercial banking structural interest rate exposure, and trading positions. The Budget and Finance Department is responsible for overall interest rate risk management.

The structural interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. The Budget and Finance Department manages the structural interest rate risk primarily through gap analysis and interest rate sensitivity analysis.

The majority of interest rate risk from the Group's trading positions arises from the Treasury's investment portfolios. Sensitivity related limits such as Price Value of a Basis Point (PVBP) and duration, as well as stop loss limits and concentration limit, are the main tools adopted by the Budget and Finance Department to manage trading interest rate risk.

Interest rate risk limits are determined by the Market Risk Committee, which is comprised of senior management. The Budget and Finance Department monitors interest rate risk and reports to the Market Risk Committee on both a regular and ad hoc basis as the need arises.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(c) Interest rate risk (Continued)

The following tables indicate the effective interest rates for the year and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities at the balance sheet date.

	Effective interest rate (note(i))	2008 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.66%	206,936	3,693	203,243	—	—	—
Deposits with banks and non-bank financial institutions	1.40%	31,303	—	31,293	10	—	—
Placements with banks and non-bank financial institutions	2.92%	19,143	—	19,031	112	—	—
Financial assets held under resale agreements	3.86%	57,698	—	53,727	3,726	245	—
Loans and advances to customers (note(ii))	7.13%	651,352	—	446,368	197,276	6,020	1,688
Investments (note(iii))	3.74%	198,223	416	54,560	85,012	41,231	17,004
Others	—	23,497	23,497	—	—	—	—
Total assets		1,188,152	27,606	808,222	286,136	47,496	18,692
Liabilities							
Deposits from banks and non-bank financial institutions	1.97%	108,605	—	98,822	9,783	—	—
Placements from banks and non-bank financial institutions	3.90%	963	—	—	205	—	758
Financial assets sold under repurchase agreements	3.15%	957	—	657	—	300	—
Deposits from customers	2.33%	945,835	10,637	687,784	210,137	34,299	2,978
Subordinated debts/bonds issued	5.26%	12,000	—	6,000	—	—	6,000
Others	—	24,131	24,131	—	—	—	—
Total liabilities		1,092,491	34,768	793,263	220,125	34,599	9,736
Asset-liability gap		95,661	(7,162)	14,959	66,011	12,897	8,956

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(c) Interest rate risk (Continued)

		2007					
	Effective interest rate (note(i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.59%	123,369	4,341	119,028	—	—	—
Deposits with banks and non-bank financial institutions	2.64%	15,565	—	15,563	2	—	—
Placements with banks and non-bank financial institutions	2.95%	11,090	—	10,689	401	—	—
Financial assets held under resale agreements	4.01%	118,046	—	116,616	991	439	—
Loans and advances to customers (note(ii))	6.11%	565,866	—	360,040	192,181	12,017	1,628
Investments (note(iii))	3.38%	159,848	455	55,796	44,936	40,709	17,952
Others	—	17,402	17,402	—	—	—	—
Total assets		1,011,186	22,198	677,732	238,511	53,165	19,580
Liabilities							
Deposits from banks and non-bank financial institutions	1.61%	96,609	—	95,845	764	—	—
Placements from banks and non-bank financial institutions	4.20%	639	—	—	—	—	639
Financial assets sold under repurchase agreements	4.84%	15,754	—	15,704	50	—	—
Deposits from customers	1.98%	787,211	8,168	675,275	84,183	15,536	4,049
Subordinated debts/bonds issued	4.90%	12,000	—	6,000	—	—	6,000
Others	—	14,882	14,882	—	—	—	—
Total liabilities		927,095	23,050	792,824	84,997	15,536	10,688
Asset-liability gap		84,091	(852)	(115,092)	153,514	37,629	8,892

Notes: (i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB4,854 million as at 31 December 2008 (as at 31 December 2007: RMB5,102 million).

(iii) Investments include the trading financial assets, available-for-sale financial assets and held-to-maturity investments.

53 Financial risk management (Continued)

(c) Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 31 December 2008 and 31 December 2007.

	2008		2007	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(645)**	**645**	—	—

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing, commercial bank operations and foreign currency capital related structural exposures. The foreign currency exposures arising in branch daily operations are aggregated to Treasury and Capital Markets Department through back to back transactions.

The Treasury and Capital Markets Department manages the currency risk within the limits approved by the Market Risk Committee by closing the exposure positions through external market transactions.

The Group manages other currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(d) Currency risk (Continued)

The exposures at the balance sheet date were as follows:

	2008			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	203,456	3,043	437	206,936
Deposits with banks and non-bank financial institutions	6,453	22,922	1,928	31,303
Placements with banks and non-bank financial institutions	15,730	3,411	2	19,143
Financial assets held under resale agreements	57,698	—	—	57,698
Loans and advances to customers	634,489	15,837	1,026	651,352
Investments	164,880	29,694	3,649	198,223
Others	21,338	1,593	566	23,497
Total assets	1,104,044	76,500	7,608	1,188,152
Liabilities				
Deposits from banks and non-bank financial institutions	86,344	20,910	1,351	108,605
Placements from banks and non-bank financial institutions	—	205	758	963
Financial assets sold under repurchase agreements	300	174	483	957
Deposits from customers	907,048	31,846	6,941	945,835
Subordinated debts/bonds issued	12,000	—	—	12,000
Others	21,206	1,673	1,252	24,131
Total liabilities	1,026,898	54,808	10,785	1,092,491
Net on-balance sheet position	77,146	21,692	(3,177)	95,661
Credit commitments	290,381	36,457	9,599	336,437
Derivatives (note(i))	15,399	(17,098)	1,893	194

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(d) Currency risk (Continued)

The exposures at the balance sheet date were as follows: (Continued)

	2007			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	120,141	2,859	369	123,369
Deposits with banks and non-bank financial institutions	6,075	6,363	3,127	15,565
Placements with banks and non-bank financial institutions	9,801	1,189	100	11,090
Financial assets held under resale agreements	117,877	169	—	118,046
Loans and advances to customers	535,998	28,598	1,270	565,866
Investments	119,882	34,843	5,123	159,848
Others	14,540	2,179	683	17,402
Total assets	924,314	76,200	10,672	1,011,186
Liabilities				
Deposits from banks and non-bank financial institutions	94,335	1,466	808	96,609
Placements from banks and non-bank financial institutions	—	—	639	639
Financial assets sold under repurchase agreements	8,461	7,293	—	15,754
Deposits from customers	735,558	42,236	9,417	787,211
Subordinated debts/bonds issued	12,000	—	—	12,000
Others	13,198	1,309	375	14,882
Total liabilities	863,552	52,304	11,239	927,095
Net on-balance sheet position	60,762	23,896	(567)	84,091
Credit commitments	213,043	39,505	8,038	260,586
Derivatives (note(i))	17,181	(17,052)	342	471

Note: (i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

53 Financial risk management (Continued)

(d) Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 31 December 2008 and 31 December 2007, the results of the Group's interest rate sensitivity analysis on the assets and liabilities at the same date.

	2008		2007	
	Change in foreign currency exchange rate (in basis point)		Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(5)**	**5**	(9)	9

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows for the Group to meet all financial commitment and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings in full amounts as they mature, or to meet other obligations for payments, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis according to the Group's liquidity objectives by the Treasury under the direction of the Asset and Liability Committee. It is responsible for ensuring that the Group has adequate liquidity for RMB and foreign currency operations.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(e) Liquidity risk (Continued)

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the balance sheet date.

	2008						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central bank	111,370	—	—	—	—	95,566	206,936
Deposits with banks and non-bank financial institutions	29,192	2,101	10	—	—	—	31,303
Placements with banks and non-bank financial institutions	3,387	15,620	112	—	—	24	19,143
Financial assets held under resale agreements	—	53,727	3,726	245	—	—	57,698
Loans and advances to customers (note(ii))	1,914	135,321	306,604	110,819	93,191	3,503	651,352
Investment securities	542	39,284	71,702	54,421	31,458	816	198,223
Others	1,080	2,425	2,560	3,273	1,113	13,046	23,497
Total assets	147,485	248,478	384,714	168,758	125,762	112,955	1,188,152
Liabilities							
Deposits from banks and non-bank financial institutions	72,139	23,183	12,783	500	—	—	108,605
Placements from banks and non-bank financial institutions	—	—	205	—	758	—	963
Financial assets sold under repurchase agreements	—	657	—	300	—	—	957
Deposits from customers	429,415	265,316	210,897	36,209	3,998	—	945,835
Subordinated debts/bonds issued	—	—	—	6,000	6,000	—	12,000
Others	1,996	16,490	1,975	2,320	634	716	24,131
Total liabilities	503,550	305,646	225,860	45,329	11,390	716	1,092,491
(Short)/Long position	(356,065)	(57,168)	158,854	123,429	114,372	112,239	95,661

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (Continued)

(e) Liquidity risk (Continued)

	2007						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central bank	38,401	—	—	—	—	84,968	123,369
Deposits with banks and non-bank financial institutions	14,063	1,500	2	—	—	—	15,565
Placements with banks and non-bank financial institutions	1,264	9,400	401	—	—	25	11,090
Financial assets held under resale agreements	—	116,616	991	439	—	—	118,046
Loans and advances to customers (note(ii))	1,838	115,898	256,261	108,397	79,865	3,607	565,866
Investment securities	4,350	31,064	32,149	55,065	36,749	471	159,848
Others	648	2,378	2,209	991	303	10,873	17,402
Total assets	60,564	276,856	292,013	164,892	116,917	99,944	1,011,186
Liabilities							
Deposits from banks and non-bank financial institutions	94,075	1,770	764	—	—	—	96,609
Placements from banks and non-bank financial institutions	—	—	—	—	639	—	639
Financial assets sold under repurchase agreements	3,592	12,112	50	—	—	—	15,754
Deposits from customers	409,691	249,362	98,883	25,226	4,049	—	787,211
Subordinated debts/bonds issued	—	—	—	6,000	6,000	—	12,000
Others	1,533	7,858	2,003	1,437	1,703	348	14,882
Total liabilities	508,891	271,102	101,700	32,663	12,391	348	927,095
(Short)/Long position	(448,327)	5,754	190,313	132,229	104,526	99,596	84,091

Notes: (i) For cash and balances with the central bank, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in repayable on demand.

(iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale investments, the remaining term to maturity does not represent the Group's intended holding period.

53 Financial risk management (Continued)

(f) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address comprehensively the operational risk inherent in all key products, activities, processes and systems. Key controls include:

— authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;

— the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;

— systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;

— promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;

— cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

— the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;

— the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and

— the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

In addition to the above, the Bank's Compliance and Internal Audit Department, which directly reports to the Audit and Related Party Transactions Committee, examines and independently evaluates its risk management policies and procedures and internal controls. Audit and Related Party Transactions Committee is under the direct supervision of the Executive Management Committee led by the President of the Bank.

The Audit and Related Party Transactions Committee determines the frequency and priority of audits of the Bank's different operating units and branches based on their assessment of the level of risk of those units and branches.

54 Capital Adequacy Ratio

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with "Regulation Governing Capital Adequacy of Commercial Banks" issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong Special Administrative Region of the PRC or other regions and countries. The capital of the Bank is analysed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and minority interests, after the deduction of dividends declared after the balance sheet date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions and subordinated debts/bonds issued.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on- and off-balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Bank is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Bank's sound operations and risk management capability. The Bank's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Bank's operating situations.

The Bank considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

(Expressed in millions of Renminbi unless otherwise stated)

54 Capital Adequacy Ratio (Continued)

The capital adequacy ratios and the related components of the Bank as at 31 December 2008 and 2007 calculated based on the financial statements under relevant accounting rules and regulations in the PRC were as follows:

	2008	2007
Core capital adequacy ratio (note(i))	**12.32%**	13.14%
Capital adequacy ratio (note(ii))	**14.32%**	15.27%
Components of capital base		
Core capital:		
— Share capital	**39,033**	39,033
— Capital reserve	**36,916**	36,916
— Investment revaluation reserve	**(72)**	(89)
— Surplus reserve and general reserve	**9,877**	4,560
— Retained earnings (note(iii))	**6,288**	1,620
— Fair value change of trading financial assets (note(iv))	**—**	(101)
	92,042	81,939
Supplementary capital:		
— General provision for loans and advances	**6,527**	3,621
— Fair value change of trading financial assets (note(iv))	**—**	101
— Subordinated debts/bonds issued	**8,400**	9,600
Total supplementary capital	**14,927**	13,322
Total capital base before deductions	**106,969**	95,261
Deductions:		
— Unconsolidated equity investments	**99**	90
Total capital base after deductions	**106,870**	95,171
Core capital base after deductions (note(i))	**91,993**	81,894
Risk weighted assets	**746,547**	623,300

Note: (i) According to relevant regulation, 50 percent unconsolidated non-bank financial institutes' investments should be deducted when we calculate core capital base.

(ii) Capital Adequacy Ratio ("CAR") equals to total capital base after deductions divided by risk weighted assets.

(iii) Retained earnings are the balances after deducting the dividend approved by board of directors of the Group to submit to shareholders' meeting to announce at post balance sheet dates.

(iv) According to the *Announcement on Calculating CAR after Implementing Accounting Standards for Business Enterprises (2006) of Banking and Financial Institutions* issued by China Securities Regulatory Committee ("CSRC"), unrealized accumulated profit for trading financial instruments fair value through profit and loss should be deducted from core capital and included in supplementary capital instead.

(Expressed in millions of Renminbi unless otherwise stated)

55 Fair value

(a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

Amounts due from central bank, banks and other financial institutions

Amounts due from central bank, banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The following table summarises the carrying values and the fair values of held-to-maturity debt securities which are not presented on the balance sheet at their fair values.

	Carrying values		Fair values	
	2008	2007	**2008**	2007
Held-to-maturity debt securities	**105,151**	109,391	**100,837**	108,958

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the balance sheet date except for subordinated debts/bonds issued, of which the carrying values and fair values are presented as below:

	Carrying values		Fair values	
	2008	2007	**2008**	2007
Subordinated debts/bonds issued	**6,000**	6,000	**6,023**	5,667

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties

CITIC Group ("the ultimate holding company"), the majority shareholder of the Bank, is a state-owned company established in the PRC in 1979. CITIC Group's core businesses include operations in the financial, industrial and service industries in the PRC and internationally. The Group's related party transactions are those transactions between the Group and CITIC Group and its subsidiaries, which include CIFH, a previous shareholder of the Bank.

(a) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Interest rates on loans and deposits are required to be set in accordance with the benchmark rates set and relevant regulations issued by the PBOC.

Transactions during the relevant years and the corresponding balances outstanding at the balance sheet dates are as follows:

	2008		
	Ultimate holding company	**Fellow Subsidiaries**	**Subsidiaries (note(i))**
Interest income	**43**	**335**	**25**
Fee and commission income and other income	**—**	**202**	**—**
Interest expense	**(145)**	**(1,102)**	**—**
Net trading gain/(loss)	**65**	**(15)**	**—**
Other service fees	**—**	**(105)**	**(45)**

	2007		
	Ultimate holding company	Fellow Subsidiaries	Subsidiaries (note(i))
Interest income	50	102	20
Fee and commission income and other income	—	115	—
Interest expense	(134)	(606)	—
Other service fees	—	(45)	(27)

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties (Continued)

(a) Related party transactions (Continued)

	2008		
	Ultimate holding company	Fellow Subsidiaries	Subsidiaries (note(i))
Assets			
Gross amounts of loans and advances to customers	380	5,351	—
Less: Individual impairment allowances	—	—	—
Net loans and advances to customers	380	5,351	—
Gross amounts deposit and placement with banks and non-bank financial institutions	—	84	759
Less: Impairment allowances	—	(8)	—
Net amounts deposit and placement with banks and non-bank financial institutions	—	76	759
Investments	374	542	87
Financial assets held under resale agreements	—	—	68
Other assets	5	97	3
Liabilities			
Deposits from customers	7,063	3,284	7
Amounts deposit and placement with banks and non-bank financial institutions	—	14,913	—
Other liabilities	21	123	—
Off-balance sheet transactions			
Guarantees and letters of credit	240	602	—
Acceptances	—	872	—
Guarantees for loans to third parties	—	3,798	—
Nominal amount of derivatives	282	4,350	—

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties (Continued)

(a) Related party transactions (Continued)

	2007		
	Ultimate holding company	Fellow Subsidiaries	Subsidiaries (note(i))
Assets			
Gross amounts of loans and advances to customers	380	2,417	—
Less: Individual impairment allowances	—	—	—
Net loans and advances to customers	380	2,417	—
Gross amounts deposit and placement with banks and non-bank financial institutions	—	255	519
Less: Impairment allowances	—	(8)	—
Net amounts deposit and placement with banks and non-bank financial institutions	—	247	519
Investments	316	578	87
Financial assets held under resale agreements	—	—	—
Other assets	5	9	4
Liabilities			
Deposits from customers	5,191	3,328	3
Amounts deposit and placement from banks and non-bank financial institutions	—	33,554	—
Other liabilities	20	46	—
Off-balance sheet transactions			
Guarantees and letters of credit	308	21	—
Acceptances	—	190	—
Guarantees for loans to third parties	—	1,026	—
Nominal amount of derivatives	—	—	—

Notes: (i) The related party transactions between the Bank and the subsidiaries are eliminated on consolidation.

(ii) The Bank sold wealth management products, which are managed by CITIC Trust, to its retail and corporate customers. During the year of 2008, on behalf of the customers, CITIC Trust purchased from the Bank loans and advances to customers of RMB20,508 million; on behalf of the customers, CITIC Trust sold part of these loans of RMB19,630 million to the Bank before the year end.

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties (Continued)

(b) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, Supervisors and Executive Officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. In the opinion of the Directors, other than the those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 31 December 2008 to Directors, supervisors and executive officers amounted to RMB22 million (as at 31 December 2007: RMB26 million).

The aggregate of the compensations in respect of Directors and Supervisors is disclosed in Note 10. The Executive Officers' compensations during the years are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	**4,860**	5,204
Discretionary bonuses	**24,260**	25,831
Contributions to defined contribution retirement schemes	**1,402**	753
	30,522	31,788

(c) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China.

The Group has also established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 37(iii)).

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

56 Related parties (Continued)

(d) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

57 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of the financial statements, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements.

The Group is in the process of making assessment of what the impact of these amendments, new standards and new interpretations at initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Revised IAS 1 Presentation of Financial Statements requires the separation of changes in equity of an entity arising from transactions with owners from other changes in equity. The Group will apply Revised IAS 1 for annual accounting periods beginning 1 January 2009.

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. The Group will apply IFRS 5 for annual accounting periods beginning 1 January 2009.

58 Comparative figures

Certain comparative figures have been re-classified to conform with current year's presentation.

59 Events after the Balance Sheet Date

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

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited financial statements, and is included herein for information purposes only.

(a) Reconciliation between the financial statements prepared under International Financial Reporting Standards ("IFRS") and relevant accounting rules and regulations in the PRC ("PRC GAAP")

Net Profit	Note	**2008**	2007
Net profit attributable to shareholders of the Bank under IFRS		**13,354**	8,322
Adjustments for depreciation, amortisation and disposal arising from fixed assets and other assets revaluation	(i)	**(34)**	(32)
Net profit attributable to shareholders of the Bank shown in the financial statements under PRC GAAP		**13,320**	8,290

Equity	Note	**31 December 2008**	31 December 2007
Equity attributable to shareholders of the Bank under IFRS		**95,658**	84,086
Adjustments for difference arising from fixed assets and other assets revaluation	(i)	**(315)**	50
Equity attributable to shareholders of the Bank shown in the financial statements under PRC GAAP		**95,343**	84,136

Note: (i) Adjustments for difference arising from fixed assets and other assets revaluation

Pursuant to the relevant PRC rules and regulations with respect to the restructuring of China CITIC Bank, the fixed assets and other assets (including equity investment, repossessed assets and intangible assets) of the Bank as at 31 December 2005 were revalued by China Enterprise Appraisal Company Limited on a depreciated replacement cost or a comparable market basis as appropriate. The revalued amount was adopted for these assets as deemed cost from the date of revaluation and thereafter, with the revaluation surplus being recognised in the capital reserve. The depreciation and amortization of these assets is calculated to write off the deemed cost over the estimated useful life.

In the financial statements prepared under IFRS, such assets are carried at cost less impairment losses and the revaluation surplus was not recorded accordingly, except for the property of the Bank, which is stated in the balance sheet at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Increases in the carrying amount arising on the revaluation of each property are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement. These revaluations are performed on a regular basis.

As the depreciation of equipment and amortization of other assets in the financial statements under PRC GAAP are calculated on deemed cost after revaluation, it is different from those under IFRS, which are calculated on historical cost.

(b) Liquidity ratios

	31 December 2008	31 December 2007
RMB current assets to RMB current liabilities	**51.37%**	38.90%
Foreign currency current assets to foreign currency current liabilities	**83.24%**	110.01%

The above liquidity ratios were calculated based on the financial statements under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

(Expressed in millions of Renminbi unless otherwise stated))

(c) Currency concentrations

	31 December 2008			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**110,836**	**657**	**6,949**	**118,442**
Spot liabilities	**(54,808)**	**(2,536)**	**(8,249)**	**(65,593)**
Forward purchases	**48,259**	**1,912**	**17,952**	**68,123**
Forward sales	**(65,357)**	**(478)**	**(17,493)**	**(83,328)**
Net long/(short) position	**38,930**	**(445)**	**(841)**	**37,644**

	31 December 2007			
	US Dollars	HK Dollars	Others	Total
Spot assets	76,200	2,184	8,488	86,872
Spot liabilities	(52,304)	(3,419)	(7,820)	(63,543)
Forward purchases	54,847	2,558	13,012	70,417
Forward sales	(71,982)	(1,311)	(13,834)	(87,127)
Net option position	83	—	(83)	—
Net long/(short) position	6,844	12	(237)	6,619

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

For the purpose of these unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical areas is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2008			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**5,256**	**—**	**616**	**5,872**
— of which attributed to Hong Kong	***4,108***	**—**	***409***	***4,517***
Europe	**5,179**	**614**	**36**	**5,829**
North and South America	**23,875**	**21,909**	**592**	**46,376**
	34,310	**22,523**	**1,244**	**58,077**

(Expressed in millions of Renminbi unless otherwise stated)

(d) Cross-border claims (continued)

	31 December 2007			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	3,529	40	794	4,363
— of which attributed to Hong Kong	*1,676*	—	*449*	*2,125*
Europe	11,972	53	39	12,064
North and South America	12,160	17,682	583	30,425
	27,661	17,775	1,416	46,852

(e) Overdue loans and advances to customers by geographical segments

	31 December 2008		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Impaired Loans**
Yangtze River Delta	**205,670**	**1,134**	**2,227**
Bohai Rim (include Head Office)	**188,308**	**1,658**	**3,519**
Pearl River Delta and West Strait	**100,366**	**3,249**	**1,372**
Central	**74,566**	**634**	**624**
Western	**72,068**	**558**	**870**
Northeastern	**23,536**	**327**	**434**
Hong Kong	**410**	**—**	**—**
Total	**664,924**	**7,560**	**9,046**

	31 December 2007		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	182,058	833	852
Bohai Rim (include Head Office)	167,329	3,711	4,114
Pearl River Delta and West Strait	90,358	1,846	1,877
Central	60,410	781	772
Western	55,780	367	452
Northeastern	19,065	442	425
Hong Kong	208	—	—
Total	575,208	7,980	8,492

(Expressed in millions of Renminbi unless otherwise stated))

(e) Overdue loans and advances to customers by geographical segments (continued)

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss (see Note 53(a) of the Group's financial statements for the core definitions of the loan classification)); or

— collectively: that is portfolios of homogeneous loans and advances (including retail loans and advances which are graded substandard, doubtful or loss).

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	31 December 2008	31 December 2007
Gross amounts due from banks and other financial institutions which have been overdue	**167**	171
As a percentage of total gross amounts due from banks and other financial institutions	**0.15%**	0.31%

Note: All overdue amounts have been overdue over 12 months.

(ii) Gross amounts of overdue loans and advances to customers

	31 December 2008	31 December 2007
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**1,238**	438
— between 6 and 12 months	**720**	696
— over 12 months	**5,602**	6,846
Total	**7,560**	7,980
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.19%**	0.08%
— between 6 and 12 months	**0.11%**	0.12%
— over 12 months	**0.84%**	1.18%
Total	**1.14%**	1.38%

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

(ii) Gross amounts of overdue loans and advances to customers (continued)

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

— Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

— Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 31 December 2008, the loans and advances to customers of RMB6,655 million (2007: 7,403 million) and RMB905 million (2007: 577 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB623 million (2007: 1,365 million) and RMB6,032 million (2007: 6,038 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB718 million (2007: 1,675 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB5,357 million (2007: 5,171 million).

(g) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland. As of 31 December 2008, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individual. Analyses of various types of exposures by counterparty have been disclosed in the notes to the financial statements.

Reference for Shareholders

Shareholdings

Listing

On 27 April 2007, the Bank simultaneously listed in Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

Common share

The number of outstanding shares including tradable and non-tradable shares: 39,033,344,054, including 26,631,541,573 A shares and 12,401,802,481 H shares.

Dividends

The Board of Directors suggested that a final cash dividend of RMB0.853 (pre-tax) be declared and distributed for every 10 shares, subject to the approval by the shareholders at 2008 annual shareholders' general meeting.

Stock code and stock name:

A share

Shanghai Stock Exchange	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH

H share

The Stock Exchange of Hong Kong Limited	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Inquiry of shareholders

If shareholders want to inquire about anything concerning the shareholdings, such as share transfer, "street name" share, address redirecting and lost shares, please write a letter to the following address:

A-share

China Securities Depository and Clearing Corporation Limited Shanghai Branch
36/F, China Insurance Mansion, No.166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: 86-21-68870142

H-share

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: 852-28658555
Fax: 852-28650990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Moody's Investors Service: Long-term deposits rating is Baa2, short-term deposits rating is P-2, real strength rating of financial affairs is D, rating prospect: negative

Fitch ratings: Individual rating is C/D, support rating is 2

Component Stock of Index

SSE 180 Index
SSE 50 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite Index
Shanghai-Shenzhen 300 Index
CSI 100 Index
CSI 800 Index
300 Industry Index (Finance)
South Well-off Index of CSI
800 Complete Profit Index of CSI

Investor Inquiry

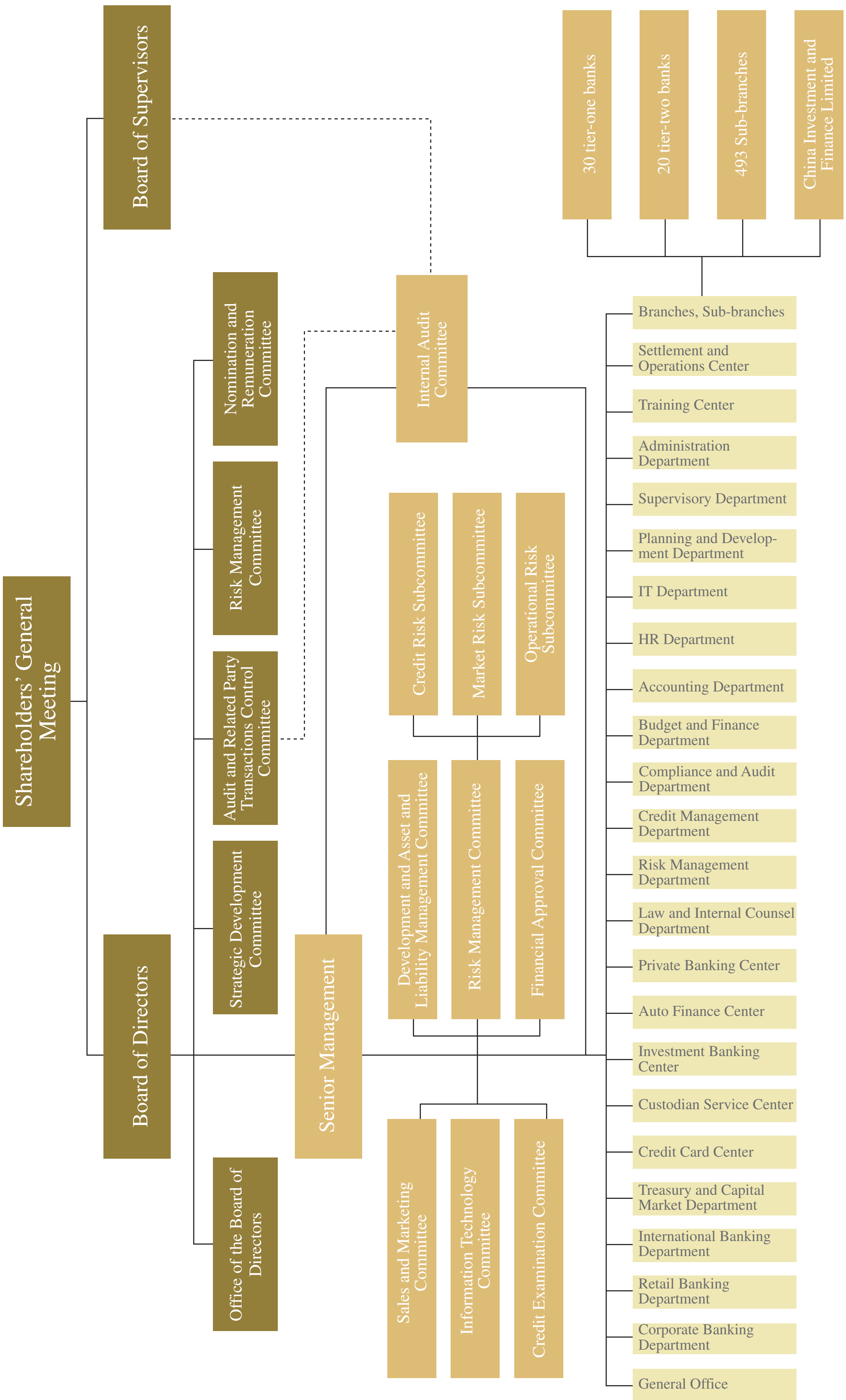
If H-share investors have any question, please contact:
Investor Relations team of China CITIC Bank Corporation Limited
Address: 15F, Tower C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: 86-10-65558000
Fax: 86-10-65550809
E-mail: ir_cncb@citicbank.com

Other information

This Annual Report is available in both Chinese and English. To get a copy of the Annual Report prepared in accordance with the international accounting standards, please write to the Bank's H-share Registrar, Computershare Hong Kong Investor Services Limited. For copies of the Annual Report prepared in accordance with the PRC accounting standards, please find at places of business of the Bank. This Annual Report is also available (in both English and Chinese) on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

If you have any queries about how to obtain copies of this Annual Report or how to access those documents on the Bank's website, please call the Bank's hotline at 86-10-65558000 and 852-28628555.

Corporate Structure



List of Domestic and Overseas Affiliates

As of the end of 2008, there were 544 branch outlets in total consisting of 30 tier-one branches, 20 tier-two branches, 493 sub-branches and one finance company.

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
1	Beijing	1	Headquarters	Address: Tower C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 Website: http://www.ecitic.com SWIFT BIC: CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 or 65550802 Hotline: 95558
		37	Business department of Headquarters	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100032	Tel: 010-66219988 Fax: 010-66211770
2	Tianjin	21	Tianjin Branch	Address: No. 14 Nanjing Road, Hexi District, Tianjin Postal Code: 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	15			
	Shijiazhuang	12	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	3	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738600
4	Liaoning Province	50			
	Shenyang	15	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	18	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	6	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: No. 11, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	Tel: 0413-7589324 Fax: 0413-7587608
	Huludao	6	Huludao Branch	Address: No. 55, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2802681 Fax: 0429-2800885
5	Shanghai	28	Shanghai Branch	Address: No. 61, East Nanjing Road, Shanghai Postal Code: 200002	Tel: 021-23029000 Fax: 021-23029001

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
6	Jiangsu Province	72			
	Nanjing	19	Nanjing Branch	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	15	Wuxi Branch	Address: No. 112 Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	8	Changzhou Branch	Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-8108833 Fax: 0519-8107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225009	Tel: 0514-7890717 Fax: 0514-7890526
	Taizhou	4	Taizhou Branch	Address: No. 39, North Qingnian Road, Taizhou, Jiangsu Province Postal Code: 225300	Tel: 0523-6215818 Fax: 0523-6243344
	Suzhou	17	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	1	Nantong Branch	Address: Tower C, Nantong Building, No. 1, Beihaoqiao Road, Nantong Postal Code: 226000	Tel: 0513-81120901 Fax: 0513-81120900
7	Zhejiang Province	57			
	Hangzhou	20	Hangzhou Branch	Address: No. 88, Yanan Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	8	Wenzhou Branch	Address: No. 12, East Renmin Road, Wenzhou, Zhejiang Province Postal Code: 325000	Tel: 0577-88858616 Fax: 0577-88817687
	Jiaxing	7	Jiaxing Branch	Address: No. 111, Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	Tel: 0573-2097693 Fax: 0573-2093454
	Shaoxing	8	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel: 0575-5227222 Fax: 0575-5137782
	Ningbo	14	Ningbo Branch	Address: No. 36, Zhenming Road, Haishu District, Ningbo Postal Code: 315010	Tel: 0574-87733226 Fax: 0574-87733060
8	Anhui Province Hefei	11	Hefei Branch	Address: No. 560, Meiling Avenue, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-2622426 Fax: 0551-2625750

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
9	Fujian Province	27			
	Fuzhou	12	Fuzhou Branch	Address: No. 99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	9	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubing Road, Xiamen, Fujian Province Postal Code: 361004	Tel: 0592-2389008 Fax: 0592-2396363
	Quanzhou	5	Quanzhou Branch	Address: Building of The People's Bank of China, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel: 0595-22148612 Fax: 0595-22148222
	Putian	1	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
10	Shandong Province	50			
	Jinan	11	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	15	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: No. 109, Xincun West Road, Zhangdian District, Zibo, Shandong Province Postal Code: 255032	Tel: 0533-2212123 Fax: 0533-2212123
	Yantai	5	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6612888 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5313999 Fax: 0631-5314076
	Jining	3	Jining Branch	Address: No. 10, Jianshe Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0573-2338888
11	Henan Province	16			
	Zhengzhou	15	Zhengzhou Branch	Address: No. 26, North Jingsan Road, Zhengzhou, Henan Province Postal Code: 450008	Tel: 0371-65792500 Fax: 0371-65792900
	Luoyang	1	Luoyang Branch	Address: No. 2, Nanchang Road, Luoyang Postal Code: 471000	Tel: 0379-64682858 Fax: 0379-64682875
12	Hubei Province Wuhan	18	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
13	Hunan Province Changsha	14	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-4582177 Fax: 0731-4582199
14	Guangdong Province	62			
	Guangzhou	22	Guangzhou Branch	Address: No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	4	Foshan Branch	Address: No. 91, South Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83981101
	Shenzhen	23	Shenzhen Branch	Address: 5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	13	Dongguan Branch	Address: IEO 1, Legend of Star River, East Road, Dongcheng District, Dongguan, Guangdong Province Postal Code: 523072	Tel: 0769-22667888 Fax: 0769-22667999
15	Chongqing	14	Chongqing Branch	Address: Building B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-89037373 Fax: 023-89037227
16	Sichuan Province Chengdu	19	Chengdu Branch	Address: Attached Building of Huaneng Building, No. 47, 4th Section, South Renmin Road, Chengdu, Sichuan Province Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province Kunming	11	Kunming Branch	Address: Fulin Square, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648555 Fax: 0871-3648667
18	Shaanxi Province Xi'an	14	Xi'an Branch	Address: No. 89, North Changan Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820122 Fax: 029-87817025
19	Shanxi Province Taiyuan	2	Taiyuan Branch	Address: Building A, King Office Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
20	Jiangxi Province Nanchang	1	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huachen, No. 333, South Guangchang Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
21	Inner Mongolia Autonomous Region Hohhot	2	Hohhot Branch	Address: No. 68, Xinhua Street, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
22	Guangxi Zhuang Autonomous Region Nanning	1	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning Postal Code: 530000	Tel: 0771-5569881 Fax: 0771-5569889
23	Heilongjiang Province Harbin	1	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin Postal Code: 150090	Tel: 0451-88886667 Fax: 0451-53995558
24	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address: Room 2106, 21st Floor, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: 852-25212353 Fax: 852-28017399

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