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

2010 INTERIM REPORT

FAITH KEEPS THE TORCH ALIVE,

RELIANCE ENSURES COMMITMENT FOR GOOD,

CONFIDENCE MAKES DREAMS COME TRUE.

Over the past two decades, defying all hardships and striving to progress, the Bank seized the opportunities with persistence and tackled the challenges with endurance. Complying with commitment and winning trust, the Bank innovated products with diversified culture and improved quality with positive attitude. The Bank learned advantages from others and conducted specialized business. Moreover, the Bank expanded its business scope with strategic vision and promoted a sound development with confidence. The Bank wishes a win-win cooperation with you to embrace a better future.

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FINANCIAL Highlights

Operating Performance

Unit: RMB million

Item	January to June 2010	January to June 2009 After adjustment	January to June 2009 Before adjustment	Increase (%)
Profit before taxation	**14,281**	9,860	9,363	44.84
Net profit attributable to shareholders	**10,685**	7,351	7,052	45.35
Net operating cash flow	**11,529**	(110,045)	(101,835)	—
Basic earnings per share (RMB)	**0.27**	0.19	0.18	45.35
Diluted earnings per share (RMB)	**0.27**	0.19	0.18	45.35
Net operating cash flow per share (RMB)	**0.30**	(2.82)	(2.61)	—

Profitability Indicators

Item	January to June 2010	January to June 2009 After adjustment	January to June 2009 Before adjustment	Increase/ (Decrease)
Return on average assets (ROAA)	**1.17%**	1.06%	1.09%	0.11
Return on average equity (ROAE)	**20.09%**	12.90%	14.46%	7.19
Cost-to-income ratio	**30.46%**	31.81%	30.77%	(1.35)
Credit cost	**0.29%**	0.31%	0.29%	(0.02)
Net interest spread	**2.51%**	2.22%	2.32%	0.29
Net interest margin	**2.60%**	2.38%	2.47%	0.22

Scale Indicators

Unit: RMB million

Item	30 June 2010	31 December 2009 After adjustment	31 December 2009 Before adjustment	Increase (%)
Total assets	**1,940,168**	1,775,031	1,776,276	9.30
Total loans and advances to customers	**1,192,838**	1,065,649	1,065,649	11.94
Total liabilities	**1,825,946**	1,668,023	1,668,023	9.47
Total deposits from customers	**1,629,302**	1,341,927	1,341,927	21.42
Total equity attributable to shareholders	**109,951**	102,798	104,043	6.96
Net asset value per share attributable to shareholders (RMB)	**2.82**	2.63	2.67	6.96

Asset Quality Indicators

Item	30 June 2010	31 December 2009 After adjustment	31 December 2009 Before adjustment	Increase/ (Decrease)
NPL ratio	**0.81%**	0.95%	0.95%	(0.14)
Provision coverage ratio	**169.92%**	149.36%	149.36%	20.56
Allowance for impairment of loans to total loans ratio	**1.38%**	1.42%	1.42%	(0.04)

Capital Adequacy Indicators

Item	30 June 2010	31 December 2009 After adjustment	31 December 2009 Before adjustment	Increase/ (Decrease)
Capital adequacy ratio	**10.95%**	10.72%	10.14%	0.23
Core capital adequacy ratio	**8.26%**	9.17%	9.17%	(0.91)
Total equity to total assets ratio	**5.89%**	6.03%	6.09%	(0.14)

Notes: (1) On 23 October 2009, the Group acquired 70.32% stake in CIFH. Therefore, the accounting figures and financial indicators included in operating results and profitability for January to June in 2009 have been restated.

(2) In accordance with the opinion regarding the permission of using valuations of special events occurred over the period covered by the first IFRS report as the deemed cost, which is included in the "Improvement to International Financial Reporting Standards" promulgated by the International Accounting Standards Board (IASB) in May 2010, the Group decided to use the valuation of CITIC Bank during its reorganization in 2005 as the initial cost, and changed the measurement of properties and buildings to cost model. Accordingly, the relevant accounting figures and financial indicators for the comparative periods as of the end of 2009 and January to June in 2009 have been adjusted retrospectively.

(3) The Bank completed the acquisition of CIFH on 23 October 2009. Since 2010, the CBRC conducted consolidation supervision on the Bank. Figures for the end of 2009 have been restated and figures for 2008 were calculated based on relevant information of the Bank.

CORPORATE
Information

Registered Name in Chinese:	中信银行股份有限公司
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
Joint Company Secretary:	Luo Yan, Wendy KAM Mei Ha (ACS, ACIS)
Representative of Securities Affairs:	Peng Jinhui
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
Place of Business in Hong Kong:	28th floor, Three Pacific Place, 1 Queen's Road East, Hong Kong
Place Where Interim Report is Kept:	Office of the Board of Directors, the Bank
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure:	
Website designated by the CSRC to publish A-share interim report:	www.sse.com.cn

Website designated by the Hong Kong Stock Exchange to publish H-share interim report:	www.hkexnews.hk
Legal Advisor as to PRC law:	King & Wood PRC Lawyers
Legal Advisor as to Hong Kong law:	Freshfields Bruckhaus Deringer
PRC Auditor:	KPMG Huazhen Accounting Firm Office Address: 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China Postal code: 100738
International Auditor:	KPMG Office Address: 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, Abbreviated Stock Name and Stock Code:	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 of Enterprise Legal Person:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

This interim report is made in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

REPORT OF THE Board of Directors

Economic, Financial and Regulatory Environment

In the first half of 2010, driven by positive factors such as rapid recovery of industrial production and trade and rising market confidence, developed economies like U.S., Europe and Japan began to restore growth and the economy of new emerging economies and developing countries robustly rebounded. The aggravation of the European sovereign debt crisis, however, has agitated the international financial markets again where major global stock indices and currencies have greatly fluctuated. Together with high unemployment rate in developed countries and rise of trade protectionism, the uncertainty of the global economic recovery progress is significantly increased.

Centering on the objectives of "ensuring growth, adjusting structure", the Chinese government continued to implement proactive fiscal polices and moderately loosened monetary policies to expedite the transformation of economic development model and develop strategic emerging industries. The Chinese government launched a series of revitalization plans to facilitate the harmonized development of regional economy. In the first half of 2010, under the effects of a series of scientific, effective and forceful policies and measures, China overall economy by and large maintained a favorable development trend of high growth, high employment, and low inflation rate. The gross domestic product (GDP) of the first half of 2010 reached RMB17,284 billion, up by 11.1% over the same period of the previous year; the growth rate of investment in fixed assets was steady. The investment in fixed assets in the first half of 2010 reached RMB11,418.7 billion, up by 25.0% over the same period of the previous year, and the investment in real estate development reached RMB1,974.7 billion, up by 38.1% over the same period of the previous year; market activity witnessed faster growth and popular goods achieved strong sales, the aggregate retail sales of consumer goods in the first half of 2010 stood at RMB7,266.9 billion, up by 18.2% over the same period of the previous year; foreign trade recovered rapidly with apparent decrease in trade surplus, where total foreign trade volume in the first half of 2010 was USD1,354.9 billion, up by 43.1% year on year, and trade surplus was USD55.6 billion, a decrease of 43.0% year on year; the CPI increased by 2.6% slightly over the same period of the previous year and the PPI increased by 6.0% over the same period of the previous year.

China's financial industry witnessed a stable and rapid growth. The Central Bank improved the pertinence and flexibility of the macro-economic control and actively directed distribution of money and credit in a rational and balanced manner while implementing moderately loosened monetary policy. As of the end of June, the broad money (M2) balance was RMB67.39 trillion, up by 18.5% year on year; the narrow money (M1) balance was RMB24.06 trillion, up by 24.6% year on year; the total balance of RMB loans issued by financial institutions was RMB44.61 trillion, up by 18.2% year on year; the total deposit balance was RMB67.41 trillion, up by 19.0% year on year. The reform of RMB exchange rate was further improved with the parity price of the exchange rate of RMB against USD at RMB6.7909 on 30 June 2010, 373 basis points higher than the end of the previous year. The stock markets of Shanghai and Shenzhen plunged to a total capitalization of RMB19.73 trillion as at 30 June 2010, 19.1% lower than the end of the previous year. Benefiting from the expansion of credit scale, optimization and adjustment of the asset-liability structure, and stable rise of net interest margin, the domestic banking industry in the first half of 2010 experienced a rapid growth in net profit and a rapid and healthy development trend.

The CBRC has persisted in reform, innovation and defending the risk bottom line. CBRC attached significant importance to the pertinence and flexibility of policies and directed the banking industry to change the development model, optimize credit structure and improve credit quality, strengthened risk control of the government financing platform, real estate market, and operational risk and improved the overall risk management and sustainable development capability while maintaining the continuity and stability of regulatory policies.

At present, China's economy develops vigorously, and it is expected that it will achieve a 9% above annual growth rate this year. However, the domestic macro-economic control still faces increasing challenges due to long term structural problems facing economic development and the complexity and volatility of domestic and international economic environment, and the uncertainty in the economic development is still relatively high.

Financial Statement Analysis

Overview

In the first half of 2010, in light of excessive credit expansion and the increase of inflation expectation and for the target of "steady growth, adjusting structure and inflation control", the Chinese government unveiled a series of macro-economic control measures. Concerning the complicated and changing external environment and centering on the operation objectives of "adjusting structure, strengthening management and promoting development", the Group actively responded to the market changes, seized market opportunities, actively adjusted structure, reasonably controlled credit issuance and enhanced marketing for liability business. These actions helped the Group significantly improve its profitability, maintain a good quality of its assets, promote a fast growth of asset scale, and realize a coordinated development between efficiency, quality and scale.

In the first half of 2010, the Group recorded a net profit attributable to the shareholders of RMB10.685 billion, representing an increase of RMB3.334 billion or 45.35% year on year. The net interest income was RMB22.363 billion, a year-on-year increase of RMB6.637 billion or 42.20%. The net interest margin was 2.60% (of which the Bank's net interest margin was 2.66%), a year-on-year increase of 0.22 percentage point.

As of the end of June 2010, the Group's NPL balance was RMB9.705 billion, a decrease of RMB452 million or 4.45% compared with the end of the previous year, the NPL ratio was 0.81%, a decrease of 0.14 percentage point, the provision coverage ratio was 169.92%, an increase of 20.56 percentage points compared with the previous year end.

As of the end of June 2010, the Group's total assets amounted to RMB1,940.168 billion, increased by RMB165.137 billion or 9.30% compared with the end of the previous year; the total liabilities amounted to RMB1,825.946 billion, increased by RMB157.923 billion or 9.47% compared with the end of the previous year; total shareholders' equity (excluding minority interests) amounted to RMB109.951 billion, increased by RMB7.153 billion or 6.96% compared with the end of the previous year.

Accounting data and financial indicators as of the end of 2009 and for January to June 2009 are figures after adjustment.

Income Statement Analysis

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net interest income	**22,363**	15,726	6,637	42.20
Net non-interest income	**3,204**	2,577	627	24.33
Operating income	**25,567**	18,303	7,264	39.69
Business and administrative expenses	**(9,483)**	(7,077)	2,406	34.00
Asset impairment loss	**(1,824)**	(1,459)	365	25.02
Profit before taxation	**14,281**	9,860	4,421	44.84
Income tax	**(3,442)**	(2,379)	1,063	44.68
Net profit	**10,839**	7,481	3,358	44.89
Including: attributable to the Bank's shareholders	**10,685**	7,351	3,334	45.35
attributable to minority interests	**154**	130	24	18.46

Net Interest Income

The net interest income of the Group was affected by both the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, and the average balances of interest-earning assets and interest-bearing liabilities. In the first half of 2010, the Group realized a net interest income of RMB22.363 billion, increased by RMB6.637 billion or 42.20% year on year.

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

Unit: RMB million

	January to June 2010			January to June 2009			2009		
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	**1,141,362**	**27,780**	**4.91**	883,567	21,315	4.86	974,336	46,617	4.78
Investment in debt securities	**209,415**	**2,770**	**2.67**	206,909	3,359	3.27	205,762	6,239	3.03
Deposits with Central Bank	**212,346**	**1,464**	**1.39**	148,134	1,000	1.36	157,938	2,179	1.38
Deposits and placements with banks and non-bank financial institutions	**76,679**	**411**	**1.08**	46,224	129	0.56	53,594	377	0.70
Amounts under resale agreements	**94,312**	**1,055**	**2.26**	35,395	330	1.88	34,138	687	2.01
Others	**1,326**	**8**	**1.22**	12,670	17	0.27	7,609	32	0.42
Subtotal	**1,735,440**	**33,488**	**3.89**	1,332,899	26,150	3.96	1,433,377	56,131	3.92
Interest-bearing liabilities									
Deposits from customers	**1,422,946**	**9,190**	**1.30**	1,109,712	9,367	1.70	1,183,822	17,767	1.50
Deposits and placements from banks and non-bank financial institutions	**163,503**	**1,416**	**1.75**	72,360	588	1.64	100,694	1,466	1.46
Amounts under repurchase agreements	**2,924**	**14**	**0.97**	3,769	22	1.18	4,642	46	0.99
Others (1)	**29,465**	**505**	**3.46**	24,253	447	3.72	23,706	868	3.66
Subtotal	**1,618,838**	**11,125**	**1.38**	1,210,094	10,424	1.74	1,312,864	20,147	1.53
Net interest income		**22,363**			15,726			35,984	
Net interest spread (2)			**2.51**			2.22			2.39
Net interest margin (3)			**2.60**			2.38			2.51

Notes: (1) Including amounts borrowed from Central Bank, debt securities payable and trading financial liabilities.

(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 shows the changes in net interest income of the Group due to the changes of scale factor and interest rate factor, where changes under the joint influence of scale factor and interest rate factor are reflected in the changes of interest rate factor.

Unit: RMB million

	January to June 2010 compared with the same period of 2009		
	Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	6,213	252	6,465
Investment in debt securities	41	(630)	(589)
Deposits with Central Bank	433	31	464
Deposits and placements with banks and non-bank financial institutions	85	197	282
Amounts under resale agreements	549	176	725
Others	(15)	6	(9)
Changes in interest income	7,306	32	7,338
Liabilities			
Deposits from customers	2,641	(2,818)	(177)
Deposits and placements from banks and non-bank financial institutions	741	87	828
Amounts under repurchase agreements	(5)	(3)	(8)
Others	96	(38)	58
Changes in interest expense	3,473	(2,772)	701
Changes in net interest income	3,833	2,804	6,637

Net Interest Margin and Net Interest Spread

In the first half of 2010, the Group's net interest margin rose to 2.60%, up by 0.22 percentage point year on year, while the net interest spread was 2.51%, up by 0.29 percentage point year on year. The increase of net interest margin was mainly due to the Group's proactive efforts in restructuring and implementing comprehensive adjustment and control measures. The Group achieved the expected results in a complicated, dynamic and fiercely competitive environment: (1) on the premise of strict credit risk control, the credit scale expanded moderately, the interest-earning assets witnessed a faster growth year on year, and the proportion of general loans with high yield increased through restructuring; (2) by putting more efforts to promote assessment, exercising competitive incentives and readjusting milestone targets, the Group successfully promoted its marketing of deposit business and effectively increased the liability scale. Through the above measures, the Group had greatly improved its operation efficiency.

Interest Income

In the first half of 2010, the Group realized an interest income of RMB33.488 billion, increased by RMB7.338 billion or 28.06% year on year. The increase of interest income was primarily due to the expansion of the scale of interest-earning assets (loans and advances to customers in particular). The Group's average balance of interest-earning assets increased to RMB1,735.44 billion in the first half of 2010 from RMB1,332.899 billion in the first half of 2009, up by RMB402.541 billion or 30.20%. The average yield of interest-earning assets fell from 3.96% in the first half of 2009 to 3.89% in the first half of 2010, down by 0.07 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 the first half of 2010 and in the first half of 2009, the interest income from loans and advances to customers accounted for 82.96% and 81.51% of the Group's total interest income respectively.

The following table shows the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the reporting period.

Table 1: Classification by Term Structure

Unit: RMB million

	January to June 2010		
	Average balance	Interest income	Average yield (%)
The Bank:			
Short-term loans	589,396	14,579	4.99
Including: Discounted bills	59,156	880	3.00
Long and medium-term loans	476,291	12,039	5.10
Loans overdue	7,149	189	5.33
Subtotal	1,072,836	26,807	5.04
Overseas businesses	68,526	973	2.86
Total	1,141,362	27,780	4.91

Table 2: Classification by Business Category

Unit: RMB million

	January to June 2010			January to June 2009			2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
The Bank									
Corporate loans	**858,471**	**22,112**	**5.19**	589,025	16,383	5.61	679,588	36,554	5.38
Discounted bills	**59,156**	**880**	**3.00**	141,156	1,550	2.21	129,759	2,757	2.12
Personal loans	**155,209**	**3,815**	**4.96**	90,150	2,440	5.46	101,926	5,300	5.20
Subtotal	**1,072,836**	**26,807**	**5.04**	820,331	20,373	5.01	911,273	44,611	4.89
Overseas businesses	**68,526**	**973**	**2.86**	63,236	942	3.00	63,063	2,006	3.18
Total loans to customers	**1,141,362**	**27,780**	**4.91**	883,567	21,315	4.86	974,336	46,617	4.78

In the first half of 2010, the Group's interest income from loans and advances to customers stood at RMB27.78 billion, up by RMB6.465 billion or 30.33% year on year.

The Bank's interest income from loans and advances to customers stood at RMB26.807 billion, up by RMB6.434 billion or 31.58% year on year, which was mainly due to increase in the average balance of the loans and advances to customers from RMB820.331 billion in the first half of 2009 to RMB1,072.836 billion in the first half of 2010, and the increase in the average yield as well.

The overseas subsidiaries' interest income from loans and advances to customers stood at RMB973 million, up by RMB31 million or 3.29% year on year.

Interest Income from Investment in Debt Securities

In the first half of 2010, the Group's interest income from investment in debt securities stood at RMB2.77 billion, decreased by RMB589 million or 17.53% year on year. This was primarily caused by the low market interest rate. The average yield decreased to 2.67% in the first half of 2010 from 3.27% in the first half of 2009.

Interest Income from Deposits with Central Bank

In the first half of 2010, the Group's interest income from deposits with Central Bank amounted to RMB1.464 billion, representing an increase of RMB464 million or 46.4% year on year. This was primarily due to the increase of deposits from customers and three rounds of increase of statutory deposit reserve ratio by the Central Bank since January 2010, which resulted in the increase of statutory deposit reserve. The average deposits with Central Bank increased by RMB64.212 billion or 43.35% compared with the first half of 2009. The average yield increased to 1.39% in the first half of 2010 from 1.36% in the first half of 2009, which was mainly due to the year-on-year decrease of the proportion of the average balance of surplus reserve in the total deposits with Central Bank.

Interest Income from Deposits and Placements with Banks and Non-bank Financial Institutions

In the first half of 2010, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB411 million, up by RMB282 million or 218.60% year on year, which was mainly due to the impact of the increase in the average balance of deposits by RMB30.455 billion and the rise in the average yield by 0.52 percentage point. The increase of average yield is mainly due to the lower interest rate on money market in the first half of 2009 than that in the first half of 2010.

Interest Income from Amounts under Resale Agreements

In the first half of 2010, the Group's interest income from amounts under resale agreements stood at RMB1.055 billion, increased by RMB725 million or 219.70% year on year, which was mainly because the average balance of amounts under resale agreements increased by RMB58.917 billion and the average yield rose by 0.38 percentage point. The increase of average balance for amounts under resale agreement was mainly because of requirements of liquidity management.

Interest Expense

In the first half of 2010, the Group's interest expense was RMB11.125 billion, up by RMB701 million or 6.72% year on year. This was primarily because of the increase in the scale of interest-bearing liabilities. Affected by interest rate repricing, the average cost of interest-bearing liabilities decreased remarkably, which offset the increase of interest expense to some extent. The average balance of the Group's interest-bearing liabilities increased from RMB1,210.094 billion in the first half of 2009 to RMB1,618.838 billion in the first half of 2010, up by RMB408.744 billion or 33.78%, while the average cost rate of its interest-bearing liabilities fell from 1.74% in the first half of 2009 to 1.38% in the first half of 2010, a decrease of 0.36 percentage point.

Interest Expense on Deposits from Customers

Customer deposits have always been the primary funding source of the Group. The interest expense on deposits from customers in the first half of 2010 and the first half of 2009, accounted for 82.61% and 89.86% respectively of the Group's total interest expense.

In the first half of 2010, the Group's interest expense on deposits from customers stood at RMB9.19 billion, down by RMB177 million or 1.89% year on year.

The Bank's interest expense on deposits from customers stood at RMB8.987 billion, down by RMB28 million or 0.31% year on year, which was mainly because the fall of 0.40 percentage point in average cost rate of deposits from customers offset the increase in average balance of deposits from customers by RMB304.655 billion. The average cost rate of deposits from customers fell by 0.40 percentage point was mainly because 1) the proportion of time deposits in the total deposits decreased from 60% to 52% in the first half of 2010; and 2) as the Central Bank lowered the benchmark interest rate for deposits from customers four consecutive times since October 2008, the interest rate re-pricing was not complete in 2009 and the average cost rate was relatively high.

The interest expense on deposit of overseas subsidiaries was RMB203 million, a year-on-year decrease of 149 million or 42.33%, which was mainly caused by the decrease of average interest rate of overseas subsidiaries.

The table below shows the average balances, interest expenses and average cost rates of corporate deposits and personal deposits of the Group classified by product type during the period indicated.

Unit: RMB million

	January to June 2010			January to June 2009			2009		
	Average balance	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
The Bank									
Corporate deposits									
Time deposits	**545,057**	**5,585**	**2.07**	477,525	6,049	2.55	483,214	11,190	2.32
Demand deposits	**589,180**	**1,841**	**0.63**	376,095	1,207	0.65	438,681	2,785	0.63
Subtotal	**1,134,237**	**7,426**	**1.32**	853,620	7,256	1.71	921,895	13,975	1.52
Personal deposits									
Time deposits	**153,404**	**1,474**	**1.94**	145,608	1,704	2.36	145,891	3,129	2.14
Demand deposits	**48,614**	**87**	**0.36**	32,372	55	0.34	33,575	116	0.35
Subtotal	**202,018**	**1,561**	**1.56**	177,980	1,759	1.99	179,466	3,245	1.81
Total for the Bank	**1,336,255**	**8,987**	**1.36**	1,031,600	9,015	1.76	1,101,361	17,220	1.56
Overseas businesses	**86,691**	**203**	**0.47**	78,112	352	0.91	82,461	547	0.66
Total deposits from customers	**1,422,946**	**9,190**	**1.30**	1,109,712	9,367	1.70	1,183,822	17,767	1.50

Interest Expense on Deposits and Placements from Banks and Non-bank Financial Institutions

In the first half of 2010, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was RMB1.416 billion, up by RMB828 million or 140.82% compared with the same period of the previous year, which was largely due to an increase of RMB91.143 billion or 125.96% in the average balance of deposits and placements from banks and non-bank financial institutions and the rise in the average cost rate from 1.64% to 1.75%. The increase of the average balance was due to the Group's liability restructuring and the increase of average cost rate was mainly due to the relatively high inter-bank market rate at the beginning of this year.

Interest Expense on Other Borrowed Funds

In the first half of 2010, the Group's interest expense on other borrowed funds was RMB505 million, a year-on-year increase of RMB58 million, of which interest expense on bonds issued stood at RMB430 million, down by RMB7 million or 1.60% year on year, which was primarily because the decrease of the average cost rate of issued bonds offset the scale expansion of issued bonds. The Group issued subordinated bonds in May and June 2010 totaling RMB19.966 billion, whose effect on the scale has not been fully reflected. The average balance of issued bonds in the first half of 2010 increased to RMB23.393 billion from RMB20.836 billion in the same period of the previous year, up by RMB2.557 billion. The average cost rate of issued bonds decreased to 3.70% in the first half of 2010 from 4.23% in the same period of the previous year, which was mainly because the interest rate of the subordinated bonds issued in 2004 by the Group was floating rate.

Net Non-Interest Income

In the first half of 2010, the Group realized a net non-interest income of RMB3,204 million, up by RMB627 million or 24.33% year on year. The proportion of the Group's net non-interest income to its operating income was 12.53% and 14.08% respectively in the first half of 2010 and in the first half of 2009.

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Net fee and commission income	**2,529**	1,940	589	30.36
Net gain from trading	**430**	509	(79)	(15.52)
Net gain/(loss) from investment	**71**	(37)	108	—
Net (loss) from arbitrage	**(1)**	(2)	1	—
Income from other businesses	**175**	167	8	4.79
Total net non-interest income	**3,204**	2,577	627	24.33

Net Fee and Commission Income

In the first half of 2010, the Group realized a net fee and commission income of RMB2.529 billion, representing an increase of RMB589 million or 30.36% year on year, of which the fee and commission income amounted to RMB2.801 billion, registering a growth of 29.68% year on year. This growth was primarily due to the Group's vigorous development of intermediary business and the growth in items such as consulting and advisory fees, bank card fees, settlement fees and guarantee fees.

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Consulting and advisory fees	**863**	555	308	55.50
Bank card fees	**649**	527	122	23.15
Settlement fees	**251**	144	107	74.31
Guarantee fees	**405**	317	88	27.76
Wealth management fees	**232**	202	30	14.85
Custody and other trusted service commissions	**78**	49	29	59.18
Agency fees	**311**	357	(46)	(12.89)
Others	**12**	9	3	33.33
Subtotal	**2,801**	2,160	641	29.68
Fees and commission expenses	**(272)**	(220)	52	23.64
Net fee and commission income	**2,529**	1,940	589	30.36

Loss on Asset Impairment

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Loans and advances to customers	**1,671**	1,371	300	21.88
Off-balance sheet credit assets	**83**	43	40	93.02
Investments	—	46	(46)	—
Others (Note)	**70**	(1)	71	—
Total asset impairment losses	**1,824**	1,459	365	25.02

Note: Including the impairment losses of debt assets and other assets.

Business and Administrative Expenses

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Staff cost	**3,960**	2,900	1,060	36.55
Property and equipment expenses and amortization	**1,489**	1,258	231	18.36
Others	**2,338**	1,664	674	40.50
Subtotal	**7,787**	5,822	1,965	33.75
Business tax and surcharges	**1,696**	1,255	441	35.14
Total business and administrative expenses	**9,483**	7,077	2,406	34.00
Cost-to-income ratio	**37.09%**	38.67%	Down by 1.58 percentage points	
Cost-to-income ratio (excluding business tax and surcharges)	**30.46%**	31.81%	Down by 1.35 percentage points	

In the first half of 2010, the Group's business and administrative expenses reached RMB9.483 billion, up by RMB2.406 billion or 34.00% year on year, which was mainly because staff cost, property and equipment expenses and management expenses increased due to the Group's fast business development, opening of new branch outlets and expansion of the institutions.

In the first half of 2010, the Group's cost-to-income ratio was 30.46%, down by 1.35 percentage points, which was mainly attributed to (1) the increase of operating income due to the expansion of business and scale; and (2) the Group's effective cost control.

Income Tax Analysis

In the first half of 2010, the Group's income tax expense was RMB3.442 billion, up by RMB1.063 billion or 44.68% compared with the same period of the previous year. The Group's effective tax rate stood at 24.10%, down by 0.03 percentage point compared with the 24.13% in the first half of 2009.

Balance Sheet Analysis

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**1,192,838**	**—**	1,065,649	—
Including:				
Corporate loans	**956,135**	**—**	822,635	—
Discounted bills	**46,131**	**—**	94,774	—
Personal loans	**190,572**	**—**	148,240	—
Provisions for impairment losses	**(16,491)**	**—**	(15,170)	—
Net loans and advances to customers	**1,176,347**	**60.6**	1,050,479	59.2
Investments [(1)]	**243,893**	**12.6**	208,400	11.8
Cash and deposits with Central Bank	**249,963**	**12.9**	224,003	12.6
Net value of deposits and placements with banks and non-bank financial institutions	**101,045**	**5.2**	81,808	4.6
Amounts under resale agreements	**143,032**	**7.4**	185,203	10.4
Others [(2)]	**25,888**	**1.3**	25,138	1.4
Total assets	**1,940,168**	**100.0**	1,775,031	100.0

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Deposits from customers	**1,629,302**	**89.2**	1,341,927	80.5
Including:				
Corporate deposits	**1,349,508**	**73.9**	1,097,852	65.8
Personal deposits	**279,794**	**15.3**	244,075	14.7
Deposits and placements from banks and non-bank financial institutions	**127,342**	**7.0**	279,602	16.8
Amounts under repurchase agreements	**4,348**	**0.2**	4,100	0.2
Debt securities payable	**34,553**	**1.9**	18,422	1.1
Others [(3)]	**30,401**	**1.7**	23,972	1.4
Total liabilities	**1,825,946**	**100.0**	1,668,023	100.0

Note: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and investments in associates.

(2) Including derivative financial assets, fixed assets, real estate for investment purposes, goodwill, intangible assets, deferred income tax assets and other assets.

(3) Including trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payable, interest payables, estimated liabilities and other liabilities.

Most of the Group's assets are loans and advances to customers. As of 30 June 2010, the Group's loans and advances to customers after deducting provisions for impairment losses accounted for 60.6% of the total assets of the Group.

Loan Business

For the analysis of loan business, please refer to the section headed "Report of the Board of Directors – Risk Management" in this interim report.

Investment Business

Investment Portfolio Analysis

Unit: RMB million

	30 June 2010		31 December 2009	
	Value	**Proportion (%)**	Value	Proportion (%)
Held-to-maturity debt securities	**114,578**	**47.0**	107,466	51.6
Available-for-sale debt securities	**115,065**	**47.2**	88,380	42.4
Debt securities measured at fair value through profit or loss	**6,608**	**2.7**	4,444	2.1
Total debt securities	**236,251**	**96.9**	200,290	96.1
Available-for-sale investment funds	**5,345**	**2.2**	5,487	2.6
Investment funds measured at fair value through profit or loss	**3**	**—**	3	—
Total investment funds	**5,348**	**2.2**	5,490	2.6
Available-for-sale equity investments	**166**	**—**	478	0.2
Equity investments for trading purposes	**2**	**—**	2	—
Investments in associates	**2,126**	**0.9**	2,140	1.1
Total equity investments	**2,294**	**0.9**	2,620	1.3
Total investments	**243,893**	**100.0**	208,400	100.0
Market value of listed securities in held-to-maturity debt securities	**1,208**		1,941	

Classification of Debt Securities Investment

As of 30 June 2010, the Group's investment in debt securities reached RMB236.251 billion, representing an increase of RMB35.961 billion or 17.99% from the end of the previous year. This was primarily due to the increase of high-yield and high credit rating long and medium-term government bonds, central bank notes, policy bank bonds and other debt securities invested by the Group. These investments were made by the Group based on its judgement on market rate trends considering the investment yield and risk in conjunction with the adjustment of asset and liability structure.

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Government	**66,404**	**28.1**	46,802	23.4
PBOC	**53,582**	**22.7**	48,214	24.1
Policy banks	**37,291**	**15.8**	29,780	14.9
Banks and non-bank financial institutions	**25,569**	**10.8**	28,598	14.3
Public entities	**3,396**	**1.4**	5,730	2.8
Others	**50,009**	**21.2**	41,166	20.5
Total debt securities	**236,251**	**100.0**	200,290	100.0

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Domestic	**212,338**	**89.9**	169,065	84.4
Overseas	**23,913**	**10.1**	31,255	15.6
Total debt securities	**236,251**	**100.0**	200,290	100.0

Breakdown of Significant Financial Debt Securities Investments

The table below shows the breakdown of significant investments in financial debt securities held by the Group as of 30 June 2010.

Unit: RMB million

Debt Securities	**Book value**	**Maturity Date**	**Annual interest rate (%)**
Debt Securities 1	**2,650**	**2015-2-20**	**3.01%**
Debt Securities 2	**1,520**	**2017-5-6**	**2.58%**
Debt Securities 3	**1,050**	**2013-4-8**	**2.74%**
Debt Securities 4	**1,000**	**2011-2-15**	**2.63%**
Debt Securities 5	**1,000**	**2014-5-21**	**2.74%**
Debt Securities 6	**920**	**2016-6-16**	**2.60%**
Debt Securities 7	**700**	**2015-5-20**	**3.00%**
Debt Securities 8	**592**	**2011-6-15**	**8.55%**
Debt Securities 9	**588**	**2011-9-23**	**2.31%**
Debt Securities 10	**572**	**2017-5-14**	**2.92%**
Total debt securities	**10,592**		

Investment Quality Analysis

The following table sets out the changes in the provisions for investment impairment losses.

Unit: RMB million

	30 June 2010	31 December 2009
Beginning balance	**586**	799
Accruals of the period	—	63
Write-offs	—	(79)
Transfer out (Note)	**(73)**	(197)
Ending balance	**513**	586

Note: Transfer-out in the first half of 2010 includes provisions for impairment of investment in overdue debt securities transferred into provisions for bad debt.

Unit: RMB million

	30 June 2010	31 December 2009
Provisions for available-for-sale investment impairment	**299**	371
Provisions for held-to-maturity investment impairment	**214**	215
Provisions for investments in associates	—	—
Total	**513**	586

As of 30 June 2010, foreign currency-denominated debt securities held by the Group totaled USD4.721 billion (equivalent to RMB32.062 billion), of which the Bank held USD2.487 billion and the overseas subsidiaries held USD2.234 billion.

As of the end of the reporting period, the Group held foreign currency-denominated residential mortgage-backed securities (MBS) of USD440 million (equivalent to RMB2,988 million), accounting for 1.26% of the Group's RMB and foreign currency-denominated debt securities investments, of which 95.23% were prime. The Group held ALT-A residential MBS of USD21 million (equivalent to RMB142 million), of which the accumulative provisions for impairment totaled USD14 million (equivalent to RMB98 million). The Group held no US sub-prime residential MBS.

The Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of USD370 million (equivalent to RMB2,516 million) and held no agency debts issued by Fannie Mae and Freddie Mac.

The debt securities related to Lehman Brothers held by the Group had a book value of USD75 million (equivalent to RMB508 million), for which provisions for impairment had been charged in full.

The Group, adhering to the principle of prudence, has accumulated provisions for impairment of foreign currency-denominated debt securities investments of USD73 million (equivalent to RMB496 million), of which the Bank has accumulated USD71 million and the overseas subsidiaries have accumulated USD2 million.

Derivatives Classification and Fair Value Analysis

Unit: RMB million

	30 June 2010			31 December 2009		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	**189,139**	**1,928**	**1,893**	174,179	1,762	2,203
Currency derivatives	**387,839**	**1,810**	**1,713**	271,623	1,405	1,404
Credit derivatives	**990**	**9**	**13**	956	14	20
Equity derivatives	**264**	**2**	**2**	126	1	1
Total	**578,232**	**3,749**	**3,621**	446,884	3,182	3,628

On-balance Sheet Interest Receivables

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

Unit: RMB million

	31 December 2009	Increase during the current period	Collected/reversed during the current period	30 June 2010
Loan interest receivables	1,788	27,780	(27,110)	**2,458**
Interest receivables from debt securities	2,174	2,770	(2,766)	**2,178**
Other interest receivables	173	2,938	(2,960)	**151**
Subtotal	4,135	33,488	(32,836)	**4,787**
Balance for provisions for interest receivables	—	(17)	1	**(16)**
Total	4,135	33,471	(32,835)	**4,771**

Debt Assets

The table below shows the debt assets of the Group:

Unit: RMB million

	30 June 2010	31 December 2009
Original value of debt assets		
– Land, buildings and properties	**571**	685
– Others	**322**	303
Provisions for impairment of debt assets		
– Land, buildings and properties	**(355)**	(311)
– Others	**(66)**	(67)
Total book value of debt assets	**472**	610

Deposits from Customers

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**689,544**	**42.3**	581,483	43.3
Time deposits	**659,964**	**40.5**	516,369	38.5
Negotiated	**23,660**	**1.5**	7,810	0.6
Non-negotiated	**636,304**	**39.0**	508,559	37.9
Subtotal	**1,349,508**	**82.8**	1,097,852	81.8
Personal deposits				
Demand deposits	**79,117**	**4.9**	66,908	5.0
Time deposits	**200,677**	**12.3**	177,167	13.2
Subtotal	**279,794**	**17.2**	244,075	18.2
Total deposits from customers	**1,629,302**	**100.0**	1,341,927	100.0

As of 30 June 2010, deposits from customers of the Group totaled RMB1,629.302 billion, an increase of RMB287.375 billion or 21.42% from the end of the previous year.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**676,393**	**44.2**	563,534	44.8
Time deposits	**609,900**	**39.8**	485,851	38.5
Negotiated	**23,660**	**1.5**	7,810	0.6
Non-negotiated	**586,240**	**38.3**	478,041	37.9
Subtotal	**1,286,293**	**84.0**	1,049,385	83.3
Personal deposits				
Demand deposits	**63,712**	**4.2**	49,066	3.9
Time deposits	**181,620**	**11.8**	160,613	12.8
Subtotal	**245,332**	**16.0**	209,679	16.7
Total deposits from customers	**1,531,625**	**100.0**	1,259,064	100.0

Deposits from customers of the Bank totaled RMB1,531.625 billion, an increase of RMB272.561 billion or 21.65% from the end of the previous year. The balance of corporate deposits of the Bank increased by RMB236.908 billion compared with the end of the previous year. However, the negotiated deposits increased by RMB15.85 billion to RMB23.66 billion on 30 June 2010 from RMB7.81 billion on 31 December 2009, which was mainly because the Bank actively adjusted the asset and liability structure. As of 30 June 2010, personal deposits of the Bank increased by RMB35.653 billion or 17.00%. This was mainly due to the significant increase in personal time and demand deposits.

Breakdown of Deposits from Customers by Currency

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	**1,487,774**	**91.3**	1,214,773	90.5
Foreign currencies	**141,528**	**8.7**	127,154	9.5
Total	**1,629,302**	**100.0**	1,341,927	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim (note)	**474,089**	**29.1**	408,341	30.4
Yangtze River Delta	**420,416**	**25.8**	346,036	25.8
Pearl River Delta and West of Taiwan Strait	**220,715**	**13.6**	176,916	13.2
Central Region	**204,082**	**12.5**	158,463	11.8
Western Region	**161,930**	**9.9**	127,974	9.5
North-eastern Region	**50,320**	**3.1**	41,220	3.1
Overseas	**97,750**	**6.0**	82,977	6.2
Total deposits from customers	**1,629,302**	**100.0**	1,341,927	100.0

Note: Including the headquarters.

Breakdown of Deposits by Remaining Maturity

The table below sets out the breakdown of deposits from customers based on the remaining maturity as of 30 June 2010.

The Group

Unit: RMB million

	Overdue/Undated		Within 3 months		Within 3-12 months		Within 1-5 years		Over 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	768,597	47.2	274,898	16.9	266,787	16.4	17,399	1.1	19,827	1.2	1,349,508	82.8
Personal deposits	134,757	8.3	63,937	3.9	68,734	4.2	12,364	0.8	2	—	279,794	17.2
Total	903,354	55.5	338,835	20.8	337,521	20.6	29,763	1.9	19,829	1.2	1,629,302	100.0

Shareholders' Equity

For changes in shareholder's equity during the reporting period, please refer to the Group's financial statement – Consolidated Statement of Changes in Equity.

Major Off-balance Sheet Items

The table below sets out major off-balance sheet items and their balances as of the end of the reporting period:

Unit: RMB million

	30 June 2010	31 December 2009
Credit commitments		
– Acceptance	393,049	305,363
– Guarantees	75,403	62,901
– Letter of credit issued	89,407	52,585
– Irrevocable loan commitments	60,202	41,229
– Credit card commitments	37,958	40,597
Subtotal	**656,019**	502,675
Operating leasing commitments	5,390	4,585
Capital commitments	276	695
Pledged assets	5,575	5,241
Total	**667,260**	513,196

Supplementary Financial Indicators

		Data of the Bank (%)		
Major Indicators [1]	**Standard (%)**	**30 June 2010**	31 December 2009	31 December 2008
Liquidity ratio				
Including: RMB	≥25	53.30	48.12	51.37
Foreign currency	≥25	77.05	104.47	83.24
Loan-to-deposit ratio [2]				
Including: RMB	≤75	72.03	79.96	73.29
Foreign currency	≤75	72.60	79.62	72.14

Notes: (1) The figures above are calculated based on the method required by the CBRC.

(2) When calculating the loan-to-deposit ratio, data for bill discounted are included in loans.

Capital Management

The objectives of the Group's capital management include the establishment of a proactive and dynamic capital replenishment mechanism for the maintenance of a strong capital base, assurance of capital adequacy ratio to meet the regulatory requirements at all times and ensuring capital sufficiently covers risks assumed by the Group. In addition, the objectives also include the specification of the business expansion plans based on the capital base and optimal allocation of resources. Such plans aim for balance of capital, yields and risks, and maximization of shareholders' value with controllable risks.

To that end, the Group executed the following strategies to manage its capital, (1) formulation of scientific capital planning. The Group set up a target range of capital adequacy ratio and an emergency warning line, regularly monitored its capital adequacy, maintained a reasonable growth of its risk assets and proactively managed its capital. (2) implementation of effective measures to strengthen the mechanism of effective capital use to improve the efficiency of capital use. The Group promulgated performance-based employee evaluation system with emphasis on "economic profits" and "return on risk capital". The Group achieved an optimal allocation of economic capital among all business units, products and industries by leveraging on the internal capital allocation system. (3) the Group reasonably used all types of capital instruments to optimize the structure of its aggregate capital and to reduce the costs of financing.

To ensure the implementation of the above strategies, the Group is expediting the development of risk measurement techniques and steadily promoting the application of capital management in areas such as product pricing, performance evaluation and operation planning so that the effect of economic capital guiding the Group's businesses can be enhanced.

The following table sets out the Group's capital adequacy ratio and core capital adequacy ratio calculated according to the Measures for *Administration of Capital Adequacy Ratio of Commercial Banks* promulgated by the CBRC.

Unit: RMB million

	30 June 2010	31 December 2009	31 December 2008
Total capital before deduction	**152,860**	122,735	106,969
Include: Total core capital	**114,222**	103,573	92,042
Total supplementary capital	**38,638**	19,162	14,927
Deduction: Unconsolidated equity investments and others	**4,128**	4,147	99
Net capital	**148,732**	118,588	106,870
Net core capital	**112,190**	101,527	91,993
Risk-weighted assets	**1,358,402**	1,106,648	746,547
Core capital adequacy ratio	**8.26%**	9.17%	12.32%
Capital adequacy ratio	**10.95%**	10.72%	14.32%

Notes: On 23 October 2009, the Bank completed the acquisition of CIFH. Since 2010, the CBRC conducted consolidation supervision on the Bank. Figures for the end of 2009 have been restated and figures for 2008 were calculated based on relevant information of the Bank.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the International Financial Reporting Standards (IFRS) requires the Group to make certain accounting estimates and assumptions when the Group adopts accounting polices to determine the amounts of assets and liabilities as well as profit and loss for the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experience and other factors such as reasonable expectations of future events, 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 of the preparation basis of the Group's financial statements influenced by estimates and judgments include: financial instruments recognition and measurement (provisions for loan impairment losses and loan write-offs, classifications of debt securities and equity investments, fair value measurement of trading financial assets and of transactions designated at fair value through profit and loss, fair value measurement of available-for-sale investments, fair value measurement of derivatives), recognition of actuarial obligations in respect of the supplementary retirement benefits, recognition of deferred income tax and income tax expense.

Measurement of Fair Value

The Bank measures the fair value of financial instruments according to the method stated in the *Price Determination Method* for Financial Instruments of *China CITIC Bank* in *Treasury and Capital Market Business*. The methods for determining the fair value include 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 trading quotes of active markets to measure fair values. For the financial instruments where active markets are not available, the latest market trading quotes shall be applied. For those financial instruments where market quotes are not available, valuation techniques or price inquiry method shall be applied.

The Bank strictly implements the internal control procedure for the measurement of fair values. The business department, the risk management department and the accounting department collectively confirm the principle and method for determining the fair values of financial instruments based on the business needs. The relevant systems and methods for measurement of fair values were examined and approved by the Market Risk Management Committee of the Bank.

Segment Report

Business Segment

The Group has been maintaining the leading position in corporate banking business. In the first half of 2010, the corporate banking business, treasury business and personal banking business contributed a profit before tax of RMB13.025 billion, RMB727 million and RMB304 million to the Group, respectively, accounting for 88.82%, 4.96%, and 2.07% respectively. The overseas subsidiaries contributed a profit before tax of RMB609 million, accounting for 4.15%.

Geographical Segment

The Yangtze River Delta, the Pearl River Delta and the West of Taiwan Straits, and the Bohai Rim have always been the most important contributors to the Group's revenue and profit growth, which collectively contributed RMB8.943 billion to the Group's total profit before tax in the first half of 2010, accounting for 62.62% of the Group's total profit before tax. Business of the Group in Central, Western and North-eastern regions have been developing rapidly in recent years, which collectively contributed a profit before tax of RMB3.706 billion, accounting for 25.95% of the Group's total profit before tax. In addition, the profit before tax from Hong Kong Special Administrative Region was RMB654 million and the economic efficiency increased steadily.

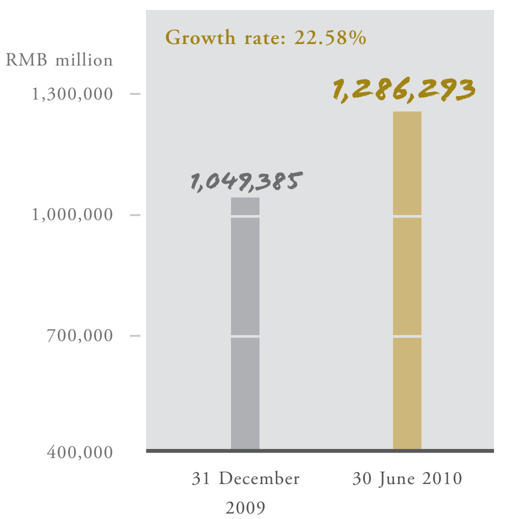
Business Overview

Corporate Banking Business

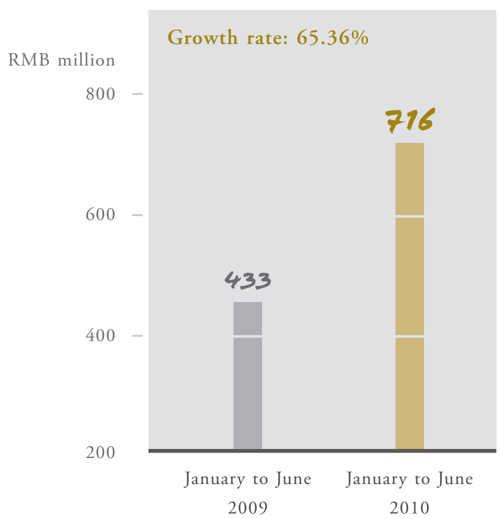
In 2010, the Bank proactively promoted the change of corporate banking business to a capital-saving growth model, accelerated the adjustment of corporate banking business structure, customer structure and income structure, and made great efforts to develop emerging businesses such as supply-chain financing, small business financing, investment banking, cash management, custody and electronic banking business. While maintaining the advantages of the traditional corporate banking business, the Bank accelerated the development of intermediary business and strengthened the sustainable development of its corporate banking business. As of the end of the reporting period, the balance of corporate deposits grew by 22.58% to RMB1,286.293 billion compared with the end of the previous year; the balance of corporate loans increased by 8.63% to RMB941.676 billion compared with the end of the previous year; and the net non-interest income of the corporate banking business reached RMB1.818 billion, representing a year-on-year increase of 40.06%.

- Contribution by strategic clients increased continuously. The balance of deposits from 3,322 strategic clients reached RMB532.493 billion, increased by 20.19% compared with the end of the previous year, accounting for 41.40% of the Bank's total balance of corporate deposits. The balance of loans to strategic clients stood at RMB450.803 billion, up by 10.30% compared with the end of the previous year accounting for 47.87% of the balance of Bank's corporate loans of the Bank.
- The transaction volume of cash management business was RMB3,666.056 billion, representing an increase of 97.73% compared with the same period of the previous year; the transaction volume of corporate Internet banking doubled to RMB5,218.365 billion compared with the same period of the previous year.
- The half-year financing amount for car dealers exceeded RMB100 billion for the first time. Total financing achieved at RMB106.067 billion representing an increase of 100.28% compared with the same period of the previous year, which is higher than the average sales volume of cars in China.
- The credit balance of small business clients was RMB118.361 billion, an increase of 24.27% compared with the end of the previous year. The NPL ratio was 0.65%, down by 0.17 percentage point from the end of the previous year.
- Investment banking business experienced a rapid growth with the net non-interest income of RMB716 million, up by 65.36% year on year. Revenues from consulting and advisory fees, asset management fees, structural financing fees and bonds underwriting fees increased by 13.92%, 631.62%, 70.58% and 32.82% respectively year on year.
- Assets under custody totaled RMB171.345 billion, up by 52.78% compared with the end of the previous year.

Corporate Deposit Balance



Net Non-interest Income from Investment Banking Business



Corporate Deposit and Loan Business

The Bank continued to optimize its growth model for corporate deposits, stepped up its efforts to attract deposits from fiscal and tax institutional clients and corporate deposits for settlement purposes, actively built endogenous growth mechanism and long-term promotion mechanism for corporate deposit so as to promote the continuous and rapid growth in corporate deposits. As of the end of the reporting period, the Bank's corporate deposit balance was RMB1,286.293 billion, up by 22.58% compared with the end of the previous year. The balance of deposits from institutional customers including fiscal and tax entities amounted to RMB369.492 billion, up by 33.17% compared with the end of the previous year. The balance of deposits from institutional customers accounted for 28.73% of corporate deposits of the Bank and this proportion increased by 2.29 percentage points compared with the end of the previous year.

The Bank continued to strengthen the concept of capital constraint, scientifically allocated credit resources, actively developed industries, customers and products that meet our strategic requirements and policy guidance, customers and products and promoted the structure adjustment for credit business. These actions ensured steady growth of our high-yield credit assets. As of the end of the reporting period, the Bank's corporate loan balance registered at RMB941.676 billion (including discounted bills), up by 8.63% compared with the end of the previous year, of which the balance of general loans was RMB897.502 billion, up by 16.02% compared with the end of the previous year.

Financial Institution Business

The Bank continued to build platforms to cooperate with peers in the financial industry, initiated the mass credit granting to other financial institution, cooperate, and developed the third-party escrow business and margin trading and short selling business. The Bank deepened the cooperation with brokers and securities investors, and further broadened our channels for business cooperation with financial peers. In the reporting period, the Bank granted credit facilities to 162 domestic bank financial institutions. The Bank signed the third-party escrow agreements with 81 brokers, and opened 836 new accounts for broker institutional clients. By promoting the cooperation with securities companies, banking financial institutions, financing companies and other financial institutions, the bank's deposits from financial institutions maintained a stable growth, and the business structure was further optimized. As of the end of the reporting period, the Bank's average daily balance of deposits from financial institutions amounted to RMB158.017 billion, up by 73.19% compared with the end of the previous year. The proportion of average daily balance of deposits from banking financial institutions was 39.38% of the Bank's total average daily balance. The average daily balance of deposits from financial institutions driven by the third-party escrow business accounted for 14.23% of the Bank's total average daily deposit balance.

International Business

The Bank's international business includes international letter of credit, international trade remittances, outward collection, inward collection, guarantee, import bill advance, export bill purchase, packing loans, forfeiting and factoring products. The Bank establishes the brand image of "your nearby foreign exchange expert" for its foreign exchange business, and promotes designed diversified innovative products and whole process solutions tailored to customer demand and time commitments promoting the development of international business. In the first half of 2010, the Bank's international settlement amount (under the trade item) reached USD82.324 billion, an increase of 55.91% year on year, which is 12 percentage points higher than the year-on-year growth rate of the national import and export trade. According to the statistics of the International Chamber of Commerce, the Bank's market share in international settlement was 5.56%, making the Bank a leader compared against all the small and medium-sized joint stock commercial banks in China. During the reporting period, the amount of trade financing provided by the Bank registered a year on year increase of 29.63% to USD5.283 billion and the balance of trade financing was USD3.274 billion, up by 4.57% compared with the end of the previous year. The total income from international business was RMB889 million, up by 28.26% year on year.

Investment Banking Business

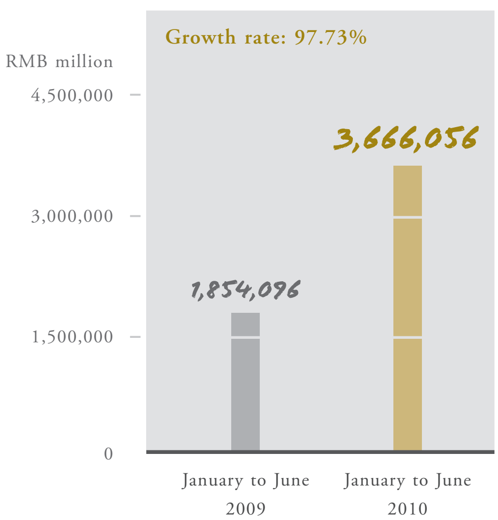
In 2010, the Bank implemented the professional operating model, stepped up its effort in expanding businesses such as bond underwriting, syndicated loans, M&A loans, export credit, domestic factoring, asset management and financial advisory, etc. The investment banking businesses maintained a sound and rapid growth. As of the end of the reporting period, the net non-interest income from investment banking business reached RMB716 million, up by 65.36% year on year accounting for 39.38% of the net non-interest income of corporate banking business. Incomes from investment banking consulting and advisory fees, asset management fees, structured financing fees and bond underwriting fees reached RMB287 million, RMB194 million, RMB135 million and RMB99 million and increased 13.92%, 631.62%, 70.58% and 32.82% respectively compared with the same period of the previous year. Sales of corporate trust wealth management products reached RMB36.327 billion, up by 741.29% year on year; the structural financing assets reached RMB76.794 billion, up by 30.87% compared with the end of the previous year; bonds underwriting reached RMB20.667 billion, representing an increase of 66.60% year on year.

According to statistics from Bloomberg, the Bank ranked second in terms of amount of syndicated loans arranged by foreign and domestic banks in Mainland China. The Bank was awarded “Best Syndicated Financing Bank of China in 2010” by Securities Times, and our project “Beijing Automobile Investment Company’s acquisition of core technologies of Saab” was awarded “Best M&A Service Project in 2010” by Securities Times.

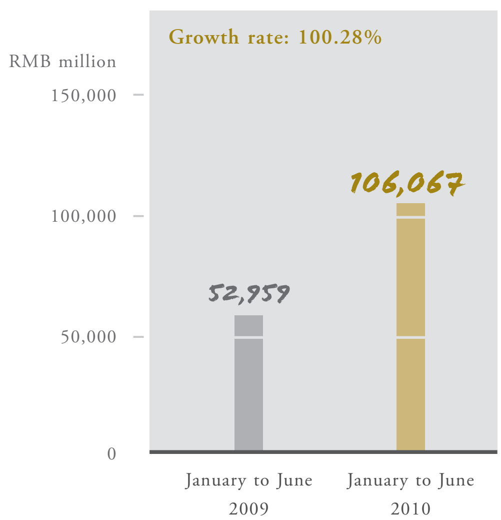
Cash Management Business

The Bank speeded up the developing of cash management business product system, introduced cash management version 5.0, expanded supplementary cash management products for accounts, launched the development of multi-bank cash management system hosting model, promoted the implementation of foreign currency cash pool projects, and enhanced the Bank’s overall capability of providing cash management service. As of the end of the reporting period, the number of active cash management projects and corresponding clients reached 1,229 and 7,130 respectively, up by 22.65% and 29.57% respectively year on year. The total transaction volume reached RMB3,666.056 billion, up by 97.73% year on year.

Transaction Volume of Cash Management Business



Financing Amount for Car Dealers



Supply Chain Financing Business

The Bank was committed to the professional operation of supply chain financing services, focused on establishing the whole supply chain financing service system for enterprises, and set up 15 pilot branches aiming to promote centralized management for our automobile financing business and steel financing business, so as to improve the professional service level and market competitiveness of our supply chain financing services. As of the end of the reporting period, the Bank cooperated with 2,976 distributors, representing an increase of 588 or 24.62%, and absorbed average daily deposits of RMB85.187 billion from distributors and manufacturers, representing a year-on-year increase of 34.82%. In terms of auto financing, the Bank issued financing to car dealers exceeding 100 billion for the first time amounting to RMB106.067 billion, an increase of 100.28% year on year, which is higher than the average growth rate of the sales volume of cars in China within the same period; the Bank cooperated with 65 automobile manufactures, of which 47 manufactures (brands) have established "headquarters to headquarters" automobile sales financing service network with the Bank, which covered all major domestic automobile manufacturers.

Small Business Financing

The Bank enhanced development of the small business financing system according to two service models – "specialized operation" and "general operation", and set up special counter in 14 branches so as to speed up the consolidation and promotion of product plans, which created 24 products under three categories and increasing the influence of the "CITIC Small Business Growth Partner" brand image. As of the end of the reporting period, the Bank had 8,451 small business clients, up by 13.60% year on year. The total credit balance for those small business clients reached RMB118.361 billion, up by 24.27% compared with the end of the previous year, of which the balance for general loans reached RMB52.17 billion, up by 29.13% compared with the end of the previous year. The NPL ratio was 0.65%, which is 0.17 percentage point lower than that of the end of the previous year.

Asset Custody Business

The Bank continued to consolidate the traditional custody business, actively explored new areas and optimized the business structure, maintained a continuous and rapid growth of the custody business. As of the end of the reporting period, the scale of assets under custody reached RMB171.345 billion, maintaining a positive growth for the 17th consecutive month, up by 52.78% compared with the end of the previous year; the income from custody business reached RMB78.3372 million, up by 61.57% year on year; the scale of contracted pension fund services reached RMB6.257 billion, up by 21.61% compared with the end of the previous year.

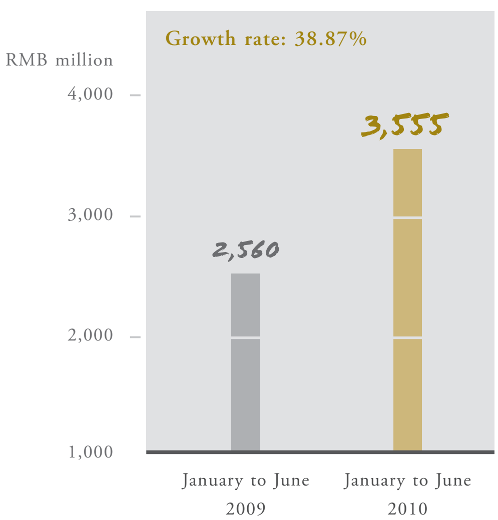
Retail Banking Business

In the first half of 2010, facing the uncertainty of domestic and international macro-economic environment, the Bank focused on the target of "promoting the formation of internal growth mechanism, building an all-function retail banking system", adhered to the business development strategy of "dual support" of wealth management and customer deposits, vigorously promoted the development of intermediary business, and committed to improve the business structure and enhance profitability.

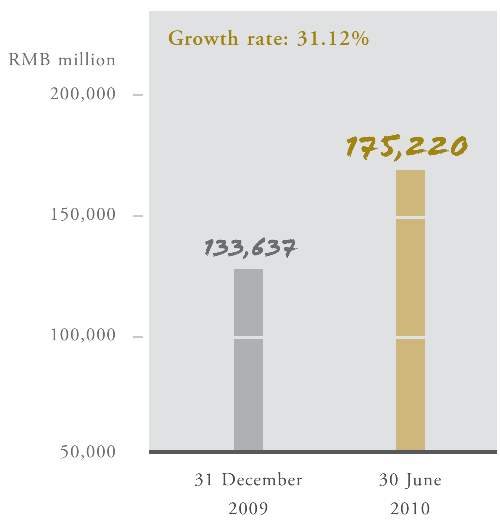
As of the end of the reporting period, the Bank's personal deposits balance amounted to RMB245.332 billion, up by 17.00% over the previous year-end; personal loans balance was RMB175.220 billion, up by 31.12% over the previous year-end. The operating income of retail banking business registered of RMB3.555 billion, up by 38.87% year on year, accounting for 14.71% of the Bank's total operating income. The net non-interest income of the retail banking business registered of RMB742 million, up by 4.65% year on year, accounting for 27.57% of the Bank's total net non-interest income. The Bank's customer base of the retail banking business continued to grow and reached 17.4458 million retail customers[1] as of the end of the reporting period, an increase of 7.75% compared to the previous year-end.

- Steady growth for the three profit drivers: personal wealth management, consumer credit and credit card business.
  - The Bank sold RMB113.549 billion equivalent worth of wealth management products, which exceeded the total sales of the full year of 2009.
  - Balance of personal housing mortgage loans registered RMB135.754 billion, up by 30.96% compared with the previous year-end, accounting for 77.48% of the total personal loans.
  - The accumulative number of credit card issuance was 10.3035 million, which realized a pre-tax profit of RMB335 million, exceeding the total pre-tax profit of the full year of 2009.

Income from Retail Banking Business



Personal Deposit Balance



1 Since 1 January 2010, the statistical methods for the Bank's retail customers number have been adjusted, and the data filtered invalid customers (who cannot be identified such as those who have no network affiliation or have canceled their accounts). The adjusted number of retail customer accounts as of 31 December 2009 was 16.1908 million.

- The electronic banking business developed fast. In the first half of 2010, the number of transactions of personal Internet banking was 6.5152 million with a transaction volume[1] reaching RMB349.544 billion, representing 2.21 times and 4.51 times respectively of that in the same period of the previous year. Replacement rate of personal electronic banking across the Bank reached 61.33%.

- The number of private banking clients reached 7,563. The dynamic wealth management system began to take shape.

Retail Assets under Management[2]

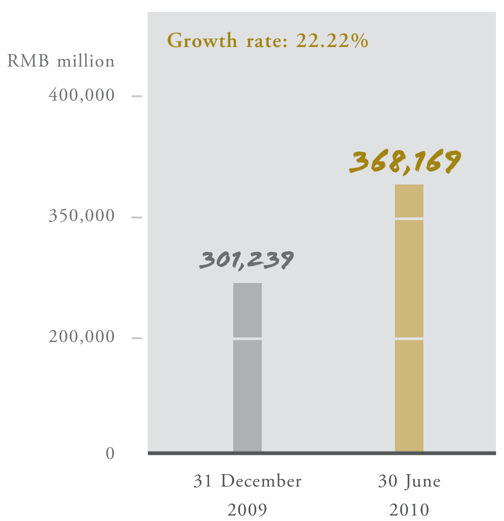
In the first half of 2010, the Bank's retail banking business adhered to the business development strategy of "dual support" wealth management and deposit. On the basis of stable wealth management and fund accumulation, the Bank greatly expanded deposit settlement purpose, coordinated the development of wealth management and deposit, and promoted sustainable and steady growth of savings deposits. As of the end of the reporting period, the balance of personal deposits was RMB245.332 billion, up by 17.00% compared with the end of the previous year, and the retail assets under management reached RMB368.169 billion, up by 22.22% compared with the end of the previous year.

Retail Credit

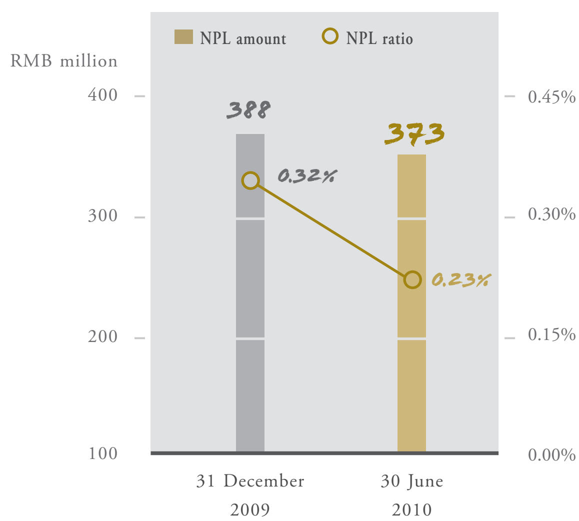
In the first half of 2010, the Bank's retail credit business, based on keeping housing mortgage loans as the core, constantly adjusted its product structure. While keeping the growth of housing mortgage loans, the Bank made efforts to strengthen the development of business loans. As of the end of the reporting period, the balance for the Bank's retail credit was RMB160.874 billion, up by 34.38% compared with the end of the previous year, in which the balance of personal housing mortgage loans, loans for personal business and loans for commercial apartments was RMB135.754 billion, RMB10.726 billion and RMB3.49 billion, respectively, up by 30.96%, 66.21% and 25.65% respectively compared with the end of the previous year.

The Bank strengthened the retail credit risk management, which led both NPL amount and NPL ratio declined. The retail NPL was RMB373 million, down by RMB15 million compared with the end of the previous year. The NPL ratio for retail credit was 0.23%, down by 0.09 percentage point compared with the end of the previous year, in which the NPL ratio for housing loans was 0.13%, down by 0.04 percentage point compared with the end of the previous year.

Balance of Retail Assets under Management



Retail Credit NPL



1 Including transactions of Internet banking users with certificates and Internet payment and excluding ordinary version (non certificate) customer transactions.

2 Retail assets under management: total amount of personal savings deposit and wealth management assets under the Bank's management

Wealth Management

In the first half of 2010, in response to the changing requirements of the investment and wealth management market and customer demands, the Bank continued to innovate wealth management products and promoted wealth management products like asset portfolio and bonds pool and structural deposit products such as "Holiday Win" and "Always Win", which further enriched our product lines. Besides, the Bank also launched Financial Express, Brokerage Accounts and other customized products for high-end customers, which played an important role in retaining high-end customers. As of the end of the reporting period, the sales volume of wealth management products was RMB113.549 billion, up by 332.05% year on year, which exceeded the total sales of the full year of 2009. The fee income from wealth management reached RMB172 million, up by 4.87% year on year.

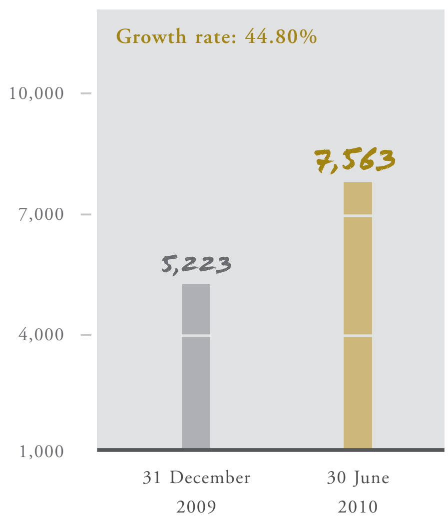
In the first half of 2010, the Bank continued to enhance its efforts in promoting the development and marketing of financial products sold on an agency basis. The Bank formed a diversified wealth management product line sold on an agency basis, including the domestic/foreign currency fixed and quasi-fixed return products, special funds products, open-end funds, broker collective wealth management products, trust products, structural products and so on. As of the end of the reporting period, our income from sales of fund and insurance products on an agency basis totaled RMB38.3071 million.

In the first half of 2010, the Bank strengthened its efforts in cross-selling to its existing VIP customers[1], and carried out Platinum marketing activities. As of the end of the reporting period, the balance of assets under management of our VIP clients in the Bank reached RMB230.673 billion, accounting for 62.90% of total retail assets under management; the newly added assets under management of VIP customers was RMB52.022 billion, accounting for 77.73% of all newly added retail assets under management in the Bank. The number of VIP customers with above RMB500,000 worth of assets under management in the Bank was 146,058, up by 21.02% compared with the end of the previous year.

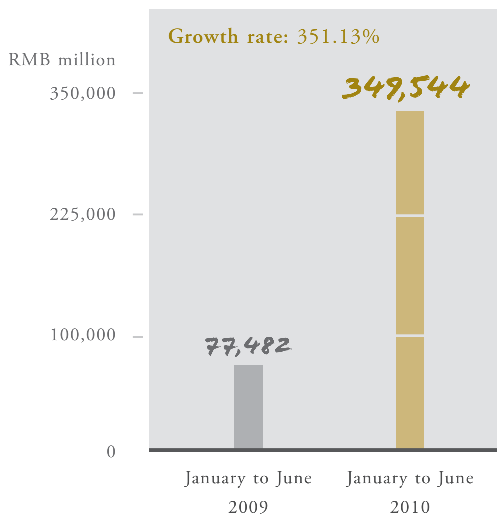
Private Banking

The Bank provides private banking services to individual customers with net assets over RMB8 million and the companies they controlled or held with the service philosophy of "being a good assistant to your privileged life". As of the end of the reporting period, the number of the Bank's private banking customers was 7,563, up by 44.80% compared with the end of the previous year. In the first half of 2010, with the focus on dynamic wealth management service, the Bank launched the "Good Health Club", "Investors Club", "Future Leaders Club" and other value-added services, which further perfected the Bank's private banking service system.

Number of Private Banking Customers



Transaction Volume of Personal Internet Banking



1 VIP customers refer to customers with wealth under the Bank's management (total amount of saving deposits and assets under wealth management) of RMB500,000 or above.

Credit Card

In the first half of 2010, the Bank promoted prudent growth of the credit card business, made effective risk control, and further improved profitability. As of the end of the reporting period, the Bank accumulatively issued 10.3035 million credit cards, an increase of 10.42% compared with the end of the previous year, the credit card transaction volume was RMB43.377 billion, up by 18.13% compared with the same period of the previous year; the loan balance of credit card was RMB14.346 billion, up by 3.08% compared with the end of the previous year.

As the credit card business was growing and the risk control continued to be positive, the Banks's income from credit card business continued to grow, the income structure continued to be optimized, and profitability was further improved. In the first half of 2010, the credit card business income reached RMB1.128 billion, up by 14.55% year on year. The income from credit card annual fees, installment and cross-selling business accounted for 16.55% of the total income from credit card business, up by 6.14% year on year. The Bank recorded a pre-tax profit of RMB335 million in credit card business, up by 164.12% year on year, which exceeded the total pre-tax profit from credit card business of the full year of 2009.

Treasury and Capital Market Business

In the first half of 2010, the Bank actively adjusted the business structure actively, improved the competitiveness of treasury and capital market business in terms of products, prices and services, and provided the clients with diversified financial services. The Bank further consolidated its research base, enhanced its support of research on investment, strengthened risk control, and built reasonable risk and return portfolio. Seizing market opportunities of foreign exchange business and RMB interest rate market-making business, the Bank timely adjusted the trading strategy and maintained the leading position in the market. Meanwhile, the Bank further implemented the business development strategy of "simple products, effective marketing" and promoted a sustainable development of the intermediary business.

The Bank achieved an outstanding performance in treasury and capital market business by prudently carrying out asset management business, enhancing brand building by promoting foreign exchange and interest rate market-making business, and facilitating the growth of non-interest income and the increase of effective customers through simple product sales. As of the end of the reporting period, the operating income of treasury and capital market business of the Bank reached RMB846 million, accounting for 3.50% of the total operating income of the Bank.

The Bank continued to implement the business development strategy of highly efficient marketing, further enrich the product line and optimize the client structure. In accordance with the business strategy of active market-making and focusing on the domestic market, the Bank developed foreign exchange trading, RMB related bond trading and wealth management businesses actively. Moreover, the Bank strengthened the business model of "trading-sales", allowed trading and sales to complement each other and develop together, strengthened the client base effectively and ensured the sustainable development of non-interest income business. As of the end of the reporting period, the Bank's net non-interest income from treasury and capital market business was RMB143 million, accounting for 5.31% of the Bank's total net non-interest income.

Foreign Exchange Market Business

In the first half of 2010, domestic and international market was gradually recovering, but there were still a lot of uncertainties and complexities. The Bank adhered to the prudent operation of foreign exchange business, strengthened risk control, and maintained leading market share of the counter foreign exchange settlement and sales business among small and medium-sized joint-stock commercial banks in China. The Bank also maintained the leading position in foreign exchange market-making business, and the trading volume has been ranked among the top in the market.

RMB Bond and Interest Rate Market-Making Business

In the first half of 2010, due to the complicated domestic and international economic environment, the market experienced greater volatility and uncertainty than in the past. Under this situation, through the judgement and understanding on market, the Bank timely adjusted trading strategies, further strengthened RMB bond and interest rate derivatives market-making business, and continued to actively provide trading liquidity for the market. During the reporting period, the Bank became one of the top in bond market-making business and was awarded "Outstanding Bonds Market-Maker" in the first quarter of 2010 by National Association of Financial Market Institution Investors. The Bank maintained a relatively big market share in interest rate derivatives market-making business, enhanced the Bank's market position as a RMB market-maker.

Wealth Management and Derivatives Trading Business

In the first half of 2010, oriented toward target customers' demands as direction, RMB bond assets pool wealth management business as focus, the business model of independent pricing and active management as the core, so as to continuously improve our capability to invest on behalf of customers' as part of the wealth management service. The Bank continued to increase our product development efforts, further enriched wealth management product system, and better met the wealth management needs for different levels of customers.

According to principles of simple products and effective marketing, the Bank prudently and soundly promoted the development of derivative products business, committed to provide customers with high quality and professional services through standardized simple products to help customers maintain value and avoid risks, in order to improve the those enterprise customers' risk management efficiencies and capabilities.

Investment in Debt Securities

In 2010, the Bank adhered to the principle of balancing safety, liquidity and profitability of investment, scientifically allocated the assets and improved asset management efficiency. The Bank actively adjusted the structure of foreign currency assets, reduced its holding of assets with expected high risk and increased the proportion of low-risk bonds, which enhanced the stability and risk resistance capability of overall assets. The Bank modestly scaled up its investment in RMB bonds, stick to the prudent investment strategy and maintained a shorter duration, which helped increase the overall return rate on assets.

Integrated Financial Service Platform of CITIC Group

CITIC Group consists of financial subsidiaries engaging in banking, securities, funds, trust, insurance and futures businesses, most of which are leaders within their respective industry. Through the integrated financial service platform of CITIC Group, the Bank is gradually developing its unique competitiveness.

Providing Integrated Financial Solutions

The Bank provides the customers with differentiated and integrated financial services through cross-selling of the financial products and joint marketing with other financial subsidiaries under CITIC Group major projects.

— The Bank underwrites short-term financing bonds and mid-term notes. The Bank, together with CITIC Securities, underwrote and issued RMB2 billion of short-term financing bonds and RMB1.6 billion of mid-term notes as lead underwriters for customers.

— The Bank issues corporate wealth management products. The Bank, together with CITIC Trust, issued real estate funds wealth management products, raising a total amount of RMB610 million and providing the Bank's high-profile strategic customers with comprehensive investment and financing service solutions. The Bank, together with CITIC Securities, accumulatively issued the wealth management products of "CITIC Gold Wealth Management Comprehensive Allocation Series", wealth management products and raised a capital totaling RMB8.162 billion.

— The Bank carried on cross-border syndicated business. The Bank cooperated with its subsidiary, CITIC Bank International to jointly provide USD200 million cross-border syndicated loans.

Promoting Extensive Sharing of Customer Base

The Bank cooperated with four subsidiaries under CITIC Group, including CITIC Securities, China Securities, CITIC Kingtong Securities and CITIC Wantong Securities in third-party escrow business, and became the host escrow bank of CITIC Securities and CITIC Kingtong Securities and general escrow bank of China Securities and CITIC Wantong Securities. As of the end of the reporting period, the Bank and the above 4 securities companies shared 5,348 institutional customers, realizing the handling charges from the third-party escrow service of RMB4.6819 million; the number of newly increased individual customers of third-party escrow business from the securities companies under CITIC Group was 70,000.

Conducting Products Cross-design and Cross-selling

— Giving play to the advantages of the custody business platform. The Bank carried out all-round cooperation with subsidiaries of CITIC Group on product development, building of the industry (VC) fund business platform as well as market exploration for custody business. In particular, the custody scale of PE products in RMB and foreign currencies launched with CITIC Trust and CITIC Capital reached RMB5.204 billion, the custody scale of collective/targeted asset management programs launched with CITIC Securities reached RMB8.950 billion, the custody scale of collective trust program launched with China Securities reached RMB854 million, and the trust scale of collective and single fund scheme launched with CITIC Trust reached RMB30.362 billion.

— Cooperating to develop the annuity business. The Bank carried out all-round cooperation with subsidiaries of CITIC Group such as CITIC Trust and CITIC Securities. During the reporting period, the scale of the "CITIC Xinrui" corporate annuity product designed and launched by the Bank together with other subsidiaries of CITIC Group reached RMB42.5678 million; the scale of the "Jinxiu Rensheng" corporate annuity scheme launched by the Bank together with CITIC Securities reached RMB212 million; the scale of the "Xiangrui Xintai" corporate annuity scheme launched by the Bank together with Taikang Life reached RMB85.5935 million; and the scale of the "Jinse Rensheng No. 1" corporate annuity scheme launched by the Bank together with China AMC reached RMB75.4290 million.

Strongly Promoting Cross-border Business

After its acquisition of CIFH, the Bank actively mobilized the development of domestic and international business linkages, thus the synergy and integrated advantages of CITIC Group gradually appeared. On 10 May 2010, CKWB controlled by CIFH was formally renamed as CITIC Bank International, marking a milestone stepping forward in the internal integration within the Bank. Leveraging on the powerful nationwide network of the Bank and the platform of CITIC Bank International in Hong Kong, USA and Macao, the Bank accelerated its commercial banking business at home and abroad. In future, the Bank will expand its business in mainland China, Hong Kong and Macao as well as international business with a unified platform.

— In terms of international business, the business volume of entrusted international settlement business between the Bank and CITIC Bank International was approximately USD9.487 billion. At present, CITIC Bank International is among the top three in terms of market share of cross-border RMB trade settlement business in Hong Kong.

— In terms of treasury and capital market business, the total amount of RMB nominal-principal foreign exchange forward contracts provided by both parties to customers was four times of that of the same period of the previous year.

— In terms of private banking business, relying on the service platform of CITIC Bank International in Hong Kong, the two parties established the "CITIC Bank Private Banking Customers Exclusive Center" in Hong Kong, and cooperated in providing customers with services in both Hong Kong and the Mainland China.

In addition, the two parties also cooperated in providing services such as cross-border syndicated loans.

Cooperation with Strategic Investor

In the first half of 2010, the Bank further pushed forward the strategic cooperation with BBVA in business areas including cash management business, international business, investment banking business, private banking business, automobile financing business and training, etc. Senior managers from both sides met regularly through the Strategic Cooperation Committee, maintained a smooth communication mechanism, and worked together to push forward the cooperation in all related business areas.

— In automobile financing business, the proposal for the Bank and BBVA to jointly set up an automobile financing company has been approved by our Board of Directors. The capital contribution agreement has been signed and is subject to review and approval by the regulatory authority.

— In private banking business, the Bank and BBVA entered into the agreements of private banking independent business cooperation unit (IBCU), and would establish within the Bank an independent IBCU. The IBCU will be operated as an internal department within the Bank.

— In international business, the Bank has fundamentally established agency bank relations with BBVA's network in South America, and more than 10 subsidiaries of BBVA around the world can provide comprehensive financial services for the Bank's customers. The business volume of entrusted international settlement business, import agency payment business and forfeiting business between the two parties amounted to USD429 million, USD556 million and USD0.89 million respectively.

— In investment banking business, the Bank and BBVA explored business cooperation opportunities actively in export credit, on-lending and cross-border M&A loans consulting, which provided strategic customers of the Bank with integrated financial service solutions in cross-border investment and financing. The two parties cooperated to provide customers with cross-border debt receivables buyout business amounting to EUR60 million, in which our share was EUR36 million.

— In cash management business, the Bank cooperated with BBVA to provide cash management services for the Mexican subsidiary of China Tobacco Hubei Industrial Corporation, taking the Bank's first step towards providing cross-border cash management services.

— In training, six training programs carried on in BBVA's domicile were arranged in the first half of 2010, covering 96 management personnel and key business staff of the Bank. The accumulative training time reached 27 days.

Information Technology

In the first half of 2010, the Bank continued to improve IT management structure, IT decision-making mechanism and IT organization management system. With significant projects and system upgrades and reform, the Bank continuously optimized the overall IT structure of the whole Bank to promote application integration and information sharing; enhanced precise and professional management, improved the management systems on application development, quality and operation maintenance management system in order to enhance the support and protection of IT towards business and IT risk management and control capability.

— The Bank improved a range of cross department IT management systems, including demands management, project management, quality management and post-project evaluation management. Meanwhile, the Bank established structure control and data management system, which improved its IT management level.

— According to the IT planning objectives and directions, the Bank has begun to establish or improve a bank-wide customer information management system, unified workflow platform, unified payment platform, channel integration platform and other major IT infrastructure, which have laid a solid foundation to optimize IT structure and application systems.

— Under the guidance of "prevention first, efficient response", the Bank improved the production and operation management and systems construction, promoted the extensive and in-depth application of automation instruments, and further enhanced emergency response capabilities through rehearsal and summarization, which have helped to initially establish a unified operation and maintenance management system across the Bank. The stability and availability of the Bank's IT system have been improved significantly.

— Under the guidance of professional and precise management concept, the Bank strengthened the unified management on the Bank's IT budget and the overall planning of system construction, and optimized the IT organization structure, staff allocation and work flow.

Domestic Distribution Channels

Branches

In the first half of 2010, the Bank continued to accelerate the construction of networks in major and key cities where the Bank has presence and further improved the layout in the eastern coastal areas. Meanwhile, the Bank appropriately set up branches in uncovered areas of developed second-tier cities in central and western regions. 8 branches and 32 sub-branches have been put into operation in Nanyang, Jiangmen, Qujing, Zhangzhou, Urumqi, Pingxiang, Ordos and Weifang. As of the end of the reporting period, the Bank has set up 647 outlets in 74 large and medium sized cities in Mainland China, including 32 tier-one branches (directly under the Bank), 36 tier-two branches and 579 sub-branches.

Self-Service Outlets and Self-Service Terminals

In the first half of 2010, while strengthening safety and risk prevention of self-service banking transactions, the Bank continued to launch new self-service outlets and self-service terminal distribution network so as to increase the self-service terminal transactions replacement rate. As of the end of the reporting period, the Bank had 1,104 self-service outlets and 3,718 self-service terminals (ATM, CDM and CRS), up by 12.31% and 5.81% respectively compared with the end of the previous year.

Mobile Banking

In the first half of 2010, following the successful launch of the mobile banking V2.0 at the end of 2009, the Bank continued to improve the mobile banking system and started to develop iPhone and other versions of mobile banking as well as mobile payment gateway. In the first half of 2010, the number of our mobile banking customers were 10,953, up by 132.20% over the previous end of the year; transaction volume amounted to RMB28.2250 million, up by 869.73% year on year.

Internet Banking

For personal internet banking, the Bank adhered to the development strategy of "increasing the technological replacement rate" and implemented the strategy of concurrent development for customer acquisition, management and improvement. The Bank continued to develop and optimize the performance of its internet banking based on the "customer experience indicator model", while the personal internet banking business of the Bank maintained the momentum of rapid growth. In the first half of 2010, the personal internet banking customers of the Bank reached 3.7466 million, up by 57.31% from the end of the previous year. The coverage ratio of personal internet banking reached 21.48%, up by 6.77 percentage points from the beginning of the year. The number of transactions was 6.5152 million, which is 2.21 times of the same period of the previous year. The transaction volume was RMB349.544 billion[1], which is 4.51 times of the same period of the previous year. The replacement rate of personal electronic banking reached 61.33%.

In corporate Internet banking, the Bank successfully launched Corporate Internet Banking V. 6.1, promoted the optimization of mobile banking, telephone banking, and treasury and capital space community service functions, completed the upgrade of telephone customer service system, speeded up the construction of bank-enterprise direct connection channel, which have formed a relatively complete Internet banking service channel system of the Bank. As of the end of the reporting period, the Bank's accumulative corporate Internet banking transaction volume amounted to RMB5,218.365 billion, which is 2.0 times of that in the same period of last year; and the transaction number replacement rate and transaction volume replacement rate reached 26.38% and 48.08% respectively, up by 8.35 percentage points and 14.38 percentage points respectively compared with the end of the previous year.

Telephone Banking

The Bank provides customers with consulting services, online transactions, active care and other differentiated services through unified national telephone banking. Based on customer service hotline 95558, the Bank launched the VIP service hotline 10105558, and provided VIP customers with VIP boarding, car rescue, golf booking, medicare green channel and other value-added services. Through various online transactions, proactive marketing through telephone, concentrated operation of a variety of business and other business strategies, the Bank's telephone banking has achieved deep integration with VIP wealth management, Internet banking, personal loans, debit cards and other services, and achieved the organic combination of "air service" of telephone banking and "ground service" of business branch outlets, which have become an important part of customers management strategy of the Bank. Telephone Banking Center highlighted standardized and digital management, and was awarded ISO9000 Quality System Certification for four consecutive years with "zero non-conformities", and received Five-star Call Center Certification from the Standards Committee of CCCS (Customer Contact Center Standard).

1 Including general, professional and platinum community internet banking as well as internet payment transactions; excluding fund supermarket, "Ka Tong" payment, and "Hui Jin Bao" transactions.

Business of Overseas Subsidiaries

CIFH

In the first half of 2010, the Bank's subsidiary CIFH continued to build CITIC Bank International as the Bank's international business platform, in order to lay a foundation to steadily enhance our Asian network and business expansion. Although the European debt crisis triggered great volatility in investment market during the reporting period, CIFH still achieved a relatively good result thanks to the rapid growth of the profit of CITIC Bank International. Its net profit attributable to shareholders was RMB518 million, up by 19.63% year on year. The strong growth in loans of CITIC Bank International drove the total assets of CIFH to grow rapidly. As of the end of the reporting period, the total assets of CIFH reached RMB127.17 billion, up by 17.39% over the end of 2009. However, the severe market volatility affected the performance of the investment in associates to certain extent, and the profit of associates attributable to CIFH was RMB10 million equivalent, down by 86.67% year on year.

— CITIC Bank International. On 10 May 2010, CKWB was renamed as CITIC Bank International. Taking this opportunity, CITIC Bank International deepened its cooperation with the Bank in cross-border business to produce a greater synergy effect. In addition, on a clearly new starting point, it played the role of an international platform for CITIC Bank Group, actively promoted the preparation works for setting up the first branch in the Association of Southeast Asian Nations, improved the strengths in human resources and capital, in order to prepare for the steady expansion of business in Asia. In the first half of 2010, CITIC Bank International's net profit attributable to shareholders was RMB514 million equivalent, up by 37.07% year on year.

— CIAM. Under the environment of the European debt crisis and uncertain global economic outlook, CIAM continued to take stable development strategy, prudently operated on investment projects, developed the fund management business progressively, and opened up the cooperation platform in mainland China with overseas investors and operators.

— CITIC Capital. During the reporting period, CITIC Capital recorded a performance below expectation due to the effect of severe volatility in the investment market, but the scale of assets under its management continued to expand. As of the end of the reporting period, the assets under CITIC Capital's management totaled USD3.2 billion, up by 14% compared with the end of the previous year.

CIFL

CIFL is a controlled subsidiary of the Bank established in Hong Kong with a registered capital of HKD25 million, of which the Bank holds 95% and CITIC Bank International holds 5%. The business scope includes loan business (CIFL holds the creditor license) and investment business (mainly including funds investment, bond investment and stock investment).

— Business development. CIFL further strengthened its cooperation with the Bank to unleash the differentiated competitiveness and complement each other with respective advantages. As of the end of the reporting period, the total assets of CIFL equaled RMB1.096 billion, up by 9.49% compared with the end of the previous year; net profit equaled RMB37 million, up by 236.36% compared with the same period of 2009.

— Risk management. CIFL continued to adopt the two-level approval system, namely the Risk Management Committee and the Board of Directors. Meanwhile, CIFL carried out daily business strictly according to a series of system and regulations it formulated, including Regulations of the Risk Management Committee of China Investment and Finance Limited, Administrative Measures for Authorization of Credit Extension Business of China Investment and Finance Limited, and Administrative Measures for Transaction Authorization of China Investment and Finance Limited. During the reporting period, thanks to the strict risk management, CIFL continued to maintain a record of zero non-performing assets, and its capability to withstand market turbulence and crisis has been further enhanced.

Risk Management

The Bank has remained committed to build an independent, comprehensive, vertical and professional risk management system, cultivated a risk management culture of pursuing "risk-adjusted returns", implemented the development strategy of "quality industry, quality enterprises, mainstream market and mainstream customers", and actively managed the credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

Credit Risk

Credit Risk Management

In response to the complicated and changing macro-economic environment, the Bank followed closely to the business goals of "adjusting structure, enhancing management and promoting development", adhered to the basic principles of "active marketing and prudent management", and implemented the basic credit extension guidelines of "adjustment, management, innovation and development", with an effort to optimize the loan structure, intensify the risk management and impel the healthy and steady development of various credit extension businesses.

Risk Management on Corporate Loans

In the first half of this year, the Bank provided active support to the strategic clients of our headquarters and branches and quality small and medium-sized enterprises (SME), with the lending focus directed to those fundamental industries important to our national economy and livelihood of our people and to real economic sectors, which are recovering gradually such as manufacturing, wholesale and retail. The Bank has exerted strict control over the loans issuance to government platform clients, real estate sector, sectors with high consumption and high pollution as well as sectors with production overcapacity.

— Government platform financing. The Bank has formulated prudent credit policies on credit granting to the government platform funded projects in accordance with the principle of "strictly controlling the increments and exercising differentiated treatments", in order to carry out strict control and management over loans to projects funded through government platforms, and ensure the safety of credit assets. Firstly, the Bank actively defused the credit risks associated with the existing government platform loans, where the government platform loans are divided into 4 types, namely, the support type, maintenance type, adjustment type and exit type for differentiated treatments, and every Project Package of government platform loan has been opened individually for classification and treatment. Secondly, the Bank strictly controlled the newly increased government platform loans, where all the newly increased government loans shall be submitted to the headquarters of the Bank for stringent examination and approval. In the first half of 2010, the focus of new government platform loans has been directed to the quality public utilities investment projects funded by governments concerning our national economy and livelihood of our people with sufficient for operations, and to projects with land reserve in good locations and with great value appreciation potentials in economic-developed central cities and regional central cities with strong fiscal strengths.

— Real estate development loans. The Bank has paid close attention to the market risks of the real estate sector, implemented the prudent policy of "controlling the total amount, selecting premium projects and exercising strict management", and adhered to the principles of "Compliant Policies, Closed Funds, Controllable Costs, Marketable Building Projects, Quality Enterprises, Project Collateral, Mortgage Stimulus and Professional Management", on the premise of risk control, prudentially support the readily marketable residential projects providing the impetus to the growth of mortgage business, which are developed by quality developers with strong risk resistance capacity and little risk of capital chain rupture. Meanwhile, the closed-end fund management has been strengthened, where the Bank has, in principle, required the implementation of collateral with lands and projects under construction, and insisted on the compliance of the operations. All the real estate development loans of the Bank have been submitted for the professionalized examination and approval of the Industry Loan Approval Team of the Head Office.

— Loans to the sectors with high consumption and high pollution ("two highs") and sectors with overcapacity. The Bank has seriously implemented various regulations and controlling policies of the State concerning the sectors with high consumption, high pollution and sectors with overcapacity, paid close attention to changes in the credit risks for these sectors and strictly controlled credit extension to these sectors. Adhering to the principles of "controlling total amount and some loans ensured, some loans restricted", and with credit being granted with "quality enterprises as the target customers, working capital loans as the target use and logistics financing as the target purpose", the Bank has exerted strict control over the issuance of projects loans. The Bank has implemented the system in which the new loans to seven "two highs" sectors and sectors with overcapacity such as iron and cement are subject to the approval of the Head Office prior to issuance. The Bank does not provide any form of new credit support to any project not in compliance with national environmental protection policies, any project under construction that is within the scope of backward capacity to be eliminated as clearly defined by the State, or any illegal projects that is completed.

Risk Management on Small Business Loans

— Establishment of Professional Teams. The Bank has special marketing and management teams with over 300 members in 4 of our branches, namely Hangzhou, Ningbo, Nanjing and Suzhou for small business finance. We have also established special institutions and special teams in 10 branches including Shanghai and Wuhan branch. It is clearly specified that full-time credit analysts and credit investigators shall be assigned from the risk management line to each of these special institutions, which further enhances the risk control capacity and professionalized operation level of the Bank.

— Control of Key Investment Areas. The credit to small business has been primarily directed to regions with relatively developed economy, active small business, high social credibility, and where the branches of the Bank have strong risk control capabilities, such as the Yangtze River Delta region and Pearl River Delta region.

— Control of Client Admission. The small business customers are mostly fast growing small businesses with prime quality, such as small businesses with strong self-compensating cash flow in domestic/international trade, small businesses that provides supplementary products or services to growing leading enterprises and steady small businesses with core technology advantages.

— Construction of Credit Enhancement Platforms. The Bank placed emphasis on cooperation of credit enhancement platforms with guarantee companies, re-guarantee companies, insurance companies and governments. In the first half of 2010, the Bank formulated and issued the "Guidelines on Strategies for Cooperation with Small Business Credit Enhancement Platforms" to guide our branches to actively construct credit enhancement cooperation platforms and to leverage on such platforms to increase loan repayment parties, explore the external information sources and take effective control over risks.

— Stressing on Non-financial Indicators and Face-to-face Talk System. The Bank has put stress on keeping overall track of the actual operation of enterprises by grasping non-financial information such as tax payment, power consumption and water consumption, etc. In addition, for new customers applying for credit extension for the first time, the Bank required the person in charge of marketing shall hold in person discussions with the in-charge person of the enterprise, so as to gain information on the enterprise objectively.

— Strengthening Post-Lending Examination. The Bank conducted more specific and differentiated post-lending examination on small business loans and promptly initiated early-warning procedures for enterprises with adverse signals.

— Emphasis on the Dynamic Customer Adjustment. Branches of the Bank assess the small business clients every year, specify the list of customers who shall exit, and make the exit plan to constantly optimize the small business customer structure through dynamic adjustment.

Risk Management on Personal Loans

In the first half of 2010, in view of the changes in the macro-economic environment, the Bank adjusted its credit policies and optimized its product structures. We also strengthened the establishment of personal credit system and intensified post-lending management and asset quality control, therefore achieved development progress for the current phase.

— In view of the changes in the macro-economic environment, we adjusted the policy of personal residential mortgage loans and raised the interest rate pricing level.

— We optimized the product structures. In addition to exploration of the development of personal business loans, we enhanced our efforts in research and promotion of other personal loan products.

— The establishment of personal loan centres in branches has been completed. We are now actively exploring the path to operation management and the establishment of risk control system for retail credit business.

— The post-lending management has been strengthened. We enhanced the compliance management for personal loan business by conducting specialized inspections.

— We strengthened the asset quality management by regularly notifying the quality of the personal loan assets to the entire bank and enhancing the effort in the recovery of non-performing loans which were overdue for more than one year.

Credit Card Risk Management

In the first half of 2010, the credit card business of the Bank has followed the basic credit business guidelines of “adjustment, management, innovation and development”, to spur the optimization of credit structure by way of customer structure and portfolio management, and stimulate the introduction of high-end customers by means of continuously innovated product portfolio systems to further optimize the loan structure. The Bank continuously improved and perfected the structure of the whole-process risk management system, intensified operational risk management and enhanced the risk management responsive capability, thus the NPLs and NPL ratios have been controlled effectively.

— Active adjustment of credit card marketing strategies. The Bank has further reinforced the construction of low-risk and low-cost marketing channels such as database marketing, and intensified the ability of sales to refined customers and the strategic transformation of sales models has been initially achieved.

— Accelerating customer structure adjustment. Relying on high-end products, and promoting the introduction of prime quality customers, the Bank has further increased the proportion of the medium-to-high end customers through the adjustment of admission and credit limit policies. Moreover, the Bank has imposed strict restrictions on the access of high-risk customers and has gradually reduced the proportion of high-risk customers.

— The Bank has placed operation priority on existing customers, increased the proportion of loans granted to quality customers and enhanced post-lending management for credit card customers. Through offering new credit portfolio products, the Bank continued to boost the activity of credit card transactions of the prime quality customers and increased the overall returns of customers.

— The Bank actively developed multiple technologies for quantitative risk management. The Bank further enhanced the overall risk prevention and control capacity of our credit card business through effective quantitative risk identification instruments.

Risk Management on Treasury Business

The annual credit policies of the Bank are formulated by the Risk Management Commission of the Bank's senior management and the risk committee of the Bank's Board of Directors. The Treasury and Capital Market Department of the Headquarter is responsible for the daily operations and investment decisions of the treasury and capital business of the Bank and ensuring compliance with credit policies for the relevant year. In accordance with the principle of independence in risk management, the Risk Management Department and the Planning & Finance Department of the headquarters will assume corresponding responsibilities separately in the process of making important decisions in relation to the treasury and capital business risks. The Bank prudentially engaged in marketable securities investment business and provided the risk avoidance and value added services to customers.

— RMB denominated bond investment. Adhering to the credit policies for the relevant year, the Bank took the quality enterprises within the industry as the key credit investment targets.

— Foreign currency denominated bond investment. In 2010, the Bank has witnessed the gradual display of recovery signs in some major nations, yet the deepening of the European Sovereignty Debt Crisis has led to the aggravation of market volatility, and the global economy is facing new challenges.

Loan Monitoring and Post-Lending Management

In the first half of 2010, there has been a balanced growth in the scale of credit and loans of the Bank, a drop in both the amount and ratio of our non-performing loans and a steady increase in the benefits of our credit assets, and realizing the coordinated development between credit scale, quality and benefits. The achievements of credit management are manifested in the following aspects:

— The Bank has seized the focus of our work and planned in advance, further enhanced the predictability and pertinence of our credit management, and made effective response to the credit risks arising from the macro-economic situation.

— The Bank has further advanced the management and increased the efficiency of the loan center to effectively prevent the credit operational risks.

— The Bank further promoted the management on the recovery of performing loans, and ensured the actual principal and interest recovery ratio no less than the target of 98%.

— The Bank further strengthened the monitoring on key risks and conducted investigation on the risks associated with the loans to government financing platforms, sectors with overcapacity and real estate sector.

— The Bank has pushed forward loan quality analysis and the accuracy of risk rating and carried out on-site inspections and off-site inspections on all our branches, where loans of a total of 1,938 accounts and a total amount of RMB319.4 billion have been examined.

— The Bank further propelled the construction of credit management system, optimized management functions and intensified the technical support. The development of the CITIC "Daily Statistics" Credit Management Statistical System has achieved phased success, the construction of "Sky Statistics" statistical and analytical system has been accelerated, and the overall business development of the "SKYNET Early Risk Warning System" project has been accomplished, and the system functions were continuously optimized.

— The Bank made an overall advancement in the risk management on group customers to comb out and improve the processes and systems and reinforced the background check on discounted bill businesses.

— The Bank further promoted the implementation of the "Exit" policy, and directed the branches to proactively exit from high-risk loans.

Credit Risk Analysis

Loan Analysis

As of 30 June 2010, the Group's total loans amounted to RMB1,192.838 billion, up by RMB127.189 billion or 11.94% compared with the end of the previous year.

The Group continued to optimize the regional structure of its credit assets, with the loans showing a balanced growth across all regions. The Group's loans mainly concentrated in the coastal regions of eastern China with the most robust economic development, such as the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As of 30 June 2010, the Group's balance of loans for these three major regions accounted for 67.33% of its total loans. In the first half of 2010, loans for the Bohai Rim and the Yangtze River Delta showed a relatively faster growth, up by RMB31.897 billion and RMB28.0 billion respectively. In the first half of 2010, the Group actively followed and implemented the relevant national policies for boosting domestic demand and fittingly enhanced its support for quality projects in the central and western regions, leading to a higher proportion of its loans for the central and western regions in the total loans.

Concentration of Loans by Geographical Location

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim (1)	**325,804**	**27.31**	293,907	27.58
Yangtze River Delta	**312,055**	**26.16**	284,055	26.66
Pearl River Delta and West of Taiwan Straits	**165,304**	**13.86**	145,222	13.63
Central region	**148,991**	**12.49**	133,009	12.48
Western region	**127,864**	**10.72**	113,499	10.65
Northeastern region	**40,784**	**3.42**	34,965	3.28
Overseas	**72,036**	**6.04**	60,992	5.72
Total loans to customers	**1,192,838**	**100.00**	1,065,649	100.00

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim [1]	**325,022**	**29.10**	293,056	29.29
Yangtze River Delta	**310,197**	**27.77**	282,138	28.20
Pearl River Delta and West of Taiwan Straits	**164,038**	**14.69**	143,807	14.37
Central region	**148,991**	**13.34**	133,009	13.30
Western region	**127,864**	**11.45**	113,499	11.35
Northeastern region	**40,784**	**3.65**	34,965	3.49
Total loans to customers	**1,116,896**	**100.00**	1,000,474	100.00

Note: (1) Including the headquarters.

Concentration of Loans by Product

As of 30 June 2010, the Group's balance of corporate loans (excluding discounted bills) amounted to RMB956.135 billion, up by RMB133.5 billion or 16.23% compared with the end of the previous year; the balance of personal loans amounted to RMB190.572 billion, up by RMB42.332 billion or 28.56% compared with the end of the previous year; the discounted bills amounted to RMB46.131 billion, down by RMB48.643 billion or 51.33% compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**956,135**	**80.16**	822,635	77.20
Personal loans	**190,572**	**15.97**	148,240	13.91
Discounted bills	**46,131**	**3.87**	94,774	8.89
Total loans and advances to customers	**1,192,838**	**100.00**	1,065,649	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**897,502**	**80.36**	773,557	77.32
Personal loans	**175,220**	**15.69**	133,637	13.36
Discounted bills	**44,174**	**3.95**	93,280	9.32
Total loans and advances to customers	**1,116,896**	**100.00**	1,000,474	100.00

Structure of Personal Loans

In the first half of 2010, the Group steadily developed the personal housing mortgage loan business and credit card business, with the housing mortgage loan and credit card loan experiencing a growth of 28.55% and 2.68% respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Housing mortgage loans	**146,750**	**77.00**	114,156	77.01
Credit card loans	**14,572**	**7.65**	14,191	9.57
Others	**29,250**	**15.35**	19,893	13.42
Total personal loans	**190,572**	**100.00**	148,240	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Housing mortgage loans	**135,754**	**77.48**	103,660	77.57
Credit card loans	**14,346**	**8.19**	13,918	10.41
Others	**25,120**	**14.33**	16,059	12.02
Total personal loans	**175,220**	**100.00**	133,637	100.00

Concentration of Loans by Sectors

In the first half of 2010, the Group proactively supported such key industries as energy and transportation, and exercised rigorous control over the granting of loans to the real estate industry. At the same time, under the complicated and changing domestic and international economic and financial conditions, the Group also adopted a more refined approach when categorizing the manufacturing industries and enhanced its management efforts, and conducted an augmented risk supervision over those industries that were of excessive production capacity (whether actual or potential) or more vulnerable to the macro-economic control, with a view to controlling the industry risks effectively. As of 30 June 2010, the total loans for the top five industries in terms of corporate loans granted by the Group accounted for 68.44% of its aggregate corporate loans. Judging from the increment structure, the three industries showing the highest growth in loans during the reporting period were manufacturing, wholesale and retail, and water conservation, environment and public utilities management. The loans to these three industries increased by RMB39.955 billion, RMB30.130 billion and RMB15.638 billion respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**250,401**	**26.19**	210,446	25.58
Transportation, warehousing and postal services	**115,345**	**12.06**	102,557	12.47
Production and supply of electricity, gas and water	**82,387**	**8.62**	85,106	10.34
Wholesale and retail	**116,002**	**12.13**	85,872	10.44
Real estate	**60,498**	**6.33**	46,312	5.63
Water, environment and public utilities management	**90,242**	**9.44**	74,604	9.07
Leasing and commercial services	**47,149**	**4.93**	49,900	6.07
Construction	**43,803**	**4.58**	34,554	4.20
Public and social organizations	**56,039**	**5.86**	49,560	6.02
Finance	**7,051**	**0.74**	6,551	0.80
Other customers	**87,218**	**9.12**	77,173	9.38
Total corporate loans	**956,135**	**100.00**	822,635	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**242,855**	**27.06**	204,706	26.46
Transportation, warehousing and postal services	**112,343**	**12.52**	99,823	12.91
Production and supply of electricity, gas and water	**82,121**	**9.15**	84,819	10.96
Wholesale and retail	**107,884**	**12.02**	82,159	10.62
Real estate	**50,283**	**5.60**	37,320	4.82
Water, environment and public utilities management	**90,242**	**10.05**	74,604	9.64
Leasing and commercial services	**47,049**	**5.24**	49,800	6.44
Construction	**43,611**	**4.86**	34,381	4.45
Public and social organizations	**56,039**	**6.24**	49,560	6.41
Finance	**2,665**	**0.30**	2,583	0.33
Other customers	**62,410**	**6.96**	53,802	6.96
Total corporate loans	**897,502**	**100.00**	773,557	100.00

Breakdown of Loans by Types of Guarantee

In order to respond to the uncertain macro-economic changes proactively, the Group continued to adhere to its customer strategy of 'quality industries, quality enterprises, mainstream markets and mainstream customers', increased its credit support to quality customers during the first half of 2010. Besides, the Group focused on mitigating and eliminating risks by obtaining collaterals, leading to a higher proportion of collateral loans.

The Group

Unit: RMB million

Types of Guarantee	30 June 2010 Balance	30 June 2010 Proportion (%)	31 December 2009 Balance	31 December 2009 Proportion (%)
Unsecured loans	**403,185**	**33.80**	293,974	27.59
Guaranteed loans	**230,663**	**19.34**	233,099	21.87
Collateral loans	**402,592**	**33.75**	335,343	31.47
Pledged loans	**110,267**	**9.24**	108,459	10.18
Subtotal	**1,146,707**	**96.13**	970,875	91.11
Discounted bills	**46,131**	**3.87**	94,774	8.89
Total	**1,192,838**	**100.00**	1,065,649	100.00

The Bank

Unit: RMB million

Types of Guarantee	30 June 2010 Balance	30 June 2010 Proportion (%)	31 December 2009 Balance	31 December 2009 Proportion (%)
Unsecured loans	**387,664**	**34.71**	283,394	28.33
Guaranteed loans	**210,985**	**18.89**	216,312	21.62
Collateral loans	**367,262**	**32.88**	301,493	30.14
Pledged loans	**106,811**	**9.56**	105,995	10.59
Subtotal	**1,072,722**	**96.04**	907,194	90.68
Discounted bills	**44,174**	**3.96**	93,280	9.32
Total	**1,116,896**	**100.00**	1,000,474	100.00

Concentration of Borrowers of Corporate Loans

The Group lays emphasis on risk control regarding the concentration of borrowers of its corporate loans. Currently, the Group meets the applicable regulatory requirements relating to the concentration of borrowers. Since a single borrower is defined by the Group as a specific legal entity, a borrower can be the related party of another borrower.

The Group

Major regulatory indicators	Regulatory Standards	30 June 2010	31 December 2009	31 December 2008
Percentage of loans to the largest single customer (%)	≤10	**4.43**	5.06	2.92
Percentage of loans to the top 10 customers (%)	≤50	**28.68**	34.70	21.93

Note: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

(3) Because the figure for the net capital as of the end of 2009 was restated, the figures for year 2009 in the above table were restated.

The Group

Unit: RMB million

	Industry	30 June 2010 Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	**6,596**	**0.55**	**4.43**
Borrower B	Wholesale and retail	**6,576**	**0.55**	**4.42**
Borrower C	Public and social organizations	**6,000**	**0.50**	**4.03**
Borrower D	Production and supply of electricity, gas and water	**4,974**	**0.42**	**3.35**
Borrower E	Transportation, warehousing and postal services	**4,441**	**0.37**	**2.99**
Borrower F	Production and supply of electricity, gas and water	**2,940**	**0.25**	**1.98**
Borrower G	Public and social organizations	**2,873**	**0.24**	**1.93**
Borrower H	Other clients	**2,830**	**0.24**	**1.90**
Borrower I	Public and social organizations	**2,733**	**0.23**	**1.84**
Borrower J	Transportation, warehousing and postal services	**2,694**	**0.23**	**1.81**
Total		**42,657**	**3.58**	**28.68**

With its key efforts being centered on boosting domestic demands, the Group adhered to the customer strategy of 'quality industries, quality enterprises, mainstream markets and mainstream customers', and moderately enhanced its support for large-scale quality infrastructure construction projects and quality large sized customers. The Group's balance of loans for its top ten corporate loan borrowers totaled RMB42.657 billion, accounting for 3.58% of its total balance of loans.

Loan Quality Analysis

The section below will focus on analysis of the quality of the Bank's loans.

Five-category Loan Classification

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

In the first half of 2010, the Bank continued to enhance its centralized management system over the risk classification and constantly improve the credit assets risk classification system credit assets. While insisting on the principle of core standard of 'Loan recovery safety', the Bank employed different risk management measures for different classes of loans after taking into full consideration of various factors that may influence the quality of credit assets.

The procedures for the classification and recognition of credit risks implemented by the Bank are as follows: the business departments carry out post-lending inspections, and propose the preliminary suggestions on classification and recognition based on the inspection results, and the suggestions then go through the stages of initial recognition by the credit management departments of the branches, examination and approval by the risk officers of the branches, and final recognition by the Head Office. The Bank conducts dynamic classification adjustment on loans with material changes in risk conditions.

In the first half of 2010, the Bank continued to collaborate with external audit agency and completed the sample collection and inspection on credit quality and risk classification (with the focus on the loans to the government financing platform), such that the authenticity and accuracy of the loan classification were further enhanced.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,175,087**	**98.51**	1,047,265	98.28
Special mention	**8,046**	**0.68**	8,227	0.77
Sub-standard	**2,941**	**0.25**	3,235	0.30
Doubtful	**5,189**	**0.43**	5,201	0.49
Loss	**1,575**	**0.13**	1,721	0.16
Total loans	**1,192,838**	**100.00**	1,065,649	100.00
Performing loans	**1,183,133**	**99.19**	1,055,492	99.05
Non-performing loans	**9,705**	**0.81**	10,157	0.95

Note: Performing loans include normal loans and special mention loans; non-performing loans include sub-standard loans, doubtful loans and loss loans.

As of 30 June 2010, both the balance of NPLs and the NPL ratio of the Group decreased from that of the end of the previous year. The balance of NPLs of the Group recognized in accordance with regulatory classification standards stood at RMB9.705 billion, down by RMB452 million compared with the end of the previous year, while the NPL ratio of the Group stood at 0.81%, down by 0.14 percentage point compared with the end of the previous year.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,101,534**	**98.62**	983,978	98.35
Special mention	**6,876**	**0.62**	7,487	0.75
Sub-standard	**2,041**	**0.18**	2,484	0.25
Doubtful	**4,888**	**0.44**	4,869	0.49
Loss	**1,557**	**0.14**	1,656	0.16
Total loans	**1,116,896**	**100.00**	1,000,474	100.00
Performing loans	**1,108,410**	**99.24**	991,465	99.10
Non-performing loans	**8,486**	**0.76**	9,009	0.90

Note: Performing loans include normal loans and special mention loans; non-performing loans include sub-standard loans, doubtful loans and loss loans.

Under the complicated economic and financial conditions during the first half of 2010, the Bank, with the prerequisite of ensuring the stability of loan quality, achieved a steady growth of 11.64% in its credit scale through conducting structural adjustments and implementing a more rigorous loan supervision and post-lending management systems. As of 30 June 2010, normal loans increased by RMB117.556 billion or 11.95% compared with the end of the previous year, with an increase in the proportion of normal loans in the total loans to 98.62%. Special-mentioned loans decreased by RMB611 million compared with the end of the previous year, with its proportion in the total loans dropped by 0.13%. This was mainly due to the Bank's accelerated withdrawal from loans with potential risks, which further mitigated the potential credit risks. The NPL ratio stood at 0.76%, representing a 0.14 percentage point decrease compared with the beginning of this year and reaching the best historical level; the balance of NPLs was RMB8.486 billion, representing a decrease of RMB523 million compared with the beginning of this year and indicating the Bank's good risk control capability.

In the first half of 2010, the Bank dealt with NPLs mainly through such customary means as loan collection and writes-off, absorbing a total of RMB1.134 billion of NPLs.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five classes during the indicated period.

The Bank

	30 June 2010	31 December 2009	31 December 2008
Migration ratio of normal loans (%)	**0.29**	0.53	1.42
Migration ratio of special mention loans (%)	**5.00**	6.71	6.94
Migration ratio of sub-standard loans (%)	**21.76**	18.16	39.03
Migration ratio of doubtful loans (%)	**4.71**	5.35	19.28
Migration ratio of performing loans to NPLs (%)	**0.07**	0.32	0.36

In the first half of 2010, the migration ratio of the Bank's performing loans to NPLs decreased significantly compared with the end of 2009. This was mainly due to the Bank's enhancement in credit restructuring, implementation of withdrawal mechanism, enhancement in loan collection management, mitigation of risks at earlier stage in the first half of 2010, thereby effectively controlled the continual deterioration of credit risks and reducing the possibility of downward migration. The NPLs newly increased in the first half of 2010 decreased greatly compared with the same period of the previous year.

Loans Overdue

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,180,953**	**99.00**	1,054,844	98.99
Loans overdue[(1)]:				
1–90 days	**4,433**	**0.37**	2,844	0.26
91–180 days	**510**	**0.04**	598	0.06
181 days or above	**6,942**	**0.59**	7,363	0.69
Sub-total	**11,885**	**1.00**	10,805	1.01
Total loans	**1,192,838**	**100.00**	1,065,649	100.00
Loans overdue for 91 days or above	**7,452**	**0.63**	7,961	0.75
Restructured loans[(2)]	**3,591**	**0.30**	4,146	0.39

Note: (1) Loans overdue represent loans with principals or interest overdue for one day or above.

(2) Restructured loans refer to the loans overdue or impaired but the terms of which (e.g. amount and term) have been re-arranged.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,106,606**	**99.08**	990,875	99.04
Loans overdue[1]:				
1–90 days	**3,208**	**0.29**	2,140	0.21
91–180 days	**428**	**0.03**	577	0.06
181 days or above	**6,654**	**0.60**	6,882	0.69
Sub-total	**10,290**	**0.92**	9,599	0.96
Total loans	**1,116,896**	**100.00**	1,000,474	100.00
Loans overdue for 91 days or above	**7,082**	**0.63**	7,459	0.75
Restructured loans[2]	**2,895**	**0.26**	3,577	0.36

Note: (1) Loans overdue represent loans with principals or interest overdue for one day or above.

(2) Restructured loans refer to the loans overdue or impaired but the terms of which (e.g. amount and term) have been re-arranged.

In the first half of 2010, the Bank firmly implemented the risk mitigation strategy of "early identifying, early reacting and early mitigating", enhanced its monitoring on overdue principal and interest of loans by means of management system and performed monthly supervisions and reports regarding the principal and interest overdue of the various branches, urging them to accelerate the collection loans overdue. Such methods yielded satisfactory results. As of 30 June 2010, both the balance of loans overdue and its proportion in the total loans decreased compared with those as of 30 June 2009, among which the balance of loans overdue for 1 to 90 days decreased by RMB851 million as compared with that as of the end of June 2009, and the balance of loans overdue for 91 days or above decreased by RMB2.045 billion as compared with that as of the end of June 2009.

Breakdown of Non-performing Loans by Types of Customer

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL Ratio (%)**	Balance	Proportion (%)	NPL Ratio (%)
Corporate loans	**8,750**	**90.16**	**0.92**	9,000	88.61	1.09
Personal loans	**955**	**9.84**	**0.50**	1,119	11.02	0.75
Discounted bills	**—**	**—**	**—**	38	0.37	0.04
Total NPLs	**9,705**	**100.00**	**0.81**	10,157	100.00	0.95

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Corporate loans	7,540	88.85	0.84	7,904	87.73	1.02
Personal loans	946	11.15	0.54	1,067	11.84	0.80
Discounted bills	—	—	—	38	0.42	0.04
Total NPLs	8,486	100.00	0.76	9,009	100.00	0.90

As of 30 June 2010, with the prerequisite of ensuring a stable quality of credit assets, the Bank's credit scale of corporate loans expanded steadily. The balance of non-performing corporate loans reduced by RMB364 million and the NPL ratio decreased by 0.18%. The balance of non-performing personal loans reduced by RMB121 million and the NPL ratio decreased by 0.26 percentage point.

Breakdown of Non-performing Loans by Geographical Location

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Bohai Rim[(1)]	2,946	30.36	0.90	3,237	31.87	1.10
Yangtze River Delta	2,180	22.46	0.70	2,264	22.29	0.80
Pearl River Delta and West of Taiwan Straits	1,463	15.07	0.89	1,331	13.10	0.92
Central region	446	4.60	0.30	703	6.93	0.53
Western region	701	7.22	0.55	715	7.04	0.63
Northeastern region	822	8.47	2.02	833	8.20	2.38
Overseas	1,147	11.82	1.59	1,074	10.57	1.76
Total NPLs	9,705	100.00	0.81	10,157	100.00	0.95

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Bohai Rim[1]	2,946	34.72	0.91	3,237	35.93	1.10
Yangtze River Delta	2,155	25.39	0.69	2,237	24.83	0.79
Pearl River Delta and West of Taiwan Straits	1,416	16.69	0.86	1,284	14.25	0.89
Central region	446	5.25	0.30	703	7.80	0.53
Western region	701	8.26	0.55	715	7.94	0.63
Northeastern region	822	9.69	2.02	833	9.25	2.38
Total NPLs	8,486	100.00	0.76	9,009	100.00	0.90

Note: (1) Including the headquarters.

The overall quality of the Bank's loans remained steady, in particular, the quality of loans to the Pearl River Delta and West Strait, where more export-oriented and private enterprises concentrated, has not been seriously affected by the macro economic environment. The NPL balance in these regions slightly increased by RMB132 million compared with the end of the previous year. At the same time, the NPL ratio of these regions was only 0.86%, a decrease of 0.03 percentage point compared with the end of the previous year. Both the NPL balance and NPL ratio in the Bohai Rim, Central region, the Yangtze River Delta and Northeastern region decreased compared with the end of the previous year, which indicates the capability of the Bank's credit management to effectively respond to the complicated economic and financial environment.

Breakdown of Corporate Non-performing Loans by Sector

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Manufacturing	3,803	43.46	1.52	3,952	43.91	1.88
Transportation, warehousing and postal services	100	1.14	0.09	100	1.11	0.10
Production and supply of electricity, gas and water	329	3.76	0.40	347	3.86	0.41
Wholesale and retail	1,155	13.20	1.00	1,275	14.17	1.48
Real estate	1,228	14.03	2.03	1,114	12.38	2.41
Water, environment and public utilities management	42	0.48	0.05	43	0.48	0.06
Leasing and commercial services	189	2.16	0.40	345	3.83	0.69
Construction	69	0.79	0.16	164	1.82	0.47
Public and social organizations	—	0.00	0.00	—	0.00	0.00
Finance	137	1.57	1.94	138	1.53	2.11
Other customers	1,698	19.41	1.95	1,522	16.91	1.97
Total corporate NPLs	8,750	100.00	0.92	9,000	100.00	1.09

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL Ratio (%)**	Balance	Proportion (%)	NPL Ratio (%)
Manufacturing	**3,543**	**46.99**	**1.46**	3,866	48.91	1.89
Transportation, warehousing and postal services	**100**	**1.33**	**0.09**	100	1.27	0.10
Production and supply of electricity, gas and water	**319**	**4.23**	**0.39**	337	4.26	0.40
Wholesale and retail	**1,113**	**14.76**	**1.03**	1,195	15.12	1.46
Real estate	**1,173**	**15.55**	**2.33**	1,024	12.96	2.74
Water, environment and public utilities management	**42**	**0.56**	**0.05**	43	0.54	0.06
Leasing and commercial services	**189**	**2.51**	**0.40**	345	4.36	0.69
Construction	**69**	**0.91**	**0.16**	164	2.07	0.48
Public and social organizations	**—**	**0.00**	**0.00**	—	0.00	0.00
Finance	**137**	**1.82**	**5.14**	138	1.75	5.34
Other customers	**855**	**11.34**	**1.37**	692	8.76	1.29
Total corporate NPLs	**7,540**	**100.00**	**0.84**	7,904	100.00	1.02

The Bank, while strictly embodying the credit policy of "quality industries, quality enterprises, mainstream markets and mainstream customers", has put greater efforts to adjust the credit structure. The quality of loans for various industries remained steady. The quality of loans in manufacturing, leasing and commercial services, construction, and wholesale and retail industries etc. remained good, and both the NPL balance and NPL ratio decreased. The NPL balance for the real estate industry showed a slight increase compared with the end of the previous year while the NPL ratio decreased by 0.41 percentage point.

Analysis of Provision for Loan Impairment

The Group timely set aside adequate provision for loan impairment with the principle of prudence and conformity to reality. The provision for loan impairment consisted of two parts, namely the provision evaluated based on single item and that evaluated based on portfolios.

The Group

Unit: RMB million

	As of 30 June 2010	As of 31 December 2009
Beginning balance	**15,170**	14,000
Accruals during the year[1]	**1,671**	2,446
Reversal of impairment allowances[2]	**(74)**	(126)
Transfer out[3]	**—**	(2)
Write-offs	**(304)**	(1,326)
Recoveries of loans written off in previous year	**28**	178
Ending balance	**16,491**	15,170

Notes: (1) Equivalent to net impairment 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 provision for loan impairment released after the loans are converted to repossessed assets.

As of 30 June 2010, the Group's balance of provision for loan impairment increased from RMB15.170 billion as of the end of the previous year to RMB16.491 billion, an increase of RMB1.321 billion from the beginning of 2010, of which the provision for loan impairment accrued during the first half of this year was RMB1.671 billion. This was mainly due to the issuance of new loans. As of 30 June 2010, the ratio of the balance of the Group's provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 169.92% and 1.38%, respectively.

The Bank

Unit: RMB million

	As of 30 June 2010	As of 31 December 2009
Beginning balance	**14,620**	13,572
Accruals during of the year(1)	**1,622**	1,955
Reversal of impairment allowances(2)	**(73)**	(125)
Transfer out(3)	**—**	—
Write-offs	**(257)**	(884)
Recoveries of loans written off in previous year	**22**	102
Ending balance	**15,934**	14,620

Notes: (1) Equivalent to the net impairment 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 provision for loan impairment released after the loans are converted to repossessed assets.

As of 30 June 2010, the Bank's balance of provision for loan impairment increased by RMB1.314 billion from the end of the previous year to RMB15.934 billion, of which the provision for loan impairment accrued during the first half of this year was RMB1.622 billion. The ratio of the balance of the provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 187.77% and 1.43% respectively, and the provision coverage ratio increased by 25.49 percentage points compared with the end of the previous year. The increase in the provision for loan impairment was mainly driven by the increase in credit loan scale. At the same time, the balance of NPLs remained relatively low, resulting in the increase in provision coverage ratio compared with the beginning of the year, and the Bank's risk offsetting capability was further enhanced.

Market Risk

The market risks of the Bank mainly arose from the adverse fluctuations of market rates including interest rates and exchange rates. The Bank established a market risk management system covering the identification, measurement, monitoring, and control of market risks and manages market risks through access approval and quota management, so as to control the potential loss associated with market risks within an acceptable level.

Interest Rate Risk

Interest Rate Risk Management

The interest rate risk of the Bank mainly arose from the impact of the mismatching of the repricing or maturity of interest rates of assets and liabilities on revenue, and from the impact of the changes of market interest rates on the fair value of financial instruments. Through financial derivatives transactions such as swap and forward transactions, the Bank maintained effective control over the interest rate risk of the balance sheet and the investment portfolios of the capital market business of the Bank.

The Bank mainly assessed the interest rate risk of the balance sheet through gap analysis. Based on the current gap status, the Bank adjusted the repricing frequency and set the maturity and levels of corporate deposits, so as to reduce the mismatch of the repricing or maturity.

The Bank resorted to methods like duration analysis and sensitivity analysis to measure and control the interest rate risk of the financial instruments of the treasury and capital market business, and set various risk limits, including interest rate sensitivity, duration, and exposure.

Analysis of Interest Rate Risk

In the first half of 2010, the financial market remained generally stable, and the market interest rate of RMB climbed steadily before dropping slightly, and then rose rapidly and drastically. In January and February 2010, with adequate overall liquidity in the market, and due to the long holiday of the Spring Festival, the market interest rate went up steadily; in March and April 2010, the market liquidity remained sufficient, and the market interest rate dipped slightly; since May, however, with the gradual display of the effects of a series of tightening monetary policies implemented by the regulatory authority, including those on controlling the credit scale, raising the deposit reserve ratio, and reissuing 3-year-term central bank bills, market liquidity has tightened and the interest rate on the currency market rose quickly and substantially.

Taking into consideration the influence of the interest rate changes on the Bank's income, and in light of the credit scale regulation and market liquidity fluctuation, the Bank timely adopted the "Price for Volume" strategy, by which the Bank, on the basis of effectively controlling the risk arising from the mismatch of the assets and liabilities, tightened interest rate assessment and strengthened the management of interest rate repricing in order to raise the interest rate level of its credit assets and maximize its benefits. As of the end of the reporting period, the interest rate gaps of the Bank were as follows:

The Group

Unit: RMB million

	Non-interest bearing	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
Total Assets	33,153	1,243,387	536,795	92,796	34,037
Total Liabilities	32,394	1,373,684	343,293	30,179	46,396
Asset-liability gap	759	(130,297)	193,502	62,617	(12,359)

The Bank

Unit: RMB million

	Non-interest bearing	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
Total Assets	35,362	1,143,691	520,399	89,743	34,358
Total Liabilities	27,060	1,281,698	333,575	28,538	43,110
Asset-liability gap	8,302	(138,007)	186,824	61,205	(8,752)

Exchange Rate Risk

Exchange Rate Risk Management

The exchange rate risk of the Bank mainly arises from the currency mismatch of on and off-balance assets and liabilities and the currency positions mismatch resulting from foreign exchange trading. The Bank minimizes its foreign exchange exposure through reasonable arrangement of the currency types and maturities of capital sourcing and application. As to the structural foreign exchange positions that are inevitable to the operations, such as capital and profit in foreign currency, the Bank improves its utilization of foreign currency capital through active management and thus realizes value preservation and increment for such capital. As to the exposures resulting from foreign exchange trading operations, the Bank manages the exchange rate risk arising from foreign exchange trading through setting risk exposures and loss-stopping limits.

Analysis of Exchange Rate Risk

The exchange rate risk of the Bank is mainly subject to fluctuations of RMB exchange rate against USD. This exchange rate had remained basically stable before the Central Bank announced the restart of the foreign exchange rate reform on June 19, 2010; after the reform was restarted, RMB appreciated slightly. In the first half of 2010, RMB appreciated against USD by approximately 0.66%. In the future, as the Central Bank further pushes forward the foreign exchange rate reform and practices regulated floating exchange rate, the exchange rate of RMB against USD is expected to experience greater fluctuations, and most probably in both directions. However, in the second half of 2010, due to the combined influences of various domestic and international factors including the domestic economy and the European debt crisis, there will be only limited room for RMB appreciation and the one-way hike will be hardly possible.

The Bank intently monitored the impact of RMB exchange rate changes on its foreign exchange transactions, continuously enhanced its implementation of various foreign exchange management measures, exercised rational control of its foreign exchange exposures and positions, and controlled the exchange rate risk within an acceptable level. As of the end of the reporting period, the foreign exchange exposures of the Bank were as follows:

The Group

Unit: RMB million

Items	USD	HKD	Others	Total
Net positions on balance sheet	43,454	556	(10,567)	33,443
Net positions off balance sheet	(43,798)	11,484	10,931	(21,383)
Total	(344)	12,040	364	12,060

The Bank

Unit: RMB million

Items	USD	HKD	Others	Total
Net positions on balance sheet	27,530	(4,886)	(3,077)	19,567
Net positions off balance sheet	(27,822)	2,940	3,384	(21,498)
Total	(292)	(1,946)	307	(1,931)

Liquidity Risk

Liquidity risk refers to the risk with which the Bank could not obtain capital at reasonable cost to fulfil the needs of customer to withdraw matured liabilities the growth of assets business. The liquidity risk of the Bank mainly results from the maturity mismatch and structural mismatch of assets and liabilities, customers' early and centralized drawing, provision of capital for loans, trading and investment, and other operating activities.

Liquidity Risk Management

The objective of the liquidity risk management of the Bank is to observe the established targets for assets and liabilities management and guidelines for liquidity risk management, maintain appropriate liquidity, ensure the payment capability of the Bank, and fulfill the needs of business development. The liquidity risk management of the Bank adopts the pattern of centralized management featuring integrated management and multiple-level responsibility. The treasurer of the headquarters is in charge of liquidity risk management throughout the Bank, providing branches with working capital through internal fund coordination, resolving capital shortage and making full use of surplus capital through instruments such as money market, open market operation, and inter-bank discount. The treasurers of branches shall follow instructions of the headquarters, and are responsible for liquidity risk management under their jurisdiction and within the scope of their authority.

Liquidity Risk Analysis

In the first half of 2010, PBOC continued to implement moderately loosened monetary policy, and with regard to the new situations, it also emphasized on enhancing the target-orientation and flexibility of the monetary policy. It increased the statutory deposit reserve rate for three times and resumed the issuance of 3-year-term Central Bank notes. In addition, according to the current market situation, PBOC also put base currency into the market through open market operations. In the first half of the year, the market liquidity is loose in general with two monetary fluctuations taking place before the Spring Festival and during the period from late May to mid-June. As the major market participants, the main commercial banks adjusted their reaction measures and adopted liquidity management measures, the market liquidity returned stable and maintained a moderately loose trend.

In the first half of 2010, the liquidity risk management level of the Bank continued to enhance. The Bank continued to improve and fulfill the three-tier liquidity provision system and early-warning system. The Bank kept a dynamic management on liquid assets, reasonably arranged asset instruments and maturity structure and made full use of open market and money market. The Bank continued to conduct scenario analysis and stress test and improve contingent plan for liquidity management and adjusted liquidity portfolio dynamically so that the capability of liquidity risk prevention was improved steadily.

In the first half of 2010, although the Bank experienced intermittent fluctuations in liquidity, the risks were put under effective control and all businesses were operated in a smooth and orderly manner. The Bank actively implemented and fulfilled macro policies. The credit issuance and bond investment process was consistent with the annual development plan of the Bank. In the meantime, through proper allocation of diverse products like placements, repurchases, deposits with other banks and non-bank financial institutions and inter-bank discounts, we promoted the coordinated development of the assets and liabilities and improved the growth of profit of the Bank.

The Bank continued to identify, measure and monitor liquidity gap through maturity gap analysis. As of the end of the reporting period, the liquidity gap for payable on demand recorded negative, while liquidity gaps for the other terms of maturity were positive. The Bank's demand deposit and time deposit payable on demand took up a large proportion in the Bank's deposits, which resulted in a negative gap for the above term of maturity. The liquidity gap of the Bank is set out as follows:

The Group

Unit: RMB Million

Payable on Demand	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	No Time Limit	Total
(861,136)	26,394	216,915	339,809	196,924	195,316	114,222

The Bank

Unit: RMB Million

Payable on Demand	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	No Time Limit	Total
(841,874)	54,833	203,684	312,116	181,581	199,232	109,572

Internal Control and Operational Risk

Internal Control

In accordance with the provisions of relevant laws and regulations and based on its asset structure, operating patterns and business features, the Bank has established a governance structure mainly comprising Shareholders' General Meeting, Board of Directors, Board of Supervisors, and Senior Management as well as an internal control system involving all staffs. The Board of Directors is responsible for formulating the basic systems of internal control and supervise their implementation; at the administration level, the Risk Management Committee and the Audit and Related Party Transaction Control Committee under the Board of Directors perform relevant duties of internal control; at the operation level, the Internal Audit Department evaluates the effectiveness of the internal control system.

During the reporting period, with the intense care and support from the Board of Directors and the Senior Management, in accordance with *The Basic Standards for Enterprise Internal Control* and its accompanying implementation guidelines, the Bank engaged an internationally well-recognized accounting firm as consulting firm and aggressively promoted the infrastructure construction for internal control. On the basis of overall examination of the internal system, standardized recording of operation management process, identifying risky loopholes and key points for control, the Bank formulated measures for rectifying the internal control deficiencies discovered, and conducted evaluation on the internal control mechanism and its implementation throughout the Bank. The Bank issued and distributed a guideline document for internal control – *China CITIC Bank Internal Control Manual* as well as *The Guidance on the Internal Control* and *Compliance Work of CITIC Bank*, which established the current objectives and requirements of the internal control and compliance work of the whole bank, clarified the duties and tasks of the 3-layered internal control departments of the head office and the branches, and effectively boosted the routine internal control of the Bank. Through bank-wide motion and all-employee participation, and by continuously improving the internal control framework, the Bank has laid a foundation for establishing an ever-improving internal control mechanism featuring dynamic management.

Internal Audit

The internal audit of the Bank performs the duties of supervising and evaluating the adequacy and effectiveness of the risk management and internal control throughout the Bank, and reports to the Board of Directors, Board of Supervisors and Senior Management at the same time; the Audit and Related Party Transaction Control Committee and the Board of Supervisors steer the internal audit work of the Bank. The internal audit of the Bank is oriented toward risk management, emphasizes on innovation of auditing methods, and seeks substantial increase of the value of auditing.

— The Bank organized on-site auditing on businesses such as government financing platform lending, retail credit, wealth management and internet banking; analyzed and examined the loopholes of relevant operation processes and made proposals for improvement. Thus, the Bank effectively improved the internal control and standardized the business operations.

— The Bank attaches great importance to the prevention and control of risky cases. It launched the "Year of Internal Control and Case Prevention System Implementation" activities throughout the Bank, laying a solid foundation for the case prevention of the Bank in terms of system and employee capacity. The Bank has formulated *The Guideline for Case Prevention Work in the year of 2010*, which prioritizes the enhancement of process management and calls for the full play of the roles of the business lines in facilitating the full implementation of various systems; in the meantime, the Bank has instituted a systemized risk inspection mechanism, and, taking deposit rolling inspection as the breakthrough point, has inspected a total of 482 branch outlets, which covered 77% of all the branch outlets of the Bank.

— The Bank aggressively pursued the rectification work, and implemented all the regulatory opinions of CBRC and its local bureaus. The Bank organized a bank-wide follow-up checking of the rectification of the problems discovered in the internal and external inspections in 2009, and the rectification rate reached 99.3%.

— The Bank stepped up the configuration of inspection resources, established the mechanism whereby the Internal Audit Committee coordinates the inspection items and arrangement of the whole bank, started building a platform for the bank-wide management system of the inspection items, and realized IT management of the launching of inspection projects, distributing of inspection resources, and the inspection progresses; it popularized and applied the off-site audit information system throughout the Bank, perfected the audit models, enhanced the research and development and development of off-site auditing, conducted monitoring of off-site auditing, and strove for effective use of the auditing resources of the Bank and a higher auditing efficiency.

Compliance Management

By establishing and perfecting the framework and process for compliance risk management, the Bank has stepped up its effort in compliance management.

— Following the principle of "centralized management and hierarchal responsibilities", the Bank has fully promoted the implementation of the compliance risk management work at the head office and the branches.

— The Bank has issued *The Management Measures for Compliance Review of China CITIC Bank Corporation Limited*, which requires the Bank to intensify the compliance review of the internal control system design, establish a mechanism for compliance review responsibility definition, and standardize the compliance review processes for new products, new operations and systems.

— The Bank has built an information system for compliance risk management. After the trial run of the modular functions of the system in simulated environments and some of the branches, the system has now entered the stage of popularization throughout the Bank, providing an IT foundation for compliance risk management.

— The Bank closely monitors the economic situation and the changes of external laws and regulations, and conducts compliance review of any of the new operations and new products of the Bank, so as to prevent non-compliance risks.

— The Bank has held various forms of compliance trainings, stepped up the construction of a compliance culture, publicized the concept of compliance creating value, advocated the professional ethics and values of honesty and integrity, and fostered an effective and interactive compliance culture.

Operational Risk

The Bank has fully implemented the *Guidelines of Operational Risk Management for Commercial Banks*, strengthened its operational risk management, actively perfected its policies and systems for operational risk management, conducted exchanges with peers, explored an operational risk management system suitable for the Bank itself, launched the consulting and development projects of operational risk management under the New Basel Capital Accord, accelerated the construction for operational risk management system, researched and analyzed the management and measurement of operational risk of capital management, and filed periodic reports on its operational risk management status.

During the reporting period, the Bank experienced no major operational risk events, internally or externally.

Anti-Money Laundering

In the first half of 2010, according to the related provisions of the *Anti-Money Laundering Law*, the Bank earnestly fulfilled its anti-money laundering obligations, and the main measures adopted by the Bank in this regard were as follows:

— Continued to optimize the anti-money laundering system, complied with the requirements of regulatory authorities on filling in the anti-money laundering sheets, periodically assessed the functions of the anti-money laundering system, and increased its stability and efficiency.

— Seriously followed the requirements of regulatory authorities to grade clients according to their exposure to money laundering risks. Strictly in accordance with *The Administrative Measures for Grading Client Risk*, the Bank assigned the customers to different risk levels in view of client characteristics and account nature and taking into consideration of relevant factors such as geographical location, business type, industry, and whether the client is a foreign political figure; at the same time, timely adjusted their risk levels based on continuous monitoring.

— Enhanced anti-money laundering training for the employees. Through various ways, the head office and the branches held training sessions on the anti-money laundering internal control system, the client identification system, and the relevant regulations issued by the regulatory authorities, which have further strengthened the employees' awareness of and their skills for fighting against money laundering.

— Earnestly implemented the monitoring, judging, recording, analyzing and reporting systems for anti-money laundering management. With the anti-money laundering system, the Bank reported to the regulatory authority on any large-amount and suspicious payment transaction, and closely monitored the flow and use of the funds of the transactions suspected as money-laundering and terrorism financing.

Investment

On April 27, 2007, through IPO, the Bank issued 2.302 billion A shares at the offer price of RMB5.80 per share, and issued 5.618 billion H shares at the offer price of HK$5.86 per share. After exchange rate adjustment, the offer prices for A shares and H shares were the same. The Bank raised a total of approximately RMB44.836 billion from the issuance of both A and H shares (after deducting the listing expenses). As of the end of the reporting period the Bank had applied all of the funds raised to replenish its capital and raise its capital adequacy ratio and risk resistance capability in accordance with approvals from CBRC and CSRC. The Bank did not have any material investment with non-raised capital.

Outlook

As of the end of the reporting period, the fulfillment of business operation plan made at the beginning of the year is as follows:

— The planned new increase of deposits from customers was about RMB230 billion. The fulfillment was RMB272.6 billion, accounting for 118.52% of the full-year plan for 2010;

— The planned new increase of loans was about RMB210 billion. The fulfillment was RMB116.4 billion, accounting for 55.43% of the full-year plan for 2010.

The continuous recovery in the global economy and the strong rebound of the Chinese economy have created favourable conditions for the swift development of the banking industry. However, the future economic situation is going to be more complicated with the intensification of the European sovereign debt crisis and the slowdown in the domestic economies of European countries. In the second half of 2010, the Bank will increase its effort on the research and forecast of macro-economic and financial situation, further adhere to the guiding principles of "adjusting structure, enhancing management and promoting development" and focus on work in the following areas. Firstly, the Bank will accelerate its structure adjustments. In respect of its structure of assets and liabilities, the Bank will accelerate the sales and marketing of its liability business and enhance the restructuring and cost control thereof. For the structures of credit and customers, the Bank will accelerate the structure adjustments for its asset business and uplift its credit pricing level, capital use efficiency and overall contribution from customers. For the income structure, the Bank will continue to increase its non-interest income aggressively and to foster the core competitiveness of the products of its intermediary businesses. Secondly, the Bank shall further accelerate the strengthening of its management ability. We shall perfect the FTP price formation mechanism, strengthen capital management and interest rate pricing management, steadily further the implementation and application of management accounting system, and improve sophisticated management. We will also optimize credit structure, enhance the credit risk early-warning and post-lending management, launch projects of operational risk management under the New Basel Capital Accord and raise the internal risk control level. The collection of client information and market segmentation shall be enhanced, while the mechanism of co-management of clients by client managers and product managers shall also be consolidated to increase the client relationship management level. The Bank shall encourage a more active and dominant participation of business lines in resources allocation to increase the efficiency of business lines management. The construction of systems and the management and training of human resources shall be strengthened; meanwhile, the Bank shall endeavour to bring the advantages of strategic development and synergy effect into full play, and make the fundamental management more rational. Thirdly, the Bank will further accelerate the pace of development. The Bank will strictly implement the overall credit scale and progression plan which was determined at the beginning of the year. We will ensure the achievement of targets for our capital adequacy ratio, loan-to-deposit ratio and credit extension, etc. We shall strengthen the systematic marketing to our strategic customers and the development of the medium-to-high end retail customers. We shall provide thorough and in-depth services to customers in the key industries, enhance the capacity of our retail system, and further develop our professional marketing system. While maintaining our professionalism and strengths in the areas such as international business, treasury and capital, investment banking, industry financing, cash management and auto financing, we will achieve breakthroughs in areas such as in SME and interbank financing and perfect the establishment of our product system. While consolidating the market shares in its traditional leading businesses, the Bank will increase its efforts on new businesses so as to ensure that we shall outperform in the industry.

CHANGES IN

Shares and Shareholding of Substantial Shareholders

Changes in Shares

Table on changes in shares

Unit: share

	Before the change		Increase/ Decrease (+, -)	After the change	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
Shares subject to sales restriction:	25,832,372,200	66.18	-23,694,192,997	2,138,179,203	5.48
Shares held by the state	0			0	
Shares held by state-owned legal persons	24,329,608,919	62.33	-24,115,773,578	213,835,341	0.55
Shares held by other domestic investors including:	0			0	
Shares held by domestic non-state-owned legal persons	0			0	
Shares held by domestic natural persons	0			0	
Shares held by foreign investors including:	1,502,763,281	3.85	421,580,581	1,924,343,862	4.93
Shares held by foreign legal persons	1,502,763,281	3.85	421,580,581	1,924,343,862	4.93
Shares held by foreign natural persons	0			0	
Shares not subject to sales restriction:	13,200,971,854	33.82	23,694,192,997	36,895,164,851	94.52
RMB-denominated ordinary shares	2,301,932,654	5.90	24,115,773,578	26,417,706,232	67.68
Domestically-listed foreign shares	0				
Overseas listed foreign shares	10,899,039,200	27.92	-421,580,581	10,477,458,619	26.84
Others	0			0	
Total	39,033,344,054	100.00	—	39,033,344,054	100.00

Information on Shareholders

Total number of shareholders

As of 30 June 2010, the Bank had a total of 511,214 shareholder accounts, including 467,530 accounts for A-share and 43,684 accounts for H-share. (The number of H-share holders are calculated with reference to the Bank's share register maintained at the H-share registrar.)

Shareholding of Top 10 Shareholders

Unit: Share

No.	Name of Shareholder	Nature of Shareholder	Type of Shares	Total number of shares held	Shareholding Percentage (%)	Number of shares subject to sales restriction	Increase and decrease of shares during the reporting period	Shares pledged or frozen
1	CITIC Group	State-owned	A-share	24,115,773,578	61.78	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign	H-share	6,106,662,122	15.64	0	-13,228,062	Unknown
3	BBVA	Foreign	H-share	5,855,001,608	15.00	1,924,343,862	1,924,343,862	0
4	NSSF	State-owned	A-share, H-share	282,094,341	0.72	213,835,341	0	Unknown
5	China Construction Bank	State-owned	H-share	168,599,268	0.43	0	0	Unknown
6	Mizuho Corporate Bank	Foreign	H-share	68,259,000	0.17	0	0	Unknown
7	PICC Property and Casualty Company Limited	State-owned	H-share	68,259,000	0.17	0	0	Unknown
8	Agricultural Bank of China — FullGoal Tianrui Favorable Regions Selected Hybrid Open-ended Securities Investment Fund	Others	A-share	44,173,430	0.11	0	9,057,836	Unknown
9	China Life Insurance (Group) Company	State-owned	H-share	34,129,000	0.09	0	0	Unknown
10	China Life Insurance Co., Ltd.	State-owned	H-share	34,129,000	0.09	0	0	Unknown

As of the end of the reporting period, China Life Insurance Co., Ltd. is a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank is not aware of any other connected relations or concerted actions between the other shareholders. The five cornerstone investors of H shares of the Bank, i.e. Mizuho Corporate Bank, NSSF, PICC Property and Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook to notify the Bank in writing before they sell any H shares purchased pursuant to the placing agreement after expiry of the lock-up period.

Shareholdings of Top 10 Non-Restricted Shareholders

Unit: Share

No.	Name of Shareholder	Number of shares not subject to sales restriction	Type of shares
1	CITIC Group	24,115,773,578	A-share
2	Hong Kong Securities Clearing Company Nominees Limited	6,106,662,122	H-share
3	BBVA	3,930,657,746	H-share
4	China Construction Bank	168,599,268	H-share
5	Mizuho Corporate Bank	68,259,000	H-share
6	NSSF	68,259,000	H-share
7	PICC Property and Casualty Company Limited	68,259,000	H-share
8	Agricultural Bank of China — FullGoal Tianrui Favorable Regions Selected Hybrid Open-ended Securities Investment Fund	44,173,430	A-share
9	China Life Insurance (Group) Company	34,129,000	H-share
10	China Life Insurance Co., Ltd.	34,129,000	H-share

As of the end of reporting period, China Life Insurance Co., Ltd. is a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank is not aware of any other connected relations or concerted actions between the other shareholders.

Shareholding of the Top 10 Holders of Shares Subject to Sales Restriction

Unit: Share

Name of Shareholder	Shares subject to sales restriction at the beginning of the reporting period	Shares relieved from sales restriction during the reporting period	Increase of share subject to sales restriction during the reporting period	Shares subject to sales restriction at the end of the reporting period	Reasons of restrictions	Date of relief
BBVA	1,502,763,281	1,502,763,281	1,924,343,862	1,924,343,862	(1)	2013.04.02
NSSF	213,835,341	—	—	213,835,341	(2)	2013.04.28
Total	1,716,598,622	1,502,763,281	1,924,343,862	2,138,179,203	—	—

Note: (1) According to Share and Option Purchase Agreement (as amended) signed between BBVA and CITIC Group on 22 November 2006, BBVA may exercise all options under the Agreement at a time, and the lock-up period of the relevant shares increased as a result of exercising of options was three years from the completion date of the share transfer. On 3 December 2009, BBVA exercised the call option to purchase 1,924,343,862 H shares from CITIC Group, and the share transfer was completed on 1 April 2010. Therefore, the lock-up period was from 1 April 2010 to 1 April 2013.

(2) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Social Security Funds (Cai Qi [2009] No. 94) jointly issued by MOF, SASAC, CSRC and NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to NSSF, accounting for 0.55% of the total share capital of the Bank. The transfer was completed as of the end of 2009. According to those Implementation Rules, the lock-up period for those transferred shares should be extended for an additional of three years in addition to the original statutory lock-up period applicable to the state-owned shareholders

Interests and Short Positions Held by Substantial Shareholders and Other Persons

According to the register maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance, as of 30 June 2010, the following substantial shareholders and other persons had the following interests and short positions in the shares and underlying shares of the Bank.

Name	Number of shares held	Shareholding percentage of total issued share capital of the same class (%)	Type of shares
BBVA	9,759,705,434(L) 3,809,655,735(S)	78.70(L) 30.72(S)	H-share
BBVA	24,329,608,919(L)	91.36(L)	A-share
CITIC Group	5,733,999,597(L) 592(S)	30.72(L) 0.00(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
JPMorgan Chase & Co.	620,152,202(L) 32,382,291(S) 326,295,678(P)	5.00(L) 0.26(S) 2.63(P)	H-share

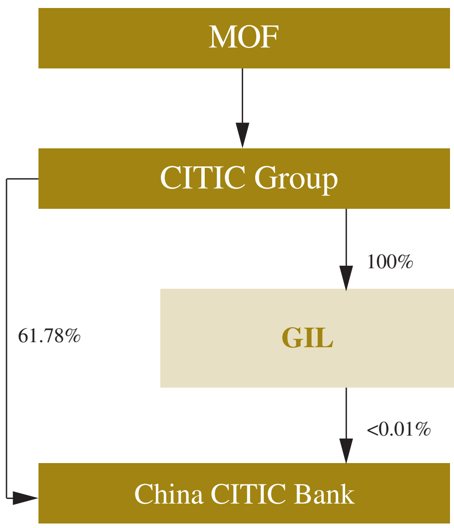
Note: (L) — long position, (S) — short position, (P) — lending pool.

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

Controlling Shareholder 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 controlling shareholder and de facto controller of the Bank during the reporting period. With the initiation by Deng Xiaoping (the chief architect of China's reform and opening-up) and approval by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former vice-chairman of the PRC, as the first window corporation during China's reform and opening up. The registered office and place of business of CITIC Group are located in Beijing. CITIC Group is a large-scale leading multinational state-owned enterprise in China with investment focuses on industries such as financial services, information technology, energy and heavy industry. At present, it has business presence in Hong Kong, America, Canada and Australia. After numerous changes in capital, the registered capital of CITIC Group as of 30 June 2010 was RMB55.358 billion, and its legal representative was Kong Dan.

As of the end of the reporting period, CITIC Group directly held 24,115,773,578 A shares of the Bank, representing 61.78% of the total share capital of the Bank and held 592 H shares of the Bank through GIL, representing less than 0.01% of the total share capital of the Bank. In total, CITIC Group held 61.78% shares of the Bank.



DIRECTORS,
Supervisors, Senior Management and Staff

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

Board of Directors

Name	Title
Kong Dan	Chairman, Non-executive director
Chang Zhenming	Vice-chairman, Non-executive director
Chen Xiaoxian	Executive director, President
Dou Jianzhong	Non-executive director
Ju Weimin	Non-executive director
Zhang Jijing	Non-executive director
Guo Ketong	Non-executive director
Zhao Xiaofan	Executive director (note), Vice-president
Chan Hui Dor Lam Doreen	Non-executive director

Name	Title
Ángel Cano Fernández	Non-executive director
José Andrés Barreiro Hernandez	Non-executive director
Bai Chong-En	Independent non-executive director
Ai Hongde	Independent non-executive director
Xie Rong	Independent non-executive director
Wang Xiangfei	Independent non-executive director
Li Zheping	Independent non-executive director

Board of Supervisors

Name	Title
Wu Beiying	Chairman of the Board of Supervisors
Wang Shuanlin	Vice-chairman of the Board of Supervisors
Zhuang Yumin	External supervisor
Luo Xiaoyuan	External supervisor

Name	Title
Zheng Xuexue	Supervisor
Lin Zhengyue	Employee representative supervisor
Li Gang	Employee representative supervisor
Deng Yuewen	Employee representative supervisor

Senior Management

Name	Title
Chen Xiaoxian	Executive director, President
Ou Yang Qian	Vice-president
Zhao Xiaofan	Executive director (note), Vice-president
Su Guoxin	Vice-president
Cao Tong	Vice-president

Name	Title
Cao Bin	Secretary of the Committee for Discipline Inspection
Wang Lianfu	Chairman of the trade union (vice president level)
Cao Guoqiang	Vice-president
Zhang Qiang	Vice-president
Luo Yan	Secretary to the Board of Directors

Note: Mr. Zhao Xiaofan was elected executive director of the second board of directors of the Bank at the second extraordinary general meeting in 2010, and his qualification as director of the Bank is still subject to CBRC's approval.

Changes in Shares held by Directors, Supervisors and Senior Management

As of the end of the reporting period, Ms. Chan Hui Dor Lam Doreen, Director of the Bank, held 2,974,689 H shares of the Bank. Her shareholding did not change during the reporting period. Apart from Ms. Chan Hui Dor Lam Doreen, none of the other Directors, Supervisors and Senior Management of the Bank holds any share in the Bank.

Engagement or Removal of Directors, Supervisors and Senior Management

As approved at the Bank's first extraordinary general meeting in 2010, Mr. Ángel Cano Fernández was appointed as the Bank's non-executive director, and his qualification as director of the Bank was approved by CBRC on 28 May 2010. The term of his office began from the date of CBRC approval and till the date of the annual general meeting of the expiry year for the term of office of the second Board of Directors.

On 21 April 2010, Mr. Wang Chuan resigned from the position of chairman of the board of supervisors and supervisor of the Bank due to retirement.

Mr. Wu Beiying resigned from the position of executive director, member of the risk management committee under the board of directors and executive vice-president due to the re-arrangement of his position. As approved at the second extraordinary general meeting in 2010, he was appointed as a supervisor of the second board of supervisors, and elected as the chairman of the second board of supervisors at the seventh meeting of the second board of supervisors.

As approved at the second extraordinary general meeting in 2010, Mr. Zhao Xiaofan was appointed as an executive director of the second board of directors, and his qualification as a director of the Bank is still subject to the approval of CBRC.

As approved at the eighth meeting of the second Board of Directors, Mr. Cao Guoqiang and Mr. Zhang Qiang were appointed as vice-presidents of the Bank, and their qualifications as senior management were approved by CBRC on 31 March 2010.

Staff Profile

According to the principle of coordination between effective motivation and strict restriction, the Bank continued to promote the improvements of human resource management system. The Bank spent much effort in the development of management teams of branches at different levels, actively promoted the adjustment and arrangement of management staff in branches and that in the headquarters, improved the assessment and appointment mechanism and reserved talents. The Bank continuously enhanced the professional and technical posts grading sequence, launched knowledge tests and title adjustment, expanded development opportunities for employees, so as to enhance the professional and technical knowledge of the team. The Bank carried out the research on human resource allocation, formulated the human resource plan in a scientific way, improved the recruitment work and optimized personnel structure. The Bank further improved the salary, benefit and insurance system, implemented study and research analysis, improved floating remuneration allocation, regulated benefit and insurance, and intensified the incentive function. The Bank strengthened knowledge training and business exchange and rebuilt the human resource information system, so as to continuously improve the management professionalization. As of the end of June 2010, the Bank had 24,991 employees, 811 more than that of the beginning of the year.

CORPORATE Governance

During the reporting period, the Bank has continuously improved and enhanced the corporate governance so as to ensure its compliance in terms of operation and promote a sustainable development. The Bank has complied with the provisions in the Company Law, the Securities Law of the People's Republic of China, and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, and was dedicated to the continuous improvement of corporate governance.

General Meeting, Board of Directors, and Board of Supervisors

During the reporting period, in accordance with the Articles of Association, the Bank has in total convened 23 general meetings, and meetings of board of directors, board of supervisors, and specialized committees under the board of directors, including 3 general meetings, 6 meetings of board of directors, 5 meeting of board of supervisors, 9 meeting of specialized committees under the board of directors (including one for the strategic development committee, two for the risk management committee, 3 for audit and related party transaction control committee, and 3 for nomination and remuneration committee), and deliberated 24 proposed resolutions in total. The convening of the general meetings, meeting of board of directors, and meeting of board of supervisors are all in compliance with the procedures stipulated in the Articles of Association. All directors and supervisors have fully exercised their duties on deliberation of issues, which greatly benefits the development of the Bank.

General Meeting

During the reporting period, the Bank has convened two extraordinary general meetings and the 2009 annual general meeting, all of which were held in strict compliance with the listing rules of both SSE and Hong Kong Stock Exchange. The general meeting of the Bank made decisions on significant issues in compliance with Laws, discussed and adopted 11 resolutions such as the election of directors and supervisors, replenishment of supplemental capital, working report of the board of supervisors for the year 2009, 2009 annual report of the Bank, financial accounts of the Bank for the year 2009, profit distribution plan for the year 2009, financial budget plan for the year 2010, engagement of accounting firms and their remuneration for the year of 2010, protected the legitimate interests of all shareholders, and ensured a long-term and stable development of the Bank.

Board of Directors

The Bank's board of directors consists of 15 members, including 1 executive directors, 9 non-executive directors, and 5 independent non-executive directors.

During the reporting period, the Bank's board of directors has in total convened 6 meetings, discussed and adopted 24 resolutions, including working report of the board of directors for the year 2009, 2009 annual report of the Bank, remuneration plan of senior management for the year of 2009, remuneration for employees for the year 2009, profit distribution plan for the year 2009, first quarterly report for the year 2010, financial budget plan for the year 2010, engagement of accounting firms and their remuneration for the year 2010, IT planning report and establishment of an auto finance company. In addition, the board of directors also listened to reports from the senior management on operation and on cooperation with the strategic investor.

Board of Supervisors

The Bank's board of supervisors consists of 8 members, including 2 external supervisors and 3 employee representative supervisors. During the reporting period, it has in total convened 5 meetings, discussed and adopted 5 resolutions, including working report of the board of supervisors for the year 2009, 2009 annual report of the Bank, nomination of candidates for the board of supervisors, election of chairman of the board of supervisors, and first quarterly report for the year 2010. In addition, it has supervised and inspected the management and operation of the Bank by attending meetings of the board of directors without voting rights, conducting survey at branch banks, discussing various documents, and listening to the reports of the management, etc.

Senior Management

During the reporting period, the senior management of the Bank consists of 10 members, including a president, 8 vice presidents (including senior executives of vice-president level), and a secretary of the board of directors. Senior executives are strictly separated from the board of directors in terms of duties and authorities and decide all issues as to operation, management and decisions within their terms of reference under the authorization of the board of directors.

Management of Related Party Transactions

The Bank attaches grate importance to the management of related party transactions, and strictly complies with the rules and regulatory requirements of both Shanghai and Hong Kong and different regulatory authorities. During the first half of 2010, the Bank further perfected its management of related party transactions and, on the basis of establishment a framework for related party transactions management, further detailed the two modules of related party recognition and of non-credit extension related party transaction management, and achieved satisfactory results.

On management of related parties, the Bank sorted out the related parties of the Bank based on different regulatory requirements of Shanghai and Hong Kong, so that the related party transaction management of the Bank will contribute more to the overall development of the Bank while complying with the both domestic and overseas regulatory requirements and fully protecting the interests of medium and minority shareholders. The Bank continued to monitor the related party transactions by classifying them into two categories, i.e. credit extension related party transactions and non-credit extension related party transactions. The Bank formulated the Manual on Related Party Transaction Products, which provides analysis on potential related party transactions involved in all non-credit extension products of the Bank, so as to enhance its management of non-credit extension related party transactions.

The Board of Director and the Audit and Related Party Committee attached high importance to the work on related party transactions of the Bank. In addition to listening to the reports on daily related party transactions and considering and approving related resolutions, they also put forward specialized comments on management of related party transactions, enhanced the systematization and standardization of related party transaction management, so as to protect the interests of minority shareholders.

The proactive management measures of the Bank ensured the Bank's related party transactions' compliance with both the domestic and overseas regulatory requirements, fully protected the interests of minority shareholders, and greatly contributed to the overall business development of the Bank.

Management of Investor Relations

With great importance being attached to the Shareholders' interests and enterprise value, the investor relation management work of the Bank kept being developed, and ensured a high-quality and convenient services to investors under the concept of "Efficiency, Activeness and Standardization", and achieved positive market response.

During the reporting period, the Bank conducted in-depth and all-around communications with investors on capital market. On the one hand, on the basis of standard and effective communication mechanism with the investors, and by creating of various communication platforms, the Bank maintained a close and good communication with the investors. On the other hand, the Bank took seriously the conduction and communication of market response within the Bank, and provided information support for the management decision by analyzing the market response carefully, to ensure the protection of shareholders' interests and improvements of enterprise values.

In addition, the Bank conducted sufficient communication with the investors in relation to market focuses such as the Bank's integration with CIFH after completion of the acquisition, increase by BBVA of its shareholding in the Bank, and issue of subordinated bonds by the Bank, and gained positive market response and enhanced the public's understanding of and support to the Bank's operation strategies.

Information Disclosure

The Bank has attached great importance to the information disclosure, observed regulatory rules of both listing venues, ensured treating all investors impartially in accordance with highest, strictest and maximum principles, protected the interests of domestic and overseas shareholders. During first half of this year, the Bank has issued more than 30 domestic and overseas announcements.

SIGNIFICANT Events

The Bank's Profit Distribution and Implementation of the Plan for Conversion of Capital Reserve into Share Capital and the Plan of New Stock Issuance during the Reporting Period

Upon approval by the 2009 annual general meeting held on 23 June 2010, the Bank paid the A-share holders listed in the register as of 21 July 2010 and H-share holders listed in the register as of 22 May 2010 in cash the dividend accrued during the period from 1 January 2009 to 31 December 2009. The dividend is RMB0.0880 (pre-tax) per share and RMB3.435 billion in total. No interim dividend was declared and paid and no plan for conversion of capital reserve into share capital or new stock issuance was formulated by the Bank as of the end of the reporting period.

Purchase, Sale or Redemption of the Shares of the Bank

Save as disclosed herein, no shares of the Bank were purchased, sold or redeemed by the Bank or any of its subsidiaries during the reporting period.

Material Acquisition, Disposal or Assets Restructuring

Save and except as disclosed in this report, the Bank did not have material acquisition, disposal or restructuring of assets during the reporting period.

Material Contracts and Their Performance

During the reporting period, except for those have been disclosed herein, the Bank did not have material assets business with other companies to hold in trust, contract or lease their assets, and did not entrust other companies to hold in trust, contract or lease its assets.

The guaranty 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 guaranties that need to be disclosed except for the financial guarantee services within the approved business scope of the Bank.

The Bank did not entrust others to handle cash management matters.

Fund Occupation by Major Shareholders

No fund of the Bank is occupied by major shareholders.

Significant Related Party Transactions

The Bank enters into related party transactions with related parties in the ordinary and usual course of business based on normal commercial terms. The terms are no more favorable to the related parties than those available to non-related parties for the same transactions. Please refer to Note 57 to the Financial Statements for details on related party transactions.

Related Party Transactions of Credit Extension

As of the end of the reporting period, the loan balance extended by the Group to related parties was RMB4.045 billion, all of which are loans to CITIC Group and its subsidiaries. The Bank did not issue any loans to BBVA and its subsidiaries. The loans granted to related parties are normal loans and would not have material impact on the normal operation of the Bank in terms of their transaction amount, structure and quality.

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 loans between the Bank and its largest shareholder and companies controlled by the largest shareholder had no adverse impact on the operation results and financial condition of the Bank.

Continuing Related Party Transactions that do not Involve Credit Extension

The Bank conducts transactions with related parties in the ordinary and usual course of business. In 2008, the Bank entered into continuing related party transaction framework agreements with CITIC Group and its associates, which set out the principles for the parties to conducting continuing related party transactions and the respective annual caps for the three years from 2008 to 2010. In 2009, the Bank entered into an interbank transaction master agreement with BBVA for the purpose of governing the interbank continuing connected transactions between the Bank, BBVA and its associates. During the first half of 2010, the Bank continued to conduct relevant transactions with CITIC Group and its associates and with BBVA and its associates, the details of which are as follows:

Third-Party Escrow Service

The annual cap for the transactions under the Third-Party Escrow Service Framework Agreement for 2010 is RMB85 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Investment Product Agency Sales Service

The annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement for 2010 is RMB98 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Asset Custody Service

The annual cap for the transactions under the Asset Custody Service Framework Agreement for 2010 is RMB43 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Loan Asset Transfer

The annual cap for the transactions under the Loan Asset Transfer Framework Agreement for 2010 is RMB415 billion. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Wealth Management Service

The annual cap for the transactions under the Wealth Management Service Framework Agreement for 2010 is RMB2.65 billion. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Inter-bank Transactions

The annual cap for realized profit, realized loss, unrealized profit or unrealized loss (as the case may be) generated under the Inter–bank Transactions Master Agreement for 2010 is RMB480 million, and that for fair value of derivative financial instruments was RMB450 million. As of the end of the reporting period, the realized profit and loss, unrealized profit and loss incurred from the interbank transactions, and fair value of derivative financial instruments entered into between the Bank and BBVA does not exceed their respective annual caps for this year.

Material Litigation and Arbitration

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. In addition, there are also lawsuits regarding disputes with clients. As of 30 June 2010, the Bank was involved in 67 lawsuits with a disputed amount exceeding RMB30 million (either as plaintiff or defendant), with the total disputed amount of RMB3.971 billion; there are 60 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendant with the total dispute amount of RMB421 million. The Bank is of the view that such lawsuits would not have any material impact on our operating results and financial condition.

Securities Investment

The following table sets out the investment of the Group in the stocks and securities of other listed companies as of the end of the reporting period:

Unit: RMB

No.	Stock code	Abbreviation	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	15,795,000.00	—	8,275,010.91	—	8,146,189.74	128,821.17	Financial assets available for sale	Purchase with cash
2	V	Visa Inc.	7,509,605.39	—	24,513,855.60	—	30,438,932.12	(5,925,076.52)	Financial assets available for sale	Acquired for free/ bonus shares
3	MA	Mastercard International	201,629.69	—	1,026,743.39	—	1,325,120.90	(298,377.51)	Financial assets available for sale	Bonus shares
Total			**23,506,235.08**		**33,815,609.90**		**39,910,242.76**	**(6,094,632.86)**		

The following table sets out the shareholding of the Group in non-listed financial enterprises as of the end of the reporting period:

Unit: RMB

Name of object company	Initial investment amount	Shares held (shares)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	—	—	Financial assets available for sale	Purchase with cash
SWIFT	161,127.66	22	—	135,212.60	—	—	Financial assets available for sale	Bonus shares
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,493,419.90	—	—	Financial assets available for sale	Bonus shares
Electronic payment Services Company (HK) Ltd.	14,263,759.80	2	—	14,131,897.18	—	—	Financial assets available for sale	Bonus shares
Total	**88,960,234.79**			**132,510,529.68**	**—**	**—**		

Note: Apart from the equity investment set out in the above table, CIFL, a subsidiary of the Bank, also held RMB private equity fund with a net value of RMB341 million as of the end of the reporting period.

Investigation, Punishment and Remedial Actions of the Bank, Board of Directors, Directors, Senior Management, Shareholders and De Facto Controllers

During the reporting period, neither the Bank nor its Board of Directors, any Director, Senior Management, Shareholder and De Facto Controller was subject to any investigation by competent authorities, coercive measures of judiciary or disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, investigation of CSRC, administrative punishment, banning the entry to securities markets, criticism by notice circulation, identification as inappropriate candidate, punishment by other administrative departments or public reprimand from any stock exchanges, or any punishment by other regulatory authorities which has material impact on the Bank's operation.

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

The shareholders made no new undertaking during the reporting period, and the undertakings within the reporting period are the same as those disclosed in 2009 annual report. The Bank is not aware any shareholders with shareholding of 5% or above in the Bank breached any undertaking they made.

Interests and Short Positions of Directors, Supervisors and Senior Managements in the Shares, Underlying Shares and Debentures of the Bank

As of the end of the reporting period, the interests and short positions of the directors, supervisors and senior managements of the Bank in the shares, underlying shares or debentures of the Bank and any associated corporation (within the meaning of associated corporation in Part XV of the Securities and Futures Ordinance ("SFO")) which are recorded in the register kept by the Bank pursuant to section 352 of the SFO or any interests and short positions which are required to be notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Annex 10 to the Listing Rules are as follows:

Name of directors	Name of the relevant corporation	Nature of interests	Type/number of shares	Proportion to the issued and outstanding share capital of the same class in the relevant corporation	Period during which the options may be exercised (YY/MM/DD)
Kong Dan	CITIC Resources Holdings	Personal interests	20,000,000 options (L)	0.33%	2008/3/7-2012/3/6
Chang Zhenming	CITIC Pacific	Personal interests	500,000 options (L)	0.01%	2007/10/16-2012/10/15
			600,000 options (L)	0.02%	2009/11/19-2014/11/18
Dou Jianzhong	CIAM Group	Personal interests	1,250,000 options (L)	0.56%	2010/9/9-2012/9/8
			1,250,000 options (L)		2011/9/9-2014/9/8
Chan Hui Dor Lam Doreen	China CITIC Bank	Personal interests	2,974,689 H-Share (L)	0.02%	—
Zhang Jijing	CITIC Resources Holdings	Personal interests	10,000,000 options (L)	0.17%	2006/6/2-2013/6/1
		Family interests	28,000 H-Share		—
	CITIC Pacific	Personal interests	500,000 options (L)	0.01%	2009/11/19-2014/11/18

(L) means long position.

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

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Bank is committed to maintain high-level corporate governance practices. In the first half of 2010, the Bank has observed provisions contained in Annex 14 to the Listing Rules-Code on Corporate Governance Practices, and complied with most of its proposed best practice.

Securities Transactions by Directors, Supervisors and Senior Managements

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Annex 10 to the Listing Rules for the securities transactions by directors and supervisors.

Having made specific inquiry to all directors and supervisors, the Bank confirmed that, in the first half of 2010, all the directors and supervisors observed the rules on securities transactions by directors and supervisors as stipulated in above Model Code.

Notes on Amendments to Business Plan

Save as disclosed herein, the Bank didn't modify its business plan during the reporting period.

Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed issues related to internal control and financial reporting, as well as reviewed the interim report of the Bank. In the financial statements of the Bank, relevant amendments to IFRS 1 are early adopted in this interim financial report of the Bank. We used the results of revaluation conducted by China Enterprise Appraisal Company Limited on 31 December 2005 for our reorganization as the deemed cost of the relevant assets, and changed the measurement of the properties and buildings from revaluation model to cost model, so as to eliminate the difference between financial reports prepared in accordance with the IFRS and the PRC GAAP and in the meantime to improve the comparability among the financial statements of the Bank and those of other listed banks.

Net Profit Growth

45.35%

The Group significantly improved its profitability, maintained a good asset quality, promoted a fast growth of asset scale, and realized a coordinated development between efficiency, quality and scale.

Independent Auditors' Report

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

Introduction

We have reviewed the interim financial report of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 82 to 183 which comprises the consolidated and Bank statements of financial position as at 30 June 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

11 August 2010

CONSOLIDATED Statement of Comprehensive Income

For the six months ended 30 June 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2010 Unaudited	2009 Unaudited/ Restated
Interest income		**33,488**	26,150
Interest expense		**(11,125)**	(10,424)
Net interest income	4	**22,363**	15,726
Fee and commission income		**2,801**	2,160
Fee and commission expense		**(272)**	(220)
Net fee and commission income	5	**2,529**	1,940
Net trading gain	6	**430**	509
Net gain/(loss) from investment securities	7	**71**	(37)
Net hedging loss	8	**(1)**	(2)
Other operating income		**175**	167
Operating income		**25,567**	18,303
Operating expense	9	**(9,483)**	(7,077)
Operating profit before impairment		**16,084**	11,226
Impairment losses on			
– Loans and advances to customers	10	**(1,671)**	(1,371)
– Others	10	**(153)**	(88)
Total impairment losses		**(1,824)**	(1,459)
Revaluation gain on investment properties		**11**	18
Share of profits of associates		**10**	75
Profit before tax		**14,281**	9,860
Income tax	11	**(3,442)**	(2,379)
Net profit (note(i))		**10,839**	7,481

The notes on pages 92 to 183 form part of the unaudited interim financial report.

For the six months ended 30 June 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2010 Unaudited	2009 Unaudited/ Restated
Net profit (Note(i))		**10,839**	7,481
Other comprehensive income for the period			
Available-for-sale financial assets			
– Changes in fair value		**(12)**	42
– (Losses)/gains on disposal transferred to profit or loss		**(48)**	103
Income tax relating to available-for-sale financial assets		**—**	(21)
Other comprehensive income for available-for-sale financial assets, net of tax		**(60)**	124
Exchange difference on translating foreign operations		**(131)**	(26)
Other comprehensive income of associates		**1**	14
Other comprehensive (loss)/income, net of tax	13	**(190)**	112
Total comprehensive income		**10,649**	7,593
Net profit attributable to:			
Shareholders of the Bank		**10,685**	7,351
Non-controlling interests		**154**	130
		10,839	7,481
Total comprehensive income attribute to:			
Shareholders of the Bank		**10,588**	7,431
Non-controlling interests		**61**	162
		10,649	7,593
Basic and diluted earnings per share (RMB)	12	**0.27**	0.19

Note:

(i): The Group undertook a business combination under common control on 23 October 2009. Net profit earned by the acquiree in the period from 1 January 2009 to 30 June 2009 amounted to RMB433 million.

The notes on pages 92 to 183 form part of the unaudited interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2010 Unaudited**	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Assets				
Cash and balances with central bank	14	**249,963**	224,003	207,357
Deposits with banks and non-bank financial institutions	15	**45,129**	26,319	40,227
Placements with banks and non-bank financial institutions	16	**55,916**	55,489	28,380
Trading financial assets	17	**6,613**	4,449	8,769
Positive fair value of derivatives	18	**3,749**	3,182	6,625
Financial assets held under resale agreements	19	**143,032**	185,203	57,698
Interest receivable	20	**4,771**	4,135	4,432
Loans and advances to customers	21	**1,176,347**	1,050,479	716,386
Available-for-sale financial assets	22	**120,576**	94,345	103,555
Held-to-maturity investments	23	**114,578**	107,466	104,810
Investments in associates	24	**2,126**	2,140	2,183
Fixed assets	26	**10,201**	10,321	9,419
Investment properties	27	**167**	161	131
Goodwill	28	**879**	887	889
Intangible assets	29	**182**	165	118
Deferred tax assets	30	**1,691**	2,095	2,175
Other assets	31	**4,248**	4,192	26,101
Total assets		**1,940,168**	1,775,031	1,319,255
Liabilities				
Deposits from banks and non-bank financial institutions	33	**122,321**	275,049	108,720
Placements from banks and non-bank financial institutions	34	**5,021**	4,553	1,607
Trading financial liabilities	35	**5,080**	2,755	3,078
Negative fair value of derivatives	18	**3,621**	3,628	6,801
Financial assets sold under repurchase agreements	36	**4,348**	4,100	957
Deposits from customers	37	**1,629,302**	1,341,927	1,027,325
Accrued staff costs	38	**5,725**	6,987	5,313
Taxes payable	39	**1,137**	1,004	3,809
Interest payable	40	**7,592**	6,538	6,811
Provisions	41	**40**	50	50
Debts securities issued	42	**34,553**	18,422	20,375
Other liabilities	43	**7,206**	3,010	5,350
Total liabilities		**1,825,946**	1,668,023	1,190,196

The notes on pages 92 to 183 form part of the unaudited interim financial report.

As at 30 June 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2010 Unaudited**	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Equity				
Share capital	44	**39,033**	39,033	39,033
Share premium and other reserve	45	**31,556**	31,555	58,860
Investment revaluation reserve	45	**(243)**	(236)	(354)
Surplus reserve	46	**3,535**	3,535	2,161
General reserve	47	**12,562**	12,562	7,746
Retained earnings		**24,971**	17,721	12,916
Exchange difference		**(1,463)**	(1,372)	(1,311)
Total equity attributable to shareholders of the Bank		**109,951**	102,798	119,051
Non-controlling interests		**4,271**	4,210	10,008
Total equity		**114,222**	107,008	129,059
Total liabilities and equity		**1,940,168**	1,775,031	1,319,255

Approved and authorised for issue by the board of directors on 11 August 2010.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	President	Vice President in charge of finance function	General Manager of planning and financial department

The notes on pages 92 to 183 form part of the unaudited interim financial report.

Statement of Financial Position

As at 30 June 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2010 Unaudited**	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Assets				
Cash and deposits with central bank	14	**249,392**	223,529	206,936
Deposits with banks and non-bank financial institutions	15	**36,795**	20,898	31,298
Placements with banks and non-bank financial institutions	16	**35,896**	42,892	19,900
Trading financial assets	17	**5,994**	3,383	7,755
Positive fair value of derivatives	18	**2,245**	2,166	5,357
Financial assets held under resale agreements	19	**143,100**	185,271	57,767
Interest receivable	20	**4,379**	3,748	3,943
Loans and advances to customers	21	**1,100,962**	985,854	650,942
Available-for-sale financial assets	22	**105,112**	76,342	85,023
Held-to-maturity investments	23	**114,840**	107,715	105,044
Investment in subsidiaries	25	**9,884**	9,884	87
Fixed assets	26	**9,434**	9,563	8,621
Intangible assets	29	**182**	165	118
Deferred tax assets	30	**1,556**	1,995	2,065
Other assets	31	**3,782**	3,744	3,006
Total assets		**1,823,553**	1,677,149	1,187,862
Liabilities				
Deposits from banks and non-bank financial institutions	33	**122,498**	275,124	108,605
Placements from banks and non-bank financial institutions	34	**4,365**	2,236	963
Trading financial liabilities	35	**5,080**	2,755	2,639
Negative fair value of derivatives	18	**2,273**	2,652	5,579
Financial assets sold under repurchase agreements	36	**4,348**	4,100	957
Deposits from customers	37	**1,531,625**	1,259,064	943,342
Accrued staff costs	38	**5,534**	6,812	5,168
Taxes payable	39	**1,035**	981	3,791
Interest payable	40	**7,357**	6,269	6,427
Provisions	41	**40**	50	50
Debt securities issued	42	**23,402**	12,000	12,000
Other liabilities	43	**6,424**	2,483	2,969
Total liabilities		**1,713,981**	1,574,526	1,092,490

The notes on pages 92 to 183 form part of the unaudited interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2010 Unaudited	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Equity				
Share capital	44	**39,033**	39,033	39,033
Share premium and other reserve	45	**33,706**	33,706	36,916
Investment revaluation reserve	45	**77**	(23)	(72)
Surplus reserve	46	**3,535**	3,535	2,161
General reserve	47	**12,526**	12,526	7,716
Retained earnings		**20,695**	13,846	9,618
Total equity		**109,572**	102,623	95,372
Total liabilities and equity		**1,823,553**	1,677,149	1,187,862

Approved and authorised for issue by the board of directors on 11 August 2010.

Kong Dan
Chairman

Chen Xiaoxian
President

Cao Guoqiang
Vice President in charge of finance function

Wang Kang
General Manager of planning and financial department

The notes on pages 92 to 183 form part of the unaudited interim financial report.

CONSOLIDATED Statement of Changes in Equity

For the six months ended 30 June 2010 – unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2010 (before restatement)		**39,033**	**30,910**	**221**	**1,451**	**(236)**	**3,535**	**12,562**	**17,939**	**(1,372)**	**4,210**	**108,253**
Change in accounting policy		**—**	**391**	**33**	**(1,451)**	**—**	**—**	**—**	**(218)**	**—**	**—**	**(1,245)**
As at 1 January 2010 (restated)		**39,033**	**31,301**	**254**	**—**	**(236)**	**3,535**	**12,562**	**17,721**	**(1,372)**	**4,210**	**107,008**
Movements during the period												
(I) Comprehensive income	13	**—**	**—**	**1**	**—**	**(7)**	**—**	**—**	**10,685**	**(91)**	**61**	**10,649**
(II) Profit appropriations												
1. Appropriations to shareholders	48	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,435)**	**—**	**—**	**(3,435)**
As at 30 June 2010		**39,033**	**31,301**	**255**	**—**	**(243)**	**3,535**	**12,562**	**24,971**	**(1,463)**	**4,271**	**114,222**

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2009 (before restatement)		39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374
Change in accounting policy		—	391	33	(520)	—	—	—	(219)	—	—	(315)
As at 1 January 2009 (restated)		39,033	56,256	2,604	—	(354)	2,161	7,746	12,916	(1,311)	10,008	129,059
Movements during the period												
(I) Comprehensive income	13	—	—	13	—	85	—	—	7,351	(18)	162	7,593
(II) Prior to business combination under common control, the acquired subsidiary												
1. reduced capital and made appropriation to its original shareholders		—	(13,002)	(2,331)	—	—	—	—	—	—	(6,473)	(21,806)
2. issued shares to its original shareholders		—	1,054	—	—	—	—	—	—	—	445	1,499
(III) Profit appropriations												
1. Appropriations to shareholders	48	—	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 30 June 2009 (restated)		39,033	44,308	286	—	(269)	2,161	7,746	16,937	(1,329)	4,142	113,015

The notes on pages 92 to 183 form part of the unaudited interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2009 (before restatement)		39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374
Change in accounting policy		—	391	33	(520)	—	—	—	(219)	—	—	(315)
As at 1 January 2009 (restated)		39,033	56,256	2,604	—	(354)	2,161	7,746	12,916	(1,311)	10,008	129,059
Movements during the year												
(I) Comprehensive income	13	—	—	(19)	—	118	—	—	14,325	(61)	230	14,593
(II) Prior to business combination under common control, the acquired subsidiary												
1. reduced capital and made appropriation to its original shareholders		—	(13,002)	(2,331)	—	—	—	—	—	—	(6,473)	(21,806)
2. issued shares to its original shareholders		—	1,054	—	—	—	—	—	—	—	445	1,499
(III) Consideration paid for business combination under common control	45(i)	—	(13,007)	—	—	—	—	—	—	—	—	(13,007)
(IV) Profit appropriations												
1. Appropriations to surplus reserve	46	—	—	—	—	—	1,374	—	(1,374)	—	—	—
2. Appropriations to general reserve	47	—	—	—	—	—	—	4,816	(4,816)	—	—	—
3. Appropriations to shareholders	48	—	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 31 December 2009 (restated)		39,033	31,301	254	—	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008

The notes on pages 92 to 183 form part of the unaudited interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2010 – unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2010 **Unaudited**	2009 Unaudited/ Restated
Operating activities		
Profit before tax	**14,281**	9,860
Adjustments for:		
— Revaluation gain on investments and derivatives	**(524)**	(99)
— Investment gains	**(78)**	(158)
— Net loss/(gain) on disposal of fixed assets	**1**	(34)
— Unrealised foreign exchange losses	**77**	4
— Impairment losses	**1,824**	1,459
— Depreciation and amortisation	**577**	545
— Interest expense on subordinated debts/bonds issued	**422**	367
— Dividend income from equity investment	**(3)**	(3)
	16,577	11,941
Changes in operating assets and liabilities:		
Increase in balances with central bank	**(42,970)**	(21,026)
Increase in deposits with banks and non-bank financial institutions	**(15,355)**	(820)
Decrease/(increase) in placements with banks and non-bank financial institutions	**1,959**	(559)
(Increase)/decrease in trading financial assets	**(2,053)**	119
Decrease in financial assets held under resale agreements	**42,168**	26,912
Increase in loans and advances to customers	**(128,469)**	(321,629)
Decrease in deposits from banks and non-bank financial institutions	**(152,568)**	(34,096)
Increase in placements from banks and non-bank financial institutions	**464**	5,380
Increase/(decrease) in trading financial liabilities	**2,716**	(604)
Increase in financial assets sold under repurchase agreements	**263**	12,140
Increase in deposits from customers	**289,082**	225,679
Income tax paid	**(2,514)**	(4,014)
Decrease/(increase) in other operating assets	**804**	(3,572)
Increase/(decrease) in other operating liabilities	**1,425**	(5,896)
Net cash flows from/(used in) operating activities	**11,529**	(110,045)

The notes on pages 92 to 183 form part of the unaudited interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2010 Unaudited	2009 Unaudited/ Restated
Investing activities			
Proceeds from disposal and redemption of investments		**157,515**	109,244
Proceeds from disposal of fixed assets, land use rights, and other assets		**6**	63
Cash received from equity investment income		**56**	6
Payments on acquisition of investments		**(195,127)**	(108,716)
Payments on acquisition of fixed assets, land use rights and other assets		**(594)**	(596)
Net cash flows (used in)/from investing activities		**(38,144)**	1
Financing activities			
Cash received from bond issuance		**19,897**	—
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid		**—**	1,499
Interest paid on debt securities issued		**(502)**	(708)
Cash paid for debt securities		**(5,098)**	—
Net cash flows from financing activities		**14,297**	791
Net decrease in cash and cash equivalents		**(12,318)**	(109,253)
Cash and cash equivalents as at 1 January		**167,248**	183,950
Effect of exchange rate changes on cash and cash equivalents		**(221)**	(25)
Cash and cash equivalents as at 30 June	49	**154,709**	74,672
Cash flows from operating activities include:			
Interest received		**33,477**	26,240
Interest paid, excluding interest expense on subordinated debts/bonds issued		**10,822**	9,947

The notes on pages 92 to 183 form part of the unaudited interim financial report.

1 Corporate information

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. Headquartered in Beijing, the Bank's registered office is located at Block C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China.

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

As at 30 June 2010, the Group mainly operates in Mainland China with branches covering 27 provinces, autonomous regions and municipalities. The newly-established branch in 2010 is Urumqi branch. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong") and other overseas countries and regions.

For the purpose of the financial report, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

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 of the PRC ("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. CITIC Industrial Bank was renamed 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 China Banking Regulatory Commission ("CBRC"), CITIC Group and CITIC International Finance Holdings Limited ("CIFH"), a fellow subsidiary of CITIC Group, 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 obtained the business license No.1000001000600 on 31 December 2006, as approved by the State Administration for Industry and Commerce of the PRC, and renewed and obtained the financial service certificate No. B0006H111000001 on 15 May 2007, as approved by the CBRC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council. The overseas financial operations of the Group are under the supervision of their respective local jurisdictions.

The Bank issued A shares and H shares through initial public offerings (the "Offerings") in April 2007. Upon completion of the Offerings, the Bank listed it's A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2007, respectively. All A shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

The interim financial report was approved by the board of directors of the Bank on 11 August 2010.

2 Basis of preparation

(1) Compliance with International Financial Reporting Standards ("IFRSs")

The interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim financial reporting* and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial report contains selected explanatory notes, which provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2009. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

2 Basis of preparation (Continued)

(2) Use of estimates and assumptions

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and 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. Actual results may differ from these estimates.

(3) Consolidation

The interim financial report comprises the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The results and affairs of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intra-group balances and transactions, and any profits or losses arising from intra-group transactions are eliminated in full in preparing the consolidated financial report.

The Group's interest in associates or jointly controlled entities is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities.

(4) Significant accounting policies

The International Accounting Standards Board ("IASB") has issued certain revised IFRSs, a number of amendments to and interpretations of, IFRSs. Of these, the following developments are first effective for the current accounting period and relevant to the interim financial report of the Group:

- IFRS 3 (revised 2008), *Business combinations*;
- Amendments to IAS 27, *Consolidated and separate financial statements*;
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*;
- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*;
- Improvements to IFRSs (2009); and

The amendments to IAS 39 have had no material impact on the Group's financial report as the amendments were consistent with policies already adopted by the group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial report as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

2 Basis of preparation (Continued)

(4) Significant accounting policies (Continued)

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- The amendment introduced by the Improvements to IFRSs (2009) omnibus standard in respect of IAS 17, *Leases,* resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the early adoption of the amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards*, which is part of *Improvements to IFRSs (2010)* issued by the IASB in May 2010 and is effective for accounting periods beginning on or after 1 January 2011. Please refer to Note 3.

(5) Interim financial report and statutory financial statements

The interim financial report has been reviewed by the Audit and Related Party Transactions Control Committee of the Bank, and was approved by the Board of Directors of the Bank on 11 August 2010. The interim financial report has also been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standards on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information for the period ended 30 June 2009 and for the year ended 31 December 2009 that is included in the interim financial report as previously reported information does not constitute the Group's statutory financial statements for that period or that year but is derived from those financial statements. The statutory financial statements for the period ended 30 June 2009 and for the year ended 31 December 2009 are available from the Bank's registered office. The auditors have expressed unqualified review and audit opinions on those financial statements in their reports dated 27 August 2009 and 28 April 2010 respectively.

3 Change in accounting policies

In the Improvements to IFRSs (2010) omnibus standard issued in May 2010, the IASB extended the scope of paragraph D8 of IFRS 1, First time adoption of IFRSs, for the use of the deemed cost exemption for an event-driven fair value. Under the amended standard, an entity is permitted to take as deemed cost the fair value of some or all of its assets and liabilities, when these fair values were determined under previous GAAP at one particular date because of a specific event which occurred during the period covered by its first financial statements prepared under IFRSs. Previously, IFRS 1 only permitted such valuations to be used as deemed cost if the event occurred before the date of the entity's transition to IFRS (being the start of the earliest comparative period included in the first set of IFRS financial statements).

The Bank's first financial statements prepared under IFRS were for the year ended 31 December 2005, with the start of the earliest comparative period being 1 January 2003. During that period and pursuant to applicable laws and regulations of the PRC, the Bank's financial statements prepared under Accounting Standards for Business Enterprises and other relevant accounting standards and rules (collectively "PRC GAAP"), included fixed assets and certain other assets at deemed cost based on the valuation performed by China Enterprise Appraisals Co., Ltd. as of 31 December 2005. As this valuation was performed as of a date later than the date of transition to IFRS, the Bank was not permitted at that time to adopt these valuations as deemed cost for the purposes of its IFRS financial statements and instead adopted the following IFRS policies:

(Expressed in millions of Renminbi unless otherwise stated)

3 Change in accounting policies (Continued)

- fixed assets and other assets other than bank premises were measured at historical cost and therefore, the related revaluation gains arising from the revaluation in 2005 as mentioned above were not been recognized; and

- Bank premises were recognised at the revalued amount based on the revaluation performed in 2005 and have been subsequently measured at fair value using the revaluation method.

The Bank has chosen to adopt the amendments to IFRS 1 early by making retrospective adjustments in order to eliminate the aforementioned differences between the Bank's financial statements under IFRSs and those under PRC GAAP, as well as enhance the comparability of the Bank's financial statements with those of the other listed domestic banks. Specifically, the Bank has:

- changed its IFRS accounting policy for bank premises from the revaluation model to the cost model; and

- retrospectively adjusted the amounts reported for previous periods in its IFRS financial statements to reflect the recognition of the relevant assets at their deemed cost based on the valuation performed by China Enterprise Appraisals Co., Ltd. as of 31 December 2005, with consequential adjustments for depreciation charged in subsequent periods.

The major adjustments made to the amounts reported for previous periods and the effect of the changes on the current period, as reported in this interim financial report, are as follows:

Consolidated and Bank statements of financial position

	1 January 2010 Increase/ (decrease)	1 January 2009 Increase/ (decrease)
Assets		
Fixed assets	**(1,412)**	(484)
Other assets	**167**	169
Equity		
Share premium	**391**	391
Other reserve	**33**	33
Properties revaluation reserve	**(1,451)**	(520)
Retained earnings	**(218)**	(219)

Consolidated statement of comprehensive income

	Six months ended 30 June	
	2010 Increase/ (decrease)	2009 Increase/ (decrease)
Operating expense	**(11)**	5
Net profit	**11**	(5)
Total comprehensive income	**11**	(5)
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB)	**—**	—

Except for the above, the accounting policies adopted by the Group for the interim financial report are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

(Expressed in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2010	2009 (Restated)
Interest income arising from:		
Deposits with central banks	**1,464**	1,000
Deposits with banks and non-bank financial institutions	**205**	76
Placements with banks and non-bank financial institutions	**206**	53
Financial assets held under resale agreements	**1,055**	330
Loans and advances to customers (note (i))		
— corporate loans	**22,679**	16,953
— personal loans	**4,140**	2,737
— discounted bills	**961**	1,625
Investments in debt securities (note (ii))	**2,770**	3,359
Others	**8**	17
	33,488	26,150
Interest expense arising from:		
Balances due to central banks	**(16)**	—
Deposits from banks and non-bank financial institutions	**(1,376)**	(546)
Placements from banks and non-bank financial institutions	**(40)**	(42)
Trading financial liabilities	**(59)**	(7)
Financial assets sold under repurchase agreements	**(14)**	(22)
Deposits from customers	**(9,190)**	(9,367)
Debts securities issued	**(430)**	(437)
Others	**—**	(3)
	(11,125)	(10,424)
Net interest income	**22,363**	15,726

Notes:

(i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB83 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB59 million).

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB105 million (six months ended 30 June 2009: 187 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB9 million (six months ended 30 June 2009: 7 million).

(Expressed in millions of Renminbi unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2010	2009 (Restated)
Fee and commission income		
Consultancy and advisory fees	**863**	555
Bank card fees	**649**	527
Agency fees and commission (note(i))	**311**	357
Guarantee fees	**405**	317
Commission for wealth management services	**232**	202
Settlement fees	**251**	144
Commission for custodian business	**78**	49
Others	**12**	9
Total	**2,801**	2,160
Fee and commission expense	**(272)**	(220)
Net fee and commission income	**2,529**	1,940

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.

6 Net trading gain

	Six months ended 30 June	
	2010	2009 (Restated)
Trading profit/(loss):		
— debt securities	**51**	40
— foreign currencies	**269**	296
— derivatives	**156**	170
— investment funds	**(24)**	(8)
— financial liabilities designated at fair value through profit and loss	**(22)**	11
Total	**430**	509

7 Net gain/(loss) from investment securities

	Six months ended 30 June	
	2010	2009 (Restated)
Net gain from sale of available-for-sale securities	**10**	60
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**48**	(103)
Others	**13**	6
Total	**71**	(37)

(Expressed in millions of Renminbi unless otherwise stated)

8 Net hedging loss

	Six months ended 30 June 2010	2009 (Restated)
Net loss of fair value hedge	**1**	2

9 Operating expenses

	Six months ended 30 June 2010	2009 (Restated)
Staff costs		
— salaries and bonuses	**2,673**	1,875
— social insurance	**300**	266
— welfare expenses	**202**	137
— housing fund	**185**	139
— labor union expenses and employee education expenses	**106**	71
— housing allowance	**87**	71
— defined contribution retirement schemes	**72**	58
— supplementary retirement benefits	**1**	(3)
— others	**334**	286
Subtotal	**3,960**	2,900
Property and equipment expenses		
— rent and property management expenses	**592**	458
— depreciation	**411**	377
— electronic equipment operating expenses	**107**	79
— maintenance	**80**	71
— others	**133**	105
Subtotal	**1,323**	1,090
Business tax and surcharges	**1,696**	1,255
Amortisation expenses	**166**	168
Other general and administrative expenses	**2,338**	1,664
Total	**9,483**	7,077

10 Impairment losses on assets

	Six months ended 30 June 2010	2009 (Restated)
Impairment losses (reversed)/charged on		
— Loans and advances to customers	**1,671**	1,371
— Available-for-sale financial assets	**—**	46
— Off-balance sheet credit commitments	**83**	43
— Repossessed assets	**55**	—
— Others	**15**	(1)
Total	**1,824**	1,459

(Expressed in millions of Renminbi unless otherwise stated)

11 Income tax

(a) Recognised in the statement of comprehensive income

	Six months ended 30 June	
	2010	2009 (Restated)
Current tax		
— Mainland China	**2,951**	1,993
— Hong Kong	**86**	49
— Other countries and regions	**1**	1
Deferred tax	**404**	336
Income tax	**3,442**	2,379

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2010	2009 (Restated)
Profit before tax	**14,281**	9,860
Income tax calculated at statutory tax rate	**3,570**	2,465
Effect of different tax rates in other regions	**(64)**	(42)
Tax effect of non-deductible expenses (Note (i))	**128**	113
Tax effect of non-taxable income		
— Interest income from PRC government bonds	**(163)**	(126)
— Others	**(29)**	(31)
Income tax	**3,442**	2,379

Note:

(i) The amounts primarily represent tax effect of entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

(ii) In 2009, CIFH received an enquiry letter from the Hong Kong Inland Revenue Department regarding the gain of approximately HKD 14 billion arising from disposal of the shares of the Bank during the year of assessment for 2008 and 2009. For the aforesaid disposal gain, no tax provision has been made as management consider it as a non-assessable income arising from capital gain.

12 Earnings per share

Earnings per share information for the six months ended 30 June 2010 and 2009 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 six months ended 30 June 2010 and 2009.

(Expressed in millions of Renminbi unless otherwise stated)

12 Earnings per share (Continued)

	Six months ended 30 June	
	2010	2009 (Restated)
Net profit attributable to shareholders of the Bank	**10,685**	7,351
Weighted average number of shares in issue or deemed to be in issue (in million shares)	**39,033**	39,033
Basic and diluted earnings per share (RMB)	**0.27**	0.19

13 Other comprehensive income

	Six months ended 30 June	
	2010	2009 (Restated)
Available-for-sale financial assets		
— changes in fair value recognised during the period	**(12)**	42
— (losses)/gains on disposal transferred to profit or loss	**(48)**	103
Shares of other comprehensive income of associates	**1**	14
Exchange differences on translation	**(131)**	(26)
Total other comprehensive (loss)/income	**(190)**	133
Income tax effects relating to each component of other comprehensive (loss)/income	**—**	(21)
Net comprehensive (loss)/income after tax during the period	**(190)**	112

14 Cash and balances with central banks

	The Group		The Bank	
	30 June 2010	31 December 2009 (Restated)	**30 June 2010**	31 December 2009
Cash	**3,902**	3,926	**3,764**	3,785
Balances with central banks				
— Statutory deposit reserve funds (note (i))	**171,847**	129,291	**171,527**	129,022
— Surplus deposit reserve funds (note (ii))	**72,353**	89,147	**72,240**	89,083
— Fiscal deposits reserve funds	**1,861**	1,639	**1,861**	1,639
Total	**249,963**	224,003	**249,392**	223,529

Notes:

(i) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at 30 June 2010, the statutory deposit reserve placed with the PBOC was calculated at 15% (2009: 13.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2009: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

(Expressed in millions of Renminbi unless otherwise stated)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China					
— Banks		**31,838**	17,014	**31,755**	16,019
— Non-bank financial institutions		**1,248**	1,418	**1,248**	1,418
Subtotal		**33,086**	18,432	**33,003**	17,437
Outside Mainland China					
— Banks		**4,719**	4,363	**3,792**	3,461
— Non-bank financial institutions		**7,324**	3,524	**—**	—
Subtotal		**12,043**	7,887	**3,792**	3,461
Gross balance		**45,129**	26,319	**36,795**	20,898
Less: Allowances for impairment losses	32	**—**	—	**—**	—
Net balance		**45,129**	26,319	**36,795**	20,898

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Demand deposits		**21,426**	18,534	**13,092**	13,113
Time deposits with remaining maturity					
— within one month		**9,255**	2,928	**9,255**	2,928
— between one month and one year		**14,448**	4,857	**14,448**	4,857
Gross balance		**45,129**	26,319	**36,795**	20,898
Less: Allowances for impairment losses	32	**—**	—	**—**	—
Net balance		**45,129**	26,319	**36,795**	20,898

(Expressed in millions of Renminbi unless otherwise stated)

16 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
In Mainland China					
— Banks		**34,189**	42,958	**31,822**	40,939
— Non-bank financial institutions		**1,332**	566	**1,332**	566
Subtotal		**35,521**	43,524	**33,154**	41,505
Outside Mainland China					
— Banks		**18,665**	11,974	**—**	582
— Non-bank financial institutions		**1,739**	—	**2,751**	814
Subtotal		**20,404**	11,974	**2,751**	1,396
Gross balance		**55,925**	55,498	**35,905**	42,901
Less: Allowances for impairment losses	32	**(9)**	(9)	**(9)**	(9)
Net balance		**55,916**	55,489	**35,896**	42,892

(b) Analysed by remaining maturity

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
Within one month		**41,779**	34,363	**26,380**	29,509
Between one month and one year		**11,569**	18,423	**8,290**	13,188
Over one year		**2,577**	2,712	**1,235**	204
Gross balance		**55,925**	55,498	**35,905**	42,901
Less: Allowances for impairment losses	32	**(9)**	(9)	**(9)**	(9)
Net balance		**55,916**	55,489	**35,896**	42,892

17 Trading financial assets

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
Held for trading purpose:					
— Debt trading assets	(i)	**5,994**	3,796	**5,994**	3,246
— Equity trading assets	(ii)	**2**	2	**—**	—
— Investment funds	(ii)	**3**	3	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**614**	648	**—**	137
Total		**6,613**	4,449	**5,994**	3,383

(Expressed in millions of Renminbi unless otherwise stated)

17 Trading financial assets (Continued)

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets at fair value through profit or loss.

(i) Debt trading assets were measured at fair value and were issued by:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Government	**122**	—	**122**	—
— PBOC	**686**	1,142	**686**	1,142
— Policy banks	**1,484**	294	**1,484**	294
— Banks and non-bank financial institutions	**65**	—	**65**	—
— Corporate entities	**3,507**	1,778	**3,507**	1,778
Subtotal	**5,864**	3,214	**5,864**	3,214
Outside Mainland China				
— Government	**130**	32	**130**	32
— Banks and non-bank financial institutions	**—**	550	**—**	—
Subtotal	**130**	582	**130**	32
Total	**5,994**	3,796	**5,994**	3,246
Listed outside Hong Kong	**83**	—	**83**	—
Unlisted	**5,911**	3,796	**5,911**	3,246
Total	**5,994**	3,796	**5,994**	3,246

(ii) Equity and investment funds issued by:

	The Group	
	30 June 2010	31 December 2009
Outside Mainland China		
— Corporate entities	**5**	5
Total	**5**	5
Listed outside Hong Kong	**2**	5
Unlisted	**3**	—
Total	**5**	5

(Expressed in millions of Renminbi unless otherwise stated)

17 Trading financial assets (Continued)

(iii) Financial assets designated at fair value through profit and loss issued by:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Government	**30**	30	—	—
— Banks and non-bank financial institutions	**469**	366	—	—
— Corporate entities	**115**	115	—	—
Subtotal	**614**	511	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	—	137	—	137
Subtotal	—	137	—	137
Total	**614**	648	—	137
Listed outside Hong Kong	**73**	74	—	—
Unlisted	**541**	574	—	137
Total	**614**	648	—	137

18 Derivatives

Derivatives include forward and swap 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 for a wide range of customers for structuring deals to produce risk management solutions 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 remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives (except for derivatives which are designated as effective hedging instruments (Note 18(i)) are held for trading. The held for trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the reporting date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

(Expressed in millions of Renminbi unless otherwise stated)

18 Derivatives (Continued)

The Group

	30 June 2010			31 December 2009		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	**7,246**	**135**	**61**	2,604	31	112
Non-Hedging Instruments						
— Interest rate derivatives	**181,893**	**1,793**	**1,832**	171,575	1,731	2,091
— Currency derivatives	**387,839**	**1,810**	**1,713**	271,623	1,405	1,404
— Credit derivatives	**990**	**9**	**13**	956	14	20
— Equity derivatives	**264**	**2**	**2**	126	1	1
Total	**578,232**	**3,749**	**3,621**	446,884	3,182	3,628

The Bank

	30 June 2010			31 December 2009		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	**132,109**	**1,114**	**1,180**	127,680	1,122	1,492
— Currency derivatives	**244,890**	**1,122**	**1,080**	177,098	1,030	1,140
— Credit derivatives	**990**	**9**	**13**	956	14	20
Total	**377,989**	**2,245**	**2,273**	305,734	2,166	2,652

Credit risk weighted amounts

	The Group		**The Bank**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Interest rate derivatives	**2,147**	1,371	**1,502**	813
Currency derivatives	**1,994**	1,571	**614**	999
Credit derivatives	**45**	30	**45**	30
Equity derivatives	**11**	5	**—**	—
Total	**4,197**	2,977	**2,161**	1,842

The credit risk weighted amount of Mainland China business has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparties and the maturity characteristics of the instruments.

The credit risk weighted amount of Hong Kong business has been computed in accordance with *Banking (Capital) Rules* set by HKMA, and depends on the status of the counterparties and the maturity characteristics of the instruments.

(i) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale securities, certificates of deposit issued and subordinated debts.

The fair value changes of hedging instruments mentioned above and net gain/(loss) from hedged items are recorded in profit and loss.

(Expressed in millions of Renminbi unless otherwise stated)

19 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China					
— PBOC		**—**	59,000	**—**	59,000
— Banks		**126,352**	119,609	**126,352**	119,609
— Non-bank financial institutions		**16,076**	6,555	**16,076**	6,555
— Corporate entities		**590**	39	**590**	39
Subtotal		**143,018**	185,203	**143,018**	185,203
Outside Mainland China		**14**	—	**14**	—
— Non-bank financial institutions		**—**	—	**68**	68
Subtotal		**14**	—	**82**	68
Gross balance		**143,032**	185,203	**143,100**	185,271
Less: Allowances for impairment losses	32	**—**	—	**—**	—
Net balance		**143,032**	185,203	**143,100**	185,271

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Within one month		**72,333**	166,280	**72,333**	166,348
Between one month and one year		**69,104**	18,817	**69,172**	18,817
More than one year		**1,595**	106	**1,595**	106
Gross balance		**143,032**	185,203	**143,100**	185,271
Less: Allowances for impairment losses	32	**—**	—	**—**	—
Net balance		**143,032**	185,203	**143,100**	185,271

(Expressed in millions of Renminbi unless otherwise stated)

20 Interest receivable

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
Debt securities		**2,178**	2,174	**2,074**	2,047
Loans and advances to customers		**2,458**	1,788	**2,301**	1,661
Others		**151**	173	**20**	40
Gross balance		**4,787**	4,135	**4,395**	3,748
Less: Allowance for impairment losses	32	**(16)**	—	**(16)**	—
Net balance		**4,771**	4,135	**4,379**	3,748

21 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
Corporate loans					
— Loans		**954,293**	820,561	**897,502**	773,557
— Discounted bills		**46,131**	94,774	**44,174**	93,280
— Lease payments receivable		**1,842**	2,074	**—**	—
Subtotal		**1,002,266**	917,409	**941,676**	866,837
Personal loans					
— Residential mortgages		**146,750**	114,156	**135,754**	103,660
— Credit cards		**14,572**	14,191	**14,346**	13,918
— Others		**29,250**	19,893	**25,120**	16,059
Subtotal		**190,572**	148,240	**175,220**	133,637
Gross balance		**1,192,838**	1,065,649	**1,116,896**	1,000,474
Less:	32				
— Individual impairment allowances		**(5,084)**	(5,389)	**(4,799)**	(5,115)
— Collective impairment allowances		**(11,407)**	(9,781)	**(11,135)**	(9,505)
Net balance		**1,176,347**	1,050,479	**1,100,962**	985,854

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

The Group

	30 June 2010				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) 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	6,914	—	137	7,051	1.94%
— non-financial institutions	1,176,219	955	8,613	1,185,787	0.81%
	1,183,133	955	8,750	1,192,838	0.81%
Less: Impairment allowances against loans and advances to					
— financial institutions	(24)	—	(61)	(85)	
— non-financial institutions	(10,567)	(816)	(5,023)	(16,406)	
	(10,591)	(816)	(5,084)	(16,491)	
Net loans and advances to					
— financial institutions	6,890	—	76	6,966	
— non-financial institutions	1,165,652	139	3,590	1,169,381	
	1,172,542	139	3,666	1,176,347	

	31 December 2009				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) 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	6,413	—	138	6,551	2.11%
— non-financial institutions	1,049,079	1,119	8,900	1,059,098	0.95%
	1,055,492	1,119	9,038	1,065,649	0.95%
Less: Impairment allowances against loans and advances to					
— financial institutions	(22)	—	(28)	(50)	
— non-financial institutions	(8,833)	(926)	(5,361)	(15,120)	
	(8,855)	(926)	(5,389)	(15,170)	
Net loans and advances to					
— financial institutions	6,391	—	110	6,501	
— non-financial institutions	1,040,246	193	3,539	1,043,978	
	1,046,637	193	3,649	1,050,479	

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

The Bank

	30 June 2010				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) 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	**2,528**	**—**	**137**	**2,665**	**5.14%**
— non-financial institutions	**1,105,882**	**946**	**7,403**	**1,114,231**	**0.75%**
	1,108,410	**946**	**7,540**	**1,116,896**	**0.76%**
Less: Impairment allowances against loans and advances to					
— financial institutions	**(24)**	**—**	**(61)**	**(85)**	
— non-financial institutions	**(10,297)**	**(814)**	**(4,738)**	**(15,849)**	
	(10,321)	**(814)**	**(4,799)**	**(15,934)**	
Net loans and advances to					
— financial institutions	**2,504**	**—**	**76**	**2,580**	
— non-financial institutions	**1,095,585**	**132**	**2,665**	**1,098,382**	
	1,098,089	**132**	**2,741**	**1,100,962**	

	31 December 2009				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) 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	2,445	—	138	2,583	5.34%
— non-financial institutions	989,020	1,067	7,804	997,891	0.89%
	991,465	1,067	7,942	1,000,474	0.90%
Less: Impairment allowances against loans and advances to					
— financial institutions	(22)	—	(28)	(50)	
— non-financial institutions	(8,560)	(923)	(5,087)	(14,570)	
	(8,582)	(923)	(5,115)	(14,620)	
Net loans and advances to					
— financial institutions	2,423	—	110	2,533	
— non-financial institutions	980,460	144	2,717	983,321	
	982,883	144	2,827	985,854	

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

(i) Loans and advances assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio.

(ii) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually, or

— collectively; that is the portfolios of homogeneous loans and advances.

(iii) As at 30 June 2010, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB8,750 million (31 December 2009: RMB9,038 million). The covered portion and uncovered portion of these loans and advances were RMB1,770 million (31 December 2009: RMB1,953 million) and RMB6,980 million (31 December 2009: RMB7,085 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB2,433 million (31 December 2009: RMB2,839 million. The individual impairment allowances made against these loans and advances were RMB5,084 million (31 December 2009: RMB5,389 million).

As at 30 June 2010, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB7,540 million (31 December 2009: RMB7,942 million). The covered portion and uncovered portion of these loans and advances were RMB1,527 million (31 December 2009: RMB1,662 million) and RMB6,013 million (31 December 2009: RMB6,280 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,655 million (31 December 2009: RMB1,816 million). The individual impairment allowances made against these loans and advances were RMB4,799 million (31 December 2009: RMB5,115 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.

(c) Movements of allowances for impairment losses

The Group

	Six months ended 30 June 2010			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January	8,855	926	5,389	15,170
Charge for the period				
— new impairment allowances charged to profit or loss	1,736	99	388	2,223
— reversal of impairment allowances	—	(4)	(548)	(552)
Unwinding of discount	—	—	(74)	(74)
Write-offs	—	(209)	(95)	(304)
Recoveries of loans and advances previously written off	—	4	24	28
As at 30 June	10,591	816	5,084	16,491

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(c) Movements of allowances for impairment losses (Continued)

The Group (Continued)

	Year ended 31 December 2009			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January	6,770	522	6,708	14,000
Charge for the year				
— new impairment allowances charged to profit or loss	2,100	528	1,485	4,113
— reversal of impairment allowances	—	—	(1,667)	(1,667)
Unwinding of discount	—	—	(126)	(126)
Transfers out	(1)	—	(1)	(2)
Write-offs	(21)	(124)	(1,181)	(1,326)
Recoveries of loans and advances previously written off	7	—	171	178
As at 31 December	8,855	926	5,389	15,170

The Bank

	Six months ended 30 June 2010			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances which are collectively assessed**	**Allowances for impaired loans and advances which are individually assessed**	**Total**
As at 1 January	**8,582**	**923**	**5,115**	**14,620**
Charge for the period				
— new impairment allowances charged to profit or loss	**1,739**	**92**	**321**	**2,152**
— reversal of impairment allowances	**—**	**—**	**(530)**	**(530)**
Unwinding of discount	**—**	**—**	**(73)**	**(73)**
Write-offs	**—**	**(201)**	**(56)**	**(257)**
Recoveries of loans and advance previously written off	**—**	**—**	**22**	**22**
As at 30 June	**10,321**	**814**	**4,799**	**15,934**

	Year ended 31 December 2009			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January	6,562	520	6,490	13,572
Charge for the year				
— new impairment allowances charged to profit or loss	2,020	527	987	3,534
— reversal of impairment allowances	—	—	(1,579)	(1,579)
Unwinding of discount	—	—	(125)	(125)
Write-offs	—	(124)	(760)	(884)
Recoveries of loans and advances previously written off	—	—	102	102
As at 31 December	8,582	923	5,115	14,620

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

The Group

	30 June 2010				
	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	**1,314**	**358**	**770**	**1,159**	**3,601**
Guaranteed loans	**143**	**241**	**967**	**1,059**	**2,410**
Loans with pledged assets	**2,976**	**612**	**1,251**	**1,035**	**5,874**
— Loans secured by tangible assets	**2,763**	**598**	**1,234**	**1,027**	**5,622**
— Loans secured by monetary assets	**213**	**14**	**17**	**8**	**252**
Total	**4,433**	**1,211**	**2,988**	**3,253**	**11,885**

	31 December 2009				
	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	600	598	725	620	2,543
Guaranteed loans	263	664	794	1,098	2,819
Loans with pledged assets	1,981	1,119	708	1,635	5,443
— Loans secured by tangible assets	1,895	975	600	1,541	5,011
— Loans secured by monetary assets	86	144	108	94	432
Total	2,844	2,381	2,227	3,353	10,805

The Bank

	30 June 2010				
	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	**694**	**355**	**724**	**1,159**	**2,932**
Guaranteed loans	**83**	**194**	**819**	**1,059**	**2,155**
Loans with pledged assets	**2,431**	**553**	**1,191**	**1,028**	**5,203**
— Loans secured by tangible assets	**2,229**	**544**	**1,175**	**1,026**	**4,974**
— Loans secured by monetary assets	**202**	**9**	**16**	**2**	**229**
Total	**3,208**	**1,102**	**2,734**	**3,246**	**10,290**

(Expressed in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period (Continued)

The Bank (Continued)

	31 December 2009				
	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	538	526	560	620	2,244
Guaranteed loans	134	626	667	1,098	2,525
Loans with pledged assets	1,468	1,101	645	1,616	4,830
— Loans secured by tangible assets	1,422	958	537	1,527	4,444
— Loans secured by monetary assets	46	143	108	89	386
Total	2,140	2,253	1,872	3,334	9,599

Overdue loans represent loans and advances of which the principal or interest are overdue one day or more.

(e) Lease payments receivables

Lease payments receivables include net investment in motor vehicles and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

	The Group			
	30 June 2010		31 December 2009	
	Present value of minimum leases receivables	**Minimum leases receivables**	Present value of minimum leases receivables	Minimum leases receivables
With in 1 year (including 1 year)	**215**	**260**	235	289
1 year to 2 years (including 2 years)	**137**	**172**	136	180
2 years to 3 years (including 3 years)	**97**	**127**	95	134
3 years to 5 years (including 5 years)	**143**	**194**	157	226
Over 5 years	**1,250**	**1,483**	1,451	1,764
	1,842	**2,236**	2,074	2,593
Less:				
— Individual impairment allowances	**—**		(9)	
— Collective impairment allowances	**—**		—	
Net balance	**1,842**		2,065	

(Expressed in millions of Renminbi unless otherwise stated)

22 Available-for-sale financial assets

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Debt securities	(i)	**114,436**	87,197	**99,982**	70,794
Investment funds	(ii)	**5,345**	5,487	**5,004**	5,420
Certificates of deposit	(iii)	**629**	1,183	**—**	—
Equity investments	(iv)	**166**	478	**126**	128
Total		**120,576**	94,345	**105,112**	76,342

(i) Debt securities issued by:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Government	**10,988**	7,598	**10,988**	7,598
— PBOC	**31,802**	16,956	**31,802**	16,956
— Policy banks	**15,024**	7,942	**15,024**	7,942
— Banks and non-bank institutions	**4,114**	4,296	**4,114**	4,256
— Corporate entities	**32,816**	26,655	**32,816**	26,654
Subtotal	**94,744**	63,447	**94,744**	63,406
Outside Mainland China				
— Government	**2,709**	2,868	**1,633**	2,012
— Policy banks	**46**	47	**46**	47
— Banks and non-bank financial institutions	**11,703**	14,017	**2,320**	2,805
— Public entities	**1,259**	2,569	**1,085**	2,231
— Corporate entities	**3,975**	4,249	**154**	293
Subtotal	**19,692**	23,750	**5,238**	7,388
Total	**114,436**	87,197	**99,982**	70,794
Listed in Hong Kong	**4,104**	4,428	**4,104**	4,275
Listed outside Hong Kong	**5,645**	6,735	**3,108**	3,937
Unlisted	**104,687**	76,034	**92,770**	62,582
Total	**114,436**	87,197	**99,982**	70,794

(Expressed in millions of Renminbi unless otherwise stated)

22 Available-for-sale financial assets (Continued)

(ii) Investment funds issued by

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Corporate entities	**—**	50	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**5,345**	5,437	**5,004**	5,420
Total	**5,345**	5,487	**5,004**	5,420
Unlisted	**5,345**	5,487	**5,004**	5,420

(iii) Certificates of deposit issued by

	The Group	
	30 June 2010	31 December 2009
In Mainland China		
— Banks and non-bank financial institutions	**284**	—
Outside Mainland China		
— Banks and non-bank financial institutions	**345**	1,183
Total	**629**	1,183
Unlisted	**629**	1,183

(iv) Equity investments issued by

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Corporate entities	**114**	114	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**20**	326	**12**	14
— Corporate entities	**32**	38	**—**	—
Total	**166**	478	**126**	128
Listed in Hong Kong	**8**	8	**—**	—
Listed outside Hong Kong	**24**	32	**12**	14
Unlisted	**134**	438	**114**	114
Total	**166**	478	**126**	128

(Expressed in millions of Renminbi unless otherwise stated)

23 Held-to-maturity investments

Held-to-maturity investments are debt securities, issued by:

	Note	The Group 30 June 2010	The Group 31 December 2009	The Bank 30 June 2010	The Bank 31 December 2009
In Mainland China					
— Government		**52,394**	36,243	**52,394**	36,243
— PBOC		**21,094**	30,116	**21,094**	30,116
— Policy banks		**20,737**	21,497	**20,737**	21,497
— Banks and non-bank financial institutions		**7,662**	6,662	**7,662**	6,662
— Corporate entities		**8,945**	7,375	**8,945**	7,375
Subtotal		**110,832**	101,893	**110,832**	101,893
Outside Mainland China					
— Government		**31**	31	**31**	31
— Banks and non-bank financial institutions		**1,141**	1,602	**1,413**	1,943
— Public sector entities		**2,137**	3,161	**2,127**	3,137
— Corporate entities		**651**	994	**651**	926
Subtotal		**3,960**	5,788	**4,222**	6,037
Gross balance		**114,792**	107,681	**115,054**	107,930
Less: Allowance for impairment losses	32	**(214)**	(215)	**(214)**	(215)
Net balance		**114,578**	107,466	**114,840**	107,715
Listed in Hong Kong		**128**	128	**128**	128
Listed outside Hong Kong		**1,056**	1,784	**1,328**	2,057
Unlisted		**113,394**	105,554	**113,384**	105,530
Net balance		**114,578**	107,466	**114,840**	107,715
Fair value of held-to-maturity investments		**115,153**	107,926	**115,416**	108,149
In which: Market value of listed securities		**1,208**	1,941	**1,482**	2,215

During the six months ended 30 June 2010, the Group did not dispose of any held-to-maturity debt securities (six months ended 30 June 2009: the Group disposed of certain impaired debt securities with an amortised cost of RMB260 million).

24 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 30 June 2010 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	28%	Investment Holding	HKD 49 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD 2,020 million

(Expressed in millions of Renminbi unless otherwise stated)

24 Investment in associates (Continued)

(b) Financial information of the above associates is as follows:

	As at or for the six months ended 30 June 2010				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	6,891	2,529	4,362	172	(219)
CIAM	2,559	223	2,335	207	160
Total	9,450	2,752	6,697	379	(59)

(c) Movement of the Group's investment in associates

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2010	1,317	823	2,140
Investment income and other comprehensive income recognised under equity method	(58)	68	10
Dividend receivable	—	(19)	(19)
Exchange difference	(14)	9	(5)
As at 30 June 2010	1,245	881	2,126

	CCHL	CIAM	Total
As at 1 January 2009	1,397	786	2,183
Investment income and other comprehensive income recognised under equity method	83	40	123
Disposal	(160)	—	(160)
Exchange difference	(3)	(3)	(6)
As at 31 December 2009	1,317	823	2,140

25 Investment in subsidiaries

		The Bank	
	Note	**30 June 2010**	31 December 2009
Investment in subsidiaries			
— CITIC International Finance Holdings Limited ("CIFL")	(i)	**87**	87
— CIFH	(ii)	**9,797**	9,797
Total		**9,884**	9,884

(i) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD25 million. It also has a "Money Lending License" issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL's shares and voting rights. The remaining 5% shares are held by CIFH, the Bank's subsidiary.

(ii) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009.

(Expressed in millions of Renminbi unless otherwise stated)

26 Fixed assets

The Group

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
At 1 January 2010 (Before restatement)	**8,995**	**901**	**4,620**	**14,516**
Change in accounting policies	**(102)**	**—**	**(898)**	**(1,000)**
As at 1 January 2010 (Restated)	**8,893**	**901**	**3,722**	**13,516**
Additions	**46**	**55**	**201**	**302**
Transfers from construction in progress	**220**	**(220)**	**—**	**—**
Disposals	**(1)**	**—**	**(68)**	**(69)**
Exchange difference	**(9)**	**—**	**(6)**	**(15)**
As at 30 June 2010	**9,149**	**736**	**3,849**	**13,734**
Accumulated depreciation and impairment losses:				
At 1 January 2010 (Before restatement)	**—**	**—**	**(2,783)**	**(2,783)**
Change in accounting policies	**(1,311)**	**—**	**899**	**(412)**
As at 1 January 2010 (Restated)	**(1,311)**	**—**	**(1,884)**	**(3,195)**
Depreciation charges	**(154)**	**—**	**(257)**	**(411)**
Disposals	**—**	**—**	**66**	**66**
Exchange difference	**3**	**—**	**4**	**7**
As at 30 June 2010	**(1,462)**	**—**	**(2,071)**	**(3,533)**
Net carrying value:				
As at 1 January 2010 (Restated) (Note (i))	**7,582**	**901**	**1,838**	**10,321**
As at 30 June 2010 (Note (i))	**7,687**	**736**	**1,778**	**10,201**
Cost or valuation:				
At 1 January 2009 (Before restatement)	8,152	126	4,078	12,356
Change in accounting policies	531	—	(999)	(468)
As at 1 January 2009 (Restated)	8,683	126	3,079	11,888
Additions	242	775	703	1,720
Transfers to investment properties	(9)	—	—	(9)
Disposals	(22)	—	(59)	(81)
Exchange difference	(1)	—	(1)	(2)
As at 31 December 2009 (Restated)	8,893	901	3,722	13,516
Accumulated depreciation and impairment losses:				
At 1 January 2009 (Before restatement)	—	—	(2,453)	(2,453)
Change in accounting policies	(1,023)	—	1,007	(16)
As at 1 January 2009 (Restated)	(1,023)	—	(1,446)	(2,469)
Depreciation charges	(293)	—	(493)	(786)
Disposals	5	—	54	59
Exchange difference	—	—	1	1
As at 31 December 2009 (Restated)	(1,311)	—	(1,884)	(3,195)
Net carrying value:				
As at 1 January 2009 (Restated)	7,660	126	1,633	9,419
As at 31 December 2009 (Restated) (Note (i))	7,582	901	1,838	10,321

(Expressed in millions of Renminbi unless otherwise stated)

26 Fixed assets (Continued)

The Group (Continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
At 1 January 2008 (Before restatement)	7,998	72	3,552	11,622
Change in accounting policies	574	—	(1,047)	(473)
As at 1 January 2008 (Restated)	8,572	72	2,505	11,149
Additions	49	105	766	920
Transfers from construction in progress	51	(51)	—	—
Transfers from investment properties	81	—	—	81
Disposals	(18)	—	(154)	(172)
Exchange difference	(52)	—	(38)	(90)
As at 31 December 2008 (Restated)	8,683	126	3,079	11,888
Accumulated depreciation and impairment losses:				
At 1 January 2008 (Before restatement)	—	—	(2,272)	(2,272)
Change in accounting policies	(754)	—	1,103	349
As at 1 January 2008 (Restated)	(754)	—	(1,169)	(1,923)
Depreciation charges	(285)	—	(414)	(699)
Disposals	1	—	108	109
Exchange difference	15	—	29	44
As at 31 December 2008 (Restated)	(1,023)	—	(1,446)	(2,469)
Net carrying value:				
As at 1 January 2008 (Restated)	7,818	72	1,336	9,226
As at 31 December 2008 (Restated)	7,660	126	1,633	9,419

The Bank

	Bank premises (Note (ii))	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or valuation:				
At 1 January 2010 (Before restatement)	**8,360**	**901**	**3,984**	**13,245**
Change in accounting policies	**(375)**	**—**	**(900)**	**(1,275)**
As at 1 January 2010 (Restated)	**7,985**	**901**	**3,084**	**11,970**
Additions	**46**	**55**	**153**	**254**
Transfers from construction in progress	**220**	**(220)**	**—**	**—**
Disposals	**(1)**	**—**	**(68)**	**(69)**
As at 30 June 2010	**8,250**	**736**	**3,169**	**12,155**
Accumulated depreciation and impairment losses:				
At 1 January 2010 (Before restatement)	**—**	**—**	**(2,271)**	**(2,271)**
Change in accounting policies	**(1,036)**	**—**	**900**	**(136)**
As at 1 January 2010 (Restated)	**(1,036)**	**—**	**(1,371)**	**(2,407)**
Depreciation charges	**(145)**	**—**	**(235)**	**(380)**
Disposals	**—**	**—**	**66**	**66**
As at 30 June 2010	**(1,181)**	**—**	**(1,540)**	**(2,721)**
Net carrying value:				
As at 1 January 2010 (Restated) (Note (i))	**6,949**	**901**	**1,713**	**9,563**
As at 30 June 2010 (Note (i))	**7,069**	**736**	**1,629**	**9,434**

(Expressed in millions of Renminbi unless otherwise stated)

26 Fixed assets (Continued)

The Bank (Continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
At 1 January 2009 (Before restatement)	7,494	126	3,465	11,085
Change in accounting policies	271	—	(1,001)	(730)
As at 1 January 2009 (Restated)	7,765	126	2,464	10,355
Additions	235	775	669	1,679
Disposals	(15)	—	(49)	(64)
As at 31 December 2009 (Restated)	7,985	901	3,084	11,970
Accumulated depreciation and impairment losses:				
At 1 January 2009 (Before restatement)	—	—	(1,979)	(1,979)
Change in accounting policies	(764)	—	1,009	245
As at 1 January 2009 (Restated)	(764)	—	(970)	(1,734)
Depreciation charges	(273)	—	(444)	(717)
Disposals	1	—	43	44
As at 31 December 2009 (Restated)	(1,036)	—	(1,371)	(2,407)
Net carrying value:				
As at 1 January 2009 (Restated)	7,001	126	1,494	8,621
As at 31 December 2009 (Restated) (Note (i))	6,949	901	1,713	9,563
Cost or valuation:				
At 1 January 2008 (Before restatement)	7,345	72	2,888	10,305
Change in accounting policies	347	—	(1,075)	(728)
As at 1 January 2008 (Restated)	7,692	72	1,813	9,577
Additions	35	105	720	860
Transfers from construction in progress	51	(51)	—	—
Disposals	(13)	—	(69)	(82)
As at 31 December 2008 (Restated)	7,765	126	2,464	10,355
Accumulated depreciation and impairment losses:				
At 1 January 2008 (Before restatement)	—	—	(1,776)	(1,776)
Change in accounting policies	(498)	—	1,103	605
As at 1 January 2008 (Restated)	(498)	—	(673)	(1,171)
Depreciation charges	(266)	—	(361)	(627)
Disposals	—	—	64	64
As at 31 December 2008 (Restated)	(764)	—	(970)	(1,734)
Net carrying value:				
As at 1 January 2008 (Restated)	7,194	72	1,140	8,406
As at 31 December 2008 (Restated)	7,001	126	1,494	8,621

Note:

(i) As at 30 June 2010, the net book value of the Group's bank premises for which the ownership registration procedures had not been completed was approximately RMB723 million (31 December 2009: RMB731 million). The Group anticipated that there would be no significant issues and costs in completing such procedures.

(Expressed in millions of Renminbi unless otherwise stated)

26 Fixed assets (Continued)

Note: (Continued)

(ii) Analysed by remaining term of leases

The net carrying value of bank premises at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group		The Bank	
	30 June 2010	31 December 2009 (Restated)	**30 June 2010**	31 December 2009 (Restated)
Long term leases (over 50 years), held in Hong Kong	**81**	81	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**509**	524	**—**	—
Medium term leases (10-50 years), held in Mainland China	**7,069**	6,949	**7,069**	6,949
Permanent term lease, held in overseas	**28**	28	**—**	—
Total	**7,687**	7,582	**7,069**	6,949

27 Investment properties

	The Group	
	Six months ended 30 June 2010	Year ended 31 December 2009
Fair value as at 1 January	**161**	131
Addition:		
— Change in fair value	**11**	32
— Transfer from fixed assets	**—**	9
Decrease:		
— Disposal	**(4)**	(10)
Exchange difference	**(1)**	(1)
Fair value as at 30 June/31 December	**167**	161

Investment properties of the Group are buildings located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2010.

All investment properties of the Group were re-valued at 30 June 2010 by an independent firm of surveyors, Prudential Surveyors International Ltd., on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Prudential Surveyors International Ltd. has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(Expressed in millions of Renminbi unless otherwise stated)

27 Investment properties (Continued)

(a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group	
	30 June 2010	31 December 2009
Long term leases (over 50 years), held in Hong Kong	**10**	13
Medium term leases (10-50 years), held in Hong Kong	**133**	123
Medium term leases (10-50 years), held in Mainland China	**24**	25
Total	**167**	161

28 Goodwill

The Bank acquired 70.32% of CIFH's shares on 23 October 2009, which was accounted for as a business combination under common control and therefore no goodwill was recognised. The goodwill recognised in CIFH's financial statements arises from CIFH's business combination of subsidiaries under non-common control before the above business combination, and remains in the consolidated statement of financial position of the Group.

	The Group	
	Six months ended 30 June 2010	Year ended 31 December 2009
As at 1 January	**887**	889
Exchange difference	**(8)**	(2)
As at 30 June/31 December	**879**	887

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	The Group	
	30 June 2010	31 December 2009
Corporate Banking	**879**	887

The Group considered that there was no indication of impairment of goodwill as at 30 June 2010 (as at 31 December 2009: nil)

(Expressed in millions of Renminbi unless otherwise stated)

29 Intangible assets

The Group and the Bank

	Software	Others	Total
Cost			
As at 1 January 2010	**285**	**14**	**299**
Additions	**41**	**—**	**41**
As at 30 June 2010	**326**	**14**	**340**
Amortization			
As at 1 January 2010	**(126)**	**(8)**	**(134)**
Charge for the year	**(24)**	**—**	**(24)**
As at 30 June 2010	**(150)**	**(8)**	**(158)**
Net carrying value			
As at 1 January 2010	**159**	**6**	**165**
As at 30 June 2010	**176**	**6**	**182**

	Software	Others	Total
Cost			
As at 1 January 2009	197	14	211
Additions	90	—	90
Disposals	(2)	—	(2)
As at 31 December 2009	285	14	299
Amortization			
As at 1 January 2009	(86)	(7)	(93)
Charge for the year	(42)	(1)	(43)
Disposals	2	—	2
As at 31 December 2009	(126)	(8)	(134)
Net carrying value			
As at 1 January 2009	111	7	118
As at 31 December 2009	159	6	165

(Expressed in millions of Renminbi unless otherwise stated)

30 Deferred tax assets

(a) Analysed by nature

The Group

	30 June 2010		31 December 2009	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	**4,075**	**995**	3,770	943
— Fair value adjustments	**459**	**70**	728	182
— Internal retirement and salary payable	**2,336**	**584**	3,660	915
— Others	**176**	**42**	222	55
Total	**7,046**	**1,691**	8,380	2,095

The Bank

	30 June 2010		31 December 2009	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	**3,796**	**949**	3,588	897
— Fair value adjustments	**(80)**	**(20)**	512	128
— Internal retirement and salary payable	**2,336**	**584**	3,660	915
— Others	**176**	**43**	220	55
Total	**6,228**	**1,556**	7,980	1,995

(b) Movement of deferred tax assets

The Group

	Impairment allowances	**Fair value** Note (i)	**Internal retirement and salary payable**	**Others**	**Total deferred tax assets**
As at 1 January 2010	**943**	**182**	**915**	**55**	**2,095**
Recognized in profit or loss	**52**	**(112)**	**(331)**	**(13)**	**(404)**
As at 30 June 2010	**995**	**70**	**584**	**42**	**1,691**
As at 1 January 2009 (Restated)	2,001	139	12	23	2,175
Recognized in profit or loss	(1,058)	75	904	32	(47)
Recognized in other comprehensive income	—	(32)	(1)	—	(33)
As at 31 December 2009	943	182	915	55	2,095

(Expressed in millions of Renminbi unless otherwise stated)

30 Deferred tax assets (Continued)

(b) Movement of deferred tax assets (Continued)

The Bank

	Impairment allowances	Fair value Note (i)	Internal retirement and salary payable	Others	Total deferred tax assets
As at 1 January 2010	**897**	**128**	**916**	**54**	**1,995**
Recognized in profit or loss	**52**	**(110)**	**(332)**	**(11)**	**(401)**
Recognized in other comprehensive income	**—**	**(38)**	**—**	**—**	**(38)**
As at 30 June 2010	**949**	**(20)**	**584**	**43**	**1,556**
As at 1 January 2009	1,968	63	11	23	2,065
Recognized in profit or loss	(1,071)	80	905	31	(55)
Recognized in other comprehensive income	—	(15)	—	—	(15)
As at 31 December 2009	897	128	916	54	1,995

Note:

(i) Unrealised gains or losses arising from changes in fair value of securities and derivatives are subject to income tax when realised.

(ii) The Bank has no material unrecognised deferred tax assets as at 30 June 2010 (31 December 2009: nil).

31 Other assets

	Note	The Group 30 June 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Receivable for share transfer		**—**	—	21,821
Repossessed assets	(i)	**472**	610	704
Land use rights		**621**	630	644
Prepaid rent		**328**	247	212
Prepaid income tax	(ii)	**154**	462	—
Others	(iii)	**2,673**	2,243	2,720
Total		**4,248**	4,192	26,101

	Note	The Bank 30 June 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Repossessed assets	(i)	**253**	377	465
Land use rights		**621**	630	644
Prepaid rent		**297**	247	212
Prepaid income tax	(ii)	**154**	462	—
Others	(iii)	**2,457**	2,028	1,685
Total		**3,782**	3,744	3,006

(Expressed in millions of Renminbi unless otherwise stated)

31 Other assets (Continued)

(i) Repossessed assets

	Note	The Group 30 June 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Premises		**571**	685	811
Others		**322**	303	295
Gross balance		**893**	988	1,106
Less: Allowance for impairment losses	32	**(421)**	(378)	(402)
Net balance		**472**	610	704

	Note	The Bank 30 June 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Premises		**550**	651	777
Others		**63**	92	78
Gross balance		**613**	743	855
Less: Allowance for impairment losses	32	**(360)**	(366)	(390)
Net balance		**253**	377	465

(ii) See note 39(i) for prepaid income tax

(iii) Others

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Gross balance		**3,238**	2,833	**3,018**	2,615
Less: Allowance for impairment losses	32	**(565)**	(590)	**(561)**	(587)
Net balance		**2,673**	2,243	**2,457**	2,028

(Expressed in millions of Renminbi unless otherwise stated)

32 Movements of allowances for impairment losses

The Group

	Note	Six months ended 30 June 2010 As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposit with banks and non-bank financial institutions	15	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	16	9	—	—	—	—	9
Financial assets held under resale agreements	19	—	—	—	—	—	—
Interest receivable	20	—	17	(2)	1	—	16
Loans and advances to customers	21	15,170	2,223	(552)	(46)	(304)	16,491
Available-for-sale financial assets		371	—	—	(72)	—	299
Held-to-maturity investments	23	215	—	—	(1)	—	214
Repossessed assets	31(i)	378	57	(2)	(7)	(5)	421
Other assets	31(ii)	590	5	(5)	(25)	—	565
Gross balance		16,733	2,302	(561)	(150)	(309)	18,015

	Note	Year ended 31 December 2009 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	15	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	16	143	—	—	—	(134)	9
Financial assets held under resale agreements	19	—	—	—	—	—	—
Interest receivable	20	—	—	—	—	—	—
Loans and advances to customers	21	14,000	4,113	(1,667)	50	(1,326)	15,170
Available-for-sale financial assets		576	56	—	(197)	(64)	371
Held-to-maturity investments	23	223	7	—	—	(15)	215
Repossessed assets	31(i)	402	35	—	(59)	—	378
Other assets	31(ii)	495	64	(19)	233	(183)	590
Gross balance		15,839	4,275	(1,686)	27	(1,722)	16,733

(Expressed in millions of Renminbi unless otherwise stated)

32 Movements of allowances for impairment losses (Continued)

The Bank

	Note	Six months ended 30 June 2010 As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposit with banks and non-bank financial institutions	15	**—**	**—**	**—**	**—**	**—**	**—**
Placements with banks and non-bank financial institutions	16	**9**	**—**	**—**	**—**	**—**	**9**
Financial assets held under resale agreements	19	**—**	**—**	**—**	**—**	**—**	**—**
Interest receivable	20	**—**	**17**	**(2)**	**1**	**—**	**16**
Loans and advances to customers	21	**14,620**	**2,152**	**(530)**	**(51)**	**(257)**	**15,934**
Available-for-sale financial assets		**300**	**—**	**—**	**(30)**	**—**	**270**
Held-to-maturity investments	23	**215**	**—**	**—**	**(1)**	**—**	**214**
Repossessed assets	31(i)	**366**	**—**	**(2)**	**(4)**	**—**	**360**
Other assets	31(ii)	**587**	**5**	**(5)**	**(26)**	**—**	**561**
Gross balance		**16,097**	**2,174**	**(539)**	**(111)**	**(257)**	**17,364**

	Note	Year ended 31 December 2009 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	15	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	16	143	—	—	—	(134)	9
Financial assets held under resale agreements	19	—	—	—	—	—	—
Interest receivable	20	—	—	—	—	—	—
Loans and advances to customers	21	13,572	3,534	(1,579)	(23)	(884)	14,620
Available-for-sale financial assets		515	45	—	(196)	(64)	300
Held-to-maturity investments	23	223	7	—	—	(15)	215
Repossessed assets	31(i)	390	35	—	(59)	—	366
Other assets	31(ii)	493	63	(19)	233	(183)	587
Gross balance		15,336	3,684	(1,598)	(45)	(1,280)	16,097

Note:

Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Note 10.

(Expressed in millions of Renminbi unless otherwise stated)

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Banks	**61,973**	169,670	**62,136**	169,761
— Non-bank financial institutions	**60,139**	105,362	**60,140**	105,362
Subtotal	**122,112**	275,032	**122,276**	275,123
Outside Mainland China				
— Banks	**209**	17	**222**	1
Subtotal	**209**	17	**222**	1
Total	**122,321**	275,049	**122,498**	275,124

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Banks	**3,700**	1,901	**3,598**	1,495
— Non-bank financial institutions	**767**	741	**767**	741
Subtotal	**4,467**	2,642	**4,365**	2,236
Outside Mainland China				
— Banks	**554**	1,911	**—**	—
Subtotal	**554**	1,911	**—**	—
Total	**5,021**	4,553	**4,365**	2,236

35 Trading financial liabilities

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Short position in debt securities	**97**	—	**97**	—
Financial liabilities designated at fair value through profit or loss				
— Structured deposits	**4,983**	2,755	**4,983**	2,755
Total	**5,080**	2,755	**5,080**	2,755
Listed outside of Hong Kong	**83**	—	**83**	—
Unlisted	**4,997**	2,755	**4,997**	2,755
Total	**5,080**	2,755	**5,080**	2,755

(Expressed in millions of Renminbi unless otherwise stated)

36 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
In Mainland China				
— Banks	**2,300**	2,837	**2,300**	2,837
Subtotal	**2,300**	2,837	**2,300**	2,837
Outside Mainland China				
— Banks	**925**	1,263	**925**	1,263
— Non-bank financial institutions	**1,123**	—	**1,123**	—
Total	**4,348**	4,100	**4,348**	4,100

(b) Analysed by types of collaterals

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Debt securities	**4,048**	1,263	**4,048**	1,263
Loans and advances to customers	**300**	2,837	**300**	2,837
Total	**4,348**	4,100	**4,348**	4,100

37 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Demand deposits				
— Corporate customers	**684,087**	577,155	**670,936**	559,207
— Personal customers	**79,117**	66,908	**63,712**	49,066
Subtotal	**763,204**	644,063	**734,648**	608,273
Time and call deposits				
— Corporate customers	**659,964**	516,369	**609,900**	485,851
— Personal customers	**200,677**	177,167	**181,620**	160,613
Subtotal	**860,641**	693,536	**791,520**	646,464
Outward remittance and remittance payables	**5,457**	4,328	**5,457**	4,327
Total	**1,629,302**	1,341,927	**1,531,625**	1,259,064

(Expressed in millions of Renminbi unless otherwise stated)

37 Deposits from customers (Continued)

Analysed by natures of deposits (Continued)

Deposits from customers include pledged deposits for:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Bank acceptances	**193,854**	166,269	**193,854**	166,269
Letters of credit	**16,948**	5,931	**16,887**	5,823
Guarantees	**4,168**	3,813	**4,162**	3,807
Others	**24,644**	27,503	**22,966**	26,030
Total	**239,614**	203,516	**237,869**	201,929

38 Accrued staff costs

The Group

		Six months ended 30 June 2010			
	Note	**As at 1 January**	**Accrual for the year**	**Payment for the year**	**As at 30 June**
Salaries and bonuses		**6,612**	**2,673**	**(3,993)**	**5,292**
Welfare expenses		**—**	**202**	**(202)**	**—**
Social insurance	(i)	**20**	**300**	**(296)**	**24**
Housing fund		**7**	**185**	**(181)**	**11**
Housing allowance		**29**	**87**	**(88)**	**28**
Defined contribution retirement schemes	(ii)	**—**	**72**	**(72)**	**—**
Supplementary retirement benefits	(iii)	**40**	**1**	**(2)**	**39**
Labor union expenses and employee education expenses		**228**	**106**	**(66)**	**268**
Others		**51**	**334**	**(322)**	**63**
Total		**6,987**	**3,960**	**(5,222)**	**5,725**

		Year ended 31 December 2009			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		5,080	6,473	(4,941)	6,612
Welfare expenses		—	455	(455)	—
Social insurance	(i)	5	561	(546)	20
Housing fund		—	301	(294)	7
Housing allowance		—	150	(121)	29
Defined contribution retirement schemes	(ii)	4	122	(126)	—
Supplementary retirement benefits	(iii)	42	2	(4)	40
Labor union expenses and employee education expenses		181	263	(216)	228
Others		1	594	(544)	51
Total		5,313	8,921	(7,247)	6,987

(Expressed in millions of Renminbi unless otherwise stated)

38 Accrued staff costs (Continued)

The Bank

	Note	Six months ended 30 June 2010 As at 1 January	 Accrual for the year	 Payment for the year	 As at 30 June
Salaries and bonuses		**6,441**	**2,272**	**(3,610)**	**5,103**
Welfare expenses		**—**	**200**	**(200)**	**—**
Social insurance	(i)	**20**	**298**	**(295)**	**23**
Housing fund		**7**	**184**	**(180)**	**11**
Housing allowance		**29**	**87**	**(88)**	**28**
Defined contribution retirement schemes	(ii)	**—**	**71**	**(71)**	**—**
Supplementary retirement benefits	(iii)	**40**	**1**	**(2)**	**39**
Labor union expenses and employee education expenses		**228**	**106**	**(66)**	**268**
Others		**47**	**303**	**(288)**	**62**
Total		**6,812**	**3,522**	**(4,800)**	**5,534**

	Note	Year ended 31 December 2009 As at 1 January	 Accrual for the year	 Payment for the year	 As at 31 December
Salaries and bonuses		4,936	5,852	(4,347)	6,441
Welfare expenses		—	452	(452)	—
Social insurance	(i)	5	557	(542)	20
Housing fund		—	299	(292)	7
Housing allowance		—	150	(121)	29
Defined contribution retirement schemes	(ii)	4	122	(126)	—
Supplementary retirement benefits	(iii)	42	2	(4)	40
Labor union expenses and employee education expenses		181	262	(215)	228
Others		—	524	(477)	47
Total		5,168	8,220	(6,576)	6,812

(i) Social insurance

Social insurance includes costs of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins 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 qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Group has made annuity contributions at 4% of its employee's gross wages. The Group made annuity contribution amounting to RMB71 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB58 million).

The Group's employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations.

(Expressed in millions of Renminbi unless otherwise stated)

38 Accrued staff costs (Continued)

(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 reporting date represents the present value of un-contributed fund.

The Group's obligations in respect of the supplementary retirement benefits as at the reporting 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: Tower Watson.

Save for the above schemes in 38(i) to 38(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

39 Taxes payable

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Income tax	(i)	**93**	13	**—**	—
Business tax and surcharges		**1,034**	980	**1,032**	977
Others		**10**	11	**3**	4
Total		**1,137**	1,004	**1,035**	981

(i) The balance of income tax payable of the Bank is nil as at 30 June 2010 (31 December 2009: nil), and the prepaid income tax is included in other assets (Note 31). The balance of income tax payable represents those of the Bank's subsidiaries.

40 Interest payable

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Deposits from customers	**7,309**	6,047	**7,231**	5,987
Debt securities issued	**144**	370	**109**	271
Others	**139**	121	**17**	11
Total	**7,592**	6,538	**7,357**	6,269

41 Provisions

The Group and the Bank

	30 June 2010	31 December 2009
Litigation provisions	**40**	50

(Expressed in millions of Renminbi unless otherwise stated)

41 Provisions (Continued)

Movement of provisions:

	Six months 30 June 2010	Year ended 31 December 2009
As at 1 January	**50**	50
Reversal for the period/year	**(10)**	—
As at 30 June/31 December	**40**	50

42 Debt securities issued

		The Group		The Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Notes issued	(i)	**131**	63	**—**	—
Certificates of deposit issued	(ii)	**4,467**	3,252	**—**	—
Subordinated debts bonds issued:					
— by the Bank	(iii)	**23,402**	12,000	**23,402**	12,000
— by CIFH	(iv)	**6,553**	3,107	**—**	—
Total		**34,553**	18,422	**23,402**	12,000

(i) Notes were issued by CITIC Bank International Limited ("CBI"), a subsidiary of CIFH, and measured at amortized cost.

(ii) Certificates of deposit were issued by CIFH and measured at amortized cost.

(iii) The carrying value of the Bank's subordinated debts bonds issued as at 30 June 2010 and 31 December 2009 represents:

	Note	**30 June 2010**	31 December 2009
Subordinated floating rate debts maturing:			
— in June 2010	(a)	**—**	4,778
— in July 2010	(a)	**602**	602
— in September 2010	(a)	**300**	300
— in June 2010	(b)	**—**	320
Subordinated fixed rate bonds maturing:			
— in June 2016	(c)	**4,000**	4,000
— in May 2020	(d)	**5,000**	—
— in June 2021	(e)	**2,000**	2,000
— in May 2025	(f)	**11,500**	—
Total		**23,402**	12,000

(Expressed in millions of Renminbi unless otherwise stated)

42 Debt securities issued (Continued)

(iii) The carrying value of the Bank's subordinated debts bonds issued as at 30 June 2010 and 31 December 2009 represents: (Continued)

(a) The interest rate per annum on the subordinated floating rate debts issued in year 2004 is the PBOC one-year fixed deposit rate plus an interest margin of 2.72%

(b) The interest rate per annum on the subordinated floating rate debts issued in year 2004 is the PBOC one-year fixed deposit rate plus an interest margin of 2.60%.

(c) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 3.75%. The Bank 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.

(d) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.00%. The Bank has an option to redeem the debts on 28 May 2015. If they are not redeemed early, the interest rate of the debts will remain 4.00% per annum for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 4.12%. The Bank 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.

(f) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30%. The Bank has an option to redeem the debts on 28 May 2020. If they are not redeemed early, the interest rate of the debts will remain 4.30% per annum for the next five years.

(iv) The carrying value of CIFH's subordinated debts/bonds issued as at 30 June 2010 and 31 December 2009 represents:

	Note	**30 June 2010**	31 December 2009
Perpetual subordinated fixed rate notes	(a)	**1,729**	1,742
Subordinated floating rate notes maturing in December 2017	(b)	**1,358**	1,365
Subordinated fixed rate notes maturing in June 2020	(c)	**3,466**	—
Total		**6,553**	3,107

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of US$250 million were issued on 23 May 2002 by CKWH-UT2 Limited, a wholly owned subsidiary of CIFH. CBI unconditionally and irrevocably guarantees all amounts payable under the notes. These subordinated notes can be called by CKWH-UT2 Limited in 2012.

(b) On 30 November 2007, CBI launched a USD2 billion Medium Term Notes Programme ("the Programme"). Under the Programme, CBI, subject to compliance with all relevant laws, regulations and directives, may from time to time issue subordinated notes denominated in any currency agreed between CBI and the relevant dealers as defined.

Under the Programme, CBI issued subordinated floating rate notes with face value of USD250 million on 11 December 2007. The interest rate per annum is the LIBOR for three-month US dollar deposits plus an interest margin of 1.75%. The Notes are listed on the SGX-ST and mature on 12 December 2017.

(c) Subordinated notes with an interest rate of 6.875% per annum and with face value of US$500 million were issued on 24 June 2010 by CBI The Notes are listed on SGX-ST and mature on 24 June 2020.

(Expressed in millions of Renminbi unless otherwise stated)

43 Other liabilities

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Dividend payable	**3,435**	—	**3,435**	—
Settlement accounts	**808**	742	**480**	727
Dormant accounts	**206**	214	**206**	214
Payment and collection clearance accounts	**257**	187	**257**	187
Government bonds redemption payable	**183**	74	**183**	74
Others	**2,317**	1,793	**1,863**	1,281
Total	**7,206**	3,010	**6,424**	2,483

44 Share capital

	The Group and the Bank	
	30 June 2010	31 December 2009
A-Share	**26,631**	26,631
H-Share	**12,402**	12,402
Total	**39,033**	39,033

45 Share premium, other reserve and investment reserve

		The Group			
	Note	**Share premium**	**Other reserve**	**Investment revaluation reserve (ii)**	**Total**
As at 1 January 2010		**31,301**	**254**	**(236)**	**31,319**
Other comprehensive income		**—**	**1**	**(7)**	**(6)**
As at 30 June 2010		**31,301**	**255**	**(243)**	**31,313**
As at 1 January 2009 (restated)		56,256	2,604	(354)	58,506
Other comprehensive income		—	(19)	118	99
Prior to business combination under common control, the acquired subsidiary					
1. reduced capital and made appropriation to its original shareholders		(13,002)	(2,331)	—	(15,333)
2. issued shares to its original shareholders		1,054	—	—	1,054
Consideration paid for business combination under common control	(i)	(13,007)	—	—	(13,007)
As at 31 December 2009 (restated)		31,301	254	(236)	31,319

(Expressed in millions of Renminbi unless otherwise stated)

45 Share premium, other reserve and investment reserve (Continued)

	Note	The Bank Share premium	Other reserve	Investment revaluation reserve (ii)	Total
As at 1 January 2010		**33,706**	**—**	**(23)**	**33,683**
Other comprehensive income		**—**	**—**	**100**	**100**
As at 30 June 2010		**33,706**	**—**	**77**	**33,783**
As at 1 January 2009 (restated)		36,916	—	(72)	36,844
Other comprehensive income		—	—	49	49
Consideration paid for business combination under common control	(i)	(3,210)	—	—	(3,210)
As at 31 December 2009 (restated)		33,706	—	(23)	33,683

(i) The Bank paid a consideration of approximately RMB13,007 million for the acquisition of CIFH's shares in October 2009. The amount of the consideration was debited against share premium in the Group's consolidated financial statements. The difference of RMB3,210 million between the consideration and the Bank's share of CIFH's shareholders' equity as at the acquisition date of RMB9,797 million was debited to the Bank's share premium in the Bank's financial statements.

(ii) The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the Group accounting policies.

46 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank Six months ended 30 June 2010	Year ended 31 December 2009
As at 1 January	**3,535**	2,161
Appropriations	**—**	1,374
As at 30 June/31 December	**3,535**	3,535

Under relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are 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 at the Annual 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.

(Expressed in millions of Renminbi unless otherwise stated)

47 General reserve

	The Group		The Bank	
	Six months ended 30 June 2010	Year ended 31 December 2009	**Six months ended 30 June 2010**	Year ended 31 December 2009
As at 1 January	**12,562**	7,746	**12,526**	7,716
Appropriations	**—**	4,816	**—**	4,810
As at 30 June/31 December	**12,562**	12,562	**12,526**	12,526

Pursuant to relevant MOF notices, the Bank and the Bank's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The Bank is required 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.

48 Profit appropriations

(a) Profit appropriations and distributions other than dividends declared during the period

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Appropriations to				
— Statutory surplus reserve fund	**—**	1,374	**—**	1,374
— General reserve	**—**	4,816	**—**	4,810
	—	6,190	**—**	6,184

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 23 June 2010, a total amount of approximately RMB3,435 million (RMB88 cents per 10 shares) was distributed in the form of cash dividend to the Bank's shareholders of A-share on 28 July 2010 and its shareholders of H-share on 30 July 2010 respectively.

49 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	30 June 2010	30 June 2009 (Restated)
Cash	**3,902**	3,495
Surplus deposit reserve funds	**72,354**	39,340
Deposits with banks and non-bank financial institutions due within three months when acquired	**25,093**	15,358
Placements with banks and non-bank financial institutions due within three months when acquired	**42,948**	12,314
Investment securities due within three months when acquired	**10,412**	4,165
Subtotal	**150,807**	71,177
Total	**154,709**	74,672

(Expressed in millions of Renminbi unless otherwise stated)

50 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.

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 reporting date if counterparties failed completely to perform as contracted.

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Contractual amount				
Loan commitments				
— with an original maturity of within one year	**20,336**	15,979	**1,449**	913
— with an original maturity of one year or beyond	**39,866**	25,250	**34,716**	22,485
Subtotal	**60,202**	41,229	**36,165**	23,398
Guarantees	**75,403**	62,901	**71,804**	60,022
Letters of credit	**89,407**	52,585	**86,058**	49,901
Acceptances	**393,049**	305,363	**392,225**	304,893
Credit card commitments	**37,958**	40,597	**32,371**	34,886
Total	**656,019**	502,675	**618,623**	473,100

(b) Credit risk weighted amount

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Credit risk weighted amount of contingent liabilities and commitments	**263,709**	191,767	**255,826**	185,903

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 counterparties and the maturity characteristics. The risk weights used range from 0% to 100%. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts.

(Expressed in millions of Renminbi unless otherwise stated)

50 Commitments and contingent liabilities (Continued)

(c) Capital commitments

The Group had the following authorised capital commitments at the balance sheet date:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
— Contracted for	**233**	683	**154**	652
— Authorized but not contracted for	**43**	12	**34**	11

(d) Operating lease commitments

The Group leases certain properties and equipment 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 were as follows:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Within one year	**1,050**	934	**950**	855
After one year but within two years	**927**	799	**832**	733
After two years but within three years	**799**	677	**732**	639
After three years but within five years	**1,235**	1,072	**1,114**	991
After five years	**1,379**	1,103	**1,175**	1,103
Total	**5,390**	4,585	**4,803**	4,321

(e) Outstanding litigations and disputes

As at 30 June 2010, the Group was the defendant in certain pending litigations with gross claims of RMB421 million (as at 31 December 2009: RMB438 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB40 million (as at 31 December 2009: RMB50 million). The Group believes that these accruals are reasonable and adequate.

(f) Securities underwriting obligations

The Group has no underwriting commitments of securities as at 30 June 2010 and 31 December 2009.

(g) Bonds 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 reporting date:

(Expressed in millions of Renminbi unless otherwise stated)

50 Commitments and contingent liabilities (Continued)

(g) Bonds redemption obligations (Continued)

	The Group and the Bank	
	30 June 2010	31 December 2009
Bonds redemption obligations	**6,615**	6,402

The Group estimates that the possibility of redemption before maturity is remote.

(h) Provision against commitments and contingent liabilities

The Group has assessed and has made provision (Note 41) for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

51 Pledged assets

(a) Financial assets pledged as collaterals

The following assets have been pledged as assets 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 reporting date.

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Debt securities	**5,221**	2,349	**4,097**	1,279
Loans and advances to customers	**300**	2,837	**300**	2,837
Others	**54**	55	**—**	—
Total	**5,575**	5,241	**4,397**	4,116

(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 30 June 2010, the Group could dispose collateral with the fair value of RMB15 million under resale agreements which was permitted to sell or repledge in the absence of default for the transactions (As at 31 December 2009: nil).

52 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.

(Expressed in millions of Renminbi unless otherwise stated)

52 Transactions on behalf of customers (Continued)

(a) Entrusted lending business (Continued)

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 statement of financial position. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	The Group and the Bank	
	30 June 2010	31 December 2009
Entrusted loans	**77,394**	55,413
Entrusted funds	**77,394**	55,413

(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, corporate 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 profit or loss as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the reporting date, the assets and liabilities under wealth management services were as follows:

	The Group		The Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Investments under wealth management services	**136,321**	81,957	**136,255**	81,895
Funds from wealth management services	**136,321**	81,957	**136,255**	81,895

Amongst the above funds from wealth management service, RMB37,217 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 30 June 2010 (as at 31 December 2009: RMB32,117 million).

53 Segment reporting

Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose 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 income, expense, 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 costs incurred during the period 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 for management purpose:

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.

CIFH business

This segment covers commercial banking, assets management and other non-banking financial services of CIFH and its subsidiaries in Hong Kong and other regions. The Group manages CIFH and its subsidiaries as a separate segment.

Others

These represent head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

(Expressed in millions of Renminbi unless otherwise stated)

53 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	17,394	2,406	1,673	888	2	22,363
Internal net interest income/(expense)	889	407	(970)	(6)	(320)	—
Net interest income/(expense)	18,283	2,813	703	882	(318)	22,363
Net fee and commission income/(expense)	1,497	738	64	286	(56)	2,529
Net trading gain/(loss)	216	1	69	150	(6)	430
Net (loss)/gain from investment securities	—	—	10	17	44	71
Loss from hedging transaction	—	—	—	(1)	—	(1)
Other income	105	3	—	11	56	175
Operating income/(expense)	20,101	3,555	846	1,345	(280)	25,567
General and administrative expenses						
— depreciation and amortisation	(231)	(205)	(21)	(31)	(89)	(577)
— others	(5,353)	(2,828)	(98)	(621)	(6)	(8,906)
Provision for impairment losses	(1,492)	(218)	—	(105)	(9)	(1,824)
Earnings from revaluation of properties for investment	—	—	—	11	—	11
Share of gain of associates	—	—	—	10	—	10
Profit/(loss) before tax	13,025	304	727	609	(384)	14,281
Capital expenditure	363	342	22	47	217	991

	30 June 2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
Segment assets	1,201,000	195,899	413,726	124,475	1,251	1,936,351
Investment in associates	—	—	—	2,126	—	2,126
Deferred tax assets						1,691
Total asset						1,940,168
Segment liabilities	1,303,888	250,717	151,549	112,372	7,420	1,825,946
Deferred tax liabilities						—
Total liabilities						1,825,946
Off-balance sheet credit commitments	586,252	32,371	—	37,396	—	656,019

(Expressed in millions of Renminbi unless otherwise stated)

53 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2009 (restated)					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	11,076	692	3,246	712	—	15,726
Internal net interest income/(expense)	1,224	1,159	(2,248)	—	(135)	—
Net interest income/(expense)	12,300	1,851	998	712	(135)	15,726
Net fee and commission income/(expense)	966	709	35	282	(52)	1,940
Net trading gain/(loss)	326	—	112	75	(4)	509
Net (loss)/gain from investment securities	—	—	(69)	32	—	(37)
Loss from hedging transaction	—	—	—	(2)	—	(2)
Other income	6	—	58	49	54	167
Operating income/(expense)	**13,598**	**2,560**	**1,134**	**1,148**	**(137)**	**18,303**
General and administrative expenses						
— depreciation and amortisation	(241)	(231)	(19)	(34)	(20)	(545)
— others	(3,615)	(1,986)	(242)	(510)	(179)	(6,532)
Provision for impairment losses	(1,123)	(97)	(46)	(194)	1	(1,459)
Earnings from revaluation of properties for investment	—	—	—	18	—	18
Share of gain of associates	—	—	—	75	—	75
Profit/(loss) before tax	8,619	246	827	503	(335)	9,860
Capital expenditure	211	213	18	21	14	477

	31 December 2009 (restated)					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
Segment assets	1,018,524	161,117	437,793	105,835	47,527	1,770,796
Investment in associates	—	—	—	2,140	—	2,140
Deferred tax assets						2,095
Total asset						1,775,031
Segment liabilities	1,064,834	220,865	265,121	93,728	23,475	1,668,023
Deferred tax liabilities						—
Total liabilities						1,668,023
Off-balance sheet credit commitments	438,059	34,886	—	29,730	—	502,675

53 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 27 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are 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.

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 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, Nanning, Hohhot and Urumqi;

— "Northeastern" region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Harbin and Changchun;

— "Head Office" refers to the headquarter of the Group and the credit card center; and

— "Hong Kong" this segment includes all the operations of CIFC, CIFH and its subsidiaries.

(Expressed in millions of Renminbi unless otherwise stated)

53 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	5,157	2,487	4,113	2,474	2,361	655	4,225	891	—	22,363
Internal net interest income/(expense)	735	658	1,115	437	21	59	(3,057)	32	—	—
Net interest income	5,892	3,145	5,228	2,911	2,382	714	1,168	923	—	22,363
Net fee and commission income	509	267	512	214	195	49	490	293	—	2,529
Net trading gain/(loss)	112	53	119	29	13	6	(51)	149	—	430
Net (loss)/gain from investment securities	—	—	—	—	—	—	11	60	—	71
Net hedge loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	55	20	57	12	9	2	9	11	—	175
Operating income/(expense)	6,568	3,485	5,916	3,166	2,599	771	1,627	1,435	—	25,567
General and administrative expenses										
— depreciation and amortisation	(127)	(59)	(108)	(51)	(49)	(16)	(135)	(32)	—	(577)
— others	(2,222)	(1,311)	(1,927)	(1,082)	(978)	(256)	(465)	(665)	—	(8,906)
Provision for impairment losses	(595)	(351)	(326)	(254)	(74)	(70)	(49)	(105)	—	(1,824)
Earnings from revaluation of properties for investment	—	—	—	—	—	—	—	11	—	11
Share of gain of associates	—	—	—	—	—	—	—	10	—	10
Profit before tax	3,624	1,764	3,555	1,779	1,498	429	978	654	—	14,281
Capital expenditure	156	90	315	110	115	47	111	47	—	991

(Expressed in millions of Renminbi unless otherwise stated)

53 Segment reporting (Continued)

(b) Geographical segments (Continued)

	30 June 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	467,506	253,463	516,342	222,464	183,856	53,368	761,719	125,497	(647,864)	1,936,351
Interests in associates	—	—	—	—	—	—	—	2,126	—	2,126
Deferred tax assets										1,691
Total assets										1,940,168
Segment liabilities	462,725	249,157	511,097	219,703	181,776	52,801	683,238	113,313	(647,864)	1,825,946
Deferred tax liabilities										—
Total liabilities										1,825,946
Off-balance sheet credit commitment	172,120	80,011	164,002	99,238	46,336	24,545	32,371	37,396	—	656,019

	Six months ended 30 June 2009 (restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	3,719	1,754	2,169	1,439	1,593	397	3,933	722	—	15,726
Internal net interest income/(expense)	454	240	830	195	(4)	43	(1,782)	24	—	—
Net interest income	4,173	1,994	2,999	1,634	1,589	440	2,151	746	—	15,726
Net fee and commission income	365	184	400	171	96	37	403	284	—	1,940
Net trading gain/(loss)	98	46	180	21	8	3	78	75	—	509
Net (loss)/gain from investment securities	—	—	—	—	—	—	(77)	40	—	(37)
Earnings from hedging transaction	—	—	—	—	—	—	—	(2)	—	(2)
Other operating income	30	16	38	10	4	3	17	49	—	167
General and administrative expenses	4,666	2,240	3,617	1,836	1,697	483	2,572	1,192	—	18,303
Operating expense										
— depreciation and amortisation	(115)	(50)	(97)	(42)	(49)	(11)	(147)	(34)	—	(545)
— others	(1,773)	(1,008)	(1,369)	(725)	(612)	(208)	(288)	(549)	—	(6,532)
Provision for impairment losses	(385)	(72)	9	(135)	(105)	(79)	(498)	(194)	—	(1,459)
Earnings from revaluation of properties for investment	—	—	—	—	—	—	—	18	—	18
Share of gain of associates	—	—	—	—	—	—	—	75	—	75
Profit before tax	2,393	1,110	2,160	934	931	185	1,639	508	—	9,860
Capital expenditure	42	61	85	26	54	21	167	21	—	477

(Expressed in millions of Renminbi unless otherwise stated)

53 Segment reporting (Continued)

(b) Geographical segments (Continued)

	31 December 2009 (restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	425,476	247,270	494,644	205,709	162,463	54,656	782,818	107,089	(709,329)	1,770,796
Interests in associates	—	—	—	—	—	—	—	2,140	—	2,140
Deferred tax assets										2,095
Total assets										1,775,031
Segment liabilities	418,175	242,924	486,007	201,929	158,448	53,499	721,313	95,057	(709,329)	1,668,023
Deferred tax liabilities										—
Total liabilities										1,668,023
Off-balance sheet credit commitment	127,561	58,298	129,631	69,250	36,819	16,500	34,886	29,730	—	502,675

54 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 the Group is unable to meet its payment obligations when due, or 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.

54 Financial risk management (Continued)

(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 impairment losses of asset value attributable to the Group resulting from 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 and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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 large 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 industrial 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)

54 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 reporting 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:

	The Group		**The Bank**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Balances with central banks	**246,061**	220,077	**245,628**	219,744
Deposits with bank and non-bank financial institutions	**45,129**	26,319	**36,795**	20,898
Placements with banks and non-bank financial	**55,916**	55,489	**35,896**	42,892
Trading financial assets	**6,608**	4,444	**5,994**	3,383
Positive fair value of derivatives	**3,749**	3,182	**2,245**	2,166
Financial assets held under resale agreements	**143,032**	185,203	**143,100**	185,271
Interest receivable	**4,771**	4,135	**4,379**	3,748
Loans and advances to customers	**1,176,347**	1,050,479	**1,100,962**	985,854
Available-for-sale financial assets	**115,065**	88,380	**99,982**	70,794
Held-to-maturity investments	**114,578**	107,466	**114,840**	107,715
Other financial assets	**1,925**	1,365	**1,678**	1,150
Subtotal	**1,913,181**	1,746,539	**1,791,499**	1,643,615
Credit commitments	**656,019**	502,675	**618,623**	473,100
Maximum credit risk exposure	**2,569,200**	2,249,214	**2,410,122**	2,116,715

(Expressed in millions of Renminbi unless otherwise stated)

54 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 debt securities investments are as follows:

The Group

	Note	30 June 2010			
		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					
Gross balance		**8,750**	**31**	**—**	**584**
Allowance for impairment		**(5,084)**	**(9)**	**—**	**(495)**
Net balance		**3,666**	**22**	**—**	**89**
— Collectively assessed					
Gross balance		**955**	**—**	**—**	**56**
Allowance for impairment		**(816)**	**—**	**—**	**(1)**
Net balance		**139**	**—**	**—**	**55**
Overdue but not impaired	(1)				
Gross balance		**3,456**	**—**	**—**	**—**
Within which					
— Less than 3 months		**3,336**	**—**	**—**	**—**
— 3 months to 1 year		**118**	**—**	**—**	**—**
— Over 1 year		**2**	**—**	**—**	**—**
Allowance for impairment		**(78)**	**—**	**—**	**—**
Net balance		**3,378**	**—**	**—**	**—**
Neither overdue nor impaired					
Gross balance		**1,179,677**	**101,023**	**143,032**	**236,107**
Allowance for impairment	(2)	**(10,513)**	**—**	**—**	**—**
Net balance		**1,169,164**	**101,023**	**143,032**	**236,107**
Net balance of total assets		**1,176,347**	**101,045**	**143,032**	**236,251**

(Expressed in millions of Renminbi unless otherwise stated)

54 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)

The Group (Continued)

	Note	Loans and advances to customers	31 December 2009 Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		9,038	32	—	679
Allowance for impairment		(5,389)	(9)	—	(526)
Net balance		3,649	23	—	153
— Collectively assessed					
Gross balance		1,119	—	—	85
Allowance for impairment		(926)	—	—	(1)
Net balance		193	—	—	84
Overdue but not impaired	(1)				
Gross balance		2,932	—	—	—
Within which					
— Less than 3 months		2,628	—	—	—
— 3 months to 1 year		185	—	—	—
— Over 1 year		119	—	—	—
Allowance for impairment		(85)	—	—	—
Net balance		2,847	—	—	—
Neither overdue nor impaired					
Gross balance		1,052,560	81,940	185,203	200,053
Allowance for impairment	(2)	(8,770)	—	—	—
Net balance		1,043,790	81,940	185,203	200,053
Net balance of total assets		1,050,479	81,963	185,203	200,290

(Expressed in millions of Renminbi unless otherwise stated)

54 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 debt securities investments are as follows: (Continued)

The Bank

	Note	30 June 2010 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					
Gross balance		7,540	31	—	572
Allowance for impairment		(4,799)	(9)	—	(484)
Net balance		2,741	22	—	88
— Collectively assessed					
Gross balance		946	—	—	—
Allowance for impairment		(814)	—	—	—
Net balance		132	—	—	—
Overdue but not impaired	(1)				
Gross balance		2,875	—	—	—
Within which					
— Less than 3 months		2,755	—	—	—
— 3 months to 1 year		118	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(76)	—	—	—
Net balance		2,799	—	—	—
Neither overdue nor impaired					
Gross balance		1,105,535	72,669	143,100	220,728
Allowance for impairment	(2)	(10,245)	—	—	—
Net balance		1,095,290	72,669	143,100	220,728
Net balance of total assets		**1,100,962**	**72,691**	**143,100**	**220,816**

(Expressed in millions of Renminbi unless otherwise stated)

54 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)

The Bank (Continued)

		31 December 2009			
	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					
Gross balance		7,942	32	—	616
Allowance for impairment		(5,115)	(9)	—	(515)
Net balance		2,827	23	—	101
— Collectively assessed					
Gross balance		1,067	—	—	—
Allowance for impairment		(923)	—	—	—
Net balance		144	—	—	—
Overdue but not impaired	(1)				
Gross balance		2,080	—	—	—
Within which					
— Less than 3 months		1,963	—	—	—
— 3 months to 1 year		117	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(79)	—	—	—
Net balance		2,001	—	—	—
Neither overdue nor impaired					
Gross balance		989,385	63,767	185,271	181,791
Allowance for impairment	(2)	(8,503)	—	—	—
Net balance		980,882	63,767	185,271	181,791
Net balance of total assets		985,854	63,790	185,271	181,892

(Expressed in millions of Renminbi unless otherwise stated)

54 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)

Notes:

(1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 30 June 2010, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB468 million (as at 31 December 2009: RMB500 million). The covered portion and uncovered portion of these loans and advances were RMB310 million (as at 31 December 2009: RMB129 million) and RMB158 million (as at 31 December 2009: RMB371 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB516 million (as at 31 December 2009: RMB765 million).

As at 30 June 2010, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB369 million (as at 31 December 2009: RMB54 million). The covered portion and uncovered portion of these loans and advances were RMB274 million (as at 31 December 2009: RMB4 million) and RMB95 million (as at 31 December 2009: RMB50 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB448 million (as at 31 December 2009: RMB9 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.

(iii) Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the reporting date:

	The Group					
	30 June 2010			31 December 2009		
	Gross balance	**%**	**Loans with pledged assets**	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	**250,401**	**20.9**	**77,898**	210,446	19.8	75,177
— Wholesale and retail	**116,002**	**9.7**	**52,013**	85,872	8.1	41,561
— Transportation, storage and postal services	**115,345**	**9.7**	**33,872**	102,557	9.6	32,325
— Water, environment and public utility management	**90,242**	**7.6**	**32,597**	74,604	7.0	26,556
— Production and supply of electric power, gas and water	**82,387**	**6.9**	**9,928**	85,106	8.0	10,742
— Real estate	**60,498**	**5.1**	**45,786**	46,312	4.3	39,485
— Public management and social organizations	**56,039**	**4.7**	**36,547**	49,560	4.7	31,257
— Rent and business services	**47,149**	**4.0**	**18,940**	49,900	4.7	24,383
— Construction	**43,803**	**3.7**	**11,260**	34,554	3.2	10,068
— Financing	**7,051**	**0.6**	**2,592**	6,551	0.6	2,178
— Others	**87,218**	**7.3**	**19,924**	77,173	7.2	18,846
Subtotal	**956,135**	**80.2**	**341,357**	822,635	77.2	312,578
Personal loans	**190,572**	**15.9**	**171,502**	148,240	13.9	131,224
Discounted bills	**46,131**	**3.9**	**—**	94,774	8.9	—
Gross loans and advances to customers	**1,192,838**	**100.0**	**512,859**	1,065,649	100.0	443,802

(Expressed in millions of Renminbi unless otherwise stated)

54 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 reporting date: (Continued)

	The Bank					
	30 June 2010			31 December 2009		
	Gross balance	%	Loans with pledged assets	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	242,855	21.7	75,101	204,706	20.5	72,929
— Transportation, storage and postal services	112,343	10.1	31,934	99,823	10.0	30,303
— Wholesale and retail	107,884	9.7	49,685	82,159	8.2	39,608
— Water, environment and public utility management	90,242	8.1	32,597	74,604	7.5	26,556
— Production and supply of electric power, gas and water	82,121	7.4	9,902	84,819	8.5	10,561
— Public management and social organizations	56,039	5.0	36,547	49,560	4.9	31,257
— Real estate	50,283	4.5	35,639	37,320	3.7	30,783
— Rent and business services	47,049	4.2	18,940	49,800	5.0	24,383
— Construction	43,611	3.9	11,139	34,381	3.4	9,973
— Financing	2,665	0.2	713	2,583	0.3	823
— Others	62,410	5.6	15,196	53,802	5.4	13,085
Subtotal	897,502	80.4	317,393	773,557	77.4	290,261
Personal loans	175,220	15.6	156,680	133,637	13.3	117,227
Discounted bills	44,174	4.0	—	93,280	9.3	—
Gross loans and advances to customers	1,116,896	100.0	474,073	1,000,474	100.0	407,488

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:

The Group

	30 June 2010				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	3,803	2,373	2,602	471	67

(Expressed in millions of Renminbi unless otherwise stated)

54 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 reporting date: (Continued)

The Group (Continued)

	31 December 2009				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	3,952	2,534	2,107	1,187	706

The Bank

	30 June 2010				
	Impaired loans and advances	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Impairment charged during the period**	**Impaired loan written off during the period**
Manufacturing	**3,543**	**2,296**	**2,552**	**429**	**56**
Transportation, storage and postal services	**100**	**86**	**1,095**	**155**	**—**

	31 December 2009				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	3,866	2,485	2,026	1,019	505
Transportation, storage and postal services	100	80	947	(236)	5

(iv) Loans and advances to customers and the balance secured by collaterals analysed by geographical sector risk concentrations at the reporting date:

The Group

	30 June 2010			31 December 2009		
	Gross balance	**%**	**Loans and advances secured by collaterals**	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	**325,804**	**27.3**	**126,122**	293,907	27.6	105,394
Yangtze River Delta	**312,055**	**26.2**	**135,692**	284,055	26.7	129,485
Pearl River Delta and West Strait	**165,304**	**13.9**	**81,489**	145,222	13.6	69,119
Central	**148,991**	**12.5**	**56,649**	133,009	12.5	44,189
Western	**127,864**	**10.7**	**58,937**	113,499	10.6	47,173
Northeastern	**40,784**	**3.4**	**18,514**	34,965	3.3	15,523
Outside Mainland China	**72,036**	**6.0**	**35,456**	60,992	5.7	32,919
Total	**1,192,838**	**100.0**	**512,859**	1,065,649	100.0	443,802

(Expressed in millions of Renminbi unless otherwise stated)

54 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 reporting date: (Continued)

The Bank

	30 June 2010			31 December 2009		
	Gross balance	**%**	**Loans and advances secured by collaterals**	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	**325,022**	**29.1**	**125,527**	293,056	29.3	104,789
Yangtze River Delta	**310,197**	**27.8**	**133,995**	282,138	28.2	127,786
Pearl River Delta and West Strait	**164,038**	**14.7**	**80,451**	143,807	14.4	68,028
Central	**148,991**	**13.3**	**56,649**	133,009	13.3	44,189
Western	**127,864**	**11.4**	**58,937**	113,499	11.3	47,173
Northeastern	**40,784**	**3.7**	**18,514**	34,965	3.5	15,523
Total	**1,116,896**	**100.0**	**474,073**	1,000,474	100.0	407,488

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:

The Group

	30 June 2010		
	Impaired loans and advances	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Bohai Rim (including Head Office)	**2,946**	**1,670**	**3,519**
Yangtze River Delta	**2,180**	**1,096**	**3,081**
Pearl River Delta and West Strait	**1,463**	**783**	**1,558**
Central	**446**	**365**	**1,413**
Western	**701**	**521**	**1,151**

	31 December 2009		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,237	1,830	3,249
Yangtze River Delta	2,264	1,160	2,480
Pearl River Delta and West Strait	1,331	730	1,293
Central	703	445	1,102
Western	715	594	1,013

(Expressed in millions of Renminbi unless otherwise stated)

54 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 reporting date: (Continued)

The Bank

	30 June 2010		
	Impaired loans and advances	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Bohai Rim (including Head Office)	**2,946**	**1,670**	**3,519**
Yangtze River Delta	**2,155**	**1,086**	**3,081**
Pearl River Delta and West Strait	**1,416**	**783**	**1,558**
Central	**446**	**365**	**1,413**
Western	**701**	**521**	**1,151**

	31 December 2009		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	3,237	1,830	3,249
Yangtze River Delta	2,237	1,150	2,480
Pearl River Delta and West Strait	1,284	730	1,293
Central	703	445	1,102
Western	715	594	1,013

(v) Loans and advances to customers analysed by types of collaterals

	The Group		**The Bank**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Unsecured loans	**403,185**	293,974	**387,664**	283,394
Guaranteed loans	**230,663**	233,099	**210,985**	216,312
Secured loans				
— Tangible assets other than monetary assets	**402,592**	335,343	**367,262**	301,493
— Monetary assets	**110,267**	108,459	**106,811**	105,995
Subtotal	**1,146,707**	970,875	**1,072,722**	907,194
Discounted bills	**46,131**	94,774	**44,174**	93,280
Gross loans and advances to customers	**1,192,838**	1,065,649	**1,116,896**	1,000,474

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(a) Credit risk (Continued)

(vi) Rescheduled loans and advances to customers

The Group

	30 June 2010		31 December 2009	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	**3,591**	**0.30%**	4,146	0.39%
Less:				
— rescheduled loans and advances overdue more than 3 months	**1,887**	**0.16%**	2,079	0.20%
Rescheduled loans and advances overdue less than 3 months	**1,704**	**0.14%**	2,067	0.19%

The Bank

	30 June 2010		31 December 2009	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	**2,895**	**0.26%**	3,577	0.36%
Less:				
— rescheduled loans and advances overdue more than 3 months	**1,848**	**0.17%**	2,038	0.20%
Rescheduled loans and advances overdue less than 3 months	**1,047**	**0.09%**	1,539	0.16%

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.

(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 statement of financial position 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.

Interest rate risk and currency risk are major market risks that confront the Group.

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

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.

The following tables indicate the effective interest rates for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

The Group

	30 June 2010						
	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	1.39%	249,963	3,902	246,061	—	—	—
Deposits with banks and non-bank financial institutions	1.35%	45,129	—	42,829	2,300	—	—
Placements with banks and non-bank financial institutions	0.90%	55,916	22	49,533	6,361	—	—
Financial assets held under resale agreements	2.26%	143,032	—	131,144	11,888	—	—
Loans and advances to customers (note (ii))	4.91%	1,176,347	159	717,049	445,477	12,935	727
Investments (note (iii))	2.67%	243,893	3,182	56,771	70,769	79,861	33,310
Others		25,888	25,888	—	—	—	—
Total assets		1,940,168	33,153	1,243,387	536,795	92,796	34,037
Liabilities							
Deposits from banks and non-bank financial institutions	1.75%	122,321	17	115,525	6,779	—	—
Placements from banks and non-bank financial institutions	1.52%	5,021	—	4,254	—	—	767
Financial assets sold under repurchase agreements	0.97%	4,348	—	4,048	300	—	—
Deposits from customers	1.30%	1,629,302	7,056	1,242,135	331,845	28,437	19,829
Debts securities issued	3.70%	34,553	—	5,203	1,961	1,603	25,786
Others		30,401	25,321	2,519	2,408	139	14
Total liabilities		1,825,946	32,394	1,373,684	343,293	30,179	46,396
Asset-liability gap		114,222	759	(130,297)	193,502	62,617	(12,359)

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (Continued)

	31 December 2009 (restated)						
	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	1.38%	224,003	3,926	220,077	—	—	—
Deposits with banks and non-bank financial institutions	0.58%	26,319	—	24,822	1,497	—	—
Placements with banks and non-bank financial institutions	0.80%	55,489	—	48,060	7,224	205	—
Financial assets held under resale agreements	2.01%	185,203	—	180,829	4,374	—	—
Loans and advances to customers (note (ii))	4.78%	1,050,479	194	636,358	392,013	20,822	1,092
Investments (note (iii))	3.03%	208,400	3,818	46,404	81,954	58,531	17,693
Others		25,138	25,138	—	—	—	—
Total assets		1,775,031	33,076	1,156,550	487,062	79,558	18,785
Liabilities							
Deposits from banks and non-bank financial institutions	1.44%	275,049	160	272,124	2,765	—	—
Placements from banks and non-bank financial institutions	1.60%	4,553	—	3,656	156	—	741
Financial assets sold under repurchase agreements	0.99%	4,100	—	3,800	—	300	—
Deposits from customers	1.50%	1,341,927	7,300	1,034,705	261,353	35,260	3,309
Debts securities issued	4.23%	18,422	—	10,456	283	2,024	5,659
Others		23,972	23,972	—	—	—	—
Total liabilities		1,668,023	31,432	1,324,741	264,557	37,584	9,709
Asset-liability gap		107,008	1,644	(168,191)	222,505	41,974	9,076

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The following tables indicate the effective interest rates for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

The Bank

	30 June 2010						
	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	1.39%	249,392	3,764	245,628	—	—	—
Deposits with banks and non-bank financial institutions	1.55%	36,795	—	34,495	2,300	—	—
Placements with banks and non-bank financial institutions	1.15%	35,896	22	29,716	6,158	—	—
Financial assets held under resale agreements	2.26%	143,100	—	131,212	11,888	—	—
Loans and advances to customers (note (ii))	5.04%	1,100,962	—	650,640	436,917	12,687	718
Investments (note (iii))	2.70%	235,830	9,998	52,000	63,136	77,056	33,640
Others		21,578	21,578	—	—	—	—
Total assets		1,823,553	35,362	1,143,691	520,399	89,743	34,358
Liabilities							
Deposits from banks and non-bank financial institutions	1.75%	122,498	17	115,702	6,779	—	—
Placements from banks and non-bank financial institutions	1.97%	4,365	—	3,598	—	—	767
Financial assets sold under repurchase agreements	0.95%	4,348	—	4,048	300	—	—
Deposits from customers	1.36%	1,531,625	4,380	1,154,929	324,088	28,399	19,829
Debts securities issued	4.34%	23,402	—	902	—	—	22,500
Others		27,743	22,663	2,519	2,408	139	14
Total liabilities		1,713,981	27,060	1,281,698	333,575	28,538	43,110
Asset-liability gap		109,572	8,302	(138,007)	186,824	61,205	(8,752)

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (Continued)

	31 December 2009 (restated)						
	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	1.38%	223,529	3,785	219,744	—	—	—
Deposits with banks and non-bank financial institutions	0.67%	20,898	—	19,398	1,500	—	—
Placements with banks and non-bank financial institutions	1.25%	42,892	—	37,571	5,116	205	—
Financial assets held under resale agreements	2.02%	185,271	—	180,897	4,374	—	—
Loans and advances to customers (note (ii))	4.89%	985,854	—	574,789	389,373	20,607	1,085
Investments (note (iii))	3.07%	197,324	10,012	39,682	77,046	52,901	17,683
Others		21,381	21,381	—	—	—	—
Total assets		1,677,149	35,178	1,072,081	477,409	73,713	18,768
Liabilities							
Deposits from banks and non-bank financial institutions	1.44%	275,124	16	272,207	2,901	—	—
Placements from banks and non-bank financial institutions	1.64%	2,236	—	1,495	—	—	741
Financial assets sold under repurchase agreements	0.99%	4,100	—	3,800	—	300	—
Deposits from customers	1.56%	1,259,064	4,594	962,144	253,789	35,228	3,309
Debts securities issued	4.42%	12,000	—	6,000	—	—	6,000
Others		22,002	22,002	—	—	—	—
Total liabilities		1,574,526	26,612	1,245,646	256,690	35,528	10,050
Asset-liability gap		102,623	8,566	(173,565)	220,719	38,185	8,718

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 at Group level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB6,011 million as at 30 June 2010 (as at 31 December 2009: RMB5,072 million).

For loans and advances to customers at Bank level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB5,000 million as at 30 June 2010 (as at 31 December 2009: RMB4,004 million).

(iii) Investments include the trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in associates.

54 Financial risk management (Continued)

(b) Market 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 30 June 2010 and 31 December 2009.

	30 June 2010 Change in interest rates (in basis point)		31 December 2009 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(148)**	**148**	(13)	13

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.

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)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The exposures at the reporting date were as follows:

The Group

	30 June 2010 RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	247,186	2,241	405	131	249,963
Deposits with banks and non-bank financial institutions	30,926	4,057	8,005	2,141	45,129
Placements with banks and non-bank financial institutions	33,883	13,374	7,918	741	55,916
Financial assets held under resale agreements	143,018	14	—	—	143,032
Loans and advances to customers	1,059,578	65,688	47,891	3,190	1,176,347
Investments	204,597	29,098	7,049	3,149	243,893
Others	19,777	1,997	3,602	512	25,888
Total assets	1,738,965	116,469	74,870	9,864	1,940,168
Liabilities					
Deposits from banks and non-bank financial institutions	119,251	1,625	674	771	122,321
Placements from banks and non-bank financial institutions	2,240	1,901	113	767	5,021
Financial assets sold under repurchase agreements	2,300	2,048	—	—	4,348
Deposits from customers	1,487,774	56,006	67,465	18,057	1,629,302
Debts securities issued	23,402	6,960	4,191	—	34,553
Others	23,219	4,475	1,871	836	30,401
Total liabilities	1,658,186	73,015	74,314	20,431	1,825,946
Net on-balance sheet position	80,779	43,454	556	(10,567)	114,222
Credit commitments	539,240	87,652	16,905	12,222	656,019
Derivatives (note(i))	21,499	(43,798)	11,484	10,931	116

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (Continued)

	31 December 2009 (restated)				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	221,182	2,410	261	150	224,003
Deposits with banks and non-bank financial institutions	11,951	7,714	4,647	2,007	26,319
Placements with banks and non-bank financial institutions	40,249	12,897	1,112	1,231	55,489
Financial assets held under resale agreements	184,622	581	—	—	185,203
Loans and advances to customers	954,329	47,942	45,238	2,970	1,050,479
Investments	159,015	37,282	8,088	4,015	208,400
Others	19,853	1,559	3,040	686	25,138
Total assets	1,591,201	110,385	62,386	11,059	1,775,031
Liabilities					
Deposits from banks and non-bank financial institutions	266,949	6,531	813	756	275,049
Placements from banks and non-bank financial institutions	—	1,747	2,065	741	4,553
Financial assets sold under repurchase agreements	2,837	1,210	—	53	4,100
Deposits from customers	1,214,773	60,829	53,376	12,949	1,341,927
Debts securities issued	12,000	3,448	2,974	—	18,422
Others	20,304	1,495	1,309	864	23,972
Total liabilities	1,516,863	75,260	60,537	15,363	1,668,023
Net on-balance sheet position	74,338	35,125	1,849	(4,304)	107,008
Credit commitments	408,519	65,296	17,459	11,401	502,675
Derivatives (note(i))	19,234	(35,063)	11,230	4,729	130

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	30 June 2010				
	RMB	**USD**	**HKD**	**Others**	**Total**
Assets					
Cash and balances with central bank	246,817	2,163	285	127	249,392
Deposits with banks and non-bank financial institutions	30,467	3,967	701	1,660	36,795
Placements with banks and non-bank financial institutions	32,918	2,903	75	—	35,896
Financial assets held under resale agreements	143,018	82	—	—	143,100
Loans and advances to customers	1,058,558	40,220	127	2,057	1,100,962
Investments	213,982	19,830	506	1,512	235,830
Others	19,760	1,285	68	465	21,578
Total assets	1,745,520	70,450	1,762	5,821	1,823,553
Liabilities					
Deposits from banks and non-bank financial institutions	119,619	1,637	471	771	122,498
Placements from banks and non-bank financial institutions	2,240	1,358	—	767	4,365
Financial assets sold under repurchase agreements	2,300	2,048	—	—	4,348
Deposits from customers	1,484,782	34,071	6,030	6,742	1,531,625
Debts securities issued	23,402	—	—	—	23,402
Others	23,172	3,806	147	618	27,743
Total liabilities	1,655,515	42,920	6,648	8,898	1,713,981
Net on-balance sheet position	90,005	27,530	(4,886)	(3,077)	109,572
Credit commitments	539,139	67,624	214	11,646	618,623
Derivatives (note(i))	21,544	(27,822)	2,940	3,384	46

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (Continued)

	31 December 2009 (restated)				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	220,891	2,347	147	144	223,529
Deposits with banks and non-bank financial institutions	11,188	7,604	483	1,623	20,898
Placements with banks and non-bank financial institutions	40,293	2,259	340	—	42,892
Financial assets held under resale agreements	184,622	649	—	—	185,271
Loans and advances to customers	953,163	30,886	114	1,691	985,854
Investments	158,706	35,426	668	2,524	197,324
Others	19,828	952	6	595	21,381
Total assets	1,588,691	80,123	1,758	6,577	1,677,149
Liabilities					
Deposits from banks and non-bank financial institutions	266,953	6,646	769	756	275,124
Placements from banks and non-bank financial institutions	—	1,495	—	741	2,236
Financial assets sold under repurchase agreements	2,837	1,210	—	53	4,100
Deposits from customers	1,212,629	38,077	2,573	5,785	1,259,064
Debts securities issued	12,000	—	—	—	12,000
Others	20,247	868	116	771	22,002
Total liabilities	1,514,666	48,296	3,458	8,106	1,574,526
Net on-balance sheet position	74,025	31,827	(1,700)	(1,529)	102,623
Credit commitments	408,436	53,372	202	11,090	473,100
Derivatives (note(i))	19,192	(22,687)	1,635	1,872	12

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.

54 Financial risk management (Continued)

(b) Market 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 30 June 2010 and 31 December 2009, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	30 June 2010 Change in foreign currency exchange rate (in basis point)		31 December 2009 Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(18)**	**18**	(20)	20

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.

(c) 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.

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 reporting date.

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group

	30 June 2010						
	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 banks	76,255	—	—	—	—	173,708	249,963
Deposits with banks and non-bank financial institutions	21,426	21,403	2,300	—	—	—	45,129
Placements with banks and non-bank financial institutions	—	43,620	9,728	2,546	—	22	55,916
Financial assets held under resale agreements	—	128,711	12,726	1,595	—	—	143,032
Loans and advances to customers (note(ii))	2,584	202,127	469,283	288,694	209,060	4,599	1,176,347
Investment securities	5,366	49,178	70,804	81,247	34,533	2,765	243,893
Others	2,016	3,413	2,226	2,029	440	15,764	25,888
Total assets	107,647	448,452	567,067	376,111	244,033	196,858	1,940,168
Liabilities							
Deposits from banks and non-bank financial institutions	62,438	52,604	7,279	—	—	—	122,321
Placements from banks and non-bank financial institutions	61	3,795	398	—	767	—	5,021
Financial assets sold under repurchase agreements	—	4,048	300	—	—	—	4,348
Deposits from customers	903,354	338,835	337,521	29,763	19,829	—	1,629,302
Debts securities issued	—	1,166	1,951	5,648	25,788	—	34,553
Others	2,930	21,610	2,703	891	725	1,542	30,401
Total liabilities	968,783	422,058	350,152	36,302	47,109	1,542	1,825,946
(Short)/Long position	(861,136)	26,394	216,915	339,809	196,924	195,316	114,222

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group (Continued)

	31 December 2009 (restated)						
	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 banks	94,823	—	—	—	—	129,180	224,003
Deposits with banks and non-bank financial institutions	18,537	6,285	1,497	—	—	—	26,319
Placements with banks and non-bank financial institutions	—	44,124	8,653	1,722	990	—	55,489
Financial assets held under resale agreements	—	177,956	7,141	106	—	—	185,203
Loans and advances to customers (note(ii))	1,892	209,787	415,286	253,548	165,165	4,801	1,050,479
Investment securities	5,420	31,668	64,099	70,532	33,852	2,829	208,400
Others	2,001	2,944	1,924	886	299	17,084	25,138
Total assets	122,673	472,764	498,600	326,794	200,306	153,894	1,775,031
Liabilities							
Deposits from banks and non-bank financial institutions	144	272,140	2,765	—	—	—	275,049
Placements from banks and non-bank financial institutions	—	3,656	156	—	741	—	4,553
Financial assets sold under repurchase agreements	—	3,800	—	300	—	—	4,100
Deposits from customers	756,912	276,904	264,917	38,667	4,527	—	1,341,927
Debts securities issued	—	869	7,919	3,975	5,659	—	18,422
Others	2,406	16,361	2,181	997	712	1,315	23,972
Total liabilities	759,462	573,730	277,938	43,939	11,639	1,315	1,668,023
(Short)/Long position	(636,789)	(100,966)	220,662	282,855	188,667	152,579	107,008

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank

	30 June 2010						
	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 banks	76,004	—	—	—	—	173,388	249,392
Deposits with banks and non-bank financial institutions	13,092	21,403	2,300	—	—	—	36,795
Placements with banks and non-bank financial institutions	—	28,395	6,275	1,204	—	22	35,896
Financial assets held under resale agreements	—	128,779	12,726	1,595	—	—	143,100
Loans and advances to customers (note(ii))	2,135	192,152	452,294	259,522	191,322	3,537	1,100,962
Investment securities	5,366	46,535	63,135	77,056	33,640	10,098	235,830
Others	502	3,412	2,226	2,029	440	12,969	21,578
Total assets	97,099	420,676	538,956	341,406	225,402	200,014	1,823,553
Liabilities							
Deposits from banks and non-bank financial institutions	62,615	52,604	7,279	—	—	—	122,498
Placements from banks and non-bank financial institutions	—	3,598	—	—	767	—	4,365
Financial assets sold under repurchase agreements	—	4,048	300	—	—	—	4,348
Deposits from customers	874,799	284,510	324,088	28,399	19,829	—	1,531,625
Debts securities issued	—	—	902	—	22,500	—	23,402
Others	1,559	21,083	2,703	891	725	782	27,743
Total liabilities	938,973	365,843	335,272	29,290	43,821	782	1,713,981
(Short)/Long position	(841,874)	54,833	203,684	312,116	181,581	199,232	109,572

(Expressed in millions of Renminbi unless otherwise stated)

54 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank (Continued)

	31 December 2009 (restated)						
	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 banks	82,896	—	—	—	—	140,633	223,529
Deposits with banks and non-bank financial institutions	13,113	6,285	1,500	—	—	—	20,898
Placements with banks and non-bank financial institutions	—	37,522	5,166	204	—	—	42,892
Financial assets held under resale agreements	—	178,024	7,141	106	—	—	185,271
Loans and advances to customers (note(ii))	1,435	201,888	405,708	224,905	148,380	3,538	985,854
Investment securities	5,420	27,004	59,018	63,085	32,683	10,114	197,324
Others	973	2,949	1,903	886	299	14,371	21,381
Total assets	103,837	453,672	480,436	289,186	181,362	168,656	1,677,149
Liabilities							
Deposits from banks and non-bank financial institutions	—	157,961	2,901	—	—	114,262	275,124
Placements from banks and non-bank financial institutions	—	1,495	—	—	741	—	2,236
Financial assets sold under repurchase agreements	—	3,800	—	300	—	—	4,100
Deposits from customers	720,668	242,593	253,548	37,728	4,527	—	1,259,064
Debts securities issued	—	—	6,000	—	6,000	—	12,000
Others	1,409	16,187	2,150	997	712	547	22,002
Total liabilities	722,077	422,036	264,599	39,025	11,980	114,809	1,574,526
(Short)/Long position	(618,240)	31,636	215,837	250,161	169,382	53,847	102,623

Notes:

(i) For cash and balances with central banks, 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.

54 Financial risk management (Continued)

(d) 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 the major 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 directly reports to the Board of Directors.

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.

(Expressed in millions of Renminbi unless otherwise stated)

55 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 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 non-controlling interests, after the deduction of dividends declared after the reporting 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 RMB 8.5 billion, commercial banks must provide for market risk capital. At present, the Group 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 Group's sound operations and risk management capability. The Group'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 Group's operating situations.

The Group 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 Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The capital adequacy ratios of the Group calculated based on the financial report under relevant accounting rules and regulations in the PRC were as follows:

	30 June 2010	31 December 2009
Capital adequacy ratio (note(i))	**10.95%**	10.72%
Core capital adequacy ratio (note(ii))	**8.26%**	9.17%
Components of capital base		
Core capital:		
— Share capital	**39,033**	39,033
— Capital reserve, investment revaluation reserve and exchange difference	**29,850**	29,947
— Surplus reserve and general reserve	**16,097**	16,097
— Retained earnings (note(iii))	**24,971**	14,286
— Non-controlling interest	**4,271**	4,210
Total core capital	**114,222**	103,573
Supplementary capital:		
— General provision for doubtful debts	**10,591**	8,855
— Subordinated debts/bonds issued	**28,047**	10,307
Total supplementary capital	**38,638**	19,162

(Expressed in millions of Renminbi unless otherwise stated)

55 Capital adequacy ratio (Continued)

	30 June 2010	31 December 2009
Total capital base before deductions	**152,860**	122,735
Deductions:		
— Goodwill	**879**	887
— Unconsolidated equity investments	**2,140**	2,157
— Others	**1,109**	1,103
Total capital base after deductions	**148,732**	118,588
Core capital base after deductions	**112,190**	101,527
Risk weighted assets	**1,358,402**	1,106,648

Note:

(i) Capital Adequacy Ratio ("CAR") equals to total capital base after deductions divided by risk weighted assets.

(ii) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deduction of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by risk-weighted assets.

(iii) Retained earnings are the balances after deducting the dividend approved by board of directors after the reporting date, but pending for the shareholders' approval at the General Meeting.

56 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 banks, banks and other financial institutions

Amounts due from central banks, 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 carrying values and the fair values of held-to-maturity debt securities are presented in Note 23.

(Expressed in millions of Renminbi unless otherwise stated)

56 Fair value (Continued)

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificate of deposit, and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

	The Group			
	Carrying values		Fair values	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Certificate of deposit (not for trading purpose)	**4,467**	3,252	**4,462**	3,260
Debt securities issued	**131**	63	**131**	63
Subordinated debts/bonds issued	**29,053**	9,107	**28,392**	9,068

	The Bank			
	Carrying values		Fair values	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Subordinated debts/bonds issued	**22,500**	6,000	**21,769**	5,879

57 Related parties

(a) Relationship of Related parties

(1) Related parties of the Group include subsidiaries of the Group, CITIC Group and its subsidiaries and BBVA, which is a strategic investor in the Group.

(2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. Its organization code is: 10168558-X. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.

(3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 30 June 2010 (31 December 2009: 10.07%) and therefore BBVA is recognised as a related party of the Group with significant influence.

(4) Besides the subsidiaries of the Bank mentioned in Note 25, CITIC Group is also a related party of the Bank that has control relations.

(Expressed in millions of Renminbi unless otherwise stated)

57 Related parties (Continued)

(b) Related party transactions

During the relevant periods, 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. Transactions during the relevant periods and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2010				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries** Note (i)
Profit and loss					
Interest income	**11**	**104**	**10**	**—**	**6**
Fee and commission income	**—**	**77**	**1**	**20**	**—**
Interest expense	**(102)**	**(257)**	**(12)**	**(4)**	**(5)**
Net trading (loss)/gain	**(229)**	**12**	**17**	**—**	**3**
Other service fees	**—**	**(25)**	**(4)**	**(34)**	**—**

	Six months ended 30 June 2009 (restated)				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Profit and loss					
Interest income	23	176	—	—	10
Fee and commission income	—	123	—	17	—
Interest expense	(96)	(162)	(10)	(6)	—
Net trading gain/(loss)	48	(6)	16	(3)	(1)
Other service fees	—	(61)	—	(29)	—

	30 June 2010				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries** Note (i)
Assets					
Gross loans and advances to customers	**—**	**3,923**	**—**	**122**	**—**
Less: individually assessed allowances for impairment loss	**—**	**—**	**—**	**—**	**—**
Loans and advances to customers (net)	**—**	**3,923**	**—**	**122**	**—**
Gross amount of deposits and placements with banks and non-bank financial institutions	**—**	**31**	**273**	**—**	**899**
Less: Allowances for impairment losses	**—**	**(8)**	**—**	**—**	**—**
Deposits and placement with banks and non-bank financial institutions (net)	**—**	**23**	**273**	**—**	**899**
Investments	**479**	**545**	**136**	**—**	**10,224**
Financial assets held under resale agreements	**—**	**—**	**—**	**—**	**68**
Other assets	**7**	**25**	**149**	**—**	**3**

(Expressed in millions of Renminbi unless otherwise stated)

57 Related parties (Continued)

(b) Related party transactions (Continued)

	30 June 2010				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Liabilities					
Deposits from customers	**16,655**	**17,215**	**—**	**3,157**	**74**
Deposits and placements from banks and non-bank financial institutions	**—**	**10,527**	**—**	**—**	**366**
Debts securities issued	**—**	**2**	**—**	**—**	**—**
Other liabilities	**17**	**768**	**2,521**	**1**	**1**
Equity					
Investment revaluation reserve	**—**	**(1)**	**—**	**—**	**—**
Off-balance sheet items					
Guarantees and letters of credit	**79**	**231**	**—**	**—**	**—**
Acceptances	**—**	**167**	**—**	**—**	**—**
Guarantees for loans to third parties	**—**	**1,688**	**2**	**3**	**729**
Nominal amount of derivatives	**393**	**2,930**	**23,359**	**—**	**81**

	31 December 2009				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Assets					
Gross loans and advances to customers	—	4,022	—	—	—
Less: individually assessed allowances for impairment loss	—	—	—	—	—
Loans and advances to customers (net)	—	4,022	—	—	—
Gross amount of deposits and placements with banks and non-bank financial institutions	—	31	14	—	882
Less: Allowances for impairment losses	—	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	—	23	14	—	882
Investments	464	488	1,026	—	10,226
Financial assets held under resale agreements	—	—	—	—	68
Other assets	446	29	55	—	1
Liabilities					
Deposits from customers	18,545	6,185	—	1,969	114
Deposits and placements from banks and non-bank financial institutions	—	26,339	—	—	142
Other liabilities	32	767	658	—	4
Equity					
Investment revaluation reserve	2	—	2	—	—
Off-balance sheet items					
Guarantees and letters of credit	82	367	—	—	—
Acceptances	—	175	—	—	—
Guarantees for loans to third parties	—	—	2	3	728
Nominal amount of derivatives	6,687	3,971	15,345	—	68

57 Related parties (Continued)

(b) Related party transactions (Continued)

Notes:

(i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.

(ii) The Bank sold wealth management products to its retail customers, part of which are managed by CITIC Trust. During the six months ended 30 June 2010, on behalf of its customers, CITIC Trust did not purchase from the Bank any loans and advances to customers (six months ended 30 June 2009: 2 billion).

(c) 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 30 June 2010 to directors, supervisors and executive officers amounted to RMB 27.51 million (as at 31 December 2009: RMB20.18 million).

The aggregate of the compensations in respect of directors, supervisors and senior executives during the six months ended 30 June 2010 amounted to RMB8.54 million (six months ended 30 June 2009: 17.39 million)

(d) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group has 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 39(iii)).

(e) 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.

57 Related parties (Continued)

(e) Transactions with other state-owned entities in the PRC (Continued)

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.

58 Ultimate parent

The immediate and ultimate parent of the Group is CITIC Group.

59 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2010 and which have not been adopted in the interim financial report.

— Revised IAS 24, *Related party disclosures;*

— Amendments to IFRIC 14, IAS 19, *The limit on a defined benefit asset, minimum funding requirements and their interaction;*

— IFRIC 19, *Extinguishing financial liabilities with equity instruments;*

— Improvements to IFRSs (2010), except for the amendments to IFRS 1 as disclosed in Note 2;

— IFRS 9, *Financial instruments.*

The Group is in the process of making assessment of what the impact of these developments is expected to be in the period of 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 except for IFRS 9, Financial instruments, which may have an impact on the Group's results and financial position.

60 Comparative figures

As disclosed in Note 3, the Group has made retrospective restatement of certain comparative figures and opening balances due to early adoption of amendments to IFRS 1 and the corresponding change of accounting policies related to deemed costs.

In addition, the Bank obtained control over CIFH through common control business combination in 2009. In the consolidated financial report, the Group restated the comparative figures and opening balances as if CIFH had been part of the Group since that common control was established.

61 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the financial report after the reporting date.

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited financial report, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRS and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial report, which includes the financial report of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial report for the six months ended 30 June 2010 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the six months ended 30 June 2010 or total equity as at 30 June 2010 between the Group's consolidated financial report prepared under IFRS and that prepared under PRC GAAP respectively.

2 Liquidity ratios

	30 June 2010	31 December 2009
RMB current assets to RMB current liabilities	**53.30%**	48.12%
Foreign currency current assets to foreign currency current liabilities	**77.05%**	104.47%

The above liquidity ratios were calculated based on the financial report under PRC GAAP promulgated by the Ministry of Finance of the People's Republic of China ("PRC") with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

3 Currency concentrations

	30 June 2010			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**116,469**	**74,870**	**9,864**	**201,203**
Spot liabilities	**(73,015)**	**(74,314)**	**(20,431)**	**(167,760)**
Forward purchases	**167,664**	**30,039**	**26,610**	**224,313**
Forward sales	**(211,543)**	**(18,560)**	**(15,672)**	**(245,775)**
Net option position	**(55)**	**—**	**(7)**	**(62)**
Net long/(short) position	**(480)**	**12,035**	**364**	**11,919**

(Expressed in millions of Renminbi unless otherwise stated)

3 Currency concentrations (Continued)

	31 December 2009			
	US Dollars	HK Dollars	Others	Total
Spot assets	119,856	62,445	11,562	193,863
Spot liabilities	(84,731)	(60,596)	(15,866)	(161,193)
Forward purchases	115,771	25,532	22,592	163,895
Forward sales	(150,902)	(14,261)	(17,864)	(183,027)
Net long/(short) position	(6)	13,120	424	13,538

4 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 ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") 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 area 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.

	30 June 2010			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**11,300**	**226**	**7,884**	**19,410**
— of which attributed to Hong Kong	**1,766**	**75**	**4,613**	**6,454**
Europe	**21,337**	**613**	**2,684**	**24,634**
North and South America	**8,279**	**4,417**	**2,430**	**15,126**
Total	**40,916**	**5,256**	**12,998**	**59,170**

	31 December 2009			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	21,431	155	7,398	28,984
— of which attributed to Hong Kong	13,173	75	4,478	17,726
Europe	23,059	1,317	3,198	27,574
North and South America	6,395	6,272	2,890	15,557
Total	50,885	7,744	13,486	72,115

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical segments

	30 June 2010		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Impaired Loans**
Yangtze River Delta	**312,055**	**1,828**	**2,180**
Bohai Rim (include Head Office)	**325,804**	**2,816**	**2,946**
Pearl River Delta and West Strait	**165,304**	**1,182**	**1,463**
Central	**148,991**	**445**	**446**
Western	**127,864**	**417**	**701**
Northeastern	**40,784**	**466**	**822**
Outside Mainland China	**72,036**	**298**	**1,147**
Total	**1,192,838**	**7,452**	**9,705**

	31 December 2009		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	284,055	1,765	2,264
Bohai Rim (include Head Office)	293,907	3,177	3,237
Pearl River Delta and West Strait	145,222	1,269	1,331
Central	133,009	475	703
Western	113,499	429	715
Northeastern	34,965	417	833
Outside Mainland China	60,992	429	1,074
Total	1,065,649	7,961	10,157

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: that is portfolios of homogeneous loans and advances.

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross 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

	30 June 2010	31 December 2009
Gross amounts due from banks and other financial institutions which have been overdue	**31**	32
As a percentage of total gross amounts due from banks and other financial institutions	**0.03%**	0.04%

Note:

All overdue amounts have been overdue over 12 months.

(ii) Gross amounts of overdue loans and advances to customers

	30 June 2010	31 December 2009
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	**510**	598
— between 6 and 12 months	**701**	1,783
— over 12 months	**6,241**	5,580
Total	**7,452**	7,961
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.04%**	0.06%
— between 6 and 12 months	**0.06%**	0.17%
— over 12 months	**0.52%**	0.52%
Total	**0.62%**	0.75%

6 Gross 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 30 June 2010, the loans and advances to customers of RMB6,375 million (as at 31 December 2009: 6,730 million) and RMB1,077 million (as at 31 December 2009: 1,231 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 RMB1,093 million (as at 31 December 2009: 1,091 million) and RMB5,282 million (as at 31 December 2009: 5,639 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,815 million (as at 31 December 2009: 1,929 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 RMB4,439 million (as at 31 December 2009: 4,577 million).

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2010, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial report.

DEFINITION

In this interim report, unless the context requires otherwise, the following terms shall have the meanings below:

BBVA	Banco Bilbao Vizcaya Argentaria, S.A.
Group	China CITIC Bank Corporation Limited and its subsidiaries
Bank/China CITIC Bank/ CITIC Bank/CNCB	China CITIC Bank Corporation Limited
GIL	Gloryshare Investments Limited
Company Law	Company Law of the People's Republic of China
Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
State Council	State Council of the People's Republic of China
SASAC	State-owned Assets Supervision Administration Commission of the State Council
China AMC	China Asset Management Co., Ltd.
NSSF	National Council for Social Security Fund
CIAM Group	CIAM Group Limited
SSE	Shanghai Stock Exchange
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Central Bank	The People's Bank of China
MOF	Ministry of Finance of the People's Republic of China
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Bank International	CITIC Bank International Limited
CITIC Group	CITIC Group
China Securities	China Securities Co., Ltd.
CITIC Kingtong Securities	CITIC Kingtong Securities Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Securities	CITIC Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Resources Holdings	CITIC Resources Holdings Limited

LIST OF

Domestic and Overseas Affiliates

As of the end of June 2010, there were 649 branch outlets in a total of 75 large and medium-sized cities in China (including Hong Kong) consisting of 32 tier-one branches (directly under the Bank), 36 tier-two branches, 579 sub-branches and two overseas subsidiaries.

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 Hotline: 95558
		41	Business Department of Headquarters	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	25			
		21	Tianjin Branch	Address: No. 14, Nanjing Road, Hexi District, Tianjin Postal Code: 300042	Tel: 022-23028880 Fax: 022-23028800
		4	Binhai New Area Branch	Address: No. 16, Third Avenue, TEDA, Tianjin Postal Code: 300457	Tel: 022-25206730 Fax: 022-25206827
3	Hebei Province	21			
	Shijiazhuang	17	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	4	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
4	Liaoning Province	52			
	Shenyang	16	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Tel and Fax
	Dalian	18	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	7	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. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2808185 Fax: 0429-2800885
5	Shanghai	35			
		34	Shanghai Branch	Address: No. 61, East Nanjing Road, Shanghai Postal Code: 200002	Tel: 021-23029000 Fax: 021-23029001
		1	Pudong Branch	Address: No. 710, Dongfang Road, Shanghai Postal Code: 200122	Tel: 021-58301800 Fax: 021-68751178
6	Jiangsu Province	74			
	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: Bo'ai Plaza, No. 72, Bo'ai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	5	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Suzhou	18	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	1	Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	Tel: 0513-81120909 Fax: 0513-81120900
7	Zhejiang Province	65			
	Hangzhou	23	Hangzhou Branch	Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	9	Wenzhou Branch	Address: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	Tel: 0577-88858466 Fax: 0577-88858575

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Tel and Fax
	Jiaxing	8	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	8	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Ningbo	16	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo Postal Code: 315010	Tel: 0574-87733065 Fax: 0574-87973742
	Taizhou	1	Taizhou Branch	Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	Tel: 0576-81889666 Fax: 0576-88819916
8	Anhui Province	13			
	Hefei	12	Hefei Branch	Address: No. 78, Huizhou Avenue, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	1	Wuhu Branch	Address: X1-X4, West Jing Street, No.8, Jinghu Road, Wuhu Postal Code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
9	Fujian Province	34			
	Fuzhou	14	Fuzhou Branch	Address: No. 99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	10	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	7	Quanzhou Branch	Address: Building of The People's Bank of China, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel: 0595-22148619 Fax: 0595-22148222
	Putian	2	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
	Zhangzhou	1	Zhangzhou Branch	Address: 1-4/F, Yiqun Business Center, No.31, East Shengli Road, Zhangzhou Postal Code: 363000	Tel: 0596-2995207 Fax: 0596-2995217
10	Shandong Province	53			
	Jinan	12	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

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Tel and Fax
	Yantai	5	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	4	Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	1	Weifang Branch	Address: No. 246 East Shengli Street, Weifang, Shandong Province Postal Code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
11	Henan Province	22			
	Zhengzhou	17	Zhengzhou Branch	Address: No. 26, North Jingsan Road, Zhengzhou, Henan Province Postal Code: 450008	Tel: 0371-65792800 Fax: 0371-65792900
	Luoyang	3	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 471000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	1	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 454000	Tel: 0379-64682858 Fax: 0379-64682875
	Nanyang	1	Nanyang Branch	Address: Southeast to the Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel: 0377-63195558 Fax: 0377-61628299
12	Hubei Province	20			
	Wuhan	19	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	1	Xiangfan Branch	Address: No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
13	Hunan Province				
	Changsha	19	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582179
14	Guangdong Province	73			
	Guangzhou	23	Guangzhou Branch	Address: No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	5	Foshan Branch	Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83309903

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	Shenzhen	27	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	17	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	1	Jiangmen Branch	Address: 1/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen Postal Code: 529000	Tel: 0750-3939999 Fax: 0750-3939090
15	Chongqing	18	Chongqing Branch	Address: Building B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province				
	Chengdu	23	Chengdu Branch	Address: La Defense, No.1480, north Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu Postal Code: 610042	Tel: 028-65338805 Fax: 028-85258898
17	Yunnan Province	16			
	Kunming	15	Kunming Branch	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	1	Qujing Branch	Address: 1/F-2F, Block B, Jinsui Phase III High-rise Commercial and Residential Building, No.310, West Nanning Road, Qilin District, Qujing Postal Code: 655000	Tel: 0874-3118606 Fax: 0874-3115696
18	Guizhou Province				
	Guiyang	1	Guiyang Branch	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-5587009 Fax: 0851-5587377
19	Gansu Province				
	Lanzhou	1	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699

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20	Shaanxi Province				
	Xi'an	17	Xi'an Branch	Address: CITIC Tower, No. 89, North Changan Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820018 Fax: 029-87817025
21	Shanxi Province				
	Taiyuan	5	Taiyuan Branch	Address: Building A, King Office Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
22	Jiangxi Province	5			
	Nanchang	4	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No.333, South Guangchang Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890078
23	Inner Mongolia Autonomous Region	6			
	Hohhot	4	Hohhot Branch	Address: No. 68, Xinhua Street, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	1	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	1	Erdos Branch	Address: North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	Tel: 0477-8188000 Fax: 0477-8188002
24	Guangxi Zhuang Autonomous Region				
	Nanning	4	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning Postal Code: 530021	Tel: 0771-5569881 Fax: 0771-5569889
25	Heilongjiang Province				
	Harbin	2	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558

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26	Jilin Province				
	Changchun	1	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Xinjiang Uighur Autonomous Region				
	Urumqi	1	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365828 Fax: 0991-2365888
28	Hong Kong Special Administrative Region	2			
		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
		1	CITIC International Financial Holdings Limited	Address: Room 2701-9, 27/F CITIC Tower 1 Tim Mei Avenue Central, Hong Kong	Tel: 852-36073000 Fax: 852-25253303

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