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

Important Notice

The Board of Directors and the Board of Supervisors as well as the Directors, Supervisors and Senior Management of the Bank guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and separately accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in this report.

The Bank's Board of Directors held a meeting and resolved to approve the full text and the summary of "2010 annual report" of the Bank on 31 March 2011. 16 out of the 16 eligible Directors attended the meeting. Supervisors of the Bank also attended the meeting as non-voting delegates.

The 2010 annual financial report which is prepared by the Bank in accordance with PRC GAAP and IFRS has been audited by KPMG Huazhen Accounting Firm and KPMG under the domestic and Hong Kong standards on auditing respectively.

In this annual report, the Bank, the Company and China CITIC Bank all refer to China CITIC Bank Corporation Limited; the Group refers to China CITIC Bank Corporation Limited and its subsidiaries.

Kong Dan as Chairman, Chen Xiaoxian as President, Cao Guoqiang as Vice-president in charge of finance function and Wang Kang as General Manager of Budget and Finance Department guarantee that the financial report contained in the 2010 Annual Report of the Bank are truthful and complete.

2010 ANNUAL REPORT

CORPORATE Introduction

Founded in 1987, China CITIC Bank is one of the earliest emerging commercial banks established during China's reform and opening up and among China's first commercial banks engaging in financing in domestic and international financial markets. It is famous home and abroad for creating numerous number ones in Chinese contemporary financial history. On 27 April 2007, China CITIC Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. On 23 October 2009, China CITIC Bank accomplished the transaction of its acquisition of the 70.32% equity interest in CITIC International Financial Holdings Limited, successfully building a strategic platform for its internationalized operation.

China CITIC Bank has grown to be one of the domestic commercial banks with strong capital base and become a fast growing national commercial bank with great comprehensive competitive edge.

China CITIC Bank has 35 tier-one branches, 43 tier-two branches and 622 sub-branches all over Chinese Mainland mainly located in Eastern coastal regions and economically developed cities in central and Western regions. With high quality financial service, more than 33,000 employees provide corporate customers with integrated financial solutions including corporate banking, international business, treasury and capital market business and investment banking business, and provide individual customers with vast varieties of financial products including wealth management, credit card, consumer credit, private banking and go-abroad financial service products.

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CORPORATE Information

Registered Name in Chinese:	中信銀行股份有限公司
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
Postal Code:	100027
Website:	bank.ecitic.com
Telephone Number:	+86-10-65558000
Fax Number:	+86-10-65550809
Email Address:	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong:	28th floor, Three Pacific Place, 1 Queen's Road East, Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure:	Website designated by the CSRC to public A-share annual report: www.sse.com.cn
	Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Report is Kept:	Board Office, CNCB

Legal Advisor as to PRC laws:	King & Wood PRC Lawyers
Legal Advisor as to Hong Kong laws:	Freshfields Bruckhaus Deringer
PRC Auditor:	KPMG Huazhen Accounting Firm 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
International Auditor:	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai
H-share Registrar:	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Places Where Shares are Listed, Stock Name and Stock Code:	A-share Shanghai Stock Exchange CNCB 601998 H-share The Stock Exchange of Hong Kong Limited 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 & Commerce, PRC
Registration Number of Business License:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

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

FINANCIAL Highlights

Operating Performance

Unit: RMB million

Item	2010	2009	Growth rate (%)
Operating income	**56,356**	40,983	37.51
Total profit	**28,695**	19,265	48.95
Net profit attributable to shareholders of the Bank	**21,509**	14,320	50.20
Net operating cash flow	**37,325**	(7,697)	–
Per share			
Basic earnings per share (RMB)	**0.55**	0.37	50.20
Diluted earnings per share (RMB)	**0.55**	0.37	50.20
Net operating cash flow per share (RMB)	**0.96**	(0.20)	–

Profitability Indicators

Item	2010	2009	Increase/decrease
Return on average assets (ROAA)	**1.13%**	0.94%	0.19
Return on average equity (ROAE) (excluding minority interests)	**19.29%**	12.91%	6.38
Cost-to-income ratio	**33.63%**	39.95%	(6.32)
Credit cost	**0.36%**	0.25%	0.11
Net interest spread	**2.54%**	2.39%	0.15
Net interest margin	**2.63%**	2.51%	0.12

Scale Indicators

Unit: RMB million

Item	End of 2010	End of 2009	Growth rate (%)
Total assets	**2,081,314**	1,775,031	17.26
Total loans and advances to customers	**1,264,245**	1,065,649	18.64
Total liabilities	**1,956,776**	1,668,023	17.31
Total deposits from customers	**1,730,816**	1,341,927	28.98
Total equity attributable to the Bank's shareholders	**120,175**	102,798	16.90
Net asset per share attributable to the Bank's shareholders (RMB)	**3.08**	2.63	16.90

Asset Quality Indicators

Unit: RMB million

Item	End of 2010	End of 2009	Growth rate (%)/ Increase decrease
Performing loans	**1,255,712**	1,055,492	18.97
Non-performing loans (NPLs)	**8,533**	10,157	(15.99)
Allowance for impairment of loans	**18,219**	15,170	20.10
NPL ratio	**0.67%**	0.95%	(0.28)
Provision coverage ratio	**213.51%**	149.36%	64.15
Allowance for impairment of loans to total loans ratio	**1.44%**	1.42%	0.02

Note: Performing loans include normal and special-mention loans. NPLs include substandard, doubtful and loss loans.

Capital Adequacy Indicators

Item	End of 2010	End of 2009	Increase/ decrease
Capital adequacy ratio	**11.31%**	10.72%	0.59
Core capital adequacy ratio	**8.45%**	9.17%	(0.72)
Total equity to total assets ratio	**5.98%**	6.03%	(0.05)

Note: On 23 October 2009, the Bank completed the acquisition of CIFH and has been subject to the supervision of the CBRC on consolidation basis since 2010. Therefore, figures as of the end of 2009 have been restated on the basis of the Group.

Five-Year Financial Summary

Unit: RMB million

Item	2010	2009	2008 (restated)	2007	2006
Operating Performance					
Operating income	**56,356**	40,983	41,963	27,955	17,927
Total profit	**28,695**	19,265	17,713	13,172	7,002
Net profit attributable to the Bank's shareholders	**21,509**	14,320	13,296	8,322	3,858
Net operating cash flow	**37,325**	(7,697)	140,459	29,519	(7,574)
Per share					
Basic earnings per share (RMB)	**0.55**	0.37	0.40	0.23	0.12
Diluted earnings per share (RMB)	**0.55**	0.37	0.40	0.23	0.12
Net operating cash flow per share (RMB)	**0.96**	(0.20)	4.23	0.76	(0.24)
Scale Indicators					
Total assets	**2,081,314**	1,775,031	1,319,570	1,011,186	706,723
Total loans and advances to customers	**1,264,245**	1,065,649	730,386	575,208	463,167
Total liabilities	**1,956,776**	1,668,023	1,190,196	927,095	675,029
Total deposits from customers	**1,730,816**	1,341,927	1,027,325	779,999	618,412
Total equity attributable to the Bank's shareholders	**120,175**	102,798	119,366	84,086	31,689
Net asset per share attributable to the Bank's shareholders (RMB)	**3.08**	2.63	3.06	2.15	1.02
Profitability Indicators					
Return on average assets (ROAA)	**1.13%**	0.94%	1.09%	0.97%	0.59%
Return on average equity (ROAE)	**19.29%**	12.91%	13.29%	14.37%	14.05%
Cost-to-income ratio (deducting business tax and surcharges)	**33.63%**	39.95%	34.72%	34.92%	39.67%
Credit cost	**0.36%**	0.25%	0.81%	0.54%	0.34%
Net interest spread	**2.54%**	2.39%	2.94%	2.95%	2.53%
Net interest margin	**2.63%**	2.51%	3.16%	3.12%	2.62%
Asset Quality Indicators					
NPL ratio	**0.67%**	0.95%	1.41%	1.48%	2.50%
Provision coverage ratio	**213.51%**	149.36%	136.11%	110.01%	84.62%
Capital Adequacy Indicators					
Capital adequacy ratio	**11.31%**	10.72%	14.32%	15.27%	9.41%
Core capital adequacy ratio	**8.45%**	9.17%	12.32%	13.14%	6.57%

CHAIRMAN'S Statement

Kong Dan
Chairman

I am hereby pleased to report to all the shareholders that in 2010, the Group's net profit attributable to shareholders exceeded RMB20 billion for the first time and amounted to RMB21.509 billion, up by 50.20% compared with the previous year. Return on average equity (ROAE) was 19.29% and earnings per share were RMB0.55, representing an increase of 6.38 percentage points and RMB0.18 respectively compared with the previous year, so the profit reached a historic height. Both of the NPL balance and the NPL ratio recorded another dual drop, while the provision coverage ratio rose to 213.51%, so the asset quality maintained sound. The Group's total assets exceeded RMB2,000 billion for the first time and amounted to RMB2,081.314 billion, the balance for total deposits reached RMB1,872.479 billion and the balance for total loans reached RMB1,264.245 billion, representing a new step forward in business scale.

In 2010, the international and domestic economy underwent a complicated situation. In this year, with the unveiling of fiscal and monetary stimulus packages of major economies, the world economy wound its recovering way where the European debt crisis lingered, and China, though facing the pressure of economic restructuring and growing anticipation of inflation, continued to consolidate its good economic development momentum under the guidance of macro–economic control policy by the central government. Facing the complicated and changing business operation environment, China CITIC Bank adhered to the scientific outlook on development and upheld its business philosophy of "coordinating the development of profit, quality and scale" to overcome adverse impact of changes in policies and economic situations. With notable achievements in business and management for the year, various business indicators hitting new heights, the Bank reinforced its advantageous position among domestic and international rivals so that the Bank presented remarkable results to its shareholders, clients and the public.

I am hereby pleased to report to all the shareholders that in 2010, the Group's net profit attributable to shareholders exceeded RMB20 billion for the first time and amounted to RMB21.509 billion, up by 50.20% compared with the previous year. Return on average equity (ROAE) was 19.29% and earnings per share were RMB0.55, representing an increase of 6.38 percentage points and RMB0.18 respectively compared with the previous year, so the profit reached a historic height. Both of the NPL balance and the NPL ratio recorded another dual drop, while the provision coverage ratio rose to 213.51%, so the asset quality maintained sound. The Group's total assets exceeded RMB2,000 billion for the first time and amounted to RMB2,081.314 billion, the balance for total deposits reached RMB1,872.479 billion and the balance for total loans reached RMB1,264.245 billion, representing a new step forward in business scale. In view of its prudent business performance and admirable market reputation, the Bank was again named the "Best Joint Stock Commercial Bank of the Year" in 2010, following the same honor as the only winner in 2009, in the "Golden Dragon Election" jointly sponsored by the *Financial News* press and the Institute of Finance and Banking of Chinese Academy of Social Sciences, which indicated the recognition of its comprehensive competitiveness by the market and the banking industry.

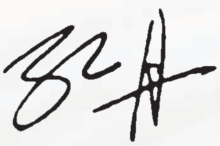
In 2010, the Bank continued to improve its corporate governance mechanism and practice. Adapting to the changing competition environment and vigorously implementing China's macro–economic control measures and regulatory requirements, the Board of Directors made timely, prudential and rational decisions on significant matters, effectively supporting the senior management's work and ensured a healthy growth of the Bank's business. Capitalizing on their respective technical background and expertise, directors earnestly perform their duties to consider proposals submitted by the senior management and offered opinions and advices from multiple dimensions, which ensured the scientific decision-making and efficient procedures of the Bank's Board of Directors. Following the successful acquisition of equity interest in CIFH in 2009, the Bank accomplished the issuance of subordinated debts totaling RMB16.5 billion in 2010 and pushed forward the rights issue of A+H shares in a timely manner, laying a solid ground for a rapid business growth under the capital constraints. By virtue of the scientific strategic decision-making and the efficient corporate governance, the Bank's Board of Directors was honored "Outstanding Board of Directors" in the sixth "Golden Round Table Award Election" organized by the *Board of Directors* magazine, demonstrating the achievements in corporate governance of the Bank.

Confronted with the intensified and changing competition environment and the increasingly stringent regulatory requirements in 2010, the Bank adhered to the business philosophy of "customer-first" to enhance its overall marketing, accelerated the building of corporate banking and retail banking systems, and further improved its business innovation capability. Along with the fast growing business, the Bank attached great importance to the internal system building for risk management, internal control and delicacy management, aiming to maintain asset quality and effective risk control through improving comprehensive risk management and internal control capability. Activities including "Year of Implementing Internal Control and Case-Prevention System" were launched during 2010, and self-examination and rectification initiatives were also adopted so that all sorts of cases were effectively prevented. In recognition of its effective risk management and case prevention capabilities, the Bank was named the "Best Bank with Risk Control" for 2010 jointly by *China Business News* and Chinese Academy of Social Sciences.

In 2010, the Bank continued to forge ahead with its internationalized development strategy. In May 2010, CITIC Ka Wah Bank Limited was renamed CITIC Bank International Limited, marking a major step forward in the strategic integration between the Bank and CBI after the completion of acquisition. CBI recorded a consolidated net profit after tax of HKD1,057 million for 2010, up by 10.9% year on year, which hit a record high. Meanwhile, with the healthy and rapid growth in all business indicators, the synergy effect of acquisition began to take shape. The "tri-party" strategic alliance consisting of the Bank, BBVA and CBI continued to deepen their business cooperation. In 2010, the auto financing joint-venture and the private banking business cooperation unit between the Bank and BBVA underwent relevant regulatory procedure promoted by the two parties, and the business cooperation in treasury and capital market, international business and pension was also rapidly expanded. At the same time, the business collaborations between the Bank and CITIC Group's financial subsidiaries specializing in securities, fund management, trust, insurance and futures continued to be deepened. As the cooperation in joint bond-underwriting, product cross-design and cross-selling and sharing of customer base was getting more smooth, the business and resource advantages of CITIC Groups as an integrated financial service platform were brought into full play. In 2010, the Bank ranked the 22nd in the "Top 50 Best Brand Value in China 2010" jointly released by *Forbes China* magazine and Interbrand, which further improved the Bank's brand value.

With an unswerving commitment to the public welfare and charitable activities, the Bank performed its social responsibilities as a financial institution by all means in 2010 to build up the image of a responsible bank. Through the charity donations for distressed areas including Yushu in Qinghai province and Zhouqu in Gansu province, a total of RMB28,252,200, including RMB10,582,200 from over 33,000 staff, was donated by bodies at all levels and staff members of the Bank to convey their love and best wishes to the people in disaster-stricken and distressed areas. To push forward green credit, the Bank adopted the "veto" system for credit granting to industries with "high energy consumption and high pollution" and promoted convenient cross-border environmental rights transactions including carbon dioxide emission reduction related transactions, thus effectively facilitating the energy saving and emission reduction advocated by the Chinese government. The Bank's efforts were widely recognized and highly appreciated by the public. In the rating on social responsibility reports of A-share listed companies sponsored by hexun.com and other institutions, the Bank's social responsibility report for 2009 was included in the "Top 20 Social Responsibility Reports" for listed companies and topped other listed banks.

Looking into 2011, the world economy has the potential of resilient growth, but instabilities and uncertainties will still remain and the recovery will continue to be slow. In China, responding to hovering issues including unreasonable industry structure and higher inflation anticipation in domestic economy despite the strong endogenous and external development dynamics, the central government has laid out proactive yet prudent, prudential yet flexible macro policies, under which the proactive fiscal policy and prudent monetary policy are expected to underpin the healthy and sustainable growth of national economy. 2011 is an opening year for implementing the 12th "Five-Year Plan", the Chinese government proposed the transformation target and measures related to areas of income distribution system reform, urbanization and cultivation of emerging strategic industries, which will project substantial influence on the social economic structure and the business operation environment for banks. Addressing the opportunities and challenges from the great social and economic transformation, the Bank will actively realign itself with new changes in macro-economic control and banking regulations according to the state's blueprint and economic deployments, stick to its prudent business operation strategy, accelerate its strategic transformation on growth model and further enhance its core competitiveness, aiming to reward the trust and support from all walks of life with the Bank's sustainable outstanding performance and steadily increasing market capitalization.



Chairman: Kong Dan
31 March 2011

PRESIDENT'S Statement

Chen Xiaoxian
President

In 2010, defying all hardships and striving to progress, the Bank achieved a remarkable operating performance by upholding the principle of "adjusting structure, enhancing management and promoting development" amidst complicated situations. In 2010, the Bank realized the leap-frog development in the following four aspects:

A leap-frog development in business performance with improving competitive edge. The Bank made great strides in its business scale, profitability and competitiveness in market.

First of all, the Bank's business scale reached a historic height. As of the end of 2010, the consolidated total assets of the Bank were RMB2.08 trillion, with an increase of RMB306.283 billion or 17.26%. This marked a new milestone after the total assets hit a record of RMB1 trillion in 2007. As of the end of 2010, the Bank and its subsidiaries had a total balance for deposits of RMB1,872.479 billion, an increase of RMB255.503 billion or 15.80%, the total balance for loans was RMB1,264.245 billion, an increase of RMB198.596 billion or 18.64%. Among Chinese medium-sized joint stock banks, the Bank took the lead in terms of year-end total balances of deposits and loans and their corresponding increment.

During the whole year in 2010, the transaction volume of foreign exchange receiving and sale in international business increased by 35.53% to USD172.724 billion, with which the Bank outperformed other medium-sized joint stock banks, well ahead of China's foreign trade growth rate by 0.8 percentage point. The transaction volume of forward foreign exchange settlement and sale recorded a remarkable growth, which made the Bank rank the first among medium-sized joint stock banks for the first time in terms of income from foreign exchange settlement and sale.

Secondly, the Bank's profitability rose substantially. In 2010, the net profit attributable to shareholders of the Bank surpassed RMB20 billion to RMB21.509 billion, with an increase of RMB7.189 billion or 50.20% compared with the previous year, which placed the Bank among top medium-sized joint stock banks in terms of total profits. The Bank boosted a return on assets of 1.13%, which made the bank in a leading position among the peers. The net interest margin for the whole year in 2010 reached 2.63%, which increased by 0.12 percentage point compared with the previous year. The cost-to-income ratio decreased by 6.32 percentage points to 33.63%. Profit per outlet increased by RMB7.45 million compared with the previous year to RMB30.70 million. Profit per capita increased by RMB182,000 compared with the previous year to RMB773,000. The Bank ranked among the top medium-sized joint stock banks in China in terms of all relevant cost and profit indicators.

Meanwhile, the Bank's asset quality maintained in good shape. As at the end of 2010, the balance of NPLs for the Bank and its subsidiaries amounted to RMB8.533 billion, which decreased by RMB1.624 billion compared with the end of the previous year. The NPL ratio was 0.67%, down by 0.28 percentage point compared with the end of the previous year. The provision coverage ratio reached 213.51%, up by 64.15 percentage points compared with the end of the previous year. Hence, the Bank further reinforced its risk resistance capability and profitability foundation.

Thirdly, the Bank further enhanced its market competitiveness. The new accomplishments in business scale and profitability in 2010 marked a giant step forward in the Bank's operating capacity. Those accomplishments also demonstrated the Bank's great efforts in consolidating existing advantages, amplifying emerging advantages, leveraging on overall synergy advantages and enhancing scientific management. In 2010, the Bank was awarded the "Best Joint Stock Commercial Bank of the Year" by *Financial News* and the Chinese Academy of Social Sciences in 2010 for the second consecutive year, which was an objective appraisal of the Bank's capability in competing in markets and made the Bank the only winner receiving the award.

In 2010, the Bank was accredited with the highest rating among banks of the same level in domestic regulatory ratings. As for subordinated debts issuance, the Bank was granted AAA ratings as issuer of subordinated debts and AAA ratings for debt ratings, which made the Bank acquire the highest ratings among medium-sized joint stock banks and also demonstrated the continuous enhancement of the Bank's competitiveness in market.

A leap-frog development in business growth with new situation in market expansion. In 2010, the Bank made breakthroughs in business development amidst complicated and changing situations by optimizing institutional system, adjusting mechanism and stepping up innovation.

Firstly, the Bank enhanced its efforts in promoting the overall marketing. In the beginning of 2010, the Bank reinforced the functions of the Sales and Marketing Committee and established an Intermediary Business Development Committee, aiming to enhance the overall marketing promotion. Corresponding bodies were also set up at the branch level in light of the instructions from the head office. The concerted efforts across the whole bank improved the overall marketing performance of the Bank.

Secondly, the Bank's corporate banking system was further optimized. In 2010, the Bank further improved its corporate banking management system of "two tiers management and three tiers marketing" and continuously made substantial progress in the establishment of marketing platforms, specialized operation and customer segmentation management, which played an important role in maintaining the Bank's corporate banking business edges.

Thirdly, the Bank deepened its system reform in retail banking business. In 2010, the Bank focused on the service system building in VIP wealth management, public banking, E-Banking and personal loans, while improving the functions of credit card center, private banking center and the auto financing center. The construction of a universal retail banking system showed achievements in current stage, in particular, the capability of attracting and acquiring customers was well built up and VIP marketing service systems, specialized operations, E-banking services and profiting foundation has basically taken shape.

Fourthly, the Bank further upgraded its business innovation capability. In 2010, in order to address constraints on capital and credit, the Bank stepped up its business innovation to establish new edges. The corporate banking launched a series of innovative financial products while retail banking reformed its business model focusing on wealth management, transaction settlement and personal financing. Therefore, the overall market competitiveness of the Bank was significantly improved.

A leap-frog development in business structure with in-depth proceeding of strategic transformation. In 2010, in accordance with the head office's requirement of adjusting structure, the Bank realized remarkable achievements in the adjustments in liabilities, credit, income and customer structure.

In respect of the structure of liabilities, the Bank promoted a rapid development of high-quality liability business and maintained a reasonable proportion of demand deposits through dynamically adjusting deposit plans, reinforcing development potential assessment and coordinating interest rate pricing. In respect of the structure of credit, the Bank systematically and gradually diminished note business and increased loans to high-profit and strategic business. Meanwhile, the Bank voluntarily reduced government platform financing loans as well as loans to sectors with high energy pollution, high energy consumption and overcapacity, and the growth rate of those loans was 8.9 percentage points lower than the average growth rate of the Bank's corporate loans. In respect of the income structure, the net income from the intermediary business was RMB8.221 billion for the whole year of 2010, representing an increase of RMB3.222 billion or 64.45% compared with the previous year, which made the Bank in the leading position among medium-sized joint stock banks in terms of growth rate. The income from the intermediary business accounted for 14.59% of the Bank's net operating income, an increase of 2.39 percentage points compared with the previous year. In respect of the customer structure, by the end of 2010, the number of corporate deposit customers who held deposits of over RMB1 million, strategic customers and small business customers with high risk premium considerably increased compared with the end of the previous year, which further reinforced the Bank's market position as a mainstream corporate banking service provider. Significant increases were also realized in the number of individual customers and high net value customers, laying a solid foundation for transforming the Bank's retail banking business into a profit-oriented business.

A leap-frog development in scientific management with remarkable improvement of business operation capability. In 2010, in accordance with the head office's requirement of enhancing management, the Bank took a new step forward in system building, technology application and scientific management.

Firstly, the capability of delicacy management was significantly improved. The Bank launched its FTP management system which kept a dynamic management on interest rate pricing. The management accounting pilot program was promoted orderly and was put in full application.

Secondly, the Bank's risk management capability was significantly enhanced. With the launching of the "Sky Net" group customer risk management system and the "Sky Statistics" credit management statistical system, the Bank's capability in IT management was considerably enhanced. The Bank also possessed a leading position in the development and application of risk quantitative technology.

Thirdly, the Bank made great improvements in compliance management. The Bank organized "The Year of Implementing Internal Control and Case-Prevention System", during which the specialized inspection yielded satisfactory results. As a result, systems and procedures were refined and the operational risk control foundation was intensified to be more effective.

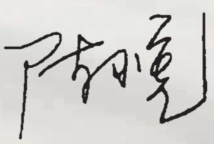
Fourthly, the Bank strengthened its capability in providing support and security. In response to the more stringent capital regulation and the rapid business development, the Bank issued RMB16.5 billion of subordinated debts in May and launched a RMB26 billion A+H shares rights issue program in the first half of 2010. Through different means including road shows and investor forums, the Bank improved communication with domestic and overseas investors and improved its capability in resisting market value fluctuation.

In the past year, the Bank's business philosophy and knowledge were enriched and upgraded by practice. The Bank became aware that the capital management is the precondition of the healthy operation of a modern bank, regulatory rules are the most important guidelines for its development, business restructuring is the fundamental approach to strategic transformation and an internal operating mechanism is the necessary guarantee for "possessing a leading position" in market competition.

Looking forward in 2011, in order to adapt to the transformation of the economic growth model in China as well as the reforms in banking regulatory rules, the Bank proposes the guidelines of "transformation, enhancement and development" as an extension to the business philosophy it has been adhering to in recent years. With "transformation", the Bank is to adapt its business structure to changes in the external economic structure, adapt its profit-making model to changes in the regulatory requirements and the external environment, and construct a growth model which is productive yet capital-saving. With "enhancement", the Bank is to enhance its core competitiveness at all levels including business philosophy, operation mechanism and market expansion. With "development", the Bank is to pursue high-quality and sustainable growth in new situation and strive for a leading position in the competition with all domestic and foreign banks.

With the Bank's good business foundation, maturing business philosophy, operating mechanism and management methods, as well as its high-caliber staff, we believe that the Bank will be able to harness the uncertainties in 2011 and realize more splendid achievements.

Finally, on behalf of the senior management of the Bank, I would like to extend my gratitude to all the shareholders of the Bank, domestic and overseas regulators, the Board of Directors, the Board of Supervisors and the public for their trust and support in China CITIC Bank's operation and development.



President: Chen Xiaoxian
31 March 2011

AWARDS

February

- China CITIC Bank rose from the 99th in the previous year to the 78th among "Top 500 Financial Brands" in 2009 by *The Banker* magazine of the United Kingdom, marking its robust competitive strength among the world banks.

March

- China CITIC Bank was awarded the "2009 Outstanding Market Maker in the Inter-bank Bond Market" by National Association of Financial Market Institutional Investors.
- China CITIC Bank was named "2010 Cash Management Bank with the Greatest Potential for Growth" by *The Asset*, a financial magazine.
- China CITIC Bank received "China (Asia) Best Call Center Award 2010" by China Electronic Chamber of Commerce.

April

- China CITIC Bank's retail rating program was awarded the "2010 IT Implementation Awards – Best Data and Analysis Project" by *The Asian Banker* in 2010.

May

- China CITIC Bank, with a market value of approximately USD38 billion as at 31 March 2010, ranked the 185th among the "2010 Global Top 500 Enterprises in Market Value" released by *The Financial Times* of the United Kingdom based on the market values of the world's listed companies, up by 5 positions as compared with the previous year.
- China CITIC Bank was awarded "Outstanding Board of Directors" in the sixth "Golden Round Table Award Election" organized by the *Board of Directors* magazine.

July

- China CITIC Bank was ranked the 22nd among "Top 50 Best Brand Value in China 2010" jointly released by *Forbes China* and Interbrand, indicating the Bank had become one of the top 50 brands in terms of value in China.
- China CITIC Bank was ranked the 67th in terms of tier-1 capital and rose to the 72th in terms of total assets among "Top 1000 World Banks" released by *The Banker* magazine of the United Kingdom.
- The Credit Card Center of China CITIC Bank was named "Best Contact Center in Asia-Pacific Region" in the election activity organized by contactcenterworld.com.

August

- China CITIC Bank was granted for the second consecutive year the "Best Corporate Internet Banking" award in the "Election of the Best Innovation in Financial Information Technology and Outstanding Financial and Securities Websites" held by the *Securities Times*.

October

- China CITIC Bank was awarded "Best Investment Banking in China 2009" in the "Election of the Best Banks in China 2009" organized by the *Economic Observer*.
- China CITIC Bank's "CITIC Small Business Growth Mate" was granted the "2010 Excellent SME Service Product" award by China Association of Small and Medium Enterprises.

December

- China CITIC Bank received the "Financial Institution of the Year – Risk Control" award at the "CBN Financial Value Ranking 2010" award ceremony, jointly organized by *China Business News* and Chinese Academy of Social Sciences.
- China CITIC Bank was awarded the "Best Joint Stock Commercial Bank of the year" for the second consecutive year in "2009-2010 Chinese Financial Institution Gold Medal List and the Second Golden Dragon Election" jointly organized by *Financial News* press and Chinese Academy of Social Sciences.
- Dr. Chen Xiaoxian, president of China CITIC Bank, was elected as one of the "China Top 10 Financial Figures" by *The Chinese Banker* magazine for the sixth consecutive year.

Net profit

RMB 21.509 billion

In the face of complicated and changing external environment, the Group's net profit attributable to shareholders exceeded RMB20 billion for the first time, indicating that its operation efficiency hit a record high.

A LEAP-FROG DEVELOPMENT IN BUSINESS PERFORMANCE WITH IMPROVING COMPETITIVE EDGE.

The Bank made great strides in its business scale, profitability and competitiveness in market.

The Bank's business scale reached a historic height. As of the end of 2010, the consolidated total assets of the Bank were RMB2.08 trillion, up by 17.26%. This marked a new milestone after the total assets hit a record of RMB1 trillion in 2007. The Bank's profitability rose substantially. In 2010, the net profit attributable to shareholders of the Bank surpassed RMB20 billion threshold to RMB21.509 billion, up by 50.20%, and the net interest margin for the whole year in 2010 reached 2.63%. The Bank's asset quality maintained in good shape. As at the end of 2010, the balance of NPLs for the Bank and its subsidiaries decreased by RMB1.624 billion compared with the end of the previous year. The NPL ratio was 0.67%, down by 0.28 percentage point compared with the end of the previous year. The provision coverage ratio reached 213.51%, up by 64.15 percentage points compared with the end of the previous year. Hence, the Bank further reinforced its risk resistance capability and profitability foundation. The Bank further enhanced its market competitiveness. In 2010, the Bank was honored the "Best Joint Stock Commercial Bank of the Year" for the second consecutive year, and was accredited with the highest rating among banks of the same level in domestic regulatory ratings. The new accomplishments in business scale and profitability in 2010 marked a giant step forward in the Bank's operating capacity. Those accomplishments also demonstrated the Bank's painstaking efforts in consolidating existing advantages, amplifying emerging advantages, leveraging on overall synergy advantages and enhancing scientific management.

MANAGEMENT Discussion and Analysis

Economic, financial and supervisory environment

In 2010, economic stimulus policies taken by various state governments further unleashed their effects, and the global economy grew amid twists and turns. Developed economies such as the U.S., European Union and Japan were heading towards a slow recovery, while economies of emerging markets and developing countries experienced robust growth. Major stock indices and commodity prices had recorded new heights since the crisis. However, the foundation for a full global economic recovery was far from solid, the risk associated with economic imbalance and financial instability lingers. Unemployment rate of developed countries have not shown indicative improvements, fiscal deficits and sovereign debts continued to rise, the new round of quantitative easing monetary policy not only brought up the pressure of global inflation, but also deepened the exchange rate and trade disputes between developed and developing countries.

In 2010, confronted by extremely complicated international and domestic economic environments, the Chinese government sped up the transformation of its economic growth model. It strengthened and improved the macro regulatory policies to effectively reinforce and improve the results in dealing with the international financial crisis using market mechanism. China's overall economic operation was favorable. The gross domestic product (GDP) of the year of 2010 amounted to RMB39,798.3 billion, with a growth rate of 10.3% compared with the previous year. Investment growth was kept at a fast pace and the investment structure was continuously improved, the total social fixed asset investment reached RMB27,814.0 billion, with a growth rate of 23.8% compared with the previous year. Consumption rose quickly and steadily, sales of hot commodities were robust, the aggregate social retail consumer goods was RMB15,699.8 billion, with a growth rate of 18.3% compared with the previous year. In 2010, the total foreign trade volume was USD2,972.8 billion, with a growth rate of 34.7% compared with the previous year, maintaining a fast growth rate. The trade surplus was USD183.1 billion, a slight decrease of 6.4% compared with the previous year. Market commodity price has recorded a year-on-year increase, with food price rising in a large margin, the consumer price index (CPI) increased by 3.3% and the producer's price index (PPI) increased by 5.5%.

Against the backdrop of the rapid growth of the overall national economy, China's financial industry continued to operate in a prudent manner. As of the end of 2010, the supply of money in broad sense (M2) was RMB72.6 trillion, with a growth rate of 19.7% compared with the end of the previous year; the supply of money in narrow sense (M1) was RMB26.7 trillion, with a growth rate of 21.2% compared with the end of the previous year; the total loan balance of financial institutions was RMB47.9 trillion, increased by RMB7.9 trillion compared with the beginning of the year; the total deposit balance was RMB71.8 trillion, increased by RMB12.0 trillion compared with the beginning of the year. The exchange rate of RMB against USD remained relatively stable, the parity price of which was RMB6.6227 as at the end of 2010, appreciating by 3% compared with the end of 2009. The stock market tumbled down, with the Shanghai Composite Index closing at 2,808.08 at the end of 2010, decreased by 14.3% compared with the end of 2009. Benefiting from the fast growth in credit scale, the continuous optimization of credit structure, the great increase in the incomes from intermediary business and the steady recovery of net interest margin, the banking industry in China realized a fast growth in net profit and a steady quality of asset.

In 2010, the CBRC proactively responded to new problems that came along with external changes. It utilized various regulatory measures in an effort to guide commercial banks to improve corporate governance, transform development model, optimize credit structure, enhance risk management and strengthen sustainability, and, in the midst of complicated and changing economic and financial environment, to maintain a healthy, sustainable and stable development.

The year of 2010 marked the completion year of implementing China's 11th "Five-year Plan", when China's restoring and sound development momentum was further reinforced. In response to the complicated external environment, the Chinese banking industry deepened its strategic transformation to achieve a steady development of business operation, boosting the overall competitiveness to a new height and contributing to the sustainable and healthy development of China's economy.

Analysis of the financial statements

Overview

In the face of a complicated international and domestic economic and financial situations and an increasingly stringent financial regulatory environment in 2010, the Group insisted on the business philosophy of the coordinated development of "profit, quality and scale", adhered to its business principle of "adjusting structure, strengthening management and promoting development" and actively responded to market changes and seized the opportunities to forge ahead. Focusing on the marketing for liability business, the Group reasonably controlled the credit issuance, stepped up its efforts to develop intermediary business, continuously optimized its business structure and constantly enhanced its risk management. As a result, the Group's business performance developed significantly and its market competitive edge further improved.

In 2010, the Group realized a net profit attributable to the Bank's shareholders of RMB21.509 billion, an increase of RMB7.189 billion or 50.20% compared with the previous year. The net interest income was RMB48.135 billion, an increase of RMB12.151 billion or 33.77% compared with the previous year. The net non-interest income was RMB8.221 billion, an increase of RMB3.222 billion or 64.45% compared with the previous year. The significant rise in profitability was mainly attributable to three factors. Firstly the steady increase of interest-earning assets and the continuous increase of net interest margin became the driving force for the rapid growth of the net interest income. Secondly the proactive adjustment of profit structure and the expansion of intermediary business resulted in the significant growth of net income from fee and commission income. Thirdly the enhancement of delicacy management on expenses and the reasonable allocation of resources contributed to the significant increase of input-output efficiency.

As of the end of the reporting period, the Group's total assets reached RMB2,081.314 billion, up by RMB306.283 billion or 17.26% compared with the end of the previous year, of which the total loans and advances to customers stood at RMB1,264.245 billion, up by RMB198.596 billion or 18.64% compared with the end of the previous year. Total liabilities amounted to RMB1,956.776 billion, up by RMB288.753 billion or 17.31% compared with the end of the previous year, of which the total deposits from customers amounted to RMB1,730.816 billion, up by RMB388.889 billion or 28.98% compared with the end of the previous year. The Bank's operation scale expanded steadily and its asset and liability structure was continuously optimized.

As of the end of the reporting period, the Group's NPL balance stood at RMB8,533 million, down by RMB1,624 million or 15.99% compared with the end of the previous year, and the NPL ratio was 0.67%, down by 0.28 percentage point compared with the end of the previous year. The provision coverage ratio reached 213.51%, up by 64.15 percentage points compared with the end of the previous year. A decrease in both NPL balance and NPL ratio was realized and the provision coverage ratio increased significantly.

Income Statement Analysis

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Net interest income	**48,135**	35,984	12,151	33.77
Net non-interest income	**8,221**	4,999	3,222	64.45
Operating income	**56,356**	40,983	15,373	37.51
Operating expense	**(22,638)**	(19,131)	3,507	18.33
Asset impairment loss	**(5,249)**	(2,619)	2,630	100.42
Profit before taxation	**28,695**	19,265	9,430	48.95
Income tax	**(6,916)**	(4,705)	2,211	46.99
Net profit	**21,779**	14,560	7,219	49.58
Including: Attributable to the Bank's shareholders	**21,509**	14,320	7,189	50.20
Minority interests	**270**	240	30	12.50

Net interest income

The net interest income of the Group was affected by both of the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, and the average balance of interest-earning assets and interest-bearing liabilities. In 2010, the Group realized a net interest income of RMB48.135 billion, up by RMB12.151 billion or 33.77% compared with the previous year, which was mainly due to the continuous expansion of interest-earning assets and the continuous increase of net interest margin.

The table below sets out the average balance and average interest rate of the Group's interest-earning assets and interest-bearing liabilities:

Unit: RMB million

	2010			2009		
	Average balance	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**1,176,711**	**58,820**	**5.00**	974,336	46,617	4.78
Investment in debt securities	**224,614**	**6,016**	**2.68**	205,762	6,239	3.03
Deposits with the Central Bank	**225,305**	**3,164**	**1.40**	157,938	2,179	1.38
Deposits and placements with banks and non-bank financial institutions	**100,653**	**1,609**	**1.60**	53,594	377	0.70
Amounts under resale agreements	**100,876**	**2,840**	**2.82**	34,138	687	2.01
Others	**1,185**	**11**	**0.93**	7,609	32	0.42
Subtotal	**1,829,344**	**72,460**	**3.96**	1,433,377	56,131	3.92
Interest-bearing liabilities						
Deposits from customers	**1,515,841**	**20,143**	**1.33**	1,183,822	17,767	1.50
Deposits and placement from banks and non-bank financial institutions	**155,363**	**2,969**	**1.91**	100,694	1,466	1.46
Amounts under repurchase agreements	**2,809**	**46**	**1.64**	4,642	46	0.99
Others (1)	**36,011**	**1,167**	**3.24**	23,706	868	3.66
Subtotal	**1,710,024**	**24,325**	**1.42**	1,312,864	20,147	1.53
Net interest income		**48,135**			35,984	
Net interest spread (2)			**2.54**			2.39
Net interest margin (3)			**2.63**			2.51

Notes: (1) Including 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 the net interest income by the average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income due to the changes of scale factor and interest rate factor, where changes under the joint influence of scale factor and interest rate factor were reflected in the changes of interest rate factor.

Unit: RMB million

	2010 compared with 2009		
	Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	9,674	2,529	12,203
Investment in debt securities	571	(794)	(223)
Deposits with the Central Bank	930	55	985
Deposits and placements with banks and non-bank financial institutions	329	903	1,232
Amounts under resale agreements	1,341	812	2,153
Others	(27)	6	(21)
Changes in interest income	12,818	3,511	16,329
Liabilities			
Deposits from customers	4,980	(2,604)	2,376
Deposits and placement from banks and non-bank financial institutions	798	705	1,503
Amounts under repurchase agreements	(18)	18	—
Others	450	(151)	299
Changes in interest expense	6,210	(2,032)	4,178
Changes in net interest income	6,608	5,543	12,151

Net Interest Margin and Net Interest Spread

In 2010, the Group's net interest margin stood at 2.63%, up by 0.12 percentage point compared with the previous year, while the net interest spread was 2.54%, up by 0.15 percentage point compared with the previous year. In 2010, given the impact of the macro-economic control policies, the growth of the Group's interest-earning assets and credit assets scale slowed down. The increase in net interest margin was mainly attributable to the Group's proactive adoption of the following measures: (1) considering the latest development situation, the Group timely put forth the strategy of "price for volume" and enhanced its interest rate management by full implementation of fund transfer pricing (FTP), establishing management systems for all types of interest rates, regulating the interest rate pricing authorization mechanism and putting extra effort in assessment and review of interest rates, which effectively maintained the continuous growth of net interest spread; (2) with the prerequisite of the strict control of credit risks and the fulfillment of the loan-to-deposit ratio as regulated, the Group took the initiative to adjust the internal structure of interest-earning assets and expanded the scale of high-yield assets (for instance, diminish the size of discounted bills so as to increase the proportion of high-yield general loans). Therefore, the interest income from interest-earning assets increased by 29.1% compared with the previous year; (3) the Group effectively promoted the marketing for liability business through enhancing assessment and moderately reduced the liabilities with high funding cost while maintaining a rapid growth of scale in liability. Therefore, the interest expense of interest-bearing liabilities increased by 20.7% compared with the previous year, which was lower than the growth rate of interest income by 8.4 percentage points.

Interest Income

In 2010, the Group realized an interest income of RMB72.460 billion, up by RMB16.329 billion or 29.09% compared with the previous year. The increase in interest income was primarily due to the expansion of interest-earning assets (the loans and advances to customers in particular) and the increase in the average yield of interest-earning assets. The Group's average balance of interest-earning assets increased to RMB1,829.344 billion in 2010 from RMB1,433.377 billion in 2009, up by RMB395.967 billion or 27.62%. The average yield of interest-earning assets increased from 3.92% in 2009 to 3.96% in 2010, up by 0.04 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 2010 and 2009, the interest income from loans and advances to customers accounted for 81.18% and 83.05% of the Group's total interest income, respectively.

The following table sets out the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the periods indicated.

Table 1: Classification by Term Structure

Unit: RMB million

	2010		
	Average balance	Interest income	Average yield (%)
The Bank			
Short-term loans	590,443	30,424	5.15
Including: discounted bills	54,886	1,965	3.58
Long and medium-term loans	507,662	26,016	5.12
Loans overdue	7,035	411	5.84
Subtotal	1,105,140	56,851	5.14
Overseas business	71,571	1,969	2.75
Total	1,176,711	58,820	5.00

Table 2: Classification by Business Category

Unit: RMB million

	2010			2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
The Bank						
Corporate loans	879,963	46,466	5.28	679,588	36,554	5.38
Discounted bills	54,886	1,965	3.58	129,759	2,757	2.12
Personal loans	170,291	8,420	4.94	101,926	5,300	5.20
Subtotal	1,105,140	56,851	5.14	911,273	44,611	4.90
Overseas business	71,571	1,969	2.75	63,063	2,006	3.18
Total	1,176,711	58,820	5.00	974,336	46,617	4.78

In 2010, the Group's interest income from loans and advances to customers stood at RMB58.820 billion, up by RMB12.203 billion or 26.18% compared with the previous year.

The Bank's interest income from loans and advances to customers stood at RMB56.851 billion, up by RMB12.240 billion or 27.44% compared with the previous year, which was mainly due to the fact that the credit issuance had been moderately expanded and thus the average balance of loans and advances to customers increased from RMB911.273 billion in 2009 to RMB1,105.140 billion in 2010, up by 21.27%. Meanwhile, the Bank's lending structure was actively optimized by increasing the proportion of high-yield general loans, and as a result, the average yield of loans increased from 4.90% in 2009 to 5.14% in 2010, up by 0.24 percentage point.

The interest income from loans and advances to customers of the Bank's overseas subsidiaries stood at RMB1,969 million, down by RMB37 million or 1.84% compared with the previous year.

Interest Income from Investment in Debt Securities

In 2010, the Group's interest income from investment in debt securities stood at RMB6.016 billion, down by RMB223 million or 3.57% compared with the previous year. This was primarily because the growth of average balance is insufficient in compensating for the decrease in the average yield of debt securities.

Interest Income from Deposits with the Central Bank

In 2010, the Group's interest income from deposits with the Central Bank amounted to RMB3.164 billion, an increase of RMB985 million or 45.20% compared with the previous year. This was mainly because of the increase in deposits from customers and the increase of statutory deposit reserve due to Central Bank's eight rounds of increase in statutory deposit reserve ratio since the beginning of 2010, which also resulted in the increase in the average balance of deposits with the Central Bank by RMB67.367 billion, or 42.65% compared with 2009. The average yield increased to 1.40% in 2010 from 1.38% in 2009, which was mainly due to the decrease in the proportion of the average balance of surplus reserve in the total deposits with the Central Bank.

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

In 2010, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB1,609 million, up by RMB1,232 million or 326.79% compared with the previous year, which was mainly due to the impact of the interbank offered rate hikes with an increase of 0.9 percentage point in the average yield and the increase of RMB47.059 billion in average balance.

Interest Income from Amounts under Resale Agreements

In 2010, the Group's interest income from amounts under resale agreements stood at RMB2,840 million, up by RMB2,153 million or 313.39% compared with the previous year, which was mainly because the average balance of amounts under resale agreements increased by RMB66.738 billion and the average yield raised from 2.01% in 2009 to 2.82% in 2010.

Interest Expense

In 2010, the Group's interest expense was RMB24.325 billion, up by RMB4.178 billion or 20.74% compared with the previous year. The increase in interest expense was primarily due to the scale expansion of interest-bearing liability. On the other hand, the Group enhanced its management over interest rate pricing and the adjustment of liability business structure, which reduced the average cost rate of interest-bearing liabilities and offset the impact of scale expansion to some extent.

The average balance of the Group's interest-bearing liabilities increased from RMB1,312.864 billion in 2009 to RMB1,710.024 billion in 2010, up by RMB397.160 billion or 30.25%, while the average cost rate of its interest-bearing liabilities fell from 1.53% in 2009 to 1.42% in 2010, down by 0.11 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 2010 and 2009 accounted for 82.81% and 88.19% of the Group's total interest expense, respectively.

The table below sets out the average balance, interest expense and average cost rate of corporate deposits and personal deposits of the Group divided by product type during the period indicated.

Unit: RMB million

	2010			2009		
	Average balance	Interest Expense	Average cost rate (%)	Average balance	Interest Expense	Average cost rate (%)
The Bank						
Corporate deposits						
Time deposits	583,987	12,209	2.09	483,214	11,190	2.32
Demand deposits	625,533	4,054	0.65	438,681	2,785	0.63
Subtotal	1,209,520	16,263	1.34	921,895	13,975	1.52
Personal deposits						
Time deposits	161,129	3,129	1.94	145,891	3,129	2.14
Demand deposits	52,206	190	0.36	33,575	116	0.35
Subtotal	213,335	3,319	1.56	179,466	3,245	1.81
Total for the Bank	1,422,855	19,582	1.38	1,101,361	17,220	1.56
Overseas businesses	92,986	561	0.60	82,461	547	0.66
Total deposits from customers	1,515,841	20,143	1.33	1,183,822	17,767	1.50

In 2010, the Group's interest expense on deposits from customers stood at RMB20.143 billion, up by RMB2.376 billion or 13.37% compared with the previous year.

The Bank's interest expense on deposits from customers amounted to RMB19.582 billion, up by RMB2.362 billion or 13.72% compared with the previous year, which was primarily due to the increase of RMB321.494 billion in the Bank's average balance of deposits from customers, which offset the decrease of 0.18 percentage point in the average cost rate. The key reasons for the fall in the average cost rate of deposits from customers are: (1) the increase in demand deposits from customers due to the rising anticipation of inflation and interest rate rise. The proportion of average balance of demand deposits increased from 42.88% in 2009 to 47.63% in 2010; (2) the Central Bank lowered the benchmark interest rate for deposits from customers for four consecutive times since October in 2008 and the interest rate repricing adjustment was not fully completed in 2009, resulting in a relatively high average cost rate in 2009, and the effect of the two rounds of interest rate rise by the Central Bank since October in 2010 has not been completely realized in 2010.

The interest expense on deposits from customers of the Bank's overseas subsidiaries stood at RMB561 million, up by RMB14 million or 2.56% compared with the previous year.

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

In 2010, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was RMB2.969 billion, up by RMB1.503 billion or 102.52% compared with the previous year, which was primarily due to the increase of RMB54.669 billion or 54.29% in the average balance of deposits and placements from banks and non-bank financial institutions and the rise of the average cost rate from 1.46% to 1.91%. The rise of the average cost rate was primarily attributable to the intense competition among peers in interbank deposit marketing and the ascending interbank offered rate.

Interest Expense on Other Borrowed Funds

In 2010, the Group's other interest expense including bonds issuance stood at RMB1.167 billion, up by RMB299 million or 34.45% compared with the previous year, which was primarily due to an amount of RMB16.5 billion of the subordinated bonds issuance by the Group in 2010. Therefore, the average balance of issued bonds increased to RMB18.858 billion in 2010 from RMB12.0 billion in 2009, up by 57.15%.

Net Non-Interest Income

The adjustment of income structure was one of the Group's primary tasks in 2010. In this connection, the Group enhanced the organization and mechanism guarantee for the development of its intermediary business and established an Intermediary Business Development Committee for this particular purpose. In addition, the Bank implemented a series of management measures such as giving more weights to assessment indicators, enhancing its support in providing dedicated funding and strengthening its effort in researching and developing products for intermediary business, which effectively promoted the rapid growth of net non-interest income.

In 2010, the Group realized a net non-interest income of RMB8.221 billion, up by RMB3.222 billion or 64.45% compared with the previous year. The proportion of the Group's net non-interest income to its operating income increased to 14.59% in 2010 from 12.20% in 2009.

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Net fee and commission income	**5,696**	4,220	1,476	34.98
Net gain from trading securities	**1,289**	383	906	236.55
Net gain/(loss) from investment securities	**142**	—	142	—
Net (loss)/gain from arbitrage	**(1)**	(3)	2	—
Income from other businesses	**1,095**	399	696	174.44
Total net non-interest income	**8,221**	4,999	3,222	64.45

Net Fee and Commission Income

In 2010, the Group realized a net fee and commission income of RMB5.696 billion, an increase of RMB1,476 million or 34.98% compared with the previous year, of which the fee and commission income amounted to RMB6.308 billion, a growth of 33.70% compared with the previous year. This growth was primarily due to the Group's proactive development of its intermediary business and the relatively rapid growth in items including consulting and advisory fees, bank card fees, settlement fees, wealth management fees, agency fees and guarantee fees.

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Consulting and advisory fees	**1,696**	1,398	298	21.32
Bank card fees	**1,455**	1,159	296	25.54
Settlement fees	**1,063**	682	381	55.87
Wealth management fees	**771**	376	395	105.05
Agency fees	**692**	690	2	0.29
Guarantee fees	**408**	284	124	43.66
Custody and other trusted services commissions	**208**	113	95	84.07
Others	**15**	16	(1)	(6.25)
Subtotal	**6,308**	4,718	1,590	33.70
Fee and commission expense	**(612)**	(498)	114	22.89
Net fee and commission income	**5,696**	4,220	1,476	34.98

Net Gain from Trading

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Net gain from foreign exchange	**1,583**	792	791	99.87
Debt securities	**52**	(57)	109	—
Derivatives	**(316)**	(363)	47	—
Investment funds	**(23)**	(2)	21	—
Financial liabilities measured at fair value through profit or loss	**(7)**	13	(20)	—
Net gain from trading	**1,289**	383	906	236.55

In 2010, the Group's net gain from trading was RMB1,289 million, an increase of RMB906 million, or 236.55% compared with the previous year, which was mainly resulted from the increase in the Group's net gain from foreign currency exchange settlement and sale in the period.

Loss on Asset Impairment

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Loans and advances to customers	**4,238**	2,446	1,792	73.26
Off-balance sheet credit assets	**338**	30	308	1,026.67
Investments	**579**	63	516	819.05
Others (1)	**94**	80	14	17.50
Total impairment losses on assets	**5,249**	2,619	2,630	100.42

Note: (1) Including the impairment losses of repossessed assets, placements with banks and non-bank financial institutions and other assets.

In 2010, the Group's impairment losses on assets were RMB5.249 billion, up by RMB2.630 billion compared with the previous year, of which impairment losses on loans and advances to customers increased by RMB1.792 billion from the previous year to RMB4.238 billion.

In 2010, the management of CBI, CIFH's wholly-owned subsidiary, considered the fair value for its investments in Farmington Finance Limited ("Farmington"), available-for-sale financial assets, to likely be down to zero and thus, decided to make a full impairment allowance of RMB579 million on these investments. In addition, CBI prudentially charged the provision for impairment loss on credit protection under the two credit default swaps (with a notional value of USD456 million, or the equivalent of RMB3,020 million) entered into with the senior loan provider of Farmington.

Operating Expense

Unit: RMB million

	2010	2009	Increase/ decrease	Growth rate (%)
Staff cost	10,053	8,921	1,132	12.69
Property and equipment expenses and amortization	3,345	2,826	519	18.37
Others	5,555	4,623	932	20.16
Subtotal	18,953	16,370	2,583	15.78
Business tax and surcharges	3,685	2,761	924	33.47
Total operating expense	22,638	19,131	3,507	18.33
Cost-to-income ratio	40.17	46.68	Down by 6.51 percentage points	
Cost-to-income ratio (deducting business tax and surcharges)	33.63%	39.95%	Down by 6.32 percentage points	

In 2010, the Group's operating expense reached RMB22.638 billion, up by RMB3.507 billion or 18.33% compared with the previous year, which was primarily because: (1) the Group's staff cost and property and equipment expenses and amortization rose due to the rapid development of its business and the expansion of branch outlets; (2) the Group's business expenses increased due to the increase in its dedicated funding support to push ahead its structural adjustment.

In 2010, the Group's cost-to-income ratio reached 33.63%, a decrease of 6.32 percentage points, which was primarily due to: (1) the increase of operating income resulted from business expansion and the rise in net interest margin; (2) the Group's effective cost control.

Income Tax Analysis

In 2010, the Group's income tax expense was RMB6.916 billion, up by RMB2.211 billion or 46.99% compared with the previous year. The Group's effective tax rate stood at 24.10%, down by 0.32 percentage point compared with the previous year.

Balance Sheet Analysis

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**1,264,245**	**—**	1,065,649	—
Including:				
Corporate loans	**992,272**	**—**	822,635	—
Discounted bills	**55,699**	**—**	94,774	—
Personal loans	**216,274**	**—**	148,240	—
Provisions for impairment loss	**(18,219)**	**—**	(15,170)	—
Net loans and advances to customers	**1,246,026**	**59.9**	1,050,479	59.2
Investments [1]	**271,258**	**13.0**	208,400	11.8
Cash and deposits with Central Bank	**256,323**	**12.3**	224,003	12.6
Net amount of deposits and placements with banks and non-bank financial institutions	**130,588**	**6.3**	81,808	4.6
Amounts under resale agreements	**147,632**	**7.1**	185,203	10.4
Others [2]	**29,487**	**1.4**	25,138	1.4
Total assets	**2,081,314**	**100.0**	1,775,031	100.0
Deposits from customers	**1,730,816**	**88.5**	1,341,927	80.5
Including:				
Corporate deposits	**1,430,062**	**73.1**	1,097,852	65.8
Personal deposits	**300,754**	**15.4**	244,075	14.7
Deposits and placement from banks and non-bank financial institutions	**148,735**	**7.6**	279,602	16.8
Amounts under repurchase agreements	**4,381**	**0.2**	4,100	0.2
Debt securities payable	**34,915**	**1.8**	18,422	1.1
Others [3]	**37,929**	**1.9**	23,972	1.4
Total liabilities	**1,956,776**	**100.0**	1,668,023	100.0

Notes: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and long-term equity investments.

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

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

Most of the Group's assets are loans and advances to customers. As of the end of 2010, loans and advances to customers after deducting provisions for impairment losses accounted for 59.9% of the Group's total assets.

For the analysis of loan business, please refer to "Risk Management" in this annual report.

Investment Businesses

Investment Portfolio Analysis

Unit: RMB million

	31 December 2010		31 December 2009	
	Value	**Proportion (%)**	Value	Proportion (%)
Held-to-maturity debt securities	**129,041**	**47.7**	107,466	51.6
Available-for-sale debt securities	**130,602**	**48.1**	88,380	42.4
Debt securities measured at fair value through profit or loss	**2,848**	**1.0**	4,444	2.1
Total debt securities	**262,491**	**96.8**	200,290	96.1
Available-for-sale investment funds	**6,342**	**2.3**	5,791	2.8
Investment funds measured at fair value through profit or loss	**4**	**—**	3	—
Total investment funds	**6,346**	**2.3**	5,794	2.8
Available-for-sale equity investments	**165**	**0.1**	174	—
Equity investments for trading purposes	**3**	**—**	2	—
Investment in associates	**2,253**	**0.8**	2,140	1.1
Total equity investments	**2,421**	**0.9**	2,316	1.1
Total investments	**271,258**	**100.0**	208,400	100.0
Market value of listed securities in held-to-maturity debt securities	**917**		1,941	

Classification of Debt Securities Investment

As of the end of 2010, the Group's investment in debt securities reached RMB262.491 billion, an increase of RMB62.201 billion or 31.06% compared with the end of the previous year, which was primarily because the Group purchased some high-yield and high credit rating medium-to-long term government bonds, central bank notes and bonds issued by policy banks based on its judgement of the market trend on interest rate and its adjustment of its assets and liabilities structure as well as its analysis on investment returns and risks.

Unit: RMB million

	31 December 2010		31 December 2009	
	Value	**Proportion (%)**	Value	Proportion (%)
Government	**66,408**	**25.3**	46,802	23.4
PBOC	**69,411**	**26.4**	48,214	24.1
Policy banks	**33,163**	**12.6**	29,780	14.9
Banks and non-bank financial institutions	**32,880**	**12.6**	28,598	14.3
Public entities	**1,725**	**0.7**	5,730	2.8
Others (1)	**58,904**	**22.4**	41,166	20.5
Total debt securities	**262,491**	**100.0**	200,290	100.0

Note: (1) Mainly corporate bonds.

Unit: RMB million

	31 December 2010		31 December 2009		31 December 2008	
	Value	Proportion (%)	Value	Proportion (%)	Value	Proportion (%)
Domestic	238,362	90.8	169,065	84.4	167,862	77.5
Overseas	24,129	9.2	31,225	15.6	48,770	22.5
Total debt securities	262,491	100.0	200,290	100.0	216,632	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2010:

Unit: RMB million

	2010		
Name of Debt Securities	**Book value**	**Maturity Date**	**Annual interest rate (%)**
Debt Securities 1	2,801	20 Feb. 2015	3.01
Debt Securities 2	2,204	6 May 2017	2.83
Debt Securities 3	1,449	23 May 2011	—
Debt Securities 4	1,446	12 Jun. 2017	2.87
Debt Securities 5	1,297	29 May 2017	2.85
Debt Securities 6	1,201	8 Apr. 2013	2.74
Debt Securities 7	1,171	27 Apr. 2015	2.97
Debt Securities 8	1,000	15 Feb. 2011	2.63
Debt Securities 9	1,000	21 May 2014	2.74
Debt Securities 10	1,000	28 Oct. 2020	2.95
Total debt securities	**14,569**		

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Loss

Unit: RMB million

	As of 31 December 2010	As of 31 December 2009
Beginning balance	**586**	799
Accruals during the year (1)	**579**	63
Write-offs (2)	**(579)**	(79)
Transfer out (3)	**(236)**	(197)
Ending balance	**350**	586

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

In 2010, CIFH's wholly-owned subsidiary, CBI, made a full impairment allowance on its investments in Farmington Finance Limited ("Farmington"), available-for-sale financial assets, which amounted to RMB579 million.

(2) In 2010, the abovementioned provision for the impairment loss on investments in Farmington was written off in full amount by CBI.

(3) Transfer-out includes the amount transferred from the provisions for impairment loss of investment in overdue debt securities to the provisions for bad debt, the sale of impaired investments and the impact due to changes in exchange rate.

Unit: RMB million

	As of 31 December 2010	As of 31 December 2009
Provisions for available-for-sale investment impairment	241	371
Provisions for held-to-maturity investment impairment	109	215
Provisions for long-term equity investment impairment	—	—
Total	**350**	586

As of the end of 2010, the foreign currency-denominated debt securities held by the Group totalled USD4.627 billion (equivalent to RMB30.646 billion), of which the Bank held USD1.980 billion and overseas subsidiaries held USD2.647 billion.

As of the end of 2010, the Group held foreign currency-denominated residential mortgage-backed securities (MBS) of USD242 million (equivalent to RMB1.602 billion), accounting for 5.23% of its investment in foreign currency-denominated debt securities, of which 93% were prime residential MBS. The Group held ALT-A residential MBS of USD18 million (equivalent to RMB117 million), for which the accumulated provisions for impairment loss totalled USD12 million (equivalent to RMB76 million). The Group held no US sub-prime residential MBS.

As of the end of 2010, the Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of USD192 million (equivalent to RMB1,274 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 USD77 million (equivalent to RMB551 million), for which provisions for impairment loss had been charged in full.

As of the end of 2010, the Group had made an impairment provision for its foreign currency-denominated debt securities investment with an accumulated total of USD50 million (equivalent to RMB334 million), of which the Bank's provision for impairment losses was USD48 million and overseas subsidiaries' provision for impairment losses was USD2 million.

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

	31 December 2010			31 December 2009		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	210,359	1,481	1,521	174,179	1,762	2,203
Currency derivatives	429,730	2,985	2,591	271,623	1,405	1,404
Credit derivatives	968	7	9	956	14	20
Equity derivatives	395	5	5	126	1	1
Total	641,452	4,478	4,126	446,884	3,182	3,628

On-balance Sheet Interest Receivables

The table below sets out the changes in interest receivables of the Group.

Unit: RMB million

	31 December 2009	Increase during the current period	Collected during the current period	**31 December 2010**
Loan interest receivables	1,788	58,820	(57,687)	**2,921**
Interest receivables for debt securities	2,174	6,015	(5,190)	**2,999**
Other interest receivables	173	7,625	(7,593)	**205**
Subtotal	4,135	72,460	(70,470)	**6,125**
Allowances for impairment losses on interest receivables	—	(34)	4	**(30)**
Total	4,135	72,426	(70,466)	**6,095**

Repossessed assets

The table below sets out the repossessed assets of the Group.

Unit: RMB million

	31 December 2010	31 December 2009
Original value of repossessed assets		
— Land, premises and constructions	487	685
— Others	234	303
Provisions for impairment of repossessed assets		
— Land, premises and constructions	(205)	(311)
— Others	(75)	(67)
Total book value of repossessed assets	441	610

Deposits from Customers

The Group

Unit: RMB million

	31 December 2010		31 December 2009		31 December 2008	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
Corporate deposits						
Demand deposits	**752,219**	**43.5**	581,483	43.3	392,619	38.2
Time deposits	**677,843**	**39.1**	516,369	38.5	430,231	41.9
Negotiated	**30,130**	**1.7**	7,810	0.6	7,970	0.8
Non-negotiated	**647,713**	**37.4**	508,559	37.9	422,261	41.1
Subtotal	**1,430,062**	**82.6**	1,097,852	81.8	822,850	80.1
Personal deposits						
Demand deposits	**87,521**	**5.1**	66,908	5.0	50,470	4.9
Time deposits	**213,233**	**12.3**	177,167	13.2	154,005	15.0
Subtotal	**300,754**	**17.4**	244,075	18.2	204,475	19.9
Total deposits from customers	**1,730,816**	**100.0**	1,341,927	100.0	1,027,325	100.0

As of the end of 2010, deposits from customers of the Group totalled RMB1,730.816 billion, an increase of RMB388.889 billion or 28.98% compared with the end of the previous year.

The Bank

Unit: RMB million

	31 December 2010		31 December 2009		31 December 2008	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
Corporate deposits						
Demand deposits	735,188	45.0	563,534	44.8	384,031	40.7
Time deposits	633,497	38.7	485,851	38.5	388,793	41.2
Negotiated	30,100	1.8	7,810	0.6	7,970	0.8
Non-negotiated	603,397	36.9	478,041	37.9	380,823	40.4
Subtotal	1,368,685	83.7	1,049,385	83.3	772,824	81.9
Personal deposits						
Demand deposits	71,140	4.4	49,066	3.9	40,456	4.3
Time deposits	194,505	11.9	160,613	12.8	130,062	13.8
Subtotal	265,645	16.3	209,679	16.7	170,518	18.1
Total deposits from customers	1,634,330	100.0	1,259,064	100.0	943,342	100.0

Deposits from customers of the Bank totalled RMB1,634.330 billion, an increase of RMB375.266 billion or 29.81% compared with the end of the previous year. The balance of corporate deposits of the Bank increased by RMB319.300 billion compared with the end of the previous year, of which the negotiated deposits increased by RMB22.290 billion to RMB30.1 billion as of the end of 2010 from RMB7.810 billion as of the end of 2009, which was mainly because the Bank properly obtained certain negotiated deposits considering the match of the maturity of assets and liabilities and the Bank's personal deposits increased by RMB55.966 billion or 26.69% compared with the end of the previous year.

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
RMB	**1,583,501**	**91.5**	1,214,773	90.5
Foreign currencies	**147,315**	**8.5**	127,154	9.5
Total	**1,730,816**	**100.0**	1,341,927	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim (1)	**492,182**	**28.4**	408,341	30.4
Yangtze River Delta	**439,504**	**25.4**	346,036	25.8
Pearl River Delta and West Strait	**241,641**	**14.0**	176,916	13.2
Central Region	**218,978**	**12.7**	158,463	11.8
Western Region	**187,530**	**10.8**	127,974	9.5
Northeastern Region	**54,495**	**3.1**	41,220	3.1
Overseas	**96,486**	**5.6**	82,977	6.2
Total deposits from customers	1,730,816	100.0	1,341,927	100.0

Note: (1) Including the head office.

Breakdown of Deposits by Remaining Maturity

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

Unit: RMB million

	Overdue/Undated		Within 3 months		Within 3 to 12 months		Within 1 to 5 years		After 5 years		Total	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits	828,625	47.9	299,620	17.3	254.810	14.7	43,524	2.5	3,483	0.2	1,430,062	82.6
Personal deposits	149,903	8.7	77,386	4.5	62,344	3.6	11,116	0.6	5	0.0	300,754	17.4
Total	978,528	56.6	377,006	21.8	317,154	18.3	54,640	3.1	3,488	0.2	1,730,816	100.0

Shareholders' Equity

For changes in shareholder's equity during the reporting period, please refer to "Consolidated Statement of Changes in Equity" in this annual report.

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

	31 December 2010	31 December 2009
Credit commitments		
— Banker's Acceptance bill	**427,573**	305,363
— Guarantees issued	**68,932**	62,901
— Letter of credit issued	**116,529**	52,585
— Irrevocable loan commitments	**60,496**	41,229
— Credit card commitments	**49,844**	40,597
Subtotal	**723,374**	502,675
Operating leasing commitments	**6,641**	4,585
Capital commitments	**424**	695
Pledged assets	**6,952**	5,241
Total	**737,391**	513,196

Supplementary Financial Indicators

		Data of the Bank (%)		
Major Indicators [1]	Standard (%)	**31 December 2010**	31 December 2009	31 December 2008
Liquidity ratio				
Including: RMB	≧25	**56.75**	48.12	51.37
foreign currency	≧25	**68.68**	104.47	83.24
Loan-to-deposit ratio [2]				
Including: RMB	≦75	**73.31**	79.96	73.29
RMB equivalents	≦75	**72.83**	79.62	72.14

Notes: (1) The figures are calculated in accordance with the regulatory standards of Chinese banking industry.

(2) Discounted bills are included in loans.

Capital Management

The Bank's objective of capital management includes: to ensure the capital adequacy ratio fulfill the regulatory requirements at all times, to establish a long-term capital replenishing mechanism for maintaining a strong capital base, to specify the asset expansion plan according to capital base for balancing capital and yields and risks and to maximize shareholders' value with controllable risks.

To that end, the Bank executed the following strategies to manage capital: (1) considering the Bank's overall development strategy and risk preference, the Bank set up a targeted range of capital adequacy ratio. Meanwhile, the Bank set up a capital alarming line and regularly monitored capital adequacy ratio of the whole bank. If the capital adequacy ratio or core capital adequacy ratio is below the alarming line, a series of measures, such as replenishing capital and adjusting asset structure or other effective methods, shall be taken immediately so as to ensure the capital adequacy ratio within the targeted range; (2) the Bank reasonably utilized all sorts of capital instruments and optimized the total amount and the structure of capital in order to improve capital quality and the capability of bearing losses; and (3) the Bank improved its capital management mechanism, established a scientific capital management system, improved the awareness of capital constraint so as to use capital more efficiently. Performance-based employee evaluation system emphasizing "profits" and "return on risk capital" was promulgated throughout the Bank. By leveraging on the internal capital allocation system, the Bank realized an optimized allocation of economic capital among all business units, products, industries and clients to ensure a consistent and stable return on capital.

In the meantime, to ensure the aforementioned strategies being enforceable, the Bank was expediting the application of risk measurement techniques and steadily expanding the application of capital management in aspects of product pricing, performance evaluation and operation plans, etc, so that the economic capital as an instructive baton to the Bank's business operation was enhanced.

The Bank calculated and disclosed its capital adequacy ratio in accordance with the Measures for the Administration of Capital Adequacy Ratio of Commercial Banks (Decree of the CBRC [2004] No. 2) promulgated by the CBRC on 23 February 2004 and based on the relevant provisions subsequently revised.

Unit: RMB million

	31 December 2010	31 December 2009	31 December 2008
Total capital before deduction	**160,928**	122,735	106,969
Including: Total core capital	**119,116**	103,573	92,042
Total supplementary capital	**41,762**	19,162	14,927
Deduction: Unconsolidated equity investments and others	**4,314**	4,147	99
Net Capital	**156,614**	118,588	106,870
Net core capital	**116,988**	101,527	91,993
Risk-weighted assets	**1,385,262**	1,106,648	746,547
Core capital adequacy ratio	**8.45**	9.17	12.32
Capital adequacy ratio	**11.31**	10.72	14.32

Note: The Bank completed the equity acquisition of CIFH on 23 October 2009. Since 2010, the CBRC conducted consolidation supervision on the Bank. Relevant figures as at the end of 2009 were restated based on the Group and figures for 2008 were calculated based on the Bank.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the Accounting Standards for Business Enterprises requires the Group to make certain accounting estimates and assumptions when the Group's accounting policies are applied to determine the amounts of assets and liabilities as well as income and expenses 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 compilation basis of the Group's financial statements influenced by estimates and judgments include: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, measurement of the fair value of investments for trading purpose and transactions designated at fair value through profit or loss, measurement of the fair value of available-for-sale investments, measurement of the fair value of derivatives), affirmation of actuarial obligations for pension and welfare, and 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 Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business. The methods for determination of fair value include the use of financial media quotes, open or individual valuation techniques, and trading counterparty or third-party price inquiry. In principle, it is the Bank's priority to use the quotes from active markets to measure fair values. For financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly 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 determination method and source for the fair values of financial instruments in light of business needs. The accounting department conducts an independent evaluation on fair value based on the requirements of the accounting standards, and prepares valuation reports regularly. The risk management department reviews various valuation reports, and supervises the implementation of those valuation methods. The relevant systems and methods related to the measurement of fair values are approved by the Market Risk Management Committee of the Bank's head office.

Items Measured at Fair Value Held

Unit: RMB million

	Beginning balance	Gain/loss from changes in fair value during the year	Accumulated changes in fair value recognized in equity	Impairment during the year	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the period	**4,449**	(34)	—	—	2,855
2. Financial derivative assets	**3,182**	(690)	—	—	4,478
3. Available-for-sale financial assets	**94,231**	—	(336)	—	136,976
Subtotal of financial assets	**101,862**	(724)	(336)	—	144,309
Investment properties	**161**	54	—	—	248
Total	**102,023**	(670)	(336)	—	144,557
Financial liabilities					
1. Trading financial liabilities	**(2,755)**	(10)	—	—	(10,729)
2. Derivative financial liabilities	**(3,628)**	710	—	—	(4,126)
Total of financial liabilities	**(6,383)**	700	—	—	(14,855)

Financial Assets and Liabilities Denominated in Foreign Currencies Held

Unit: RMB million

	Beginning balance	Gain/loss from changes in fair value during the year	Accumulated changes in fair value recognized in equity	Impairment during the year	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the period	**839**	(35)	—	—	151
2. Derivative financial assets	**2,173**	(664)	—	—	1,866
3. Available-for-sale financial assets	**39,199**	—	401	(569)	32,845
4. Loans and receivables	**133,966**	—	—	(286)	160,686
5. Held-to-maturity investments	**7,133**	—	—	—	3,670
Total of financial assets	**183,310**	(699)	401	(855)	199,218
Financial liabilities	**(151,841)**	244	—	—	(175,035)

Segment Report

Business Segment

Unit: RMB million

	2010					
	Corporate banking	Personal banking	Treasury business	CIFH	Others and unallocated	Total
Operating income	43,031	8,409	1,992	3,073	(149)	56,356
Operating expense	(13,556)	(7,297)	(362)	(1,285)	(138)	(22,638)
Asset impairment loss	(3,678)	(546)	—	(1,025)	—	(5,249)
Operating profit/(loss)	25,797	566	1,630	989	(287)	28,695
	31 December 2010					
	Corporate banking	Personal banking	Treasury business	CIFH	Others and unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Off-balance sheet credit commitments	640,308	44,169	—	38,897	—	723,374

	2009					
	Corporate banking	Personal banking	Treasury business	CIFH	Others and unallocated	Total
Operating income	30,499	6,724	1,605	2,856	(701)	40,983
Operating expense	(11,264)	(5,709)	(601)	(1,442)	(115)	(19,131)
Asset impairment loss	(1,236)	(661)	(10)	(491)	(221)	(2,619)
Operating profit/(loss)	17,999	354	994	955	(1,037)	19,265
	31 December 2009					
	Corporate banking	Personal banking	Treasury business	CIFH	Others and unallocated	Total
Segment assets	1,018,524	161,117	437,793	105,835	47,527	1,770,796
Segment liabilities	1,064,834	220,865	265,121	93,728	23,475	1,668,023
Off-balance sheet credit commitments	438,059	34,886	—	29,730	—	502,675

The Group has maintained a leading position in corporate banking business. In 2010, the corporate banking business contributed an operating profit of RMB25.797 billion to the Group, with the proportion of 89.01%; the personal banking business contributed an operating profit of RMB566 million to the Group, with the proportion of 1.95%; the treasury business contributed an operating profit of RMB1.630 billion to the Group, with the proportion of 5.62%; and the overseas subsidiaries contributed an operating profit of RMB989 million, with the proportion of 3.42%.

Geographical Segment

Unit: RMB million

2010	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central Region	Western Region	North-eastern Region	Head office	Hong Kong	Elimination	Total
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense	(5,351)	(2,980)	(4,560)	(2,644)	(2,326)	(628)	(2,813)	(1,336)	—	(22,638)
Asset impairment loss	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Operating profit/(loss)	7,511	3,863	6,978	3,744	3,085	963	1,506	1,045	—	28,695

31 December 2010	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central Region	Western Region	North-eastern Region	Head office	Hong Kong	Elimination	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Off-balance sheet credit commitments	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

2009	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central Region	Western Region	North–eastern Region	Head office	Hong Kong	Elimination	Total
Operating income	10,105	5,011	8,673	4,431	3,918	1,098	4,838	2,909	—	40,983
Operating expense	(4,384)	(2,424)	(3,698)	(1,789)	(1,569)	(474)	(3,278)	(1,515)	—	(19,131)
Asset impairment loss	(538)	(194)	75	(314)	(302)	(220)	(624)	(502)	—	(2,619)
Operating profit/(loss)	5,183	2,393	5,050	2,328	2,047	404	936	924	—	19,265

31 December 2009	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central Region	Western Region	North–eastern Region	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
Segment liabilities	418,175	242,924	486,007	201,929	158,448	53,499	721,313	95,057	(709,329)	1,668,023
Off-balance sheet credit commitments	127,561	58,298	129,631	69,250	36,819	16,500	34,886	29,730	—	502,675

The Yangtze River Delta, the Pearl River Delta and the West Strait, and the Bohai Rim have always been the most important contributors to the Group's income and profit growth, contributing a total operating profit of RMB18.352 billion to the Group in 2010, with the proportion of 63.96%. Businesses of the Group in Central, Western and Northeastern regions of China have been developing rapidly in recent years, and in 2010, the operating profit from these three regions amounted to RMB7.792 billion, with the proportion of 27.15%. In addition, the profit derived from operations in Hong Kong amounted to RMB1.045 billion, and the economic efficiency steadily grew.

Business Overview

Corporate Banking

Business Strategies

2010 was a year full of both challenges and opportunities. The Bank actively adapted itself to the situation by optimizing its development model in corporate banking business, building a specialized marketing and service system, pushing forward small business financing business and enhancing the building of business platforms including investment banking business, supply chain financing business and cash management business. Therefore, the Bank's professional service capability has been improved. The Bank gave full play to the synergy effect in marketing, continued to enhance the coordination among the Bank's head office, branches and financial subsidiaries under CITIC Group. In particular, the Bank made effort to cooperate with CBI and BBVA in product R&D and the research on corporate banking cross-border cooperation model in the hope of providing quality customers with more convenient and comprehensive financial services. Meanwhile, the Bank made constant efforts to enrich and perfect product series and promote a diversified business operation. Thanks to its effort, the Bank's corporate banking business realized a sustained, rapid and sound development while coping with challenges.

Business Overview

In 2010, the Bank proactively promoted the transformation of corporate banking business growth model, accelerated the adjustment of business structure, customer structure and income structure, gave impetus to product and business model innovation, and made great efforts to develop emerging businesses such as supply chain financing, small business financing, investment banking, cash management and asset custody. While strengthening and enhancing the competitive edges of the traditional business, the Bank realized a robust growth in income from corporate banking intermediary business and further improved the sustainable development capability of its corporate banking business. As of the end of the reporting period, the balance of corporate deposits grew by 30.43% compared with the end of the previous year; the balance of general corporate loans increased by 13.83% compared with the end of the previous year; the net non-interest income of corporate banking business reached RMB3.820 billion, representing a year-on-year increase of 35.80%; and the operating income reached RMB43.031 billion, an increase of 41.09% compared with the previous year.

- The contribution by strategic clients continued to increase. As of the end of the reporting period, the deposit balance from 3,322 strategic clients reached RMB566.408 billion, increased by 27.84% compared with the end of the previous year, accounting for 41.38% of the Bank's total corporate deposits balance. The loan balance to strategic clients stood at RMB460.163 billion, an increase of 12.59% compared with the end of the previous year and accounting for 46.64% of total corporate loan balance.
- The Bank maintained its advantages in international business. During the reporting period, the Bank's foreign exchange received and paid reached USD172.724 billion, an increase of 35.53% compared with the previous year, which outperformed the growth in national foreign trade by 0.8 percentage point. The foreign exchange received and paid under the trade account exceeded USD150 billion, taking the lead among small and medium-sized joint-stock banks.
- The Bank's investment banking business scale expanded rapidly. During the reporting period, the net non-interest income from investment banking business reached RMB1.333 billion, up by 34.36% compared with the previous year, and the bonds underwritten reached RMB52.054 billion, up by 46.32% compared with the previous year.
- The Bank kept cooperative relations with 172 auto financing and iron & steel producers as compared with 124 in the previous year, and conducted cooperation with 3,700 distributors, an increase of 54.94% compared with the end of the previous year. The Bank provided an accumulative credit of RMB452.8 billion to 5,163 supply chain financing clients, up by 50.91% compared with the end of the previous year.
- The Bank has 11,560 small business clients with a total credit balance of RMB160.415 billion, an increase of 68.27% compared with the end of the previous year. The NPL ratio was only 0.39%, 0.27 percentage point lower than the end of the previous year. The average interest rate for loans to small businesses floated upwards by 11.83% based on the benchmark rate and was higher than the average interest rate for corporate loans.
- The sales volume of corporate wealth management products reached RMB61.442 billion, 116.67% higher than the previous year. Incomes from asset management fees and structured financing fees grew by 213.46% and 77.16% respectively compared with the previous year.
- Incomes from asset custody business exceeded RMB200 million and reached RMB208 million, up by 84% compared with the previous year. Assets under custody exceeded RMB200 billion threshold, totaling RMB254.3 billion, up by 127% compared with the end of previous year.

During the reporting period, the Bank gained a broader brand recognition of its corporate financial service series and received more than 20 awards including "CFO's Most Trusted Bank", the "Best Supply Chain Finance Bank", the "Best Investment Bank", "Cash Management Bank with Most Growth Potential in China" and the "Best Business Model and Best Financing Partner for China's SMEs in the 21st Century".

Corporate Deposits and Loans

The Bank was determined in establishing its endogenous growth mechanism for corporate deposits. Taking the advantage of the electronic banking channels and products cross-selling, the Bank strengthened its marketing and tapping of corporate customers for settlement purposes and increased the contribution of corporate customer deposits. With a high quality institutional customer base and a full set of products, solutions and services marketing, the Bank achieved a relatively rapid growth in institutional customer deposits which laid a solid foundation for the growth of the Bank's corporate deposits. As of the end of the reporting period, the number of the Bank's corporate deposit accounts amounted to 258,800, an increase of 26,314 accounts compared with the end of the previous year. The Bank's corporate deposit balance was RMB1,368.685 billion, up by 30.43% compared with the end of the previous year, accounting for 83.75% of the Bank's total deposits from customers. Among which, the balance of deposits from institutional customers including fiscal entities registered at RMB371.77 billion, up by 33.99% compared with the end of the previous year, accounting for 27.16% of the Bank's total corporate deposits, up by 0.72 percentage point compared with the end of the previous year. The balance of negotiated deposits stood at RMB30.1 billion, accounting for 2.20% of the Bank's total corporate deposits, up by 1.46 percentage points compared with the end of the previous year.

The Bank continued to strengthen its awareness of capital constraints by allocating credit resources in a scientific way and seized opportunities brought forth by the strategic transformation of the national economy and the upgrading of industrial structure by actively expanding customer base and product lines catering to the Bank's requirements for strategic development and its policy orientation, ensuring an orderly delivery of the Bank's quality credit assets and a steady growth in the high-yield assets business; hence the corporate loan structure was optimized. As of the end of the reporting period, the Bank's corporate loan balance registered at RMB986.697 billion (including discounted bills), up by 13.83% compared with the end of the previous year. Among which, the balance for general loans and small business loans were RMB933.185 billion and RMB68.07 billion respectively, an increase of RMB159.628 billion or 20.64% and RMB28.683 billion or 72.82% respectively compared with the end of the previous year, with the proportion in the Bank's total corporate loans up by 5.34 percentage points and 2.18 percentage points respectively compared with the end of the previous year.

The Bank launched a unified group credit granting to the Bank's 82 strategic group customers, unveiled a unified credit granting management procedure for regional strategic group customers and established marketing teams for key sectors, including transportation, energy, telecommunications, real estate, automobile, steel and shipbuilding, etc. Therefore, the strategic customer systematic marketing platform building was deepened and the marketing were more effective. As of the end of the reporting period, the number of the Bank's strategic customers grew to 1,181 from 585 in the beginning of the reporting period.

Financial Institution Business

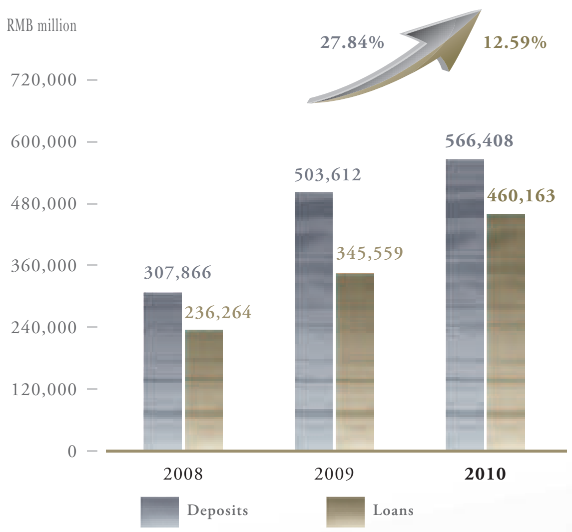
In 2010, the Bank continued to build cooperation platforms with peers and put forward bank-securities, bank-insurance and bank-lease financial service solutions. The Bank also initiated the mass credit granting for other banks, in which 162 Chinese funded banking institutions were approved for a line of credit and strengthened its marketing activities towards third-party depositary and margin-trading and short-selling businesses by signing third-party depositary agreements with a total of 85 brokers. During the reporting period, the Bank's daily balance of deposits from financial institutions registered at RMB149.198 billion, up by 63.52% compared with the end of the previous year, of which daily balance of deposits from banking financial institutions were RMB69.215 billion, with the proportion in the Bank's daily balance of deposits from financial institutions increasing to 46.39% and the daily balance of deposits due from the third-party depositary business were RMB18.760 billion, accounting for 12.57% of the Bank's daily balance of deposits from financial institutions.

International Business

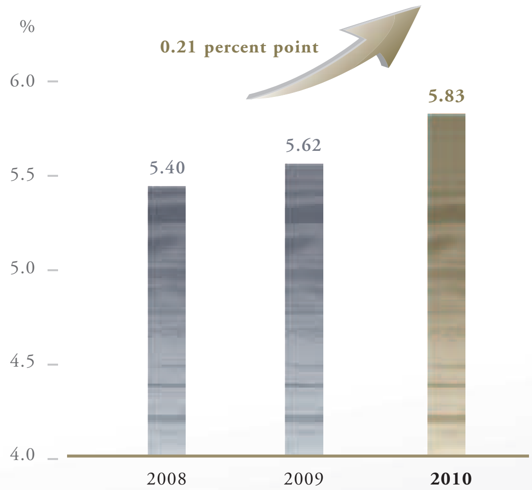
In 2010, with the recovery in international trade and the tightening of domestic macro-economy, the Bank was vigorous in adjusting its structure, strengthening its management, innovating its products, building its channels, promoting its marketing and consolidating its internal control, achieving the structure optimization in terms of geographic location, business and client and a coordinated development of profit and scale, resulting in a constant growth in strategic customers base. Meanwhile, the Bank cooperated with local governments and industry associations in establishing marketing platforms to foster effective marketing and to increase market reputation while carrying out active cooperation with BBVA and CBI, fully utilizing the edge of overseas platforms and channels and thus yielded positive effects. During the reporting period, the Bank's foreign exchange received and paid[1] reached USD172.724 billion, an increase of 35.53% compared with the previous year, which outperformed the growth rate in national foreign trade by 0.8 percentage point. The foreign exchange received and paid under trade accounts exceeded USD150 billion, taking the lead among small and medium-sized joint-stock banks. The foreign exchange received and paid under the non-trade account was USD16.216 billion, an increase of 27.80% compared with the previous year and the business growth rate was accelerated remarkably. Lending in trade financing registered at USD11.309 billion and the balance as of the end of the reporting period was USD3.911 billion. Import refinancing approached USD10.668 billion accumulatively. In 2010, the Bank's international settlement maintained its leading position among small and medium-sized joint-stock banks with a market share of 5.83%, 0.21 percentage point higher than that of the previous year. The total income from international business was RMB2.18 billion, up by 50.24% compared with the previous year.

Based on market demand, the Bank also launched products including credit insurance, factoring and pledge of goods ownership and tried to offer comprehensive premium services to its clients with innovative products and service plan. During the reporting period, the Bank's RMB cross-border settlement business achieved a rapid growth evidenced by the foreign exchange received and paid in RMB cross-border business reaching RMB39.057 billion and the market share rose to 11.16%, which made the Bank take the third place among all the Chinese commercial banks. In 2010, the Bank's letter of credit business emerged as a new source for profit growth, and the total amount of letter of credit issued was RMB53.481 billion, nearly quadrupling of that of the previous year.

DEPOSITS AND LOANS WITH STRATEGIC CUSTOMERS



MARKET SHARE FOR INTERNATIONAL SETTLEMENT



1 Foreign exchange received and paid during the reporting period calculated includes the figures under the non-trade account, and its growth rate compared with the previous year was adjusted based on new calculation.

In 2010, the Bank's brand image in international business was further improved. With its advanced service concepts, complete product mix and qualified personnel, the Bank was selected by China Business as "International Business Bank with Excellent Competitiveness in 2010" in the election for "Financial Institutions with Excellent Competitiveness in 2010". In a survey on iconic banking brands in China–"China Supreme Award" which was jointly held by well-known institutions including the Economy press, the Bank received two major awards, namely "Joint-stock Commercial Bank with Best RMB Cross-border Trade Settlement Service in China" and "Top Ten Brands for Customer Satisfaction in RMB Cross-border Trade Settlement Service in China" for its outstanding performance in RMB cross-border trade settlement business sector.

Investment Banking Business

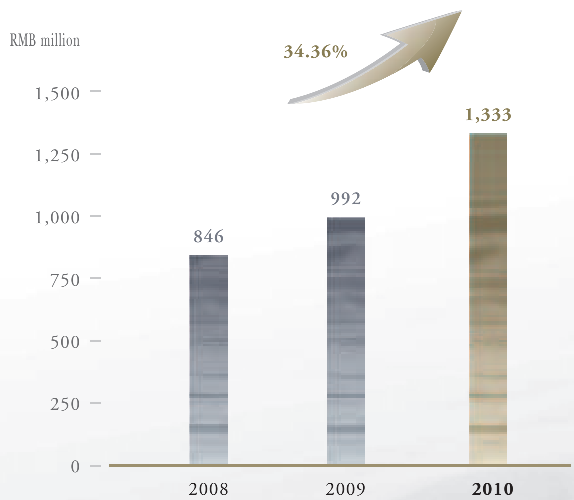
In 2010, the Bank implemented a specialized business model and expanded business such as bond underwriting, syndicated loans, merger and acquisition loans, export credit, domestic factoring, asset management and financial advisory, etc. Therefore, the Bank's investment banking business maintained a stable and rapid growth. During the reporting period, the net non-interest income from investment banking business reached RMB1.333 billion, up by 34.36% compared with the previous year, accounting for 34.90% of the Bank's net non-interest income from corporate banking business, of which, the income from asset management and commission income of structured financing grew by 213.46% and 77.16% respectively compared with the previous year. Sales of corporate wealth management products reached RMB61.442 billion, up by 116.67% compared with the previous year. The balance for asset scale of structured financing business reached RMB82.51 billion, up by 40.61% compared with the end of the previous year. Bonds underwritten reached RMB52.054 billion, up by 46.32% compared with the previous year.

In 2010, the Bank ranked the second among all the domestic commercial banks in terms of the number of projects registered in the interbank bond market and its ranking at Bloomberg Press rose to the second in terms of syndicated loans arranged by foreign and domestic banks. In addition, the Bank continued to maintain its leading position among peers in terms of the amount of export credit conclusion. In 2010, the Bank received awards from Economic Observer and Securities Times, including the "Best Investment Bank for the Year of 2009", "Best Bank in Syndicated Financing of China Region in 2010" and "Best Bank in M&A Project Service in 2010".

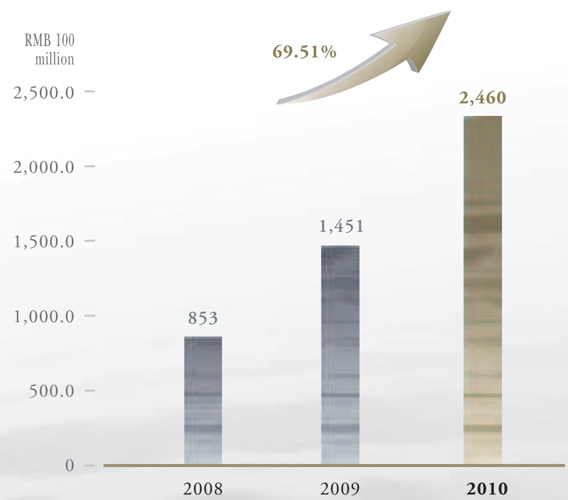
Supply Chain Financing Business

The Bank proactively promoted the specialized operation and management of the supply chain financing business, and focused on the business innovation. The Bank launched new types of supply chain financing products, such as domestic equipment buyer's credit, financing with pledge of accounts receivables and financing with pledge of standard warehouse receipts and order financing and built a business system based on commercial draft. As a result, the level of specialized service and market competitiveness of the Bank in supply chain financing business was significantly improved. As of the end of the reporting period, the Bank had cooperated with 172 auto and iron & steel producers, up from 124 producers in the previous year, and 3,700 distributors, a growth of 41.87% compared with the end of the previous year. The Bank provided an accumulative financing amount of RMB452.8 billion to 5,163 customers in the supply chain financing business, up by 50.91% compared with the end of the previous year. During the reporting period, daily deposits absorbed from distributors and producers amounted to RMB157.865 billion.

NET NON-INTEREST INCOME OF INVESTMENT BANKING BUSINESS



LOANS TO CAR DEALERS



As of the end of 2010, the Bank's loans to car dealers rose to a new record high of RMB246 billion, an increase of RMB100.86 billion or 69.51% compared with the end of the previous year, higher than the growth rate of production and sales of the auto industry. The Bank established the head office-to-head office cooperative partnerships with 49 car producers covering most of the key auto enterprises and cooperated with 2,882 car dealers, an increase of 1,004 car dealers or 53.46% compared with the end of the previous year and accounting for 21.30% of the domestic authorized dealers of cars in narrow sense. Daily deposits absorbed from distributors and producers amounted to RMB59.083 billion, an increase of RMB22.95 billion or 63.52% compared with the previous year.

Cash Management Business

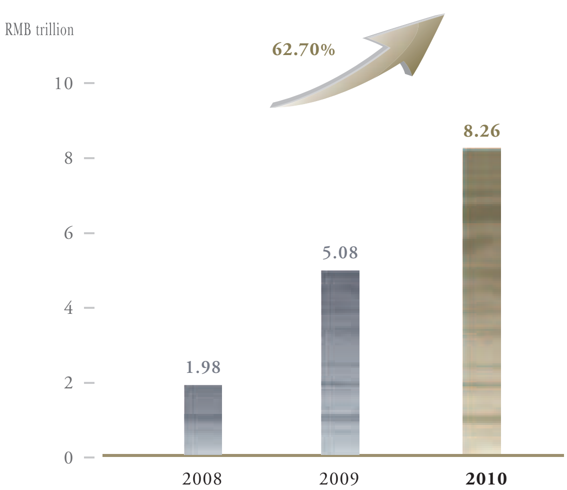
The Bank accelerated the building of cash management product mix and continued to enrich and improve the service function of its cash management system. The Bank launched the cash management system Version 5.0 and launched products for affiliated cash management accounts, expanding the electronic notes service function for group clients. Meanwhile, the Bank vigorously pushed forward the building of the multi-bank capital management system (MBS) depositary model and constructed a preliminary B2B E-commerce service platform. As of the end of the reporting period, the number of effective cash management projects and corresponding clients reached 1,460 and 8,817 respectively, up by 28.18% and 32.95% respectively compared with the end of the previous year. The total transaction volume reached RMB8.26 trillion, a growth of 62.70% compared with the previous year.

Small Business Financing Business

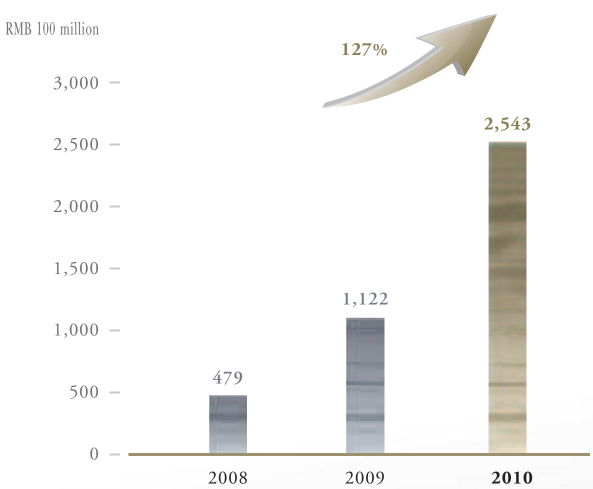
In 2010, based on the business development strategy of "promoting specialized business operation model and improving differentiated competitiveness", the Bank actively promoted innovations in the service models and products and ensured a sound and rapid development of small business financing. The Bank launched innovative products such as supportive loans, order credit, emergency loans and portfolio loans, etc and established partnership with 247 quality guarantee companies including Fullerton Financial under Temasek Holdings, so that the Bank effectively resolved SMEs' difficulties in financing and providing guarantee. As of the end of the reporting period, the Bank had 11,560 small business[1] clients, increased by 50.89% compared with the end of the previous year. The total credit balance with those small business clients reached RMB160.415 billion, increased by 68.27% compared with the end of the previous year, the loan balance reached RMB68.07 billion, increased by 72.82% compared with the end of the previous year, and the loan growth rate exceeded the Bank's total corporate loan growth by 52.18 percentage points. The NPL ratio was 0.39%, 0.27 percentage point lower than that of the previous year, which was below the average level of NPL ratio of the overall corporate loans. Therefore the business risks were under effective control.

In 2010, with good performance in providing small business financing services, the Bank received a number of awards such as "Special SME Financing Products as Banking Financial Institution", "Distinguished SME Financing Service & Products in China", "Top Ten Influential Brands in China's SME Financing Service", "Distinguished SME Service & Product Award for the Year of 2010", "Award for Best Business Model and Best Financing Partner for China's SMEs in the 21st Century" and "Excellent Competitiveness in SME Service in 2010", etc.

TRADE VOLUME OF CASH MANAGEMENT



SCALE OF ASSETS UNDER CUSTODY



1 The Bank defines small business as enterprises and legal entities with net assets of RMB15 million or below as at the end of the previous year or sales revenue of RMB150 million or below for the previous year.

Asset Custody Business

In 2010, the Bank was aggressive in exploring innovations in order to capture market opportunities and to effectively promote marketing. Custody and pension businesses continued to maintain a rapid growth. The scale of assets under custody rose to the level of RMB200 billion while the income exceeded RMB200 million. The asset custody business was gradually diversified and new sources of growth continued to emerge. Securities investment funds custody realized breakthroughs and the number of broker collective wealth management products took the lead among peers. The trust custody scale was doubled and the scale of equity investment fund (PE) custody rocketed to the second place among other domestic commercial banks. The Bank's custody service for wealth management business of local commercial banks developed fast with the scale of asset custody of RMB9.5 billion. As of the end of the reporting period, the scale of assets under custody reached RMB254.3 billion, up by 127% compared with the end of the previous year. During the reporting period, the total income from custody fees reached RMB208 million, up by 84% compared with the previous year. The scale of pension business under contract reached RMB9.1 billion, up by 77% compared with the previous year.

With its outstanding performance in business philosophy, product innovation, marketing promotion and custody service, the Bank's pension business was widely recognized by the regulators and corporate clients. The Bank received the "China Financial Marketing Award" from The Chinese Banker magazine for the second consecutive year.

Retail Banking

Business Strategy

In 2010, with the aim to foster "the formation of an endogenous growth mechanism and a comprehensive retail banking system", the Bank adhered to the business development strategy of developing wealth management and savings deposits business simultaneously and vigorously pushed forward the development of the intermediary business so as to strive for an improved business structure and stronger earnings capabilities.

Business Overview

In 2010, the Bank's operating income from retail banking business registered RMB8.409 billion, up by 25.06% compared with the previous year and accounting for 15.81% of the Bank's total operating income. The Bank's net non-interest income from retail banking business registered RMB2.015 billion, up by 46.33% compared with the previous year, accounting for 30.33% of the Bank's total net non-interest income. During the reporting period, the Bank's retail banking business customer base continued to grow and the number of retail customers[1] reached 18.8447 million as of the end of the reporting period, an increase of 16.39% compared with the end of the previous year.

- Three profit drivers, namely personal wealth management, consumer credit and credit card, maintained a continuous and steady growth.
  - — The Bank sold an equivalent of RMB297.249 billion worth of personal wealth management products, up by 196.00% compared with the previous year, maintaining a relatively large sales scale.
  - — Balance of personal residential mortgage loans registered RMB149.852 billion, up by 44.56% compared with the end of the previous year, accounting for 83.36% of the Bank's total balance for retail credit (excluding credit card loans and personal auto consumer credit).
  - — The balance of auto consumer credits registered at RMB2.234 billion with an NPL balance of RMB0.439 million, recording an NPL ratio of 0.02%.
  - — The accumulated amount of credit cards issued was 11.5818 million and the total credit card transaction volume for the whole year registered RMB100.18 billion.
- The development of E-banking channel maintained a fast speed. As of the end of the reporting period, the number of Internet banking certified clients of the Bank surpassed 4 million and recorded 4.4124 million, up by 85.26% compared with the end of the previous year. During the reporting period, the number of transactions through personal Internet banking and the transaction volume grew to 1.36 times and 3.55 times respectively of the figures in the previous year.
- The "five-feature private banking" with the Bank's own characteristics has been successfully formed. The Bank's private banking business realized a balance between gain and loss during the reporting period and was awarded the "Best Private Banking Product Portfolio in China" by Euromoney.

In 2010, the retail banking business of the Bank won the award of the "Excellent Bank Card and Retail Payment" by Asian Banker for the fifth consecutive year. In the financial rankings and elections of Hexun.com, the Bank received awards including "Best Wealth Management Product Issuing Bank", "Wealth Management Product with Greatest Investment Value" and "Best Overseas Financial Service Innovation".

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1 Since 1 January 2010, the Bank filtered the invalid customers (unidentified customers including those without outlet classification or unidentified due to account cancellation) when calculating the number of retail banking customers. After the adjustment, as at 31 December 2009, the Bank had 16,190,800 retail banking customers.

Retail Assets under Management[1]

The Bank adhered to the business development strategy of developing wealth management and savings deposits business simultaneously. Therefore, the business structure developed in a balanced manner and the capability of making profit on its own improved significantly. Based on a stable wealth management and fund deposit, the Bank vigorously expanded savings deposits for settlement purpose and coordinated the scale expansion of wealth management and savings deposits in order to foster a continuously steady growth in saving deposits. As of the end of the reporting period, the Bank's balance for retail assets under management was RMB386.977 billion, up by 29.39% compared with the end of the previous year, of which the balance of personal savings deposit reached RMB274.106 billion, up by 29.47% compared with the end of the previous year.

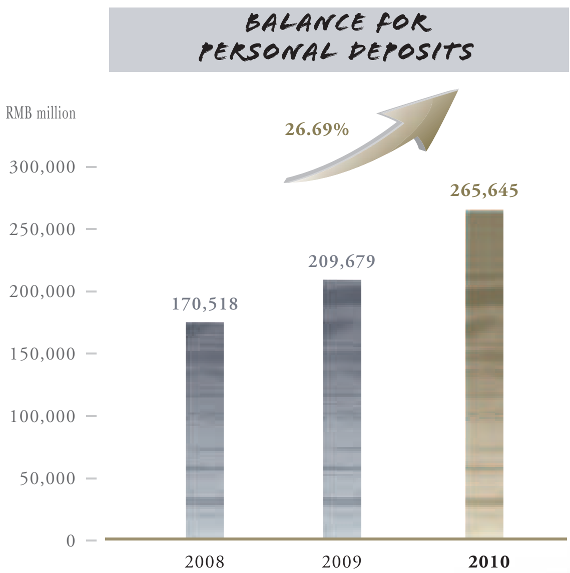
Retail Credit[2]

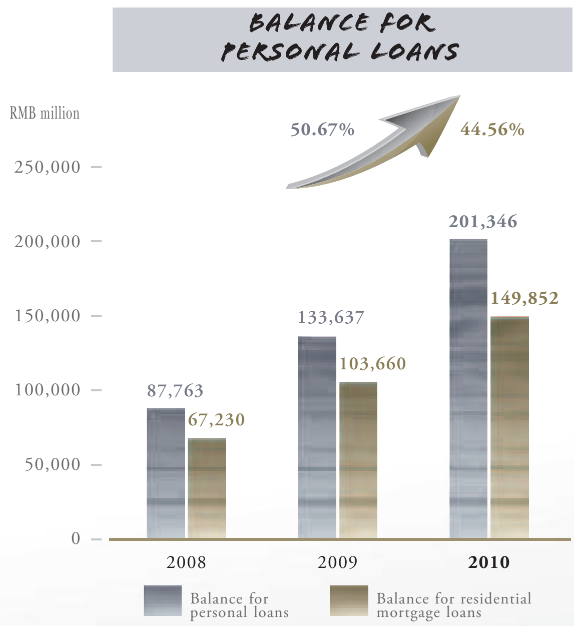
The Bank paid great attention to the development of its personal loans business, and seized the favourable opportunity where the Chinese government was encouraging personal consumption and expanding domestic demand. The Bank timely adjusted its strategies and strengthened its marketing efforts on the basis of maintaining the focus on personal residential mortgage loans, actively developed the personal business loans and expanded the business of personal consumer loans. Therefore, the product mix was reasonably adjusted and the loan scale registered a rapid growth, which resulted in a fast increase in the overall yield. As of the end of the reporting period, the balance for the Bank's retail credit was RMB179.77 billion, up by 50.43% compared with the end of the previous year, of which, the balance for personal residential mortgage loans was RMB149.852 billion, an increase of 44.56% compared with the end of the previous year, accounting for 83.36% of the total balance of retail credit, and this proportion was down by 3.39 percentage points compared with the end of the previous year. The balance for personal business loans was RMB14.685 billion, an increase of 127.55% compared with the end of the previous year, accounting for 8.17% of the total balance of retail credit, and this proportion was up by 2.77 percentage points compared with the end of the previous year.

In 2010, the Bank continued to improve its retail credit risk management mechanism and gave full play to branches' personal loans center in the retail credit risk management structure in order to further strengthen the risk management on retail credit. During the reporting period, the Bank continued to achieve a decrease in both of the balance of NPLs and the NPL ratio for retail credit, and both of which recorded historical low. As of the end of the reporting period, the NPLs for retail credit stood at RMB355 million, a decrease of 8.51% compared with the end of the previous year. The NPL ratio for retail credit was 0.20%, down by 0.12 percentage point compared with the end of the previous year.

Wealth Management

In 2010, the development trend of domestic capital market was uncertain and customers' risk preference began to become more prudent, the Bank seized this trend to adjust its strategies actively according to market changes. The Bank continuously strengthened wealth management products innovation and improved product lines so as to further enrich product mix. During the reporting period, the Bank launched high-liquidity cash management products such as "Daily Express" and "Super Express", fixed-term wealth management products such as "Wealth Management





1 Retail assets under management: aggregate value of individual customers' savings deposits and financial assets under the Bank's management.

2 Retail credit: personal loans other than credit card loans and personal auto consumer credit.

Express" and "Trust Plan", asset management products such as the prudent wealth management series and structured deposit products such as "Holiday Win", "All-Time Win" and "Wisdom Win", all of which were well received in market. The Bank also launched customized products based on customer segmentation, for example high-end VIP clients, in order to create excess returns for clients while accumulating stable returns for them. In 2010, the Bank accumulatively sold 763 personal wealth management products and the sales volume was RMB297.249 billion, up by 196.00% compared with the previous year. The net non-interest income from wealth management products was RMB638 million (excluding those from private banking product line), accounting for 31.66% of the Bank's total net non-interest income from retail banking business.

In 2010, the Bank further expanded its efforts in tapping and marketing products on agency basis. The Bank intensified its management towards the introduction, investment, clearance and other aspects of the products sold on agency basis and diversified product lines including funds on agency basis, collective broker wealth management products, insurance products and trust products, "One-To-Many" fund products and dedicated broker wealth management products. During the reporting period, the Bank's fee income from fund and insurance sold on agency basis were RMB25.732 million. For the whole year in 2010, the Bank sold more than 130 fund products as agency for 53 fund management companies, realizing a sales volume of RMB6.709 billion. The Bank also sold products under 10 collective wealth management programs for securities companies on agency basis, realizing a sales volume of RMB7.762 billion.

As of the end of the reporting period, the number of the Bank's VIP customers with over RMB500,000 worth of assets under management in the Bank was 155,526, up by 28.86% compared with the previous year. The balance for RMB and foreign currency denominated savings deposits from VIP customers equaled to RMB166.462 billion, accounting for 60.73% of the Bank's total personal deposits. The balance for assets under management of VIP customers was RMB248.155 billion, accounting for 64.61% of the Bank's total retail assets under management.

Private Banking

The Bank provides private banking services to individual customers with net asset over RMB8 million and the companies they control or have interests in. As of the end of the reporting period, the number of the Bank's private banking customers was 10,055 and the private banking business achieved a break-even performance during the reporting period. According to the development strategy of "start high and progress steadily", the Bank has established a "five-feature private banking" model with its own characteristics. The first feature is business line promoting the overall development. The Bank took the first to apply the quasi-multidivisional structure, which operated steadily. The second feature is international cooperation. As the only domestic bank in China to conduct international cooperation in private banking business, the Bank fully leveraged on the extensive experience of European developed private banking service providers, and fully tapped the Bank's service platform for domestic and overseas services. The third feature is technology as the driver. The Bank developed an advanced and comprehensive management system for private banking based on good practice and expertise of other banks. The forth feature is service intensive orientation. The Bank developed its private banking business into an open platform where all subsidiaries of CITIC Group, all business lines of the Bank and all financial and high-end financial service resources in society are integrated and coordinated for a win-win result. The fifth feature is pioneering mindset. The Bank took the lead to practice the concept of "retain wealth, create wealth and enjoy life".

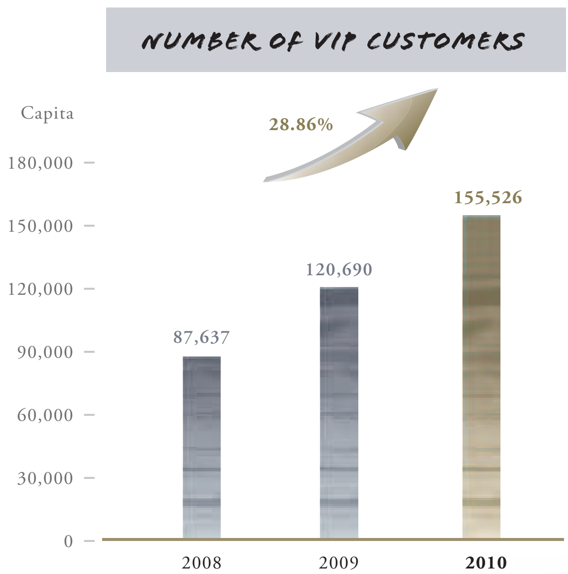
During the reporting period, the Bank launched the "Health Preserving Club", "Investors Club", "Future Leaders Club", "Art Appreciation Club", "Golf Club" and other high-end value-added services for its private banking clients. At the same time, the Bank's strategic cooperation with BBVA in private banking business also achieved significant progress.

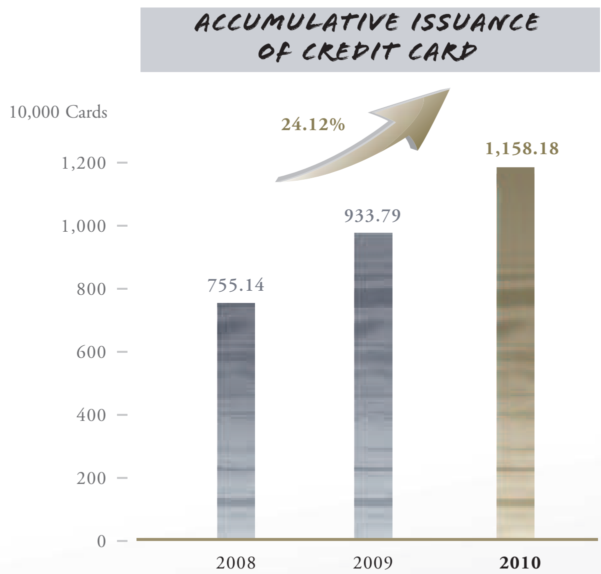
Credit Card

In 2010, the Bank adhered to the business philosophy of "consolidating advantages, controlling risks, good-pacing and developing scientifically" in conducting credit card business and achieved a rapid and healthy development. As of the end of the reporting period, the Bank accumulatively issued 11.5818 million credit cards, an increase of 24.12% compared with the end of the previous year. The transaction volume for the whole year of 2010 exceeded RMB100 billion and reached RMB100.18 billion, up by 26.96% compared with the previous year. The total income from credit card business reached RMB2.455 billion, up by 19.37% compared with the previous year.

The Bank insisted on its core business operation philosophy of "increasing value of customers", implemented an accurate databank marketing model centering on customers and attracted high-end customers with continuous innovated products. During the reporting period, the proportion of golden card above holders in the number of newly issued credit card holders increased to 54.55%. While optimizing the quality of customer structure, the Bank emphasized to optimize credit structure by managing client structure portfolio and strengthen its operational risk management capabilities and the capability in responding to contingencies by continuously improving the risk management system throughout the business process. During the reporting period, the profitability of credit card loans increased significantly and the asset quality continued to improve. As of the end of the reporting period, the Bank's balance of credit card loans amounted to RMB19.342 billion, an increase of 5.424 billion or 38.97% compared with the end of the previous year. The balance of NPLs was RMB430 million, a decrease of RMB249 million compared with the end of the previous year. The NPL ratio was 2.22%, down by 2.66 percentage points compared with the previous year.

In 2010, the Bank's credit card business received lots of awards and its brand influence continued to expand. The information safety management system of the Bank's Credit Card Center received the certification issued by China Information Safety Certification Center (ISCCC) becoming the first domestic credit card center receiving both of the international and Chinese information safety standard certification. The Bank's Credit Card Center was awarded "Best Call Center in China" for the fourth consecutive year in the "Golden Ear Award for Best Call Center in China in 2010" which is the only industrial award as approved by the Ministry of Industry and Information Technology. The Credit Card Center was accredited by numerous banking authoritative institutions including the Asia Pacific Contact Center Association Leaders (APCCAL) for many times. In the 13th Call Center World Forum held by the European Confederation of Contact Center Organizations (ECC-CO), the Bank's Call Center was the only institution receiving the "Special Accomplishment Award for the Year" which was the first of its kind.





Personal Auto Consumer Credit

While maintaining its leading position in corporate auto financing business, the Bank's personal auto consumer credit business grew rapidly with the good cooperation relations with producers and dealers and its deep understanding of auto financing industry.

In 2010, the Bank undertook auto consumer credit pilot project in Beijing and Shanghai and acquired the highest market share in Beijing. As of the end of the reporting period, the Bank's balance of personal auto consumer credits registered at RMB2.234 billion with an NPL balance of RMB439,000, recording an NPL ratio of merely 1.96 in ten thousand.

Channel Building and Service Quality Management

In 2010, the Bank continued to enhance its E-banking service in retail banking business. (Please refer to "Management Discussion and Analysis – Domestic Distribution Channel" for details)

Meanwhile, the Bank made improvements in its professionalized management on service and the establishment of service quality system. (Please refer to "Management Discussion and Analysis – Service Quality Management" for details)

Treasury and Capital Market Business

Business Strategy

In terms of treasury and capital market business, the Bank provides the corporate and individual customers with funding products and services and is engaged in asset management and transactions of self-owned funds. The main products traded and sold by the Bank include foreign exchange trading, fixed income products and derivatives, the services provided include risk management, investment and financing, and its clients cover individuals, corporate and financial institutions. Self-owned asset management mainly refers to securities and bonds investment and trading. In 2010, the Bank implemented the business guidelines of "adjusting structure, strengthening management and promoting development" and adjusted the treasury and capital market business structure actively in order to capture market opportunities in foreign exchange business and RMB interest rate market-making business and to provide the clients with diversified financial services leveraging on effective and quality products. The Bank enhanced its research on investment, strengthened risk control and built reasonable portfolios of risk and yield. Meanwhile, the Bank implemented the business development strategy of "simple products, efficient marketing" in order to continuously strengthen its market position, consolidate customer base and promote a sustainable business development.

Business Overview

In 2010, the Bank achieved a relatively good performance in treasury and capital market business by continuing to develop asset management prudently and actively strengthening the brand image of the foreign exchange and RMB interest rate market-making business and expanding the customer base with simple and effective products. During the reporting period, the Bank realized an operating income from treasury and capital market business of RMB1,992 million, accounting for 3.75% of the Bank's total operating income.

In 2010, the Bank conducted foreign exchange trading, RMB related bond trading and wealth management business vigorously in domestic market. Meanwhile, the Bank strengthened its business model of "trading-sales", further enriched the product lines and optimized the client structure. As a result, the sustainable development of the intermediary business was ensured. During the reporting period, the Bank's net non-interest income from treasury and capital market business was RMB660 million, accounting for 9.94% of the Bank's total net non-interest income.

Foreign Exchange Business

In 2010, in the volatile and complicated international foreign exchange market environment, the Bank further strengthened its traditional advantages through sticking to its prudent operation strategy and capturing opportunities brought forth by China's second round of RMB exchange rate reform. As a result, the Bank took the lead among other small and medium-sized joint-stock banks in terms of market share and profit indicators in foreign exchange business. During the reporting period, the Bank was qualified as the first batch of market makers for future and swap in interbank foreign exchange market and received China's "Best Innovative Foreign Exchange Product and Structural Innovation Award" and "Best E-banking Platform Award" in "Asia FX Poll 2010" organized by the world-renowned Asia Money magazine.

RMB Bond and Interest Rate Market-Making Business

With the deepening of China's market-oriented interest rate reform, the Bank further strengthened the RMB bond market-making and interest rate derivative market-making business, constantly provided the market with trading liquidity actively, rose to the forefront among domestic peers in bond market-making business and maintained a relatively large market share in interest rate derivative market-making business, therefore enhanced its status as RMB market maker.

In 2010, with the gradual transition from a moderately loosened to a prudent domestic monetary policy, the RMB market became more volatile than before. The Bank responded to market changes actively, adjusted trading strategies timely and further strengthened the interest rate market-making business; thereby outperformed the market with its good operating results, maintained a relatively large market share and further consolidated its market position. During the reporting period, the Bank was named "Excellent Interbank Bond Market Maker for the Year of 2009" by the National Association of Financial Market Institutional Investors.

Wealth Management and Derivative Trading Business

In 2010, the Bank developed wealth management business vigorously to meet the demands of clients for value preservation and increment purposes. With focus on the management of RMB bond related asset pool, the Bank strengthened its effort in improving its independent investment management and product innovation capabilities, and achieved a stable expansion of the scale of the RMB bond related asset pool. Meanwhile, the R&D for products was enhanced and the product mix was enriched through cooperation with the Bank's retail banking business line so that sorts of personal wealth management product series were successively launched such as "Bond Win", "Wisdom Win", "Holiday Win", "All-time Win", "Daily Express and "Super Express", etc, which satisfied the different investment demands of clients. In terms of derivative products, the Bank, upholding the principle of satisfying customer needs, provided standardized simple structured derivative products to meet the demands of clients for value preservation and risk avoiding purposes.

Asset Management

In 2010, in response to the intensification of the sovereign debt crisis in Europe, the US adopted the second round of quantitative easing monetary policy to stimulate the economy and to foster employment. Meanwhile, China's monetary policy started to return prudent. Amidst the complicated market environment, the Bank continued to keep the balance among safety, liquidity and profitability in investment and allocated assets in a scientific way with the focus on increasing the efficiency of asset management. The Bank actively adjusted the structure of foreign currency denominated assets and increased the proportion of its investments in low-risk bonds which effectively avoided the impact of the European sovereign debt crisis on the Bank's asset management business, therefore, the overall asset yield became more stable and the risk resistance capability was improved. The Bank, on the basis of expanding the investment scale of RMB bonds, adhered to the prudent investment strategy and effectively controlled the duration of bond investment portfolios, and improved the overall risk and yields of assets.

Service Quality Management

In 2010, the Bank continued to adhere to its "customer first" strategy and intensified its primary important task on improving service quality system to further optimize the service quality criteria and set even higher standard for its service quality. To that end, the Bank introduced the process control management norms and established mechanisms to continuously improve service level and customer compliant management, as a result of which the overall service quality was significantly improved. In terms of assessment, the Bank set the service quality system building among the top five indicators for assessing retail banking system building and strictly implemented the quantitative assessment on the results of branches' service quality system building. The Bank introduced quantitative contents including customer satisfaction, customer service evaluation and the activity of customers in core areas during the process of assessment, so that the service could be more precise and customer oriented. In addition, since 2007 when the Bank established the long-term effective mechanism including third-party secret customer monitoring and customer satisfaction questionnaire, the Bank has conducted secret customer monitoring for 8 times and customer satisfaction survey for 7 times as of the end of 2010. According to historical statistics, the Bank's overall service quality was improving steadily year by year. In the election of the "World Expo Financial Services of China's Banking Sector and Top 1000 Demonstration Units of Civilized and Standardized Service in China's Banking Industry in 2010", with good customer experience and good word of mouth, the Bank won a number of awards including the "Prize for Outstanding Contribution to Civilization and Standardized Service in China's Banking Industry" and "Prize for Outstanding World Expo Financial Service Organization in China's Banking Industry", which indicated once again the Bank's significant achievements in service quality management.

Integrated Financial Service Platform of CITIC Group

The umbrella of CITIC Group consists of financial subsidiaries engaged in banking, securities, fund, trust, insurance and futures businesses, most of which are in the leading position within their respective industries. Through the integrated financial service platform of CITIC Group, the Bank is gradually developing its unique competitiveness by practicing the business philosophy of "customer first". In the meantime, the Bank further improved its cooperation with CIFH and CBI so that its internationalized operation strategy was constantly strengthened and developed.

Providing Integrated Financial Solutions

The Bank provides corporate customers with differentiated and comprehensive financial services through financial products cross-selling and joint marketing for major projects.

— Underwriting short-term financing bonds and mid-term notes. The Bank, together with CITIC Securities, underwrote RMB18.1 billion short-term financing bonds and RMB1.6 billion mid-term notes for the clients in the capacity of lead underwriters.

— Issuing corporate wealth management products. The Bank, together with CITIC Trust, issued property fund related wealth management products, raising funds with a total amount of RMB610 million and providing the high-profile strategic customers with comprehensive investment and financing service solutions. Together with CITIC Securities, the Bank accumulatively issued a total of RMB14.696 billion worth of wealth management products under the "CITIC Jujin Comprehensive Wealth Allocation Series", and the wealth management needs of the Bank's corporate banking customers was satisfied effectively.

— Conducting the syndicated loan business as lead manager. The Bank conducted an extensive cooperation with CBI and CIFL in syndicated loan business, and collectively initiated and participated the syndication with a total amount of RMB2.16 billion.

Promoting Extensive Sharing of Customer Base

The Bank conducted the third-party depositary business with subsidiaries under CITIC Group, including CITIC Securities, China Securities, CITIC Kingtong Securities and CITIC Wantong Securities and conducted the margin-trading and short-selling business with CITIC Securities, and shared a large number of institutional and individual customers. Therefore, the daily balance of the customer transaction funds settlement summary accounts was RMB5.486 billion and the fee income from the depositary business was RMB9.7648 million. During the reporting period, the credit fund depository system for margin-trading and short-selling was put in operation.

— Institutional customers. As of the end of the reporting period, the Bank shared 5,765 institutional customers with the securities company under CITIC Group.
— Individual customers. During the reporting period, the number of newly increased individual customers of the Bank in terms of third-party depositary business from the securities company under CITIC Group reached 31,600.

Conducting Cross-Design and Cross-Selling

— Cooperating to develop and sell personal wealth management products. The Bank continued to strengthen its cooperation with CITIC Trust, China AMC, CITIC-Prudential Fund Management, CITIC Securities, China Securities and CITIC-Prudential Life Insurance in product R&D. During the reporting period, the Bank cooperated with the above financial companies to issue 722 personal wealth management products and realized a sales volume of approximately RMB84.4 billion.
— Giving play to the advantages of the custody business platform. The Bank carried out an all-round cooperation with subsidiaries of CITIC Group over 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 denominated in RMB and foreign currencies launched with CITIC Capital reached an equivalent of RMB330 million, the custody scale of collective/targeted asset management programs launched with CITIC Securities reached RMB11.98 billion and the scale of the collective fund trust scheme launched with CITIC Trust reached RMB48.7 billion.
— Cooperating to develop the annuity business. In 2010, the Bank jointly established working groups with CITIC Trust and CITIC Securities to carry out customer bidding activities and customer services. As of the end of the reporting period, these groups provided 167 corporate clients with annuity management service. During the reporting period, the scale of the "CITIC Xinrui" corporate annuity product designed and launched by the Bank with other subsidiaries of CITIC Group reached RMB61.1367 million; the scale of the "Xiangrui Xintai" corporate annuity scheme launched by the Bank with CITIC Trust reached RMB141 million; the scale of the "Jinxiu Rensheng" corporate annuity scheme launched by the Bank with CITIC Securities reached RMB272 million; the scale of the "Jinse Rensheng No.1" corporate annuity scheme launched by the Bank with China AMC reached RMB97.1178 million.

Cooperation with the Bank's Strategic Investor

In the light of the principle of friendship, mutual trust and benefit, the Bank accelerated its strategic cooperation with BBVA in mature projects in a focused way, promoting an all-round strategic cooperation between the two sides in all related business areas. In 2010, the two parties achieved significant progress in auto financing and private banking businesses and further pushed forward the strategic cooperation in cash management business, international business, treasury and capital market business, pension business, investment banking business, auto financing business, private banking business and training, etc.

— In cash management business, both sides joined hands in providing Chinese-funded multinational enterprises with cash management service, signifying the Bank's entry in cross-border cash management service. In future, both sides will continue to deepen the cooperation in RMB and foreign currency account management, collection and payment and liquidity management as well as customer sharing.

— In international business, the cooperation between the two sides in international business covers traditional international settlement, trade financing, cross-border RMB settlement and cash management. The two parties also realized reciprocity, mutual aid and resources sharing through joint marketing and customer referral. During the reporting period, the cooperation between the two banks achieved breakthroughs in some new cooperation areas, including cross-border RMB settlement, joint marketing for brand image and cash management system development. In 2010, both sides achieved an international settlement amount worth of USD447 million, nearly five times of that of the previous year and an accumulative trade financing amount worth of USD1.716 billion, over 30 times of that of the previous year.

— In treasury and capital market business, during the reporting period, the foreign exchange trade volume between both parties reached USD6.1 billion, up by 110% compared with the previous year; the trade volume of structured wealth management products reached USD9.5 billion, showing a leapfrog growth; the trade volume of other derivative products reached USD600 million, which was basically even with the previous year. Both sides carried out effective cooperation in traditional businesses and innovative product R&D.

— In pension business, the Bank and BBVA signed the Framework Agreement on Strategic Cooperation in Pension Business specifying that both parties will actively and steadily develop multi-model, multi-level and stepwise business cooperation in pension area, thereby undertaking exploratory attempts for the development of China's pension market.

— In investment banking business, both parties worked together actively in export credit, soft lending and cross-border merger & acquisition financing advisory and provided the strategic customers of the Bank with comprehensive financial service solutions in cross-border investment and financing. During the reporting period, the transaction volume of cross-border leasing jointly provided by both parties reached EUR60 million and the amount of loans backed by standby L/C reached USD50 million.

— In auto financing business, the setup of an auto financing joint venture in China by both parties was approved by the Board of Directors of the Bank and a formal shareholders' agreement was signed. Application for the preparation for establishing the joint venture was officially submitted to the CBRC. Preliminary work related to the preparation of the joint venture is under way.

— In private banking business, both parties will jointly invest to establish an independently operating private banking business cooperation unit within the Bank in order to provide customers with private banking service with Chinese and Spanish features.

— In training, 11 training programs at the head office of BBVA were arranged, covering about 224 management personnel and outstanding staff of the Bank. During the strategic training cooperation in the past three years, 56 overseas training programs were organized, involving about 810 management personnel and outstanding staff of the Bank, which promoted mutual business exchanges and cooperation and improved the global vision and the internationalized business management capability of the Bank's core staff members.

Information Technology

The year 2010 was the first year to implement the Bank's medium-to-long term IT plan and information security plan. The Bank initiated over 30 plans during the whole year of 2010, continued to promote a sophisticated and professional management system and strengthened the construction of application system, accelerating the improvement of IT governance, achieving effective transformations in IT construction methods, improving the Bank's capability to control IT risks and promoting a close integration of IT and business development.

— The Bank continued to promote the construction of application system. The Bank expanded service channels and reduced transaction costs by improving the construction of E-channel systems including Internet banking, mobile phone banking and call center. The Bank started the construction of corporate customer relations management system, enterprise customer information file (ECIF) system of the entire Bank and integrated private banking management system, effectively supporting customer segmentation management, customer service and marketing. The Bank completed the construction of application systems including wealth management trading platform and precious metals trading system, effectively supporting innovations in products and services. The Bank developed pre-research and construction of information system related to market risk, credit risk and operational risk in order to effectively support the fulfillment of requirements of the Basel II and the Bank's internal management.

— The Bank improved the management of the operation maintenance system. Upholding the principle of "efficient treatment with preventions as main task", the Bank promoted the process management based on the information technology infrastructure library (ITIL) and constructed a bank-wide integrated operation maintenance security system. The availability of the Bank's information system was improved and its capability in securing operation maintenance and treating emergency was significantly improved, thanks to the emergency reaction rehearsals by switching major production systems. In 2010, thanks to the efforts of the Bank's IT departments, the Bank successfully performed its information security safeguarding duties during 2010 Shanghai World Expo and Guangzhou Asian Games.

— The Bank continued to strengthen its effort in safeguarding information system quality security. The Bank incorporated IT risk management into the comprehensive risk management framework, defining the IT risk organization and management system and perfecting technological risk management systems and standards. The Bank carried out a system of monthly quality analysis meetings, thereby establishing a mechanism to improve IT quality and safety continuously. The Bank organized to develop IT risk inspection throughout the Bank and promoted the implementation of management systems and technological standards. Measures such as the quarterly "Quality Star" appraisal activities, the inclusion of quality and safety responsibilities and incidents in the monthly staff assessment and the organization of information safety training effectively strengthened all staff members' awareness on quality and safety.

Domestic Distribution Channels

Branches

In 2010, while continuing to strengthen the branch institutions landscape in economic centers and coastal areas, the Bank seized the significant opportunity of government's arrangements on the economic development in central and Western regions and further optimized its outlets landscape in capital cities and developed prefecture-level cities in central and Western regions. During the reporting period, 18 branches were opened in Nanyang, Jiangmen, Qujing, Zhangzhou, Urumqi, Pingxiang, Ordos, Weifang, Baoding, Dongying, Huizhou, Zhenjiang, Anqing, Anyang, Dali, Lishui, Liuzhou and Datong and another 67 sub-branches were opened as well. As of the end of the reporting period, the Bank had 700 branch outlets in 85 medium and large-sized cities in China, including 35 tier-one branches (under the direct control of the head office), 43 tier-two branches and 622 sub-branches.

Self-Service Outlets and Self-Service Terminals

In 2010, while strengthening safety and risk prevention of self-service banking transactions, the Bank continued to expand new self-service outlets and self-service terminal distribution network to increase the self-service terminal replacement rate for transactions. As of the end of the reporting period, the Bank had 1,235 self-service banking centers and 4,193 self-service terminals (ATM, CDM and CRS), increased by 25.64% and 19.32% respectively compared with the end of the previous year.

Mobile phone Banking

To expand the channels for retail banking business and provide customers with more convenient services, during the reporting period, the Bank continued to improve the mobile phone banking system to provide customers with more functions including account management, transfer and payment, investment and wealth management, etc, added mobile phone payment gateway and started the research and development of customer terminal for mobile phone, such as for iPhone, etc. As of the end of the reporting period, the number of mobile phone banking accounts opened at the Bank reached 17,030, 3.61 times of that of the end of the previous year and the mobile phone banking trade volume for the whole year reached RMB129 million, 16.81 times of that of the previous year.

Internet Banking

In personal Internet banking, the Bank adhered to the development strategy of "increasing the technology replacement rate" with customer demand as the guidance and customer experience improvement as the goal, provided customers with better product experience and security safeguarding, launched the personal Internet banking Version 5.4 and released numerous new functions and measures such as Internet banking mate, file certificate safe, online certificate update, wage payment, designated account remittance, reward point management and precious metals during the reporting period. As of the end of the reporting period, the number of personal Internet banking accounts reached 4.4124 million, up by 85.26% compared with the end of the previous year, and the number of certified personal Internet banking accounts was 2.6437 million. In 2010, the number of personal Internet banking transactions was 9.8364 million, realizing a trade volume of RMB1,008.894 billion, 1.36 times and 3.55 times of those for the previous year respectively.

In corporate Internet banking, the Bank successfully launched the corporate Internet banking Version 6.2, pushed forward the optimization of functions of mobile phone banking, telephone banking and treasury space community and accelerated the construction of the bank-enterprise direct connection service Version 3.2 so as to add new functions such as E-bill, credit granting business, investment and wealth management, as a result of which, the E-banking service channel system was further improved. During the reporting period, the Bank's total corporate Internet banking trade volume reached RMB12.31 trillion, 2.5 times of that of the previous year, and the transaction number replacement rate and the amount replacement rate reached 30.25% and 51.09% respectively, up by 12.22 percentage points and 17.39 percentage points compared with the previous year respectively. The Bank continued to strengthen its corporate Internet banking security safeguarding, consolidated the cooperation with security vendors such as China Financial Certification Center, the National Research Center for Information Technology Security and security technology vendors such as Verisign, enhanced its control over the appointment and qualification of the Bank's corporate Internet banking operational staff, established distance expert seats for corporate E-financing service and channels for speedy emergency treatment, and thus effectively ensured the safety of the Bank's channels and systems such as Internet banking.

Telephone Banking

In 2010, the Bank further expanded its telephone banking system functions to include online trading, tele-marketing and internal management. Through integration with businesses including VIP wealth management, Internet banking, personal loans business and debit card business, etc., the Bank continued to improve the concentrated customer operation platform. The tele-marketing operation conducted by call center includes wealth management marketing, telephone marketing, personal loans collection, customer care and satisfaction survey, etc. The number of tele-marketing conducted for the whole year of 2010 accounted for over 40% of the total number of active customers, which made the bank in a leading position among peers. The Bank provided general customers with all-weather service through the service hotline 95558 and provided VIP customers whose total assets under management in the Bank were more than RMB500,000 with customized services and care through the VIP service hotline 10105558, including VIP flight boarding, car rescue, golf booking, medicare green channel, etc. In 2010, the Bank's call center won the prizes of "General Demonstration Model Award" and "Excellent Care Award" in the selection of "Excellent Customer Service Center of China's Banking Sector in 2010" organized by the China Banking Association.

E-Commerce

The Bank developed E-commerce actively in order to provide customers with convenient financial services such as online shopping and payment. In 2010, the Bank cooperated with 76 non-financial payment institutions and direct merchants and jointly conducted 14 specialized online payment marketing activities with non-financial payment institutions during the year. In order to provide more convenience to customers, the online payment with dynamic password function for mobile phone users was created during the reporting period. In 2010, the accumulated number of B2C E-commerce transactions was 6.9735 million, realizing a trade volume of RMB2.449 billion, 2.92 times and 4.00 times of the figures of the previous year respectively.

Overseas Networks

CITIC International Financial Holdings Limited

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong specialized in commercial banking business and non-bank financial services. CIFH owns 100% equity interest in CBI, 40% in CIAM, and 27.5% in CITIC Capital.

Hong Kong's economy registered a faster growth in 2010. Fostered by the good performance in real estate and stock markets, the public sentiment on investment and consumption in Hong Kong rose significantly, which brought about a faster growth in loan business of local banks and promoted a continuous improvement of loan quality. Against the backdrop of economic recovery, the profitability of CIFH increased significantly during the reporting period. As of the end of the reporting period, CIFH had a total assets of HKD150.487 billion, increased by 22.31% compared with the previous year. The net profit attributable to shareholders was HKD1.049 billion, up by 14.52% compared with the previous year.

— CBI. CITIC Ka Wah Bank Limited was renamed CBI in May 2010. As an important strategy to expand business in ASEAN countries, CBI established its Singapore branch in December 2010, marking a significant milestone in implementing the international development strategy of the Group. As of the end of the reporting period, CBI had 30 branches in Hong Kong, 2 in the US, 1 in Singapore, 1 in Macau, 1 in Shanghai and 1 subsidiary registered in Chinese Mainland, which is CBI (China) Limited. As of the end of the reporting period, CBI had a total assets of HKD148.209 billion, balance for deposits of HKD120.451 billion, loan balance of HKD88.818 billion, with the capital adequacy ratio of 19.03%, the core capital adequacy ratio of 11.23% and the provision coverage ratio of 45.48%. The net profit realized in the reporting period was HKD1.057 billion.

— CIAM. CIAM specializes in assets management and direct investment business. Despite the uncertainties in the global economy lingered in 2010, CIAM achieved satisfactory operating results and basically accomplished all the investment and development goals set at the beginning of the year, including the launch of new investment funds and the establishment of new strategic management platforms (e.g. the carbon assets management platform) to fully leverage on the synergy effects with subsidiaries under CITIC group.

— CITIC Capital. CITIC Capital specializes in investment management and consulting business, its shareholders are China Investment Corporation Limited, CIFH and CITIC Pacific. CITIC Capital successfully conducted fund-raising through various private equity funds in 2010, including China Private Equity Investment Fund II and Japan Private Equity Investment Fund II, etc. As of the end of the reporting period, the total asset managed by CITIC Capital was approximately USD3.4 billion, up by more than 20% compared with the end of the previous year.

— Risk Management. With extensive experience of its strategic investor BBVA in risk management, CIFH managed to continue strengthening its risk management framework and risk tolerance capability. In the reporting period, CIFH was committed to tightening loan approvals, conducting strict risk evaluation and systematically implementing an all-round risk management scheme to comply with the highest standard of risk management specified in New Basel Capital Accord in key risk areas through utilizing proper risk instruments, using applicable methodologies and following appropriate process.

— Business Coordination within the Group. In 2010, the Bank made further breakthroughs in the business coordination with CIFH and CBI. The corporate credit line approved by CBI upon referral by the Bank and the amount of loans granted increased by 262% and 168% respectively compared with the previous year. The Bank and CBI made significant progress in joint product development, of which the transaction volume of non-deliverable forward (NDF) contracts provided to domestic clients and the relevant profits soared by 55% and 60% respectively compared with the previous year. Meanwhile, the cooperation between the Bank and CBI on innovative products and new businesses also accomplished rapid development. As of the end of the reporting period, CBI began to take the lead in the banking sector of Hong Kong in terms of RMB cross-border trade settlement services and became the first local bank that realized providing cross-border RMB settlement services and was among the first batch of banks to provide RMB exchange services under the non-trade account in Hong Kong.

China Investment and Finance Limited

CIFL is a controlled subsidiary of the Bank established and located in Hong Kong with a registered capital of HKD25 million. The Bank holds 95% of equity interest and CBI holds the other 5% in CIFL. CIFL's business covers loan business (CIFL holds a money lender license) and investment business (including fund investment, bond investment and stock investment, etc.)

— Business development. In 2010, the Bank further strengthened its support in CIFL's business development and conducted relevant cooperation to complement with each other to give full play to respective advantages. As of the end of the reporting period, the total assets of CIFL equaled to approximately RMB1,085 million, up by 8.39% compared with the end of the previous year, the net profit equaled to approximately RMB40 million, up by 263.64% compared with the previous year.

— Risk management. In 2010, CIFL continued to follow the low-risk business operation policy set by its Board of Directors, strictly complied with relevant risk management methods and undertook close monitoring of assets. Thanks to its strict risk management, CIFL had no NPLs, and its investment business withstood the test amidst the volatile international financial environment. Its entire assets were with less risk and maintained good quality.

NPL Ratio

0.67%

The NPL balance and NPL ratio realized another dual drop, and the asset quality maintained in good shape.

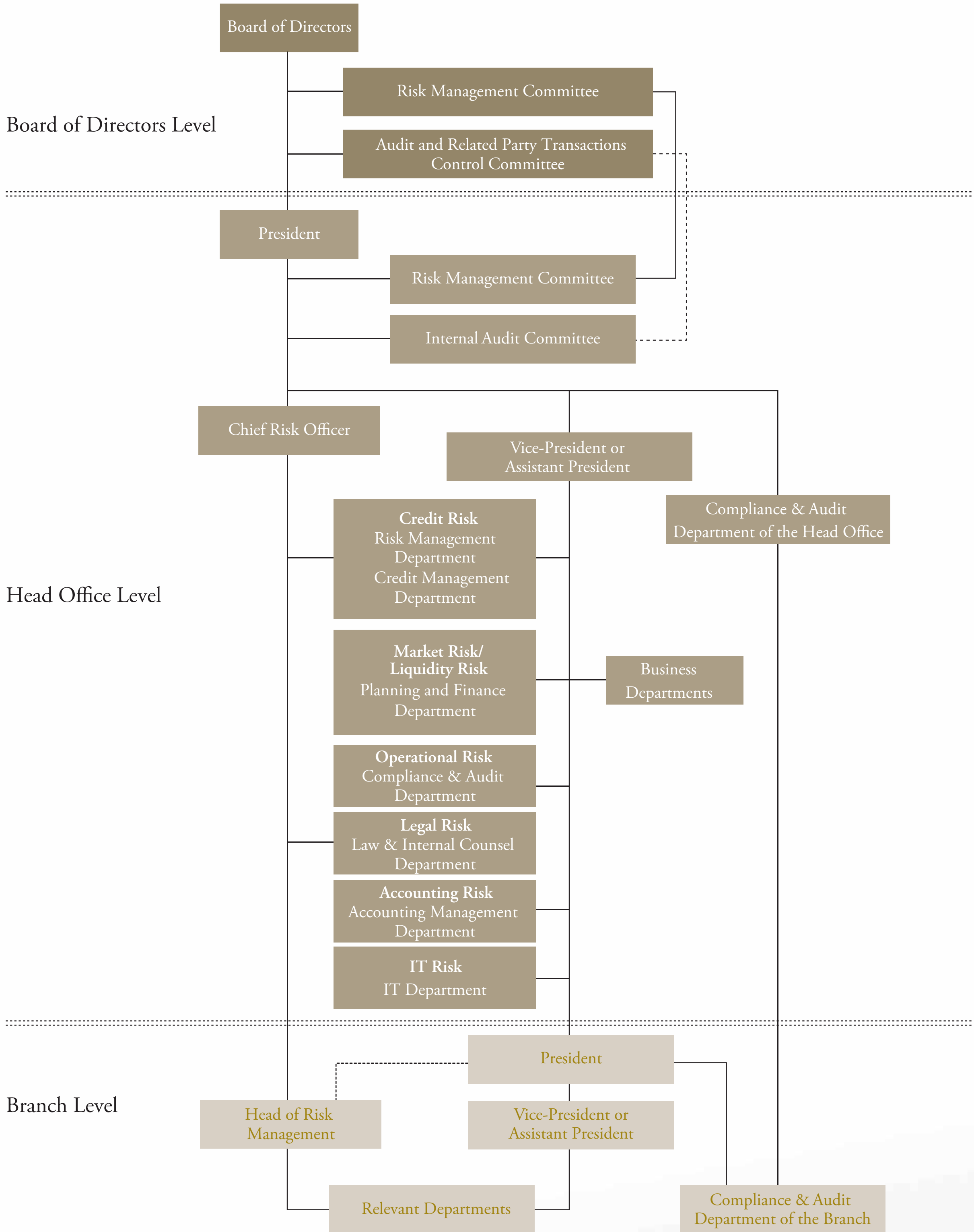
A LEAP-FROG DEVELOPMENT IN BUSINESS GROWTH WITH NEW SITUATION IN MARKET EXPANSION.

The Bank made breakthroughs in business growth amidst complicated and changing situations by optimizing institutional system, adjusting mechanism and stepping up innovation.

The Bank enhanced its efforts in promoting the overall marketing. In 2010, the Bank reinforced the functions of the Sales and Marketing Committee and established an Intermediary Business Development Committee, aiming to enhance the overall marketing promotion. The concerted efforts across the whole bank improved the overall marketing performance of the Bank. The Bank's corporate banking system was further optimized. In 2010, the Bank further improved its corporate banking management system of "two tiers management and three tiers marketing" and continuously made substantial progress in the establishment of marketing platforms, specialized operation and customer segmentation management, which played an important role in maintaining the Bank's corporate banking business edges. The Bank deepened its system reform in retail banking business. In 2010, the Bank focused on the personal financial service system building, while improving the functions of credit card center, private banking center and the auto financing center. The construction of a universal retail banking system showed achievements in current stage, in particular, the capability of attracting and acquiring customers was well built up and VIP marketing service systems, specialized operations, E-banking services and profiting foundation has basically taken shape. The Bank further upgraded its business innovation capability. In 2010, in order to address constraints on capital and credit, the Bank stepped up its business innovation to establish new edges.

Risk Management

Risk Management Structure



Risk Management System and Techniques

In 2010, the Bank remained committed to building an independent, comprehensive, vertical and professional risk management system, cultivated a risk management culture featuring in "pursuing risk-adjusted returns", implemented the risk development strategy of "quality industries and quality enterprises, mainstream markets and mainstream customers", and actively managed the credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

In 2010, the Bank further optimized the management system of the credit business authorization by carrying out differentiated credit risk management on different sectors and regions and implementing differentiated management on credit granting to small enterprises, and accelerated the development of rating system to reinforce the link between credit approval authorization and rating results. In 2010, the Bank's retail rating system officially commenced its operation, whereas the corporate bonds rating system was put in trial operation in some branches, which laid a solid foundation for implementing the advanced internal rating-based approach required by the New Basel Capital Accord. The Bank continued to intensify its fundamental management work, took a number of measures to ensure the quality of implementing rating and continuously improved the method of linking credit approval authorization with rating results. The Bank systematically carried out the preparatory work of three projects, namely measurement of risk-weighted assets, self-evaluation of capital adequacy ratio and regulatory standard fulfillment, in order for actively preparing for an all-round implementation of the New Basel Capital Accord.

Credit Risk Management

Credit risk refers to the risk that the Bank's borrower or counter-party of transaction fails to fulfill the obligations specified in agreement. The Bank's credit risk exists primarily in the Bank's loan portfolios, investment portfolios, guarantees, undertakings, and other on-and-off balance sheet risk exposure, etc.

Risk Management on Corporate Loans

In 2010, in the face of the complicated situation where China's economic structural adjustments and macro-economic control measures were intensified, as well as the Bank expanded its credit scale rapidly, the Bank actively made response and adopted a series of effective measures to further strengthen the risk management in key areas. During the reporting period, the Bank's loans were mainly granted to high-pricing small enterprises and real economy entities which were recovering gradually, namely the Bank's advantageous businesses, such as manufacturing, wholesale and retail and supply chain financing. The Bank enhanced its effort to withdraw from loans to projects funded by government financing platform, and strictly controlled the credit to over-capacity industries such as iron & steel and cement, etc. The Bank exerted strict control over the loans to real estate sector, "two-high" sectors[1] as well as those less competitive export-oriented enterprises which were fragile to macro- economic control. The Bank voluntarily retreated from high-risk customers, confirmed the customer namelist for the bank's withdrawal, which accounted for a reasonable proportion in the total number of customers, and set clear the withdrawal plan in order to ensure the credit resources was directed to high-return and low-risk customers. During the reporting period, the Bank withdrew from 890 high-risk customers accounting for 6.7% in the total number of corporate loan customers with a total loans of RMB27.1 billion.

— Local government financing platform. In 2010, with the gradual implementation of the Chinese government's RMB four trillion stimulus package to expand domestic demand and the fast growth of loan scale granted to projects funded by local government financing platform, credit risks prevention became crucial to the Bank's risk management. In accordance with the principle of "support, maintenance, adjustment and withdrawal", the Bank prudentially conducted the credit granting to the government financing platform funded projects in the following manners: (1) strictly controlled the credit granting threshold and supported government financing platforms with sufficient and stable cash flow to ensure that the loans to projects funded by government financing platforms accounted for a small proportion in credit portfolio; (2) strengthened its risk inspection and rectification to effectively mitigate risks. The head office carried out, for four times, on-site examination for each loan in 2010 with 100% coverage ratio and carried out specific risk inspection on key projects in key branches; (3) stressed the establishment of voluntary withdrawal mechanism to retreat from high-risk loans as early as possible so that the loan structure was optimized continuously; and (4) commenced self-examination, check, unpacking and restoration of loans to projects funded by government financing platform pursuant to regulatory requirements in a timely manner.

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1 "two-high" sectors: refer to sectors with high energy consumption and high pollution.

— Real estate development loans. The Bank was prudential in granting loans to the real estate sector. In 2010, in view of the significant increase in demand for credit funding of real estate developers, and subject to the strict approval process, the Bank moderately supported the quality housing projects of quality developers with strong anti-risk capability. Meanwhile, the Bank paid close attention to the risk due to macro-economic control on the real estate market, particularly the risk from broken funding chain of developers, and fostered the risk management of real estate loans in the following manners: (1) the Bank insisted on the project collateral and a close-end fund management and arranged branches to conduct comprehensive risk inspection on real estate development loans; (2) the Bank extended credit and loans to the real estate developers only within the list compiled by the Bank; (3) the Bank required key branches to set up a professional real estate management team to enhance the capability of professional operation and management.

— Loans to the "two-high" sectors. The Bank fully implemented the national policies of energy conservation, emission reduction and restrictions on "two-high" sectors. In accordance with its principle of "controlling the total amount and some loans shall be ensured, some shall be restricted", the Bank supported primarily those quality enterprises whose operations are consistent with China's industry policies and those enterprises that possessed comparative advantages on scale, competitive edge and stronger anti-risk capability among other over-capacity enterprises, exerted strict control over the loan issuance to the major "two high" sectors such as iron & steel, non-ferrous metal, cement and coke, and accelerated the withdrawal from those less competitive enterprises that were more vulnerable to the macro-economic control measures. The Bank's loan issuance service to "two-high" sectors was encouraged to be carried out in the form of logistics financing.

Risk Management on Small Business Loans

Following the official operation of the first four specialized operation agencies in 2009, the Bank established specialized agencies in 10 branches including Shanghai branch and Wuhan branch in 2010. Currently, the Bank has 14 specialized branches. Through professional and intensive operation, the Bank's capability in controlling small business credit risk continued to improve.

— The Bank optimized credit granting procedures. Based on the features of small business customers, considering branches' risk control capabilities and the establishment of specialized agencies, the Bank set up two credit granting procedural systems for small business financing specialized agencies and non-specialized agencies respectively, and emphasized more on non-financial information in the course of credit approval. In addition, the Bank achieved both efficiency and risk control through differentiated management and risk control throughout all the procedures.

— The Bank promoted a cluster development model. The Bank accelerated the promotion of the cluster development model to develop small business customers in batches and control the overall credit granting risks by taking sector clusters with regional advantages, quality small enterprises in developed industrial parks, commodity trade markets and quality upstream and downstream enterprises in supply chain as key target customers.

— The Bank focused on the development of credit upgrade platform. The Bank enhanced the development of the credit upgrade platform and cooperated with a number of guarantee corporations, re-guarantee corporations, insurance companies and small business funds supported by the government through more specific commercial cooperation model and marketing strategies. In the meantime, the Bank guided branches to actively set up the credit cooperation platform. The establishment of credit upgrade platform had a positive effect on the risk mitigating in small business credit business.

— The Bank strengthened its risk control and the dynamic adjustment of customer structure. The Bank put in place the blacklist database and the default information reporting mechanism and required branches to make assessment on small business customers on an annual basis. Based on the assessment results, the Bank decided the list of customers from which it shall withdraw and formulated the withdrawal plan to optimize the small business customer structure with dynamic adjustment.

Risk Management on Retail Credit

In 2010, in view of the changes in the macro-economic environment and increasingly stringent regulatory requirements, the Bank timely adjusted its credit granting policies, strengthened risk control and stressed compliance operation. Through rationalizing business procedures and strengthening post-lending management, the retail credit system continued to develop and the asset quality further improved.

— The Bank promoted the system improvement. Based on the macro-economic changes and regulatory requirements, the Bank timely adjusted the individual housing loan policies to ensure a compliant operation and risks under control. The Bank completed the development of the individual loan center in branches and actively sought to strengthen the retail credit operation management and risk control system building.

— The Bank optimized its product structure. The Bank explored and developed businesses such as individual business loans and individual consumer loans, diversified product structure, and expanded business scale to mitigate the risk due from over-concentration of single product.
— The Bank strengthened the post-lending management. The Bank further improved the system development, carried out post-lending inspection, monitored the system, and enhanced the policy compliance and operational risk management of individual loan business. The Bank regularly announced the individual loan asset quality throughout the Bank, and pushed the recovery of NPLs above one year to constantly strengthen the management of asset quality.

Risk Management on Credit Card

In 2010, in adherence to the risk management concept of "pursuing risk-adjusted returns" and following the credit guidance of "adjustment, management, innovation and development", the Bank promoted the optimization of credit structure through managing customer structure, attracted high-end customers by innovating the product structure system and realized the effective expansion of loan scale by setting up and improving an all-round risk asset restraint mechanism. Therefore, yields from loans were significantly increased and the asset quality was continuously improved.

— The Bank increased its marketing capability. The Bank actively adjusted the credit card marketing strategies and initially realized the strategic transformation of sales model. Meanwhile, the Bank made effort to enhance the development of low risk and low cost marketing channels such as database marketing and emphasized to improve the capability of delicacy marketing. Taking existing customers as marketing focus, the Bank launched innovative credit portfolio products, increased the proportion of loans to quality customers and improved the transaction activity of quality credit card customers.
— The Bank accelerated its customer structure adjustment. Leveraging on high-end products, the Bank attracted numerous quality high-end customers by adjusting the access policies and credit line policies, which further increased the percentage of mid to high-end customers. Through strictly limiting the access of high-risk customers, the Bank gradually reduced the percentage of high-risk customers.
— The Bank enhanced its risk management technique. By developing quantitative risk management techniques and using effective quantitative risk identification instrument, the Bank enhanced the overall risk prevention and control capabilities in credit card business. The Bank further improved the risk management system of local credit card center by preventing risks in early stage, responding to risk events in a timely and efficient manner, and improving the efficacy examination on new local customer, credit collection and anti-fraud capability.
— The Bank strengthened the capability of credit card NPLs collection. Focusing on spotting existing accounts that shall be subject to NPLs collection and establishing a risk early warning system, the Bank put more efforts in developing a professional team and system in order to improve its capability of NPLs collection.

Risk Management on Treasury Business

The Risk Management Committee of the head office and the Risk Management Committee under the Board of Directors are responsible for determining the Bank's annual credit granting policies for the treasury and capital market business. The Treasury and Capital Market Department of the head office is responsible for the daily operation and investment decision-making for the Bank's treasury and capital market business. Under the principle of risk management independence, the Risk Management Department and the Budget & Finance Department of the head office shall undertake their respective responsibilities in the course of decision-making on significant risks involved in treasury and capital market business.

In 2010, the Bank continued to prudentially conduct the debt securities investment business and provided customers with value-added and fund hedging services.

— Regarding RMB bond investment business, as the domestic RMB bond market grew rapidly in 2010, the Bank, based on its annual credit policy, actively adjusted structure and regarded high quality enterprises as major investment targets, and its overall yields outperformed the average level of peers.
— Regarding foreign currency bond investment, while the world's major economies were recovering slowly, all the markets of major foreign currency denominated bonds fluctuated heavily due to the impact of the US second round of quantitative easing monetary policies as well as Europe's sovereign debt crisis. In accordance with the risk management guidelines formulated at the beginning of the year, the Bank adopted further measures to optimize its asset structure.

— Regarding the value-added and fund hedging services, the Bank adhered to the strict risk control principle, actively provided risk management and value-preservation and value-added services to customers. While providing value-preservation and value-added services, the Bank emphasized its analysis on customer adaptability and strictly prevented credit risks.

Loan Monitoring and Post-Lending Management

In 2010, in order to effectively respond to credit risks arising from the changes in economic environment and the adjustment of the state policies, the Bank enhanced its credit risk management by consolidating foundation, improving management and supporting business development, based on the credit management concept of "perfecting policy, standardizing management, mitigating risks and safeguarding operation".

— The Bank had more defined objective and focus in credit management. The Bank continued to strengthen the risk monitoring and control over key business areas, industries, enterprises and customers, enhanced the risk control and information analysis on retail credit, trade financing business, credit card business and treasury and capital market business, so that the risk early warning was more focused and specific.

— The Bank's credit management measures have been notably refined. Based on various credit management systems and policies, the Bank refined the management measures and strengthened the monthly assessment on loan collections in branches, which ensured the timely and full recovery of principal and interest.

— The Bank's methods of credit asset quality control improved significantly. The Bank enhanced the credit asset quality analysis and indicator assessment, guided branches to strengthen loan classification and provision for impairment losses management, supervised and instructed branches to improve the statistical analysis capability through completing various analysis reports such as the credit asset analysis, and reinforced its control and management of credit flow to strengthen the inspection and examination on credit risks.

— The Bank's credit management system was further consolidated. The Bank had successively issued 8 basic systems and regulations including the Administrative Measures for Working Capital Loans of China CITIC Bank (Trial), Administrative Measures for Indicators of Credit Granting Risk Concentration of China CITIC Bank (2010 Edition), Administrative Measures for Corporate Credit Granting Electronic Contract Management and Administrative Measures for Client Risk Statistics of China CITIC Bank (2010 Edition) to further consolidate the credit management foundation and to ensure a compliant credit business.

— The Bank's technique in supporting credit management improved remarkably. The Bank printed the first electronic credit granting contract, which indicated that the IT application in loan issuance approval was significantly enhanced. Following the successful launch of "Sky Net" risk management system for credit granting to group customers and "Sky Statistics" credit management and statistics system, a two-direction monitoring over funds on clients' settlement accounts was realized, which further strengthened the Bank's capability in monitoring the use of loans.

— The Bank made remarkable improvement in compliance. The Bank actively reinforced the on-site inspection coverage and inspection frequency and successively organized on-site inspection on loans funded by government financing platform, notes business and quality of loans of different classes, etc. Meanwhile, the Bank also carried out risk inspection on the implementation of relevant compliance systems, credit flow, real estate loans, loans to "two-high" sectors with over-capacity and logistics financing business, whilst imposing more stringent penalties to further facilitate a compliant loan business operation throughout the Bank.

— The Bank's working intensity was significantly enhanced. The Bank raised the lending approval standard and improved its capability in examining relevant information before lending, implemented the new requirements so as to effectively prevent the credit operational risks. The Bank also improved the effectiveness of post-lending examination and early warning on risks so as to effectively mitigate risks and recover risk loans. Meanwhile, the Bank refined its management measures ensuring the timely repayment in full amount of principal and interest. The Bank enhanced the quality analysis and indicator assessment to promote the continuous optimization of asset quality. Moreover, the Bank intensified the credit inspection and rectification to deepen the building of compliance culture. According to incomplete statistics, the lending centers of the Bank successfully blocked risks amounting to RMB6.7 billion and recovered the payment of normal and special mention loans of RMB9.3 billion.

In order to facilitate a better understanding and assessment of the Group's credit risks, the Group's loan distribution, loan quality and provisions for impairment loss on loans are set out as followings.

Credit Risk Analysis

Distribution of Loans

As of the end of the reporting period, the Group's total loans amounted to RMB1,264.245 billion, up by RMB198.596 billion or 18.64% 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 are mainly concentrated in the economically developed coastal regions of Eastern China, such as the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As of the end of the reporting period, the Group's balance of loans to these three major regions accounted for 67.09% of the Group's total loans. In 2010, loans to the Bohai Rim and the Yangtze River Delta showed a relatively faster growth, up by RMB52.191 billion and RMB43.479 billion respectively. In 2010, the Group actively implemented the relevant national policies for boosting domestic demand by appropriately enhancing its support for quality projects in the Central and Western regions, which led to a higher proportion of its loans to the Central and Western regions in the total loans.

Concentration of Loans by Geographic Region

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim[1]	346,098	27.38	293,907	27.58
Yangtze River Delta	327,534	25.91	284,055	26.66
Pearl River Delta and West Strait	174,510	13.80	145,222	13.63
Central Region	159,534	12.62	133,009	12.48
Western Region	143,237	11.33	113,499	10.65
Northeastern Region	41,239	3.26	34,965	3.28
Overseas	72,093	5.70	60,992	5.72
Total loans	**1,264,245**	**100.00**	1,065,649	100.00

Note: Including the head office.

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim[1]	345,037	29.04	293,056	29.29
Yangtze River Delta	325,678	27.41	282,138	28.20
Pearl River Delta and West Strait	173,318	14.59	143,807	14.37
Central Region	159,534	13.43	133,009	13.30
Western Region	143,237	12.06	113,499	11.35
Northeastern Region	41,239	3.47	34,965	3.49
Total loans	**1,188,043**	**100.00**	1,000,474	100.00

Note: Including the head office.

Concentration of Loans by Product

As of the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) amounted to RMB992.272 billion, up by RMB169.637 billion or 20.62% compared with the end of the previous year, the balance of personal loans amounted to RMB216.274 billion, up by RMB68.034 billion or 45.89% compared with the end of the previous year and the discounted bills amounted to RMB55.699 billion, down by 39.075 billion or 41.23% compared with the end of the previous year.

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	992,272	78.49	822,635	77.20
Personal loans	216,274	17.11	148,240	13.91
Discounted bills	55,699	4.40	94,774	8.89
Total loans	1,264,245	100.00	1,065,649	100.00

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	933,185	78.55	773,557	77.32
Personal loans	201,346	16.95	133,637	13.36
Discounted bills	53,512	4.50	93,280	9.32
Total loans	1,188,043	100.00	1,000,474	100.00

Structure of Personal Loans

In 2010, the Group prudently developed personal housing mortgage loans business and credit card business, with the housing mortgage loans and credit card loans experiencing a growth of 40.29% and 37.90% respectively compared with the end of the previous year.

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	160,149	74.05	114,156	77.01
Credit card loans	19,570	9.05	14,191	9.57
Others	36,555	16.90	19,893	13.42
Total personal loans	216,274	100.00	148,240	100.00

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	149,852	74.42	103,660	77.57
Credit card loans	19,342	9.61	13,918	10.41
Others	32,152	15.97	16,059	12.02
Total personal loans	201,346	100.00	133,637	100.00

Concentration of Loans by Sector

In 2010, due to the world economic recovery and China's adjustment of the industrial structure, the Group proactively supported key industries which were highly related to real economy, such as manufacturing, wholesale and retail. At the same time, under the complicated and changing domestic and international economic and financial conditions, the Group also made efforts in manufacturing industry segmentation and management, and enhanced its supervision on risks related to those industries with over-capacity (whether actual or potential) or more vulnerable to the macro-economic control, in order to control the industry risks effectively. As of the end of the reporting period, the total loans for the top five industries in terms of corporate loans granted by the Group accounted for 68.23% of its total corporate loans. Judging from the increment structure, the five industries showing the highest growth in loans during the reporting period were manufacturing, wholesale and retail, real estate, transportation, warehousing and postal services, and construction. The loans to these five industries increased by RMB49.818 billion, RMB43.070 billion, RMB26.121 billion, RMB22.177 billion and RM10.244 billion respectively compared with the end of the previous year.

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**260,264**	**26.23**	210,446	25.58
Transportation, warehousing and postal services	**124,734**	**12.57**	102,557	12.47
Production and supply of electricity, gas and water	**81,869**	**8.25**	85,106	10.34
Wholesale and retail	**128,942**	**12.99**	85,872	10.44
Real estate	**72,433**	**7.30**	46,312	5.63
Water conservancy, environment and public utilities management	**81,205**	**8.19**	74,604	9.07
Leasing and commercial services	**48,444**	**4.88**	49,900	6.07
Construction	**44,798**	**4.51**	34,554	4.20
Public and social organizations	**58,163**	**5.86**	49,560	6.02
Financial industry	**6,245**	**0.63**	6,551	0.80
Other customers	**85,175**	**8.59**	77,173	9.38
Total corporate loans	**992,272**	**100.00**	822,635	100.00

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**251,249**	**26.92**	204,706	26.46
Transportation, warehousing and postal services	**122,142**	**13.09**	99,823	12.91
Production and supply of electricity, gas and water	**81,561**	**8.74**	84,819	10.96
Wholesale and retail	**120,616**	**12.93**	82,159	10.62
Real estate	**61,780**	**6.62**	37,320	4.82
Water conservancy, environment and public utilities management	**81,155**	**8.70**	74,604	9.64
Leasing and commercial services	**48,263**	**5.17**	49,800	6.44
Construction	**44,630**	**4.78**	34,381	4.45
Public and social organizations	**58,087**	**6.22**	49,560	6.41
Financial industry	**2,512**	**0.27**	2,583	0.33
Other customers	**61,190**	**6.56**	53,802	6.96
Total corporate loans	**933,185**	**100.00**	773,557	100.00

Breakdown of Loans by Type 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 in 2010. Besides, the Group focused on mitigating risks by obtaining collaterals, which increased the proportion of collateral loans.

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
Type of Guarantee	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	336,806	26.64	293,974	27.59
Guaranteed loans	306,510	24.24	233,099	21.87
Collateral loans	434,657	34.38	335,343	31.47
Pledged loans	130,573	10.33	108,459	10.18
Subtotal	1,208,546	95.59	970,875	91.11
Discounted bills	55,699	4.41	94,774	8.89
Total loans	1,264,245	100.00	1,065,649	100.00

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
Type of Guarantee	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	322,758	27.17	283,394	28.33
Guaranteed loans	286,571	24.12	216,312	21.62
Collateral loans	399,424	33.62	301,493	30.14
Pledged loans	125,778	10.59	105,995	10.59
Subtotal	1,134,531	95.50	907,194	90.68
Discounted bills	53,512	4.50	93,280	9.32
Total loans	1,188,043	100.00	1,000,474	100.00

Concentration of Borrowers of Corporate Loans

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

The Group

Major regulatory indicator	Regulatory Standard	31 December 2010	31 December 2009	31 December 2008
Percentage of loans to the largest single customer (%)	≦10	5.21	5.06	2.92
Percentage of loans to the top 10 customers (%)	≦50	30.01	34.70	21.93

Notes: (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) The figures as of the end of 2009 in the above table were restated because the figure of the net capital as of the end of 2009 was restated.

The Group

Unit: RMB million

		31 December 2010		
	Industry	Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	8,158	0.65	5.21
Borrower B	Wholesale and retail	6,733	0.53	4.30
Borrower C	Public and social organizations	6,000	0.47	3.83
Borrower D	Production and supply of electricity, gas and water	5,487	0.43	3.50
Borrower E	Transportation, warehousing and postal services	5,061	0.40	3.23
Borrower F	Production and supply of electricity, gas and water	3,500	0.28	2.23
Borrower G	Public and social organizations	3,188	0.25	2.04
Borrower H	Other customers	3,000	0.24	1.92
Borrower I	Public and social organizations	3,000	0.24	1.92
Borrower J	Transportation, warehousing and postal services	2,871	0.23	1.83
Total		**46,998**	**3.72**	**30.01**

Centering on boosting domestic demands, the Group adhered to its customer strategy of 'quality industries, quality enterprises, mainstream market and mainstream customers', and moderately enhanced its support for large-scale quality infrastructure projects and quality large-sized customers. The Group's balance of loans for its top ten corporate loan borrowers totaled RMB46.988 billion, accounting for 3.72% of the Group's total balance of loans.

Loan Quality Analysis

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

Five-Class Loan Classification

The Bank measures and manages 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 to classify the credit assets into five classes, i.e. normal, special mention, sub-standard, doubtful and loss, of which the last three classes are known as non-performing loans (NPLs).

In 2010, the Bank continued to enhance its centralized management on risks of different loan classes and constantly improved its credit asset risk classification management system. While insisting on the core principle of "ensuring the safety of loan recovery", the Bank used 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 identifying the risks based on loan classification implemented by the Bank are as follows: the Bank's business departments carry out post-lending inspections first, and the results of which are subject to the preliminary comments of the credit department of the branches, and then the initial recognition by the credit management departments of the branches. After that, the examination and approval by the risk officers of the branches shall be conducted, and then final recognition by the head office is made. The Bank conducts a dynamic classification adjustment on loans with material changes in risk conditions.

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

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,244,478**	**98.44**	1,047,265	98.28
Special mention	**11,234**	**0.89**	8,227	0.77
Sub-standard	**2,339**	**0.19**	3,235	0.30
Doubtful	**4,870**	**0.38**	5,201	0.49
Loss	**1,324**	**0.10**	1,721	0.16
Total loans	**1,264,245**	**100.00**	1,065,649	100.00
Performing loans	**1,255,712**	**99.33**	1,055,492	99.05
Non-performing loans	**8,533**	**0.67**	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 the end of the reporting period, both the balance of NPLs and the NPL ratio of the Group decreased compared with the end of the previous year. The balance of NPLs of the Group recognized in accordance with regulatory classification standards stood at RMB8.533 billion, down by RMB1.624 billion compared with the end of the previous year, while the NPL ratio of the Group stood at 0.67%, down by 0.28 percentage point compared with the end of the previous year.

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,170,491**	**98.52**	983,978	98.35
Special mention	**10,066**	**0.85**	7,487	0.75
Sub-standard	**1,703**	**0.14**	2,484	0.25
Doubtful	**4,466**	**0.38**	4,869	0.49
Loss	**1,317**	**0.11**	1,656	0.16
Total loans	**1,188,043**	**100.00**	1,000,474	100.00
Performing loans	**1,180,557**	**99.37**	991,465	99.10
Non-performing loans	**7,486**	**0.63**	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 in 2010, the Bank, with the prerequisite of ensuring the stability of loan quality, achieved a steady growth of 18.75% in its credit scale through conducting structural adjustments and implementing more rigorous loan supervision and post-lending management. As of the end of the reporting period, normal loans increased by RMB186.513 billion or 18.95% compared with the end of the previous year, with an increase in the proportion of normal loans in the total loans to 98.52%. Special-mention loans remained unchanged compared with the end of the previous year, with its balance increasing by RMB2.579 billion, which was mainly due to the Bank's prudential approach to downgrade the class of certain loans so as to urge branches to take early measures to mitigate potential risks. The NPL ratio stood at 0.63%, representing a 0.27 percentage point decrease compared with the beginning of 2010 and reaching the best level in history; the balance of NPLs was RMB7.486 billion, representing a decrease of RMB1.523 billion compared with the beginning of 2010, which indicated the Bank's good risk control capability.

In 2010, the Bank dealt with NPLs mainly through conventional means including collection, legal proceedings, arbitration and restructuring. The Bank recovered and wrote off a total of RMB2.99 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

	31 December 2010	31 December 2009	31 December 2008
Migration ratio from normal loans (%)	**0.83**	0.53	1.42
Migration ratio from special mention loans (%)	**5.09**	6.71	6.94
Migration ratio from sub-standard loans (%)	**28.65**	18.16	39.03
Migration ratio from doubtful loans (%)	**7.32**	5.35	19.28
Migration ratio from performing loans to non-performing loans (%)	**0.10**	0.32	0.36

In 2010, the migration ratio of the Bank's performing loans to NPLs decreased compared with the end of 2009. This was mainly due to the Bank's timely enhancement in credit restructuring, implementation of withdrawal mechanism, enhancement of loan collection management, mitigation of risks at earlier stage. Therefore, the Bank effectively controlled the continuous deterioration of credit risks and reduced the possibility of downward migration.

Loans overdue

The Group

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,253,666**	**99.16**	1,054,844	98.99
Loans overdue[(1)]:				
1 to 90 days	**3,185**	**0.25**	2,844	0.26
91 to 180 days	**582**	**0.05**	598	0.06
181 days or above	**6,812**	**0.54**	7,363	0.69
Subtotal	**10,579**	**0.84**	10,805	1.01
Total loans	**1,264,245**	**100.00**	1,065,649	100.00
Loans overdue for 91 days or above	**7,394**	**0.59**	7,961	0.75
Restructured loans[(2)]	**6,926**	**0.55**	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 downgraded but the conditions of which (e.g. amount and term) have been rearranged.

The Bank

Unit: RMB million

	31 December 2010		31 December 2009	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,179,017**	**99.24**	990,875	99.04
Loans overdue[(1)]:				
1 to 90 days	**2,595**	**0.22**	2,140	0.21
91 to 180 days	**533**	**0.04**	577	0.06
181 days or above	**5,898**	**0.50**	6,882	0.69
Subtotal	**9,026**	**0.76**	9,599	0.96
Total loans	**1,188,043**	**100.00**	1,000,474	100.00
Loans overdue for 91 days or above	**6,431**	**0.54**	7,459	0.75
Restructured loans[(2)]	**6,278**	**0.53**	3,577	0.36

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

(2) Restructured loans refer to the loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

In 2010, the Bank firmly implemented the risk mitigation strategy of "early identify, early react and early mitigate", enhanced its monitoring on overdue principal and interest of loans by means of using management system and reported monthly supervision results regarding the principal and interest overdue of branches, so as to urge them to accelerate the collection of loans overdue. Those methods yielded satisfactory results. As of the end of the reporting period, both the balance of loans overdue and its proportion in the total loans decreased compared with those in 2009, of which the balance of loans overdue for 91 days or above decreased by RMB1.028 billion compared with the end of the previous year.

Breakdown of Non-performing Loans by Type of Customer

The Group

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**7,727**	**90.55**	**0.78**	9,000	88.61	1.09
Personal loans	**806**	**9.45**	**0.37**	1,119	11.02	0.75
Discounted bills	**—**	**—**	**—**	38	0.37	0.04
Total NPLs	**8,533**	**100.00**	**0.67**	10,157	100.00	0.95

The Bank

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**6,701**	**89.51**	**0.72**	7,904	87.74	1.02
Personal loans	**785**	**10.49**	**0.39**	1,067	11.84	0.80
Discounted bills	**—**	**—**	**—**	38	0.42	0.04
Total NPLs	**7,486**	**100.00**	**0.63**	9,009	100.00	0.90

As of the end of the reporting period, 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 RMB1.203 billion and the NPL ratio decreased by 0.30 percentage point. The balance of personal non-performing loans reduced by RMB282 million and the NPL ratio decreased by 0.41 percentage point.

Breakdown of Personal Non-performing Loans

The Group

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	431	53.47	2.20	682	60.95	4.81
Housing mortgage loans	177	21.96	0.11	178	15.91	0.16
Others	198	24.57	0.54	259	23.14	1.30
Total personal NPLs	806	100.00	0.37	1,119	100.00	0.75

The Bank

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	430	54.78	2.22	679	63.64	4.88
Housing mortgage loans	165	21.02	0.11	177	16.59	0.17
Others	190	24.20	0.59	211	19.77	1.31
Total personal NPLs	785	100.00	0.39	1,067	100.00	0.80

In 2010, the Bank managed to control the quality of credit card loans through a series of measures including tightening credit policy, strengthening the capability of controlling risks in sales channels, improving approval process and writing-off NPLs (RMB433 million of credit card NPLs was written off during the whole year of 2010). As of the end of the reporting period, the balance of credit card NPLs decreased by RMB249 million compared with the end of the previous year. The housing mortgage loans and other loan assets quality remained in good shape and saw a decrease in NPL balance compared with the end of the previous year.

Breakdown of Non-performing Loans by Geographic Location

The Group

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim(1)	2,362	27.68	0.68	3,237	31.87	1.10
Yangtze River Delta	1,950	22.85	0.60	2,264	22.29	0.80
Pearl River Delta and West Strait	1,583	18.55	0.91	1,331	13.10	0.92
Central Region	479	5.62	0.30	703	6.93	0.53
Western Region	531	6.22	0.37	715	7.04	0.63
Northeastern Region	651	7.63	1.58	833	8.20	2.38
Overseas	977	11.45	1.36	1,074	10.57	1.76
Total NPLs	8,533	100.00	0.67	10,157	100.00	0.95

Note: (1) Including the head office.

The Bank

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim[1]	**2,362**	**31.55**	**0.68**	3,237	35.93	1.10
Yangtze River Delta	**1,926**	**25.73**	**0.59**	2,237	24.83	0.79
Pearl River Delta and West Strait	**1,537**	**20.53**	**0.89**	1,284	14.25	0.89
Central Region	**479**	**6.40**	**0.30**	703	7.80	0.53
Western Region	**531**	**7.09**	**0.37**	715	7.94	0.63
Northeastern Region	**651**	**8.70**	**1.58**	833	9.25	2.38
Total NPLs	**7,486**	**100.00**	**0.63**	9,009	100.00	0.90

Note: (1) Including the head office.

The overall quality of the Bank's loans remained steady, in particular, the quality of loans to the Pearl River Delta and the West Strait, where more export-oriented and private enterprises concentrated, has not been seriously affected by the changes in macro-economic environment. The NPL ratio of these regions was only 0.89%, the same as that of the previous year. The NPL balance in the Bohai Rim, the Yangtze River Delta and the central region decreased by RMB875 million, RMB311 million and 224 million respectively compared with the end of the previous year, which indicates the Bank's capability in managing credit assets to effectively respond to the complicated economic and financial environment.

Breakdown of Corporate Non-performing Loans by Sector

The Group

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**3,076**	**39.81**	**1.18**	3,952	43.91	1.88
Transportation, warehousing and postal services	**97**	**1.26**	**0.08**	100	1.11	0.10
Production and supply of electricity, gas and water	**219**	**2.83**	**0.27**	347	3.86	0.41
Wholesale and retail	**1,369**	**17.72**	**1.06**	1,275	14.17	1.48
Real estate	**1,103**	**14.27**	**1.52**	1,114	12.38	2.41
Leasing and commercial services	**323**	**4.18**	**0.67**	345	3.83	0.69
Water conservancy, environment and public utilities management	**15**	**0.19**	**0.02**	43	0.48	0.06
Construction	**76**	**0.98**	**0.17**	164	1.82	0.47
Financial industry	**64**	**0.83**	**1.02**	138	1.53	2.11
Public and social organizations	**—**	**—**	**—**	—	—	—
Other customers	**1,385**	**17.93**	**1.63**	1,522	16.91	1.97
Total corporate NPLs	**7,727**	**100.00**	**0.78**	9,000	100.00	1.09

The Bank

Unit: RMB million

	31 December 2010			31 December 2009		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**2,941**	**43.89**	**1.17**	3,866	48.91	1.89
Transportation, warehousing and postal services	**96**	**1.43**	**0.08**	100	1.27	0.10
Production and supply of electricity, gas and water	**219**	**3.27**	**0.27**	337	4.26	0.40
Wholesale and retail	**1,332**	**19.88**	**1.10**	1,195	15.12	1.46
Real estate	**1,057**	**15.77**	**1.71**	1,024	12.96	2.74
Leasing and commercial services	**323**	**4.82**	**0.67**	345	4.36	0.69
Water conservancy, environment and public utilities management	**15**	**0.22**	**0.02**	43	0.54	0.06
Construction	**76**	**1.13**	**0.17**	164	2.07	0.48
Financial industry	**64**	**0.96**	**2.55**	138	1.75	5.34
Public and social organizations	**—**	**—**	**—**	—	—	—
Other customers	**578**	**8.63**	**0.94**	692	8.76	1.29
Total corporate NPLs	**6,701**	**100.00**	**0.72**	7,904	100.00	1.02

The Bank, while strictly implementing the credit policy of "quality industries, quality enterprises, mainstream markets and mainstream customers", put greater efforts to adjust the credit structure. The quality of loans to various industries remained steady. The balance of NPLs in manufacturing, production and supply of electricity, gas and water, construction and financial industry decreased by RMB925 million, RMB118 million, RMB88 million, and RMB74 million respectively compared with the end of the previous year while the NPL ratio decreased by 0.72 percentage point, 0.13 percentage point, 0.31 percentage point and 2.79 percentage points respectively compared with the end of the previous year.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group timely set aside adequate provision for loan impairment with the principle of prudentiality and authenticity. 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 31 December 2010	As of 31 December 2009
Beginning balance	**15,170**	14,000
Accruals during the year(1)	**4,238**	2,446
Reversal of impairment allowances(2)	**(133)**	(126)
Transfer out(3)	**(93)**	(2)
Write-offs	**(1,105)**	(1,326)
Recoveries of loans and advances written off in previous years	**142**	178
Ending balance	**18,219**	15,170

Notes: (1) Equivalent to the net loan 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 the end of the reporting period, the Group's balance of provision for loan impairment increased by RMB3.049 billion from RMB15.170 billion as of the end of the previous year to RMB18.219 billion, of which the provision for loan impairment accrued for the whole year was RMB4.238 billion. This was mainly due to the issuance of new loans. As of the end of the reporting period, 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 213.51% and 1.44%, respectively.

The Bank

Unit: RMB million

	As of 31 December 2010	As of 31 December 2009
Beginning balance	**14,620**	13,572
Accruals during the year(1)	**4,065**	1,955
Reversal of impairment allowances(2)	**(125)**	(125)
Transfer out(3)	**(74)**	—
Write-offs	**(950)**	(884)
Recoveries of loans and advances written off in previous years	**124**	102
Ending balance	**17,660**	14,620

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

As of the end of the reporting period, the Bank's balance of provision for loan impairment was RMB17.66 billion, an increase of RMB3.04 billion compared with the end of the previous year, of which the provision for loan impairment accrued for the whole year was RMB4.065 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 235.91% and 1.49% respectively, and the provision coverage ratio increased by 73.63 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 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 improved.

Management on Market Risk

The Bank's market risk was mainly aroused from unfavourable changes in interest rate, exchange rate and other market prices. The Bank has established the market risk management system covering risk identification, risk measuring, risk monitoring and risk control and managed the market risk by exercising access approval and limit management, so as to control the potential market risk within an acceptable level to maximize the risk-adjusted returns.

The Market Risk Management Committee of the Bank's head office, as the decision-making body for market risk management, is responsible for formulating policies and procedures and approving market risk access and quota structure. The Budget and Finance Department of the Bank, as the market risk management department, is responsible for the routine operation of market risk management. Business departments are responsible for enforcing various policies and procedures of market risk management to ensure that the market risk is controlled within the quota set by the Market Risk Management Committee of the Bank's head office.

In 2010, the Bank continued to promote the optimization of the market risk management mechanism and improved the market risk management policy system. Moreover, the Bank paid close attention to market changes, strengthened the voluntary management and independent monitoring over market risks, and continued to enrich the market risk reporting system so that the level of market risk management was further improved.

Management of Interest Rate Risk

The interest rate risk of the Bank mainly rose from the influence on proceeds due to the mismatch of asset and liability interest rate repricing maturity and changes of market interest rate which influenced the fair value of financial instruments. The Bank effectively managed the interest rate risk on balance sheet and investment portfolio of treasury and capital market business mainly by primarily utilizing derivative transactions, such as swaps and futures.

As for the interest rate risk on balance sheet, the Bank carried out gap analysis to assess risks so as to accordingly adjust the frequency of repricing and optimize corresponding maturities for corporate deposits to effectively control the repricing risk.

The Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation to measure and to control the interest rate risks of the financial instruments in treasury and capital market business and set the risk quotas including interest rate sensitivity, duration and exposure, etc. The Bank carried out the effective monitoring, management and reporting of the implementation of risk quotas by leveraging on advanced market risk management system and independent internal control mid-office platform.

Analysis of Interest Rate Risks

In 2010, the overall operation of financial market remained stable. Due to the effect of a series of tightening monetary policies as regulatory authorities continued to exercise stricter control measures on credit scale and consecutively raised the statutory deposit reserve ratio, alongside with the increase in benchmark interest rate of RMB deposits and loans for two times in the fourth quarter, RMB market interest rate showed an overall upward momentum. Particularly in June, September and December when the market liquidity became tighter, the monetary market interest rate showed fast growth momentum in different phases.

Taking into account of the impact of interest rate changes on proceeds, the Bank timely introduced the "competitive pricing" strategy with reference to the control measures for credit scale and changes in market liquidity. In addition, on the basis of effective control over the risk of mismatch of asset and liability maturity, the Bank increased the interest rate level of credit assets and effectively shortened the repricing maturity of short-term loans by intensifying interest rate assessment and pricing management, thus maximizing the benefits of the Bank. As of the end of the reporting period, details of interest rate gaps are set out as follows:

The Group

Unit: RMB million

	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Total assets	36,332	1,554,348	384,575	88,882	17,177
Total liabilities	36,522	1,503,008	330,866	59,757	26,623
Interest rate gap	(190)	51,340	53,709	29,125	(9,446)

The Bank

Unit: RMB million

	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Total assets	39,517	1,449,693	373,254	86,180	17,173
Total liabilities	31,087	1,414,014	322,645	51,680	26,801
Interest rate gap	8,430	35,679	50,609	34,500	(9,628)

Exchange Rate Risk Management

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

The Bank measured exchange rate risk mainly through analysis on foreign exchange exposure. The foreign exchange exposure of the Bank consisted of structural exposure and trading exposure, of which the former mainly derived from the position which is inevitable in currency capital and foreign currency profit operation, and the latter mainly derived from the position of foreign exchange trading. The foreign exchange exposure of the Bank was mainly structural exposure.

As to the exchange rate risk of structural exposure such as foreign currency capital, the Bank mitigated exchange loss mainly through improving its capability in using foreign currency capital and hedging for foreign currency capital.

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

Analysis of Exchange Rate Risk

The Bank's exchange rate risk was mainly subject to the fluctuations of RMB exchange rate against USD. In the first half of 2010, the exchange rate of RMB against USD was relatively stable. After the announcement of the PBOC to further strengthen the exchange rate formation mechanism in June, the fluctuations of the RMB exchange rate were in large margin with an annual appreciation of about 3%. In 2011, due to factors such as the US quantitative easing monetary policies, influx of hot money and global economic imbalance, the pressure for passive appreciation of currencies of emerging markets is expected to build up and it is estimated that the exchange rate of RMB against USD would further appreciate, whilst the risk of two-direction exchange rate fluctuations and short-term significant fluctuations will further grow. The appreciation of RMB might lead to the contraction of foreign currency denominated assets and exchange loss in book value. Severe fluctuations might magnify the exchange rate risk.

The Bank closely monitored the external market changes and internal funding conditions and flexibly adjusted the internal funding interest rate to control exchange rate risk while maintaining the unified and coordinated development of foreign currency deposit and lending business. As to the exchange rate risk of foreign transaction business, the Bank continued to strengthen the management of foreign currency exposure position throughout the Bank and rationally controlled the overall risk exposure and maintained the exchange rate risk within acceptable level. As of the end of the reporting period, the foreign exchange exposure is set out as follows:

The Group

Unit: RMB million

	USD	HKD	Other currencies	Total
Net position on-balance sheet	35,020	194	(10,276)	24,938
Net position off-balance sheet	(35,463)	13,928	10,953	(10,582)
Total	(443)	14,122	677	14,356

The Bank

Unit: RMB million

	USD	HKD	Other currencies	Total
Net position on-balance sheet	20,626	(4,096)	(4,484)	12,046
Net position off-balance sheet	(23,762)	4,236	4,710	(14,816)
Total	(3,136)	140	226	(2,770)

Liquidity Risk Management

The liquidity risk is the risk with which the Bank could not obtain capital at reasonable cost in a timely manner to fulfill the needs of customer to withdraw matured liabilities and to promote the growth of the Bank's asset business. The liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, customers' early or centralized drawing of money, and the Bank's funding support for lending, trading, investment and other operating activities.

Liquidity Risk Management

The objective of liquidity risk management of the Bank is to observe established targets for assets and liabilities management and guidelines for liquidity risk management, perform the obligation of payment on a timely basis and facilitate business development. The liquidity risk management of the Bank adopts the pattern of centralized management featuring in integrated management and multiple-level responsibility. The treasurer of the head office is in charge of liquidity risk management throughout the Bank, providing branches with working capital through coordinating the Bank's internal fund, resolving the shortage of capital through instruments such as money market and open market operation and interbank discount to make full use of surplus capital. The treasurer of branches shall follow instructions of the head office, and are responsible for liquidity risk management within their authorization.

Liquidity Risk Analysis

In 2010, the Central Bank implemented the moderately loosened monetary policy, whose focus, intensity and pace varied in different phases. In 2010, the Central Bank raised the statutory deposit reserve ratio for six times and restored the issuing of three-year term central bank notes in April and guided commercial banks to optimize credit structure at the beginning of the year. In the meantime, affected by the increase in funds outstanding for foreign exchange, new shares and convertible bonds subscription, movements of deposits from financial institutions, market liquidity recorded more fluctuations and became inadequate in some phases for many times, which resulted from different immediate causes for frequent changes in liquidity and its different features. This led to more stringent requirements to the operation of commercial banks, which urged them to adjust the balance sheet in a dynamic manner and adopt reasonable liquidity management strategies and measures.

In 2010, the Bank continued to implement the three-tier liquidity reserve management system and contingency mechanism, appropriately arranged asset tools and maturity profiles, dynamically managed the liquidity asset portfolio and maintained financing channels smooth such as open market and money market. The Bank reinforced the scenario analysis and stress tests, and improved the liquidity management contingency plan so that the Bank's liquidity risk management capability was steadily strengthened. In 2010, based on its own situation, the Bank fully utilized the standardized funding projects while further arranging the non-standardized funding business as the key allocation products in the liquidity portfolio. Under controllable liquidity risks and stable development of various other businesses including credit business, the Bank attached great importance to the growth of liquidity asset portfolio yields and the results were favourable. In addition, in 2010, pursuant to the requirements of regulatory authorities, the Bank launched the implementation of Guidelines of Liquidity Risk Management for Commercial Banks to further improve the liquidity risk management organizational system, perfect the system of rules and regulations, and completed the project establishment and development preparation for the relevant administrative information system to further promote the IT platform development for the Bank's liquidity risk management system.

In 2010, 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 within three months recorded negative, while 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 in such terms of maturity. The liquidity gap 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
	(953,284)	44,710	237,583	351,026	227,275	217,228	124,538

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
	(937,903)	74,335	222,781	327,503	211,106	221,768	119,590

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

In 2010, in accordance with the Guidelines of Operational Risk Management for Commercial Banks promulgated by the CBRC, the Bank accordingly conducted its management on operational risk in an orderly way.

— The Bank established the operational risk management system framework. The Bank formulated the Operational Risk Management Policies of China CITIC Bank to identify the general principles of operational risk management and define corresponding duties and responsibilities of different levels, including the level from the Board of Directors to senior management, and from the head office to branches.

— The Bank set up the operational risk management system. The Bank defined the relevant duties and responsibilities and allocation requirements of the relevant staff and established full-time and part-time operational risk management teams under the principle of "intensive management, increasing efficiency, resource saving and sharing" and on the basis of consolidating the structure of compliance organizations.

— The Bank launched its operational risk management project. Through ongoing review of internal control procedures, the Bank designed and developed the risk management tools, set up the dynamic information exchange platform, and regulated the daily operation and management behavior of general staff so that a system of internal control compliance and operational risk management applicable to the Bank's actual conditions was gradually established.

— The Bank developed its risk management system. The Bank successively launched a number of systems including accounting monitoring and credit management systems, to carry out effective identification, early warning and response to the potential risks in accounting management, payment and settlement business and credit granting business, and to gradually realize the application of the operational "quantitative monitoring and designated early warning" risk management techniques.

Anti-Money Laundering

In 2010, in line with the Anti-Money Laundering Law and relevant rules of the PBOC, the Bank rigorously fulfilled its duty in obstructing money laundering and actively conducted work related to anti-money laundering and yielded satisfactory results.

— The Bank strictly implemented the anti-money laundering system including customer identity identification, customer identity information and transaction records keeping as well as customer risk grading management, and thoroughly conducted the fundamental work such as customer due diligence investigation and risk grading management to effectively prevent risks of money laundering.

— The Bank rigorously implemented regulatory requirements in the areas of anti-money laundering surveillance, screening, recording, analyzing and reporting, seriously examined and reported the large-sum and suspicious payment, and closely monitored the flow and use of suspicious payment transactions.

— The Bank continued to optimize the anti-money laundering system, rigorously implemented information filling and reporting system for third party depository transactions and the background information of counterparty required by regulatory authorities. Meanwhile, the Bank regularly made an overall assessment on functions of the system to improve its stability and operation efficiency.

— The Bank stepped up its anti-money laundering training and organized various forms of trainings in subjects of the Bank's internal control system and relevant regulatory rules and regulations to further enhance employees' awareness of preventing anti-money laundering and to improve their implementation in combatting anti-money laundering.

Outlook

Outlook for Operating Environment

Domestic and International Macro–Economic Development Trend

In 2011, the global economic recovery will still be slow and winding with high unemployment rates, ongoing weak consumption and stagnant economic growth in major economies such as the US, EU and Japan. In spite of the faster growth of emerging economies, the negative impact of slow recovery of developed countries and the 9-magnitude earthquake and tsunami in Japan cannot be fully offset. The second round of quantitative easing monetary policies in the US has further accelerated the imbalance in the global economy, alongside with the volatile movements in major exchange rates for the US dollar and Euro and prices of bulk commodities including petroleum and agricultural products. The risk of global inflation remains relatively substantial. The growing fiscal deficit and debt issue of EU countries represent a potential obstacle to the ongoing recovery of the global economy. As the pace of global economic recovery differentiates, the policy coordination of countries in the world faces more difficulties and the trade protectionism is on the rise. Accordingly, the international trade will be less active in promoting the global economy.

2011 is the first year for implementing China's 12th " Five-Year Plan", a series of important policies and measures related to the reform of domestic income allocation, urbanization, strategic emerging industries, social security, private investment and modern service industry will be successively launched. It is expected that China will maintain its favorable economic growth momentum in 2011 with an annual growth rate of about 9%. However, due to the slow and less motivated global economic recovery, the endogenous growth momentum of China's economy is not fully recovered. In the face of rising inflation pressure, fluctuating growth of export and remaining potential risks of real estate development and investment, the domestic economic growth will continue to face a number of uncertainties. In 2011, the macro-economic control measures will focus more on the "specialization, flexibility and effectiveness" of policies, whereas the fiscal policies will remain proactive and the monetary policies will become more prudent. It is estimated that the monetary tools such as interest rate and statutory deposit reserve ratio will be used frequently, RMB appreciation will be probably in a larger margin and the two-direction volatility of RMB exchange rate will be more prominent.

Changes in the Competition Environment

With the changing domestic and foreign economic and financial environment, the competition among domestic banks is growing fiercer, as a result of which, the market landscape will undergo profound changes. The competitiveness of large-scale state-owned banks is increasingly enhanced, small and medium-sized joint-stock commercial banks and city commercial banks accelerate their pace of expansion, and the competitive advantages of foreign banks in some high-end financial services are appearing. In the following years, in response to the implementation of the Basel Capital Accord II and the Basel Capital Accord III, the CBRC will probably further strengthen the capital regulation. Capital constraint will be a challenge that is ought to be faced by Chinese banking industry for relatively a long period. In addition, factors such as disintermediation, interest rate marketization, limitation to loan-to-deposit ratio and credit scale control also put forward new requirements on strategic transformation and business innovation of domestic banks.

Changes in Market Demand

Firstly, driven by the intensifying policies to expand domestic demand and continuous adjustment of market demand structure, sectors such as housing, automobiles, home appliances and other consumables present extensive market opportunities for the development of retail banking business. Meanwhile, with the rising disposable income, emerging wealthy class and the alignment of consumption and investment awareness with the international standard, financial businesses such as credit card, personal loans, go-abroad finance, wealth management and private banking will develop rapidly.

Secondly, the Chinese government will encourage and support the development of advanced technology for productivity, while restricting and eliminating obsolete production capacity. The strategic and emerging industries such as energy-saving and conservation, new generation of information technology, biology, high-end device manufacturing, new energy, new materials, and new energy automobiles will be designated as key industries and become the forerunners and pillar industries in Chinese economy. The transformation of the economic growth model has led to the industrial structure upgrades, resulting in the adjustment of banking business structure and dynamic optimization of customer structure.

Thirdly, as a result of RMB internationalization, cross-border trade and offshore investment from domestic enterprises are expanding rapidly and there is the pressing need for the implementation of international operation strategies. These changes require banks to establish an integrated local and foreign currency system with financial products and pricing better aligned with the international standard, providing a more comprehensive range of financial services including domestic and foreign financing, payment and risk management.

Fourthly, the focus of regional economy in China is changing. During the period of implementing the 12th "Five-Year Plan", the Chinese government will continue to develop the coastal regions and city clusters in the Eastern region, extending the strategies of developing Western regions and accelerating the urbanization of the central and Western regions. In the course of coordinating regional development, the focus for Eastern region development is the transformation and the industrial upgrading, for central regions is the transfer of industries, for Western regions is the infrastructure construction and the energy development. In future, regional development will not be confined to local economic development, but the development of priority zones, which will have a far-reaching effect on the Bank's resource allocation and branch network distribution.

The Bank's Operation and Development Plan for 2011

Business Operation Plan

In 2011, the Bank's total deposits are expected to increase by an equivalent of about RMB300 billion.

Development Plan

2011 is the first year for implementing China's 12th "Five-Year" plan. In order to adapt to the changes in economic growth model and regulations on banking industry, the Bank will continue to deepen its operating philosophy featuring in "a coordinated development of profit, quality and scale". Meanwhile, the Bank will step up its pace on strategic adjustment and enhance its delicacy management with "transformation, upgrade and development" as the guiding principle to ensure that the Bank will continue to take the lead in the competition among peers in domestic and oversea markets. In 2011, the Bank will mainly focus its effort in the following seven aspects:

Firstly, the Bank will further improve its assessment system and optimize resources allocation. By giving more weights to the indicator of return on risk capital and introducing assessment indicators such as deposit and loan pricing, fee-based income proportion as well as retail banking income proportion, the Bank will guide branches to keep a closer eye on capital consumption, improve net interest margin and accelerate the structural adjustment. Based on their individual situations, appropriate credit scales will be allocated to branches and dedicated credit quota will be put in emerging businesses and newly established branches. Favorable policies will be given to strategic customers, key products and industries and priorities in funding will be granted to strategic and main business lines which could lead to high return on risk capital.

Secondly, the Bank will enhance its specialized operation and consolidate its edges in corporate banking business. The Bank will focus on optimizing the development model of its corporate banking business to enhance its capability of sustainable development, perfect its marketing system featuring in "two-level management and three-level marketing", push forward the establishment of five specialized marketing platforms, namely cash management, electronic banking, supply chain financing, international business as well as treasury and capital market business and further promote its client strategy of "high quality industries, high quality enterprises, mainstream markets and mainstream clients" to continuously improve its services to strategic clients, institutional clients and financial peers and conduct more interactions with them. The Bank will also maintain its traditional advantages in corporate banking business, effectively improve its pricing capability and customer contribution and accelerate the development of emerging business.

Thirdly, the bank will deepen its strategy for developing retail banking business and highlight the efficiency. The Bank will strive to increase its income from interest spreads and intermediary business and improve the efficiency of outlets operation, professional team building and marketing cost conservation to implement the profit-oriented approach in developing its retail banking business. Moreover, the Bank will strengthen its retail banking service system on all fronts to raise the level of satisfaction of clients, make extra efforts in cross-selling and customer relationship maintenance to actively expand the sources of savings deposit, continue to improve the risk control and the market system for personal loans and further improve the Bank's electronic banking system to better support and secure the Bank's services.

Fourthly, the Bank will develop its intermediary business and promote its strategic transformation. The Bank will further strengthen its assessment on intermediary business and give full play to the functions of the Intermediary Business Committee of the Bank's head office to maintain its input in intermediary business. The Bank will also reinforce the development of the intermediary business management system as well as its accounting and pricing mechanism and enhance the capability of branches to integrate products varieties. In addition, the Bank will intensify the service innovation and product innovation in "line-to-point" products in corporate banking business and "face-to-point" products in retail banking business.

Fifthly, the Bank will implement strict risk management and support business transformation. Distinguished features of geographical locations, industries, clients and products will be fully considered in credit granting while maintaining the prerequisite of a unified credit policy throughout the Bank. Moreover, the Bank will continue to maintain the prudential risk management, strengthen its management on risks in government financing platforms and real estate sector and industries with over-capacity and actively adjust its credit structure. The Bank will also continue to strengthen its management over market risk, operational risk and reputation risk, striving to implement the New Basel Accord by the end of 2011.

Sixthly, the Bank will improve its internal control mechanism and deepen its compliance management. The Bank will steadily push forward to implement the operational risk related projects under the New Basel Capital Accord and carry out pilot programs and system development. The Bank will also strengthen the coordinated inspection mechanism and continuously improve the online examination and off-site audit system to form an internal control and supervision system suitable to its business development. The Bank will continue to foster the culture of compliance. This will be done by implementing quantitative assessment methods such as a points recording for incompliance, so as to foster a culture of compliance through the concerted efforts of all its staff members.

Seventhly, the Bank will strengthen its back-office support and consolidate its foundation for future development. The Bank will focus on upgrading its core system, restructure its accounting system, realize a rapid parametric formulation of its new businesses and strengthen the capability of information system to safeguard its business development. The Bank will enhance the overall interaction within the Bank and make full use of the international business platform built with CBI and BBVA as well as the integrated financial platform of CITIC Group to strengthen synergy effects. The Bank will further strengthen the comprehensive competitiveness of its staff, the building of corporate culture to create an energetic and outstanding commercial bank where every staff member takes the initiative to strive for excellence.

Social Responsibility Management

In 2010, adhering to the vision of "fulfilling social responsibility and forging itself into the most respected enterprise", the Bank adhered to the scientific outlook on development, implemented the national industrial and environmental-friendly policies, and fulfilled its economic, social and environmental responsibilities as a banking financial institution to contribute to the harmonious and sustainable development of economy, society and environment in accordance with specific requirements of regulatory authorities.

The Bank maintains the principle of "adhering to environmental protection and compliance in credit issuing and forging itself into a green credit issuing bank" as its long-term business strategy and adopts the Equator Principles in due course, aiming to establish itself as a green bank. The Bank sticks to the harmonious development, pays attention to both of the physical and mental health of its staff members and promotes the implementation of staff assistance plan, in a bid to establish itself as a bank of humanities. The Bank is always making effort to contribute to society and actively participates in relevant projects such as those designed for helping the poor, education, environmental protection and disaster recovery, thereby establishing itself as a bank of love. Adhering to the philosophy of "operating with integrity to create value for clients who always come first", the Bank refines and enriches its services to safeguard its clients' properties, stands firmly against money laundering and cultivates compliance culture, thus establishing itself as a bank of integrity. The Bank persists in the coordinated development of profits, quality and scale, pursues risk-adjusted returns and steadily increases market capitalization and is determined to take the lead in the competition among domestic and international banks, with an aim to establish itself as a bank of value. Adhering to the concept of "customers first", the Bank establishes an outstanding brand and, through reforms in respect of products and services, business expansion, risk management and information technology, the Bank enhances the quality of products and services and successfully sets up a brand image of integrity, stability, affinity and brilliance and thus establishes itself as a bank of brand.

In 2010, the Bank further strengthened its social responsibility management system by designating a responsible person for the Bank's social responsibility management and providing professional trainings to this responsible person, as well as offering trainings to all relevant liable persons of the Bank's branches, which represents a great leap towards the Bank's formulation of a comprehensive social responsibility system.

The Bank actively communicates and interacts with other stakeholders including the central government, governmental departments and institutions, shareholders, staff members, supply chain, environmental protection organizations and communities, for the sake of understanding the expectations of different parties and perfecting methods of communication to respond to different opinions and improve its business performance. In addition, the Bank seeks direct and indirect channels for a joint sustainable development with "stakeholders who have influence on and are influenced by the Bank", thereby promoting to establish a harmonious and stable social relationship.

Environmental Protection

The Bank concerns about the continuous climate change and is aware of the social, economic and environmental problems arising from the consumption of natural resources as well as the effect of these problems on the Bank's business operation and development. The Bank also monitors the influence of these effects on its performance of social responsibility.

E-banking: In 2010, the Bank adhered to the development strategy of "increasing the technological replacement rate" in terms of personal Internet banking. Guided by the customers demands, the Bank strived for improving customers experience by promoting development, strengthening management and adjusting the structure. The E-banking business achieved a rapid growth with fruitful results. And the Bank optimized its text messaging platform and enhanced its guidance on customers' bank card usage in areas such as card use safety, methods of repayment and way of using card.

Consumption of natural resources: In 2010, electricity consumption by the Bank was 105.50 million kilowatt-hours, down by 2.801 million kilowatt-hours, or 2.59%, compared with the previous year. Water consumption increased by 186,000 tons to 1.316 million tons, representing a growth rate of 16.46%, which was 1.25 percentage points lower than that of the previous year. A total of 187,927 packs of A4 paper were used, a decrease of 3,611 packs, or 1.89% compared with the previous year. Petroleum purchase for business cars was 1.571 million liters, an increase of 32,000 liters, or 2.08%, down by 2.52 percentage points compared with the previous year.

Strict control on "two-high" sectors: The Bank exerted strict control over credit extension to "two-high" sectors and the industries with over-capacity. Adhering to the principle of "controlling the total amount, ensuring some loans and reducing some loans, selecting optimal projects or industries with entry and withdrawal strategies", the Bank's credit issuance was mainly to "quality enterprises as the target customers" in the form of "working capital loans" and by way of "logistics financing", and to enterprises which provide new techniques characterized by high technology, high added-value, low consumption and low emission and enterprises with good market potential. The Bank also strictly limited new project loans to these sectors and the credit to enterprises with backward production capacity, low competitiveness and low market demand. The new credit granted to sectors with over-capacity shall be approved by the Bank's head office. The Bank encouraged its branches to grant credit to sectors with over-capacity by logistics financing, a method involving relatively lower risks, and to implement stringent risk control during the business procedure to proactively prevent market risk.

Veto system for environmental protection: In order to implement the requirement of energy saving and emission reduction, the Bank raised its environmental protection standards and promoted green credit. In 2009, the Bank launched the "veto system" for environmental protection in granting credit to "two-high" sectors and raised the access criteria of production capacity and technology. With great importance attached to energy saving and emission reduction as well as the investigation into the environmental protection compliance of credit projects, the Bank upheld four "no-loans" principle: no loans to projects failing to obtain approvals from environmental appraisal authorities; no loans to new projects under the restricted category and projects under the to-be-eliminated category; no loans to projects from regions with "regional restrictions"; and no loans to enterprises and projects with environment disobedience issues.

Carbon-emission trading: In order to standardize businesses related to cross-border trading of environmental interests such as carbon dioxide emission reduction, during the reporting period, the Bank forwarded to its branches the Notice of the General Affairs Department of the State Administration of Foreign Exchange on Foreign Exchange Businesses Related to the Trading of Environmental Interests Including carbon dioxide Emission Reduction Units (the "Notice"), requiring its branches to strictly follow the guidelines and requirements set out in the Notice, closely review all materials in relation to carbon emission trading and promptly address relevant foreign exchange settlement and sale businesses according to the demands and requirements of domestic organizations including environment exchanges, emission rights exchanges and forestry exchanges, so as to facilitate the cross-border trading of environmental interests such as carbon dioxide emission reduction and contribute to the healthy development of China's low-carbon economy.

Activities for Public Good

In 2010, the Bank, in its own name, donated a total of RMB17,669,942 in cash including public welfare relief donation and other kinds of donation, and the Bank's staff voluntarily donated a total amount of RMB10,582,224 in cash.

"Public Education Day of China's Banking Sector" activity: After nearly a month's good preparation in line with the "Public Education Day" launched by the CBRC, this activity involved the participation of nearly 6,000 employees from over 500 outlets, with some 1.4 million printed literatures and RMB3.3 million of advertising input from the head office. In addition, each branch selected its own theme of promotion and education according to its own situation. The Bank selected those businesses closely linked to daily life of the general public as the themes of education including personal loans, personal wealth management, go-abroad financial services, debit card, credit card and personal E-banking, and successfully enhanced the publicity and popularity of financial policies. The content of activities included publicizing the functions of banking financial institutions and eliminating pubic misunderstandings of banking industry, elaborating on major products, services and risks in the banking industry, the way of preventing criminal activities in the guise of financial institutions and raising the awareness of the general public to stay away from illegal fund-raising and financial fraud, etc. The Bank widely attracted the public attention to the Education Day by posting advertisements after the CCTV News Broadcast, putting advertisements on seat-backs on Air China flights and using mainstream print advertisements.

"Rainbow Elderly Card": "Rainbow Elderly Card" issued by the Bank is China's first bank card exclusively designed for the senior citizens. The front design of the card is exquisite and fashionable, underlying with symbolic meanings. It shows a bushy tree with colorful heart-shaped leaves dancing in the breeze on a boundless meadow, and the bushy tree which roots in fertile soil represents the elderly who has served the society for years; the colorful design and the brilliant sunset represent the elderly's splendid lives. The entire design is filled with the Bank's and society's care and love for the elderly, with the "tree of life" symbolizing the Bank's sincere blessings to the elderly all over the world. The "Rainbow Elderly Card" has adopted "sentiments" as its main theme underpinned by "love". By organizing charity activities such as free seminars on wealth management and "Star of Fashion TV Competition", the Bank presented the most suitable wealth management concepts to the elderly and let them experience modern financial services. Adding color to the elderly's wonderful lives, the card created a win-win scenario in terms of both charity and corporate benefits and became the forerunner to make a profit from the "gray-haired economic boom" among the numerous innovative financial services in China's ageing society.

"Mountain Flower" tennis charity event: In 2010, the Bank donated 1 million to "Chinese Tennis Association – Special Foundation for Youth Tennis" established by China Sports Foundation for sponsoring trainees of "Chinese Tennis Association –Experiential Class of Youth Tennis", a training program jointly organized by Chinese Tennis Association and "Chinese Tennis Association – Special Foundation for Youth Tennis". Trainees of "Chinese Tennis Association –Experiential Class of Youth Tennis" are all physically and mentally gifted girls from minority ethnic groups residing in impoverished mountainous areas in the West part of Yunnan province in China. In 2010, the Bank aimed to nurture trainees into civilized and professional players who could challenge the global tennis arena. Therefore, apart from assisting them to complete the school studies and professional tennis training sessions, the Bank also sponsored trainees to learn from tennis competitions as spectators held at home and abroad, thus offering them the chances to broaden horizons and conduct extensive exchanges, with an ultimate goal of helping them to realize their dreams. As of the end of the reporting period, trainees of "Chinese Tennis Association – Experiential Class of Youth Tennis" performed well in training and demonstrated outstanding tennis skills and obtained good results in various youth tennis competitions held in China.

Total assets

RMB **2,081.314** billion

The Group was ranked the 67th in terms of tier-1 capital and rose to the 72th in terms of total assets among "Top 1000 World Banks" released by *The Banker* magazine of the United Kingdom.

A LEAP-FROG DEVELOPMENT IN BUSINESS STRUCTURE WITH IN-DEPTH PROCEEDING OF STRATEGIC TRANSFORMATION.

In accordance with the requirement of adjusting structure, the Bank realized remarkable achievements in the adjustments in liabilities, credit, income and customer structure.

In respect of the structure of liabilities, the Bank promoted a rapid development of high-quality liability business and maintained a reasonable proportion of demand deposits through dynamically adjusting deposit plans, reinforcing development potential assessment and coordinating interest rate pricing. In respect of the structure of credit, the Bank systematically and gradually diminished note business and increased loans to high-profit and strategic business. Meanwhile, the Bank voluntarily reduced government platform financing loans as well as loans to sectors with high energy pollution, high energy consumption and overcapacity, and the growth rate of those loans was 8.9 percentage points lower than the average growth rate of the Bank's corporate loans. In respect of the income structure, the net income from the intermediary business was RMB8.221 billion for the whole year of 2010, representing up by 64.45% compared with the previous year, which made the Bank in the leading position among medium-sized joint stock banks in terms of growth rate. The income from the intermediary business accounted for 14.59% of the Bank's net operating income, up by 2.39 percentage points compared with the previous year. In respect of the customer structure, by the end of 2010, the number of corporate deposit customers who held deposits of over RMB1 million, strategic customers and small business customers with high risk premium considerably increased compared with the end of the previous year, which further reinforced the Bank's market position as a mainstream corporate banking service provider. Significant increases were also realized in the number of individual customers and high net value customers, laying a solid foundation for transforming the Bank's retail banking business into a profit-oriented business.

Changes in share capital

Information on changes in share capital

Unit: Share

	Before the change		Change	After the change	
	Number of shares held	Percentage (%)		Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	25,832,372,200	66.18	–23,694,192,997	2,138,179,203	5.48
Shares held by the state	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	0			0	
Including: Shares held by domestic non-state-owned legal persons	0			0	
Shares held by domestic natural persons	0			0	
Shares held by foreign investors	1,502,763,281	3.85	421,580,581	1,924,343,862	4.93
Including: 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 restrictions on sale:	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			0	
Overseas-listed foreign shares	10,899,039,200	27.92	–421,580,581	10,477,458,619	26.84
Others	0			0	
Total number of shares	39,033,344,054	100.00	—	39,033,344,054	100.00

Changes in Shares Subject to Restrictions on Sale

Name of shareholder	Number of shares subject to restrictions on sale at the beginning of the year	Number of shares relieved from restrictions in 2010	Increase of shares subject to restrictions on sale in 2010	Number of shares subject to restrictions on sale at the end of 2010	Reasons of restrictions	Date of relief
CITIC Group	24,115,773,578	24,115,773,578 Note [(1)]	0	0	—	—
BBVA	1,502,763,281	1,502,763,281 Note [(2)]	1,924,343,862	1,924,343,862	Note[(3)]	2 April 2013
NSSF	213,835,341	—	—	213,835,341	Note[(4)]	28 April 2013
Total	25,832,372,200	25,618,536,859	1,924,343,862	2,138,179,203	—	—

Notes: (1) When the Bank was listed on 27 April 2007, CITIC Group made the following undertakings: within 36 months from the listing date of the Bank's A shares on SSE, CITIC Group will not transfer or entrust others to manage the Bank's A shares directly or indirectly held by it, nor will it ask the Bank to purchase back the Bank's A shares held by CITIC Group. However, if CITIC Group obtains the consent of the CSRC or other securities regulatory agencies authorized by the State Council to convert its A shares in the Bank into H shares, the H shares generated under such conversion will not be subject to the 36-month lock-up period. The 24,115,773,578 A shares of the Bank held by CITIC Group were unlocked on 28 April 2010.

(2) On 1 March 2007, CITIC Group transferred 1,502,763,281 shares in the Bank to BBVA. For the shares it purchased from the initial close (dated 1 March 2007) and the shares purchased through exercising the call option, BBVA undertook not to transfer any of such shares prior to the third anniversary of the date of the relevant closing date. The 1,502,763,281 shares of the Bank held by BBVA were unlocked on 2 March 2010.

(3) According to the Share and Option Purchase Agreement (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in one go under this agreement. The lock-up period of the shares increased from exercising of share option will be three years following the completion date. BBVA exercised the share option to buy 1,924,343,862 shares of the Bank's H shares from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for those shares acquired is from 1 April 2010 to 1 April 2013.

(4) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund (Cai Qi [2009] No.94) jointly issued by the MOF, the SASAC, the CSRC and the NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares in the bank to the NSSF, accounting for 0.55% of the issued and outstanding shares of the Bank. This share transfer was completed in December 2009. According to the above rules, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. Therefore, the lock-up period for the above mentioned shares will be end on 28 April 2013.

Date when Restricted Shares become Eligible for Trading

Eligible for trading	Increase of unlocked shares upon expiration of lock-up period	Balance of shares subject to restrictions on sale	Balance of shares not subject to restrictions on sale	Notes
2 April 2013	1,924,343,862	213,835,341	38,819,508,713	Unlocked from H shares held by BBVA
28 April 2013	213,835,341	0	39,033,344,054	Unlocked from A shares held by NSSF

Shareholders Holding Shares Subject to Restrictions on Sale

Name of Shareholders	Class of shares	Shares subject to restrictions on sale	Eligible for trading	Increased tradable shares
BBVA	H-share	1,924,343,862	2 April 2013	1,924,343,862
NSSF	A-share	213,835,341	28 April 2013	213,835,341

Securities Issuing and Listing

Information on Share Issuing and Listing

On 13 April 2006, CITIC Group and CIFH entered into an agreement, pursuant to which both parties agreed that 31 December 2005 was considered as the price-fixing reference date for the transfer of shares. CITIC Group transferred 19.9% equity interests in the Bank to CIFH. The transfer price was based on the audited value of the net assets of the Bank as of 31 December 2005 according to the International Accounting Standards, with a premium of 15.3%, and was not lower than the appraised value of assets as approved by the MOF. The total consideration was approximately HKD5.3008 billion, equivalent of HKD1.12 per share. As a consideration, CIFH issued new shares to CITIC Group. On 16 November 2006, CITIC Group and CIFH entered into a Promoters' Agreement, pursuant to which both parties agreed to jointly establish China CITIC Bank Corporation Limited as promoters.

On 31 December 2006, CITIC Group and CIFH established China CITIC Bank Corporation Limited in their capacity as promoters through reorganization. Upon establishment, the registered capital of the Bank was RMB311,131.114 billion. CITIC Group held 26,394,292,200 shares of the Bank, accounting for 84.83% of the total shares of the Bank before the initial public offering; CIFH held 4,718,909,200 shares of the Bank, accounting for 15.17% of the total shares of the Bank before the initial public offering.

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

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

The Bank initiated its A+H shares rights issue (hereinafter the "Rights Issue") program in June 2010 to replenish its capital. The proceeds from the Rights Issue is expected to be no more than RMB26 billion, with the proportion of no more than 2.2 rights shares for every 10 existing shares held by each qualified shareholder. The basis for rights issue of A shares and H shares shall be the same. The final basis of the Rights Issue shall be determined prior to the issue by the Board of Directors authorized by the Shareholders' General Meeting or a director or a senior management member authorized by the Board of Directors after negotiating with sponsors/lead underwriters based on the market conditions then. The A-share rights issue will be carried out on agency sales basis while the H-share rights issue will be on a fully underwritten basis.

The price of the Rights Issue is to be determined based on a discount to the market price having regard to market conditions and the trading prices of both A shares and H shares in secondary market before the publication of the rights issue announcement, provided that such price shall not be lower than the most recent net asset value per share of the Bank before the publication of the rights issue announcement as audited by a domestic auditor in accordance with the Accounting Standards for Business Enterprises of the PRC. The final price shall be determined prior to the issue by the Board of Directors authorized by the Shareholders' General Meeting or other parties authorized by the Board of Directors after negotiating with sponsors/lead underwriters based on the then market conditions.

By now, the Bank has obtained the approval for the Rights Issue project from the CBRC and has obtained the permission for the Rights Issue project from the MOF via CITIC Group. Relevant application materials for issuance have already been submitted to the CSRC for formal approval.

Subordinated Debts

Approved by the PBOC and the CBRC, the Bank issued RMB6 billion worth of subordinated debts to institutional investors including insurance companies and investment companies in 2004; the Bank also issued another RMB6 billion worth of subordinated bonds to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006; the Bank issued RMB16.5 billion worth of subordinated bonds to institutional investors such as insurance companies and commercial banks through public bidding in 2010.

The subordinated debts issued in 2004 included four batches of subordinated debts due from June to September 2010, of which three batches carried an interest calculated by adding the interest spreads of 2.72% to one-year term deposit interest rate of the PBOC, while the interest rate of the remaining one batch was calculated by adding the interest spreads of 2.6% to one-year term deposit interest rate of the PBOC.

The subordinated bonds issued in 2006 included two types. One of them is the subordinated bonds with a nominal value of RMB2 billion, which are due in June 2021 and carry a coupon rate of 4.12%. The Bank has an option to redeem these bonds on 22 June 2016. If the Bank does not exercise the redemption option earlier, then during the five years since June 2016, the annual coupon rate will be increased to 7.12%. The other type is the subordinated bonds with a nominal value of RMB4 billion, which are due in June 2016 and carry a coupon rate of 3.75%. The Bank has an option to redeem these bonds on 22 June 2011. If the Bank does not exercise the redemption option earlier, then during the five years since June 2011, the annual coupon rate will be increased to 6.75%.

The subordinated bonds issued in 2010 included two types. One of them is the subordinated bonds with an aggregate nominal value of RMB11.5 billion, which are due in May 2025 and carry a coupon rate of 4.30%. The Bank has an option to redeem these bonds on 28 May 2020, and even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged within the remaining five years of these bonds. The other type is the subordinated bonds with an aggregate nominal value of RMB5 billion, which are due in May 2020 and carry a coupon rate of 4.0%. The Bank has an option to redeem these bonds on 28 May 2015, and even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged within the remaining five years of these bonds.

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

As of the end of the reporting period, the Bank had a total of 455,892 shareholder accounts, including 409,742 A-share accounts and 46,150 H-share accounts (the number of H-share holders are calculated with reference to the Bank's share register maintained at the H-share registrar. For the cornerstone investors which are not included in the Bank's H-share register, the Bank wrote to them to obtain the information on their shareholding in the Bank.).

Shareholdings of the Top 10 Shareholders

Unit: Share

No.	Name of Shareholder	Nature of Shareholder	Class of Shares	Total number of shares held	Shareholding percentage (%)	Number of shares held subject to restrictions on sale	Increase and decrease of shares during the reporting period	Shares being pledged or frozen
1	CITIC Group	State-owned	A-share	24,115,773,578	61.78	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign	H-share	6,107,749,076	15.65	0	–12,141,108	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 (1)	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	China Life Insurance Co., Ltd. — Dividends — Dividends to individuals -005L-FH002 Shanghai	Other	A-share	41,352,077	0.11	0	41,352,077	Unknown
8	China State Shipbuilding Corporation	State-owned	A-share	29,310,000	0.08	0	0	Unknown
9	China Life Insurance (Group) Company	State-owned	H-share	28,877,000	0.07	0	–5,252,000	Unknown
10	China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance product	Other	A-share	26,040,393	0.07	0	26,040,393	Unknown

Note: (1) The NSSF holds both A shares and H shares in the Bank with a total number of 282,094,341 shares, of which 213,835,341 shares are A shares transferred from CITIC Group in 2009, and 68,259,000 shares are H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering.

Notes on the connected relations or concerted actions of the above shareholders: As of the end of 2010, China Life Insurance Co., Ltd. was a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank is not aware of any other connected relation or concerted action between the other shareholders.

The five H-share cornerstone investors, i.e. Mizuho Corporate Bank, NSSF, PICC Property & Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook to give prior notice in writing to the Bank before selling any of their H shares purchased under the cornerstone placing agreement after the expiration of the lock-up period.

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

No.	Name of Shareholder	Shares held not subject to restrictions on sale	Class of shares
1	CITIC Group	24,115,773,578	A-share
2	Hong Kong Securities Clearing Company Nominees Limited	6,107,749,076	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	China Life Insurance Co., Ltd. — Dividends — Dividends to individuals -005L-FH002 Shanghai	41,352,077	A-share
8	China State Shipbuilding Corporation	29,310,000	A-share
9	China Life Insurance (Group) Company	28,877,000	H-share
10	China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance product	26,040,393	A-share

Notes on the connected relations or concerted actions of the above shareholders: As of the end of 2010, 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 relation or concerted action between the other 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 the end of the reporting period, 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(%)	Class of shares
BBVA	9,759,705,434 shares(L) 3,809,655,735 shares(S)	78.70(L) 30.72(S)	H-share
BBVA	24,329,608,919 shares(L)	91.36(L)	A-share
CITIC Group	5,733,999,597 shares(L) 592 shares(S)	30.72(L) 0.00(S)	H-share
CITIC Group	24,402,891,019 shares(L)	91.38(L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000 shares(L) 732,821,000 shares(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Asia Ltd.	732,821,000 shares(L) 732,821,000 shares(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 shares(L) 732,821,000 shares(S)	6.32(L) 6.32(S)	H-share
Blackrock, Inc	662,689,796 shares(L) 31,903,557 shares(S)	5.34(L) 0.26(S)	H-share
JPMorgan Chase & Co.	754,126,042 shares(L) 29,006,745 shares(S) 347,930,678 shares(P)	6.08(L) 0.23(S) 2.81(P)	H-share

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

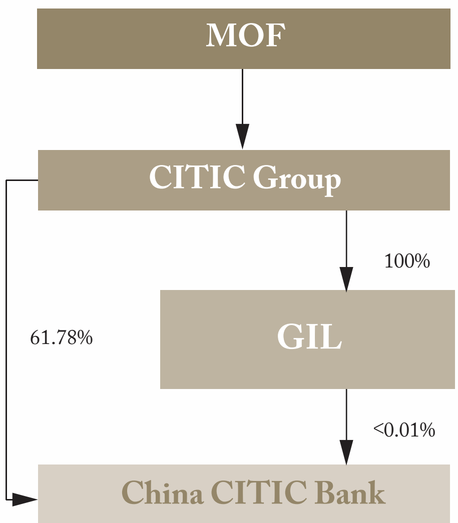
Save as disclosed above, as of the end of the reporting period, no other interests or short positions of any other person or company in the shares or underlying shares of the Bank shall be disclosed according to the register maintained by the Bank pursuant to Section 336 of the Securities and Futures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

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 the controlling shareholder and de facto controller of the Bank within the reporting period. On 1 April 2010, CITIC Group completed the transfer of 1,924,343,862 H shares in the Bank it held through GIL to BBVA. As of the end of the reporting period, CITIC Group directly held 24,115,773,578 A shares in the Bank, which represented 61.78% of the total issued and outstanding shares of the Bank, and indirectly held 592 H shares of the Bank through GIL, representing less than 0.01% of the total issued and outstanding shares of the Bank. Therefore, CITIC Group held 61.78% of the issued and outstanding shares of the Bank in total.

The registered office and place of business of CITIC Group are located in Beijing. With the initiation by Mr. Deng Xiaoping (the chief architect of China's reform and opening-up) and the approval by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former vice-chairman of China, as the first window corporation in China's reform and opening up. After numerous changes in capital, the registered capital of CITIC Group as of the end of the reporting period was RMB55,357,720,336.56, and its legal representative was Mr. Kong Dan. CITIC Group is a leading and large state-owned multinational conglomerate in China mainly with its investment focus on industries such as financial service, information technology, energy and heavy industry, etc. At present, CITIC Group has business presence in Hong Kong, the US, Canada and Australia.

The following chart illustrates the shareholding structure and controlling relationship between the Bank and its de facto controller as of the end of the reporting period.



Other Legal Person Shareholders Holding 10% Shares or More

BBVA is a global financial group incorporated in Bilbao (Spain) in 1857. BBVA's chairman is Mr. Francisco González. As of the end of September 2010, BBVA had a market capitalization of EUR37.124 billion and the net assets of EUR32.909 billion. BBVA has 7,362 branches around the world, of which over 50% are located outside the territory of Spain, and BBVA is the largest financial group in Latin American Region. The financial services provided by BBVA include retail banking, corporate banking, international trade financing, global market, consumer credit, asset management, private banking, pension and insurance etc., and BBVA is a leading financial institution in Spain and Latin American Region.

As of the end of the reporting period, BBVA's shareholding in the Bank was 15.00%. On 3 December 2009, BBVA exercised its call option under the Share and Option Purchase Agreement (as amended) entered into with CITIC Group in full to purchase 1,924,343,862 H shares in the Bank from CITIC Group, the transfer of which was completed on 1 April 2010. As a result, BBVA holds a total of 5,855,001,608 H shares in the Bank, accounting for approximately 15.00% of the total issued and outstanding shares of the Bank.

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

Board of Directors

Name	Title	Gender	Date of birth	Term of office	Shares held at the beginning of 2010	Shares held at the end of 2010	Whether remuneration is received from the Bank's shareholders or other associated units
Kong Dan	Chairman, Non-executive director	Male	May 1947	Jun. 2009–Jun. 2012	0	0	Yes
Chang Zhenming	Vice-chairman, Non-executive director	Male	Oct. 1956	Jun. 2009–Jun. 2012	0	0	Yes
Chen Xiaoxian	Executive director, President	Male	Jun. 1954	Jun. 2009–Jun. 2012	0	0	No
Dou Jianzhong	Non-executive director	Male	Feb. 1955	Jun. 2009–Jun. 2012	0	0	Yes
Ju Weimin	Non-executive director	Male	Aug. 1963	Jun. 2009–Jun. 2012	0	0	Yes
Zhang Jijing	Non-executive director	Male	Sep. 1955	Jun. 2009–Jun. 2012	0	0	Yes
Guo Ketong	Non-executive director	Male	Jun. 1954	Jun. 2009–Jun. 2012	0	0	Yes
Zhao Xiaofan(1)	Executive director, Vice-president	Male	Mar. 1964	Aug. 2010–Jun. 2012	0	0	No
Chan Hui Dor Lam Doreen	Non-executive director	Female	Feb. 1954	Jun. 2009–Jun. 2012	2,974,689	2,974,689	Yes
Ángel Cano Fernández(2)	Non-executive director	Male	Aug. 1961	May 2010–Jun. 2012	0	0	Yes
José Andrés Barreiro	Non-executive director	Male	May 1958	Sep. 2009–Jun. 2012	0	0	Yes
Bai Chong-En	Independent non-executive director	Male	Oct. 1963	Jun. 2009–Jun. 2012	0	0	No
Ai Hongde	Independent non-executive director	Male	Feb. 1955	Jun. 2009–Jun. 2012	0	0	No
Xie Rong	Independent non-executive director	Male	Nov. 1952	Jun. 2009–Jun. 2012	0	0	No
Wang Xiangfei	Independent non-executive director	Male	Nov. 1951	Jun. 2009–Jun. 2012	0	0	No
Li Zheping	Independent non-executive director	Male	Feb. 1965	Jun. 2009–Jun. 2012	0	0	No

Notes: (1) Dr. Zhao Xiaofan was appointed executive director at the Bank's second extraordinary general meeting in 2010 held on 23 April 2010, and his qualifications for the office were approved by the CBRC on 31 August 2010.

(2) Mr. Ángel Cano Fernández was appointed non-executive director at the Bank's first extraordinary general meeting in 2010 held on 5 February 2010, and his qualifications for the office were approved by the CBRC on 28 May 2010.

Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Shares held at the beginning of the year	Shares held at the end of the year	Whether remuneration is received from the Bank's shareholders or other associated units
Wu Beiying[(1)]	Chairman of the Board of Supervisors	Male	Sep. 1950	Apr. 2010–Jun. 2012	0	0	No
Wang Shuanlin	Vice-chairman of the Board of Supervisors	Male	Oct. 1949	Jun. 2009–Jun. 2012	0	0	No
Zhuang Yumin	External supervisor	Female	Jul. 1962	Jun. 2009–Jun. 2012	0	0	No
Luo Xiaoyuan	External supervisor	Female	Jan. 1954	Jun. 2009–Jun. 2012	0	0	No
Zheng Xuexue	Supervisor	Male	Feb. 1955	Jun. 2009–Jun. 2012	0	0	Yes
Lin Zhengyue	Employee supervisor	Male	Jun. 1963	Apr. 2009–Apr. 2012	0	0	No
Li Gang	Employee supervisor	Male	Mar. 1969	Apr. 2009–Apr. 2012	0	0	No
Deng Yuewen	Employee supervisor	Male	Jan. 1964	Apr. 2009–Apr. 2012	0	0	No

Notes: (1) Mr. Wu Beiying was elected supervisor at the Bank's second extraordinary general meeting in 2010 held on 23 April 2010, and was elected the chairman of the Board of Supervisors at the seventh meeting of the Bank's second Board of Supervisors held on the same day.

Senior Management

Name	Title	Gender	Date of birth	Term of office	Shares held at the beginning of the year	Shares held at the end of the year	Whether remuneration is received from the Bank's shareholders or other associated units
Chen Xiaoxian	Executive director, President	Male	Jun. 1954	From Jun. 2009	0	0	No
Zhao Xiaofan	Executive director, Vice-president	Male	Mar. 1964	From Jun. 2009	0	0	No
Cao Tong	Vice-president	Male	Jun. 1968	From Jun. 2009	0	0	No
Ou Yang Qian	Vice-president	Male	Sep. 1955	From Jun. 2009	0	0	No
Su Guoxin	Vice-president	Male	Feb. 1967	From Jun. 2009	0	0	No
Cao Bin	Secretary of the Committee for Discipline Inspection	Male	Jan. 1962	From Apr. 2008	0	0	No
Wang Lianfu	Chairman of the	Male	Oct. 1954	From Dec. 2006	0	0	No
	Trade Union	Male	Dec. 1964	From Jun. 2009	0	0	No
	(vice president level)						
Cao Guoqiang[(1)]	Vice-president, in charge of finance function						
Zhang Qiang[(2)]	Vice-president	Male	Apr. 1963	From Jun. 2009	0	0	No
Luo Yan	Secretary to the Board of Directors	Male	Feb. 1969	From Jun. 2009	0	0	No

Notes: (1) Mr. Cao Guoqiang was appointed vice-president at the eighth meeting of the Bank's second Board of Directors held on 23 February 2010, and his qualifications for the office were approved by the CBRC on 31 March 2010.

(2) Mr. Zhang Qiang was appointed vice-president at the eighth meeting of the Bank's second Board of Directors held on 23 February 2010, and his qualifications for the office were approved by the CBRC on 31 March 2010.

Changes in Shares Held by Directors, Supervisors and Senior Management

As of the end of the reporting period, Mrs. Chan Hui Dor Lam Doreen, director of the Bank, held 2,974,689 H shares in the Bank and there was no change in her shareholding during the reporting period. Apart from Mrs. Chan Hui Dor Lam Doreen, none of the other directors, supervisors and senior management of the Bank holds any shares in the Bank.

Resume of Directors, Supervisors and Senior Management

Directors

Mr. Kong Dan

Chinese Nationality

Chairman and non-executive director of the Bank. He joined the Bank's Board of Directors in December 2005. Mr. Kong concurrently holds the positions of chairman of CIFH, CITIC (Hong Kong) Group, CITIC Resources, director of CITIC United Asia Investment Limited, and non-executive director of CBI. Mr. Kong was chairman of CITIC Group from July 2006 to December 2010, and vice-chairman and general manager of CITIC Group from March 2002 to July 2006. During the period from November 2002 to October 2006, he assumed the position of chairman of CITIC Ka Wah Bank Limited (now CBI). Before joining CITIC Group, he had served China Everbright Group Limited, a financial holding company, for a long period of time, and used to hold the senior management positions including executive director and deputy general manager, and vice chairman and general manager. Mr. Kong used to work at the Office of the State Council Councilor and the Director of the National Economic Commission. Mr. Kong is a senior economist. He graduated from the Graduate School of Chinese Academy of Social Sciences with a master's degree in economics.

Mr. Chang Zhenming

Chinese Nationality

Vice-chairman and non-executive director of the Bank. He joined the Bank's Board of Directors in December 2006. Mr. Chang is also the chairman of CITIC Group and CITIC Pacific, vice-chairman and director of CIFH and non-executive director of CBI. Mr. Chang was appointed the chairman of CITIC Group in December 2010. He has served as chairman of CITIC Pacific since April 2009 and served as vice-chairman and general manager of CITIC Group from July 2006 to December 2010. He assumed the office of chairman of CIAM since October 2006. Mr. Chang was vice-chairman and president of China Construction Bank Corporation from July 2004 to July 2006, executive director and deputy general manager of CITIC Group from August 1995 to July 2004, assistant vice-president of CITIC Group from January 1994 to August 1995, vice-president of the Bank from September 1993 to January 1994, and assistant president of the Bank from October 1992 to September 1993. Mr. Chang is a senior economist. He graduated from Beijing Second Foreign Language College with a bachelor's degree in Japanese language, and received his master's degree in business administration at New York College of Insurance.

Dr. Chen Xiaoxian

Chinese Nationality

Executive director and president of the Bank. He joined the Bank in November 2004. He also serves as executive director and deputy general manager of CITIC Group and non-executive director of CIFH and CBI. Dr. Chen is a mentor of doctoral candidates and a professor of Dongbei University of Finance and Economics, as well as a professor of Renmin University of China. Dr. Chen was the director, executive vice-president and vice-president of China Merchants Bank from March 2000 to October 2004. Before that, he was the president of Beijing branch of China Merchants Bank from December 1993 to March 2000. In addition, he was dean, assistant president and vice-president of the Beijing branch of the PBOC from September 1982 to December 1993. Dr. Chen is a senior economist, and has 28 years of experience in China's banking industry. Dr. Chen graduated from Renmin University of China with a bachelor's degree in finance. He received his master's degree in finance from Southwestern University of Finance and Economics and his doctor's degree in finance from Dongbei University of Finance and Economics. From 2005 to 2010, Dr. Chen received the award of "China's Top Ten Financial Figures of the Year" from *The Chinese Banker* magazine for six consecutive years. He also received the award of "Top Ten New Leaders in Finance of the Year" from China International Finance Forum for two consecutive years in 2006 and 2007.

Mr. Dou Jianzhong

Chinese Nationality

Non-executive director of the Bank. Mr. Dou is also an executive director and deputy general manager of CITIC Group, vice-chairman and president of CITIC Holdings, chairman of CITIC-Prudential Life Insurance, director and chief executive officer of CIFH, chairman of CBI, director of CIAM, chairman of CIAM Group Limited, and director of CITIC Capital and CIFL. Mr. Dou joined CITIC Group in 1980 and joined the Bank in April 1987, and served as vice-president of the Bank from 1987 to 1994 and president of the Bank from 1994 to 2004. Mr. Dou graduated from University of International Business and Economics in Beijing and received his master's degree in economics from Liaoning University. Mr. Dou is a senior economist and has extensive experience in financial industry.

Mr. Ju Weimin

Chinese Nationality

Non-executive director of the Bank. Mr. Ju serves as executive director, deputy general manager and chief financial officer of CITIC Group concurrently. Mr. Ju has served as non-executive director of CITIC Pacific since April 2009. From March 2000 to date, Mr. Ju has been serving as director and CFO of CITIC Group, chairman of CITIC Trust, non-executive director of CITIC Securities (listed on SSE), Asia Satellite Telecommunication Co., Ltd. (listed on SEHK), CIFH (used to be listed on SEHK, then privatized by way of agreement, and its listing status was revoked on 5 November 2008), CBI and CITIC Pacific (listed on SEHK). Mr. Ju received his bachelor's degree in economics (majoring in accounting) from Hangzhou Institute of Electronic Industry, and his master's degree in economics (majoring in accounting) from Renmin University of China.

Mr. Zhang Jijing

Chinese Nationality

Non-executive director of the Bank. He joined the Bank's Board of Directors in February 2007. He also serves as executive director, deputy general manager of CITIC Group and head of Strategy and Planning Department of CITIC Group, executive director and managing director of CITIC Pacific, director of CITIC Resources, CITIC Securities, CITIC Real Estate, Zhonghai Trust Co., Ltd and CITIC Australia Pty. Ltd. Mr. Zhang has served as director, assistant general manager of CITIC Group, head of Strategy and Planning Department of CITIC Group and head of Integrated Planning Department of CITIC Group, as well as deputy general manager and general manager of CITIC Australia Pty. Ltd. and deputy manager of Mineral Resources Division of the Overseas Investment Department of CITIC Group since December 1984. Mr. Zhang is a senior economist. He graduated from the Department of Precision Mechanical Engineering in Hefei University of Technology with a bachelor's degree of engineering and received his master's degree in economics in the Institute of Quantitative & Technical Economics in the Graduate School of Chinese Academy of Social Sciences.

Mr. Guo Ketong

Chinese Nationality

Non-executive director of the Bank. From December 2006 to April 2008, Mr. Guo was a supervisor of the Bank. From February 2010 to date, Mr. Guo serves as assistant general manager of CITIC Group. From April 2006 to date, he serves concurrently as director of CITIC Group. From March 2000 to date, he is also the head of Human Resource and Education Department of CITIC Group. Before that, Mr. Guo used to be a director of CITIC Australia Pty. Ltd. and CITIC Real Estate. From June 1986 to March 2000, he was deputy director, director assistant, division chief and deputy division chief of Human Resource Department of CITIC Group. Mr. Guo is an economist and graduated from Renmin University of China with an associate's degree.

Dr. Zhao Xiaofan

Chinese Nationality

Executive director and vice-president of the Bank. Dr. Zhao began to serve as executive director of the Bank since August 2010. He has also served concurrently as the general manager of the Bank's Beijing branch from April 2006 to April 2010. Since December 2001 to date, Dr. Zhao has been vice-president of the Bank. Dr. Zhao was assistant president of the Bank from August 1998 to December 2001. From April 1995 to August 1998, he served as a staff member at the Accounting Department, deputy section chief, section chief and deputy general manager at the general office of the Bank in sequence. Dr. Zhao has been working for the Bank since July 1986. Dr. Zhao is a senior accountant. He graduated from Renmin University of China with a bachelor's degree in financial accounting, and received his master's degree in international finance from Liaoning University and a doctor's degree in finance from the School of Economics of Peking University.

Mrs. Chan Hui Dor Lam Doreen

Chinese Nationality

Non-executive director of the Bank. She joined the Bank's Board of Directors in December 2006. Mrs. Chan concurrently serves as director of CITIC Group, director, managing director and alternate chief executive officer of CIFH, director, president and chief executive officer of CBI and chairman of HKCB Finance Limited, CITIC Insurance Brokers Limited and CITIC Ka Wah Bank (China) Limited (now CITIC Bank International (China) Limited). Mrs. Chan has extensive experience in credit and risk management, human resources and strategic development. Mrs. Chan is also a member of the Council of the Hong Kong Baptist University, the Board of Governors of the Hong Kong Baptist University Foundation and the Finance Committee of this university. Mrs. Chan is currently serving on the Board of Haven of Hope Christian Service and as chairman of China Graduate School of Theology. Before joining CIFH, Mrs. Chan used to be in charge of the retail banking department of Standard Chartered Bank (Hong Kong) Limited. Mrs. Chan has over 30 years of extensive experience in banking industry.

Mr. Ángel Cano Fernández

Spanish Nationality

Non-executive director of the Bank. He joined the Bank's Board of Directors in May 2010. Mr. Cano is chief operating officer of BBVA. From 1984 to 1991, Mr. Cano worked at Arthur Andersen, specializing in the field of Finance. From 1991 to 1998, Mr. Cano worked at Argentaria as an assistant controller, mainly responsible for the development of all the accounting functions, including the preparation of financial statements of the parent company, as well as all the different entities within the Argentaria Group. From 1998 to 2001, he was appointed controller and member of the Executive Committee. Mr. Cano continued as controller of the new entity following the merger of BBV and Argentaria. Between 2001 and 2003, Mr. Cano held the position of chief financial officer of BBVA and continued as a member of the Executive Committee. In January 2003, Mr. Cano was appointed the human resources and services director for BBVA Group. Since December 2005, Mr. Cano takes the lead of technology of the BBVA Group and the head of human resources and information technology. Since January 2006, he has also become responsible for the global transformation of the BBVA Group. Since September 2009 to date, Mr. Cano was appointed president and chief operating officer of BBVA. He received his bachelor's degree in economics and business administration from University of Oviedo (Spain).

Mr. José Andrés Barreiro

Spanish Nationality

Non-executive director of the Bank. He joined the Bank's Board of Directors in September 2009. Mr. Barreiro is currently also a director of CIFH, CITIC Bank International and Desarrollo Urbanistico Chamartin. From 1981 to 1983, Mr. Barreiro worked in the Bank Division of the Rumasa Group. From 1983 to1984, Mr. Barreiro worked in the Medium and Large sized corporates Risk Department in Banco Atlantico. From 1984 to 1987, Mr. Barreiro worked in the Capital Markets area of Chase Manhattan Bank in Madrid. From 1987 to 1994, Mr. Barreiro was head of Treasury and Capital Markets for Emerging Southern Europe (Spain, Italy, Greece, Turkey and Portugal) in Bankers Trust Co. in Madrid. From 1994 to 1998, Mr. Barreiro was head of risk in the Treasury area of Banco Santander in Madrid. From 1998 to 1999, Mr. Barreiro was the deputy general manager of Argentaria in Madrid and Head of Treasury in Spain. From 2000 to 2005, Mr. Barreiro was deputy general manager in charge of Global Markets and Distribution area of BBVA. From 2000 to 2008, Mr. Barreiro was chairman of Altura Markets AVB – (a Global Futures and Options Brokerage Organisation providing execution and clearing services on all the world's listed derivatives exchanges for all products). From 2000 to 2004, Mr. Barreiro served as director of MEFF– AIAF-SENAF. From 2000 to 2006, Mr. Barreiro was a director of CIMD. From 2002 to 2004, Mr. Barreiro was chairman of SCLV – the Spanish Securities Clearing and Settlement Service. From 2002 to 2006, Mr. Barreiro was chairman of Iberclear – Promotora para la Sociedad Gestora de los Sistemas Espanoles de Liquidacion, S.A. (Spanish central securities depository in charge of the clearing and settlement of securities). From 2002 to 2003, Mr. Barreiro was chairman of BBVA Bolsa, SV, SA. From 2004 to present, Mr. Barreiro is a member of the Board of BME – Bolsas y Mercados Espanoles. From 2005 to present, Mr. Barreiro is the head of Wholesale Banking & Asset Management and a member of the Executive Committee of BBVA. From 2006 to present, Mr. Barreiro is chairman of Proxima Alfa Investments Sgiic, S.A.. From 2007 to present, Mr. Barreiro is member of the Board of Trustees of Fundacion Estudios Financieros and vice-chairman of BME – Bolsas y Mercados Espanoles. Mr. Barreiro graduated from Universidad Complutense de Madrid (University of Madrid), majoring in economic theory and received his bachelor's degree of economics.

Dr. Bai Chong-En

Chinese Nationality

Independent non-executive director of the Bank. He joined the Bank's Board of Directors in December 2006. Dr. Bai is the vice-director of the School of Economics and Management, dean of Economics Department and head of the National Institute for Fiscal Studies of Tsinghua University. Since 1999, he has been assistant professor and associate professor at the School of Economics and Finance of The University of Hong Kong, distinguished professor at the School of Economics and Management of Tsinghua University. He has also been the chair professor of Mansfield Freeman economics and mentor of doctoral candidates in the School of Economics and Management of Tsinghua University. Dr. Bai also serves as an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd and New China Trust Co., Ltd, and an independent non-executive director of China Liansu Group Holdings Limited. He previously taught at Boston College in the US. Dr. Bai graduated from the University of Science and Technology of China with a bachelor's degree in mathematics, and received his doctor's degree in mathematics from the University of California, San Diego and his doctor's degree in economics from Harvard University.

Dr. Bai has achieved great accomplishments in the fields like development and transition economics, public economics, corporate governance, finance and industrial economics. In 2006, he won the National Science Fund for Distinguished Young Scholars, and was honored Cheung Kong Scholar by the Ministry of Education of the PRC in 2007. He received the highest award of The First Pushan-BOC Award for Excellent Papers on International Economics in 2008, and received the 13th Sun Yefang Economic-Science Paper Award in 2009. Dr. Bai holds positions in many social organizations, including member of 50-Chinese Economists Forum, committee member of the Academic Committee of the National Development and Reform Commission Macro-economic Research Institute. He used to be an advisor for World Bank.

Dr. Ai Hongde

Chinese Nationality

Independent non-executive director of the Bank. He joined the Bank's Board of Directors in February 2007, and is now the secretary to the CPC Committee of Dongbei University of Finance and Economics. Dr. Ai was elected representative of the 11th National People's Congress in 2008. Dr. Ai served as president of Dongbei University of Finance and Economics from June 2005 to April 2010, and vice-president of the same university from January 1999 to May 2005, vice-director of Dalian High-Tech Park from March to December 1998, under-secretary general of Dalian Municipal Government from December 1997 to February 1998, assistant president of Dongbei University of Finance and Economics from July 1996 to November 1997, and vice-dean of Finance Department of Dongbei University of Finance and Economics from January 1993 to June 1996. Dr. Ai is a professor and a mentor of doctoral candidates. He has been awarded the special government allowance by the State Council since 2000. Dr. Ai graduated from Dongbei University of Finance and Economics with a doctor's degree in money and banking.

Dr. Ai has achieved great accomplishments in fields like currency policy and theory, management of financial institutions, international finance, financial market, and regional finance and credit system. He has led and completed 16 research projects funded by the state or provincial governments. Dr. Ai's academic opinions and positions on policy have been adopted and implemented by the PBOC, the State Council, the Standing Committee of the National People's Congress, Liaoning provincial government and Dalian municipal government. Dr. Ai also holds many social positions, including executive director of China Society for Finance and Banking, member of the academic committee of China Society for Finance and Banking, member of the Standing Council and the Academic Degrees Committee of China Society for International Finance and Banking, vice-chairman of Liaoning Social Sciences Association, member of the Academic Degrees Committee of Liaoning provincial government and member of Advisory Committee of Liaoning provincial government. Dr. Ai is currently an independent director of Liaoning Chengda Co., Ltd.

Dr. Xie Rong

Chinese Nationality

Independent non-executive director of the Bank. He joined the Bank's Board of Directors in February 2007. He serves as vice-president of Shanghai National Accounting Institute. Dr. Xie served as partner of KPMG Huazhen from December 1997 to October 2002, and vice-dean of the Accounting Department, mentor of doctoral candidates, professor, associated professor and lecturer of Shanghai University of Finance and Economics from December 1985 to December 1997, during which period Dr. Xie was also a senior visiting scholar at Warwick University in the UK for one year. He was also a part-time certified public accountant at Dahua Accounting Firm and PwC Dahua Accounting Firm. Dr. Xie graduated from Shanghai University of Finance and Economics and received his doctor's degree in economics.

Dr. Xie has achieved great accomplishments in fields like accounting, auditing and internal control of financial enterprises. He has led or participated in many research projects funded by the state government, the MOF and the Chinese Institute of Certified Public Accountants. He also holds many social positions, including member of Education and Guidance Subcommittee of Master's Degree in Accounting under the Degree Committee of the State Council, executive director of China Accounting Society, executive director of China Audit Society, executive director of the Standing Committee of Education Division of China Accounting Society, vice-chairman of Shanghai Institute for Cost Research. He also serves as external director of Shanghai Automotive Co., Ltd., and independent director of Baosight Software Co., Ltd., Tianjin Capital Environmental Protection Company Limited and Sinopharm Group Co., Ltd.

Mr. Wang Xiangfei

Chinese Nationality

Independent non-executive director of the Bank. He joined the Bank's Board of Directors in December 2006. Mr. Wang serves as vice-chief financial officer of Sonangol Sinopec International Limited and financial advisor of China Sonangol International Holding Limited, executive director of International Resources Enterprise Limited (listed on SEHK) and external supervisor of Shenzhen Rural Commercial Bank Company Limited. Meanwhile, Mr. Wang is an independent non-executive director of Shandong Chenming Paper Holdings Limited (listed on SEHK, SSE and Shenzhen Stock Exchange) and SEEC Media Group Limited (listed on SEHK). From 2002 to 2008, Mr. Wang served as independent non-executive director of Tianjin Capital Environmental Protection Company Limited and Chongqing Iron & Steel Company Limited (both of the two companies are listed on SEHK and SSE). From 2006 to 2008, Mr.Wang was independent non-executive director of Shenzhen Rural Commercial Bank Company Limited. From 1997 to 2002, he was director and assistant general manager of Hong Kong China Everbright Holdings Co., Ltd. and had served as executive director of its controlled listed companies and chief executive officer of one of its controlled companies. He held senior management positions in companies engaging in banking and related financial services. Mr. Wang is a senior accountant. He graduated from the Fiscal and Financial Department of Renmin University of China with a bachelor's degree in economics majoring in finance in 1982. Mr. Wang has once been a teaching assistant at the Finance Teaching Unit in the Department of Finance in Renmin University of China.

Mr. Li Zheping

Chinese Nationality

Independent non-executive director of the Bank. Mr. Li now serves as the chief executive officer and editor-in-chief of *Modern Bankers* press. Mr. Li served as chairman of Tong-xin Assets Evaluation Co., Ltd. from 1995 to 2003. He was a column chief editor of *China Securities Journal* from 1993 to 1995. He was a teaching assistant of China Financial Training Center from 1989 to 1993. Mr. Li has been an independent director of UBS SDIC Fund Management Co., Ltd. from August 2008 to date. Mr. Li graduated from Shanxi University of Finance and Economics with a bachelor's degree in economics, and received a master's degree in economics from the Graduate School of the PBOC.

Supervisors

Mr. Wu Beiying

Chinese Nationality

Chairman of the Bank's Board of Supervisors. Mr. Wu joined the Bank in August 1987 and served as an executive director of the Bank from December 2006 to February 2010. From December 2001 to March 2010, Mr. Wu was an executive vice-president of the Bank. He was a vice-president of the Bank from July 1995 to December 2001, and served concurrently as president of the Bank's Beijing branch from July 1996 to September 1999, and president of the Bank's Guangzhou branch from September 1999. Prior to that, Mr. Wu served as the Bank's assistant president from December 1993 to July 1995. Mr. Wu is a senior economist. He graduated from the Central University of Finance and Economics with a master's degree in money and banking.

Mr. Wang Shuanlin

Chinese Nationality

Vice-chairman of the Bank's Board of Supervisors. Mr. Wang has served as full-time supervisor in key state-owned financial institutions with vice-directorate and directorate grade since January 2003. Before that, Mr. Wang held multiple positions in financial industry, including deputy general manager of China Government Securities Depository and Clearing Co. Ltd., director and deputy general manager of China Securities Trading System Corporation Ltd, section head of Audit Department and director of General Office of the head office of the PBOC. Mr. Wang is a senior economist. He graduated from the Department of Finance of Renmin University of China with a bachelor's degree in finance.

Dr. Zhuang Yumin

Chinese Nationality

External supervisor of the Bank. Dr. Zhuang is currently the vice dean of the School of Finance, and department head, professor and mentor of doctoral candidates in Money and Finance Department of Renmin University of China. Dr. Zhuang concurrently serves as an independent director of Soochow Securities Co., Ltd. She worked in the Finance Department of Renmin University of China as deputy dean of Finance Study Unit and Dean of Finance Department since 1995. From 1984 to 1995, Dr. Zhuang was deputy dean of the research unit of the Fiscal Department of Renmin University of China. She graduated from the Fiscal Department of Renmin University of China, and received her master's degree and then doctor's degree in economics.

Ms. Luo Xiaoyuan

Chinese Nationality

External supervisor of the Bank. Ms. Luo was a general accountant of the Chinese Institute of Certified Public Accountants, and a member of the Examination Committee of The Chinese Institute of Certified Public Accountants, the director of its Test Department and Registration Center. Ms. Luo is currently an independent director of Hua Xia Bank. Ms. Luo is a senior economist, and a CPA (non-practising). She graduated from the Fiscal Department of Renmin University of China with a bachelor's degree in accounting.

Mr. Zheng Xuexue

Chinese Nationality

Supervisor of the Bank. Mr. Zheng is also director of the Audit Department of CITIC Group. Mr. Zheng is concurrently the chief supervisor of CITIC Construction Co., Ltd., CITIC Investment Holdings Limited, CITIC Bohai Aluminum Industries Holding Company Limited, CITIC East China (Group) Co., Ltd., CITIC Asset Management Corporation Ltd., CITIC Heavy Industries Co., Ltd. and CITIC Real Estate and a supervisor of CITIC Holdings. He was the vice-director of the Audit Department of CITIC Group and its predecessor China International Trust and Investment Corporation from March 2000 to April 2007. Mr. Zheng was cadre, vice-director, director and dean assistant in CITIC Group from March 1986 to March 2000. He worked in Beijing Police Bureau from March 1983 to March 1986. Mr. Zheng is a senior accountant. He graduated from Renmin University of China in March 1983 with a bachelor's degree in economics.

Mr. Lin Zhengyue

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Lin is also a director of CIFL. He has been serving as the president of the Bank's Changchun branch since September 2009 after he led the preparation for establishing Changchun branch from July to September 2009. He was the general manager of the Compliance and Audit Department of the Bank's head office from August 2007 to September 2009. He was the Bank's assistant general manager and deputy general manager of the Compliance and the Audit Department of the head office from June 2005 to July 2007 and the deputy general manager of the Audit Department of the Bank's Nanjing branch from March 2004 to June 2005. Prior to joining the Bank, Mr. Lin worked in Jiangsu branch of Industrial and Commercial Bank of China. Mr. Lin is an economist, America Registered Financial Planner (RFP) and America Certified Financial Consultant (CFC). Mr. Lin has 26 years of experience in China's banking industry. He received his bachelor's degree in finance from Jiangsu TV University.

Mr. Li Gang

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Li has been serving as the general manager of the Bank's Compliance and Audit Department since September 2009 after he was in charge of this department's routine work from July to September 2009. Mr. Li served as assistant general manager of the Budget and Finance Department and general manager of the Assets and Liabilities Management Department of the Bank and deputy general manager of the Budget and Finance Department and general manager of the Assets and Liabilities Management Department of the Bank from June 2006 to July 2009. Mr. Li was the general manager of the Budget and Finance Department of the Bank's Beijing branch and the Treasury Management Section of Budget and Finance Department of the Bank's head office from June 2000 to June 2006. Prior to that, he also served as assistant manager and deputy manager of the Finance Department of CITIC Daxie Development Limited, and vice section head and section head of the Treasury Section of Finance and Taxation Bureau. Mr. Li graduated from China Finance Institute.

Mr. Deng Yuewen

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Deng has been serving as the general manager of the Risk Management Department of the Bank's Beijing branch since February 2007. Mr. Deng was in charge of the Risk Management Department of the Bank's Beijing branch from October 2005 to February 2007. He was the deputy general manager of the Risk Management Department of the Bank's Beijing branch from February 2004 to October 2005. Prior to that, he worked in the Credit Management Department of the Bank's head office, Retail Banking Department of the Bank's Beijing branch and the Credit Approval Department of the Bank's Shenzhen branch from April 1996 to February 2004. Mr. Deng has been working in the Bank since April 1996. Mr. Deng graduated from Wuhan Technology Institute with a bachelor's degree and received his master's degree in money and banking from the Finance Research Institute under the head office of the PBOC.

Senior Management

Dr. Chen Xiaoxian

Chinese Nationality

Executive director and president of the Bank. Please refer to "Directors" in this annual report for his resume.

Dr. Zhao Xiaofan

Chinese Nationality

Executive director and vice-president of the Bank. Please refer to "Directors" in this annual report for his resume.

Mr. Cao Tong

Chinese Nationality

Vice-president of the Bank. Mr. Cao has been serving as director of CIFH, CBI and China UnionPay Co., Ltd. since October 2009. He was the assistant president of the Bank from December 2004 to December 2006 and served as general manager of the Retail Banking Department of the Bank from January 2005 to March 2006. Prior to joining the Bank, Mr. Cao worked in China Merchants Bank and served as deputy manager of the Planning and Treasury Department, manager of the Business Department, assistant president and vice-president of its Beijing branch, general manager of Personal Banking Department of the head office and deputy head of Shenzhen Administrative Department as person-in-charge. He also worked in the Beijing branch of the PBOC from July 1990 to January 1994. Mr. Cao has 20 years of experience in China's banking industry. He is a senior economist and graduated from Renmin University of China with a bachelor's degree in economics and then a master's degree in finance.

Dr. Ou Yang Qian

Chinese Nationality

Vice-president of the Bank. Dr. Ou Yang has been working at the Bank since 1988. Dr. Ou Yang was appointed vice-president of the Bank in July 1995 and currently he is in charge of the Bank's treasury and capital market business, international business and information technology. He was the assistant president from April 1994 to July 1995. Dr. Ou Yang was in charge of the research and design of the Bank's internal risk control system in 1991. In January 1989, he worked in the Treasury Department of the Bank and was primarily engaged in foreign exchange transactions, bond transactions and gold trading. In September 1989, Dr. Ou Yang began to be in charge of the management of the asset portfolio investment. Since 2005, he has also been the chairman of CIFL. Dr. Ou Yang is a senior economist. He graduated from Tsinghua University with a master's degree in hydraulic machinery, and then received a doctor's degree in aeronautical engineering from the University of Manchester in the UK.

Mr. Su Guoxin

Chinese Nationality

Vice-president of the Bank. Mr. Su was the deputy head of the General Office of CITIC Group, the secretary to the chairman of CITIC Group and the secretary to the chairman of CITIC Bank. He was the secretary to the chairman of CITIC Group since June 1997. He worked in the Ministry of Foreign Affairs of the PRC from August 1991 to October 1993. He was in charge of foreign affairs in CITIC Group from October 1993 to May 1997. He worked in financial institutions including SBC and UBS from January 1996 to January 1997. Mr. Su graduated from Tianjin Foreign Studies University with a bachelor's degree in arts. He was a graduate student of the United Nations Training Program in Beijing Foreign Studies University. Mr. Su received his master's degree in business administration from the Open University of Hong Kong.

Mr. Cao Bin

Chinese Nationality

Secretary to the Bank's Committee for Discipline Inspection. Mr. Cao joined the Bank in March 2008. Prior to that, he was a cadre in the Human Resource and Education Department of CITIC Group from January 2001 to February 2002. From March 2002 to August 2002, he was the person-in-charge of the General Office of CITIC Securities. From August 2002 to March 2008, he served as secretary to the Board of Directors and general manager of the General Office of CITIC Holdings. Mr. Cao graduated from Jilin University with a master's degree in economics.

Mr. Wang Lianfu

Chinese Nationality

Chairman of the Trade Union of the Bank (vice-president level) and secretary to the CPC Committee of the Bank's head office. Mr. Wang served as secretary to the Bank's Committee for Discipline Inspection and person-in-charge of human resources (vice-president level) from March 2006 to April 2008. From February 1999 to March 2006, Mr. Wang served as secretary to the Bank's Committee for Discipline Inspection, secretary to the CPC Committee of the head office and chairman of the Bank's Trade Union. Mr. Wang also held the position of general manager of Human Resources Department of the Bank from January 2005 to March 2006. He was assistant president of the Bank from June 1995 to February 1999, and has been working in the Bank since May 1987. During the period from December 1984 to May 1987, he worked at the Personnel Allocation Division of the Human Resources Department of CITIC Group. Mr. Wang is a senior economist, and received a bachelor's degree in politics and law from Beijing Normal University and a master's degree in money and banking from Dongbei University of Finance and Economics.

Mr. Cao Guoqiang

Chinese Nationality

Vice-president of the Bank. Mr. Cao served as assistant president of the Bank from April 2006 to March 2010. Mr. Cao began to serve concurrently as director of CIFH and CBI since October 2009. Mr. Cao has also been a director of CIFL since 2005. He served as the general manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as deputy general manager and general manager of the Planning and Treasury Department of the head office of China Merchants Bank, general manager of the Planning and Treasury Department of China Merchants Bank Shenzhen Administrative Department, director and deputy general manager (person-in-charge) in China Merchant Bank Pawn Co., Ltd, director of Shenzhen Speed International Investment Co., Ltd, and assistant general manager of the Planning and Treasury Department of China Merchants Bank. Mr. Cao also worked in the Planning and Treasury Department of the Shaanxi branch of the PBOC as senior staff member and vice section head from July 1988 to June 1992. He has 22 years of experience in China's banking industry. Mr. Cao is a senior economist. He graduated from Hunan College of Finance and Economics with a bachelor's degree in money and banking. He received his master's degree in money and banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang

Chinese Nationality

Vice-president of the Bank. Mr. Zhang served as assistant president of the Bank from April 2006 to March 2010. Prior to that, he was the deputy general manager, executive deputy general manager and general manager of the Bank's Beijing branch from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Bank's Credit Department, the Bank's Jinan branch and Qingdao branch, including deputy general manager and general manager of the Credit Department of the head office, vice branch president and branch president. Mr. Zhang was assistant president of the Bank and the general manager of the Corporate Banking Department from April 2006 to March 2007. Mr. Zhang has been working in the Bank since September 1990. Mr. Zhang has 23 years of experience in China's banking industry. Since April 2006 to date, Mr. Zhang has been in charge of the operation and management of the Bank's corporate banking business, investment banking business and SME financing business. Mr. Zhang is a senior economist. He graduated from Zhongnan University of Economics (now as Zhongnan University of Economics and Law) with a bachelor's degree in economics, and received his master's degree in finance from Liaoning University.

Mr. Luo Yan

Chinese Nationality

Secretary to the Bank's Board of Directors. He is also the head of the Board Office and the General Office of the Bank's head office. Mr. Luo joined the Bank in October 2004, and served as deputy head of General Office of the Bank's head office from June 2005 to March 2006. From October 2004 to June 2005, Mr. Luo was assistant general manager of the Bank's Administration Department. Prior to that, he worked in China Merchants Bank from March 1996 to October 2004 and worked in Yangzhou branch of Bank of Communications from July 1990 to March 1996. Mr. Luo graduated from Inner Mongolia Finance and Economics College with a bachelor's degree in economics and received a master's degree in management engineering and science from Zhejiang University.

Appointment and Dismissal of Directors, Supervisors and Senior Management

At the fifth meeting of the second Board of Directors of the Bank held in December 2009, a resolution was adopted to nominate Mr. Ángel Cano Fernández as a non-executive director candidate of the Bank, which was submitted to the Shareholders' General Meeting of the Bank for consideration and approval. At the first extraordinary general meeting in 2010 of the Bank held in February 2010, Mr. Cano was elected non-executive director of the Bank. Mr. Cano's qualifications for the office were officially approved by the CBRC in May 2010.

At the ninth meeting of the second Board of Directors of the Bank held in March 2010, a resolution was adopted to nominate Dr. Zhao Xiaofan as an executive director candidate of the Bank, which was submitted to the Shareholders' General Meeting of the Bank for consideration and approval. At the second extraordinary general meeting in 2010 of the Bank held in April 2010, Dr. Zhao Xiaofan was elected executive director of the Bank. Dr. Zhao Xiaofan's qualifications for the office were officially approved by the CBRC in August 2010.

In February 2010, Mr. Wu Beiying resigned as an executive director of the Bank, and a member of the Risk Management Committee under the Board of Directors of the Bank due to the re-arrangement of his position.

In April 2010, Mr. Wang Chuan resigned as a supervisor of the Bank due to his retirement.

At the fifth meeting of the second Board of Supervisors of the Bank held in March 2010, a resolution was adopted to nominate Mr. Wu Beiying as a supervisor candidate for the Board of Supervisors of the Bank, which was submitted to the Shareholders' General Meeting in 2010 of the Bank for consideration and approval. At the second extraordinary general meeting of the Bank held in April 2010, Mr. Wu Beiying was elected supervisor of the Bank. At the seventh meeting of the second Board of Supervisors of the Bank held in April 2010, Mr. Wu Beiying was elected chairman of the Board of Supervisors of the Bank.

At the eighth meeting of the second Board of Directors of the Bank held in February 2010, a resolution was adopted to appoint Mr. Cao Guoqiang and Mr. Zhang Qiang as vice-presidents of the Bank. Their qualifications for the office were officially approved by the CBRC in March 2010.

Remunerations of Directors, Supervisors and Senior Management

The remuneration scheme of the Bank's directors, supervisors and senior management shall be approved by the Board of Directors after the review by the Nomination and Remuneration Committee under the Board of Directors. An allowance system is implemented for independent non-executive directors and external supervisors. In accordance with applicable laws in China, the Bank has adopted for its executive directors, employee representative supervisors and staff (including senior management) various types of statutory contribution and pension schemes organized by the Chinese government.

The Bank offers remuneration to executive directors, supervisors and senior management who also serve as employees of the Bank. The remuneration includes basic salary, bonus, employee welfare and insurance, housing fund and annuity. Independent non-executive directors and external supervisors of the Bank receive allowance from the Bank. None of the non-executive directors (excluding independent directors) and shareholder representative supervisors receives any forms of salary or directors' fee from the Bank. The Bank has not provided any incentive shares to directors, supervisors and senior management.

Human Resources Management and Staff Profile

As of the end of 2010, the Bank had 33,552 employees, consisting of 24,235 staff who signed labor contract with the Bank and 9,317 staff who were dispatched and signed engagement letter with the Bank. Among all the employees, 3,926 were management staff, 26,735 were business staff and 2,891 were administrative staff. 3,806 employees, representing 11.34% of the total staff, hold post-graduate degrees or above, 19,020 employees, representing 56.69% of the total staff, hold a bachelor's degree, 9,111 employees, representing 27.16% of the total staff, hold an associate's degree, and 1,615 employees have qualifications not reaching associate degree, accounting for 4.81% of the total staff. The Bank had a total of 310 retirees.

Human Resource Management

In 2010, the Bank kept on strengthening and perfecting the human resource management according to the principle of coordinating effective incentives and strict regulations. The Bank devoted great effort in the development of management teams of branches at all levels, enhanced assessment, actively promoted the adjustment and arrangement of management staff in tier-one branches and in the head office. Moreover, the Bank has continuously optimized the management structure and strengthened both internal and external communication. As a result, the overall quality and management level of the management team were improved significantly. The Bank has been proactively exploring a market-oriented, intensive and dynamic allocation approach for human resources and prepared human resource plans in a scientific way, in a bid to strictly control the growth of the total number of staff. The Bank also rolled out administrative measures for internal departments to specify responsibilities, authorization, approval procedures and limit on number of staff, for the sake of improving recruitment processes and optimizing employee structure. Moreover, the Bank continuously improved remuneration management, optimized remuneration structure and stepped up efforts in the exploration and implementation of a diversified remuneration system, which in turn further regulated and perfected its welfare and insurance system, enhanced the incentive effect, and secured the rights and interests of its staff.

The Bank attached great importance to the enhancement of skills trainings and business exchanges of the staff, and has established a performance evaluation system accordingly based on respective business lines to improve the staff's capability in providing professional services. During the reporting period, the Bank further enhanced the use of information technology in human resources management, and also launched programs to improve its human resources information technology system to build a unified human resources information platform throughout the bank.

Human Resource Cultivation and Development

In 2010, the Bank made extra efforts in staff training to promote the development of business and employees. In 2010, the Bank held 3,002 training programs involving 220,680 person-times and covering 5,958 training days. The Bank continued to deepen its on-line training program, with a total number of 21,300 employees registered and 180,635 on-line training hours utilized as of the end of the reporting period.

The Bank attached great importance to the establishment of an innovative and effective training system. In addition to joining hands with the Bank's strategic partner, BBVA, to provide business training opportunities for its management staff and outstanding staff in BBVA, the Bank cooperated with Wharton School, a world-renowned business school, and Judge Business School of University of Cambridge for the first time in 2010 to launch overseas leadership training programs for its senior management staff so as to cultivate a management team with an international vision and therefore to support the Bank's international development strategy. The Bank also initiated a large-scale systematic training program for its mid-level management staff while promoting systematic trainings for sub-branch presidents. The Bank set up a professional and technical examination question databank and launched the first professional and technical examination for staff in a move to assist in their career development. The Bank established a part-time mentor team in the head office by launching the "Dandelion Plan" to provide immediate assistance for the Bank's staff in improving their knowledge and skills. The Bank also mapped out the 12th "Five-year Training Plan" and set clear the training objective and orientation in the future.

Social contribution value per share

RMB 1.71

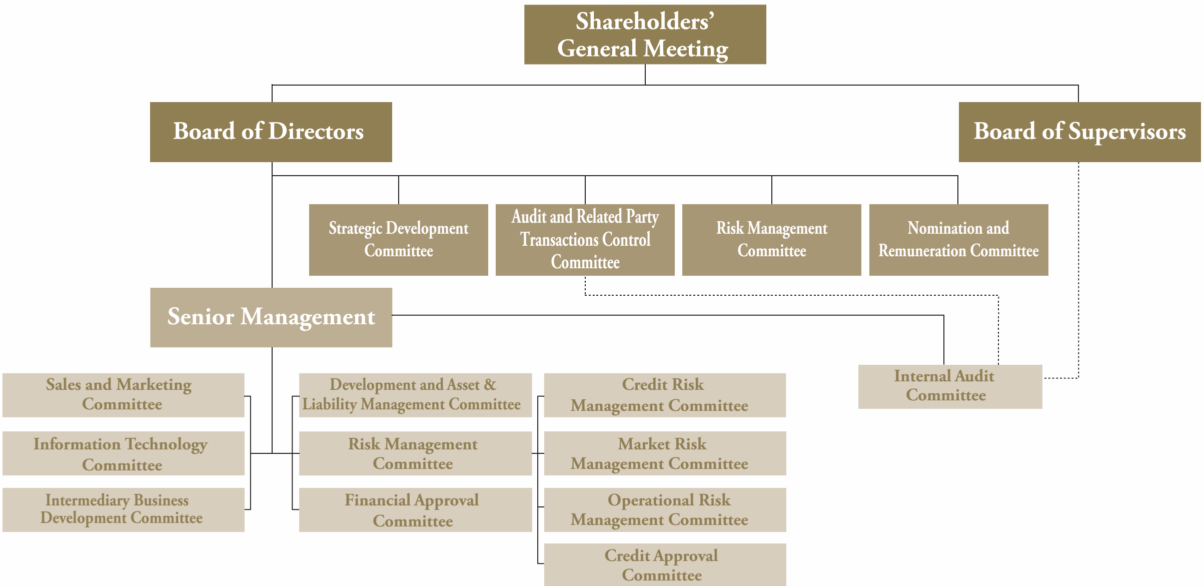
The Bank fulfilled its economic, social and environmental responsibilities as a banking financial institution to contribute to the harmonious and sustainable development of economy, society and environment.

A LEAP-FROG DEVELOPMENT IN SCIENTIFIC MANAGEMENT WITH REMARKABLE IMPROVEMENT OF BUSINESS OPERATION CAPABILITY.

In accordance with the requirement of enhancing management, the Bank took a new step forward in system building, technology application and scientific management.

The capability of delicacy management was significantly improved. The Bank launched its FTP management system which kept a dynamic management on interest rate pricing. The management accounting pilot program was promoted orderly and was put in full application. The Bank's risk management capability was significantly enhanced. With the launching of the "Sky Net" group customer risk management system and the "Sky Statistics" credit management statistical system, the Bank's capability in IT management was considerably enhanced. The Bank also possessed a leading position in the development and application of risk quantitative technology. The Bank made great improvements in compliance management. The Bank organized "The Year of Implementing Internal Control and Case-Prevention System", during which the specialized inspection yielded satisfactory results. As a result, systems and procedures were refined and the operational risk control foundation was intensified to be more effective. The Bank strengthened its capability in providing support and security. In response to the more stringent capital regulation and the rapid business development, the Bank issued RMB16.5 billion of subordinated debts and launched a RMB26 billion A+H shares rights issue program preparation in 2010. Through different means including road shows and investor forums, the Bank improved communication with domestic and overseas investors and improved its capability in resisting market value fluctuation.

Corporate Governance Structure



General Information on Corporate Governance

Since its listing in both Shanghai and Hong Kong in April 2007, the Bank has gradually established a sound corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management after practicing and improving corporate governance for more than four years. All the work regarding corporate governance has been pushed forward steadily. In 2010, considering its own situation, the Bank continuously improved its modern corporate governance structure according to domestic and overseas regulatory requirements by conducting the following work.

The Bank endeavored on system construction. The rules and regulations including the *Audit Work Procedure of the Audit and Related Party Transactions Control Committee under the Board of Directors* and the *Independent Directors' Working System on Annual Report of China CITIC Bank* were amended while the *Information Disclosure Management System* was amended according to the changes in relevant regulatory requirements and the requirements of information disclosure management. In addition, a series of rules and regulations including the *Administrative Measures for Inside Information and Information Insiders* were established to improve the Bank's corporate governance system.

The Bank improved its management on related party transactions. By continuously improving its institutional system, deepening its management concept and strengthening the implementation of management measures, the Bank further standardized the management on related party credit granting, controlled the risk of related party transactions, safeguarded the interests of the Bank and its shareholders, and ensured a safe and stable operation of the Bank.

The Bank improved its internal control mechanism. The Bank fine-tuned the entire internal control system and continuously improved the framework and system of internal control by implementing the *Basic Standards for Enterprise Internal Control* Project promulgated by five state ministries including the MOF and the operational risk management project for the New Basel Capital Accord. This in turn brought the functions of internal control into full play and achieved efficient allocation of resources, thus consolidating the Bank's internal control management and enhancing the efficiency of internal control.

The Bank improved its information disclosure efficiency. According to applicable rules and laws, the Bank released over 30 announcements including regular reports and interim announcements and ensured an authentic, accurate, complete, fair and timely information disclosure, which effectively safeguarded the legitimate rights and interests of investors and stakeholders.

In recognition of its outstanding performance in corporate governance, the Bank ranked the 3rd among the top 10 listed companies in the event of "Corporate Governance Assessment of the Chinese Listed Companies for 2010", which was presented in the "Corporate Governance Assessment Summary Report on the Top 100 Chinese Listed Companies for 2010" jointly released by Protiviti, a global commercial consulting and professional internal audit firm, and the Centre for Corporate Governance of the Chinese Academy of Social Sciences. In recognition of its importance to the Bank's strategic decision, the Board of Directors of the Bank won the "Excellent Board of Directors" award in the "Sixth Gold Round Table Awards" election organized by the *Board of Directors* magazine, which established a positive image for the Bank in terms of corporate governance.

Information on Shareholders' General Meeting and Meetings of the Board of Directors and the Board of Supervisors

In 2010, the Bank convened one annual general meeting, 3 extraordinary general meetings, 1 A-share shareholder class meeting, 1 H-share shareholder class meeting, 9 meetings of the Board of Directors and 7 meetings of the Board of Supervisors, all of which were convened in compliance with the procedures as specified in the Articles of Association.

Shareholders' General Meeting

The Shareholders' General Meeting is the Bank's organ of power. Given its listing in both Shanghai and Hong Kong, the Bank attached great importance to its communication with domestic and overseas shareholders. The Bank fully communicates with shareholders through press conferences or investor meetings for disclosure of financial results and announcement of important projects to ensure all the shareholders have equal access to information and equal participation in major corporate events and to guarantee the work of Shareholders' General Meeting to be efficient and the decision-making process to be scientific. The Bank convened 2009 annual general meeting in June 2010, three extraordinary general meetings in February, April and September 2010 as well as one A-share shareholder class meeting and one H-share shareholder class meeting in September 2010. A total of 17 resolutions were deliberated and adopted at general meetings throughout the year.

The Shareholders' General Meeting made decisions on major proposals of the Bank, considered and approved proposals such as the annual report, the work report of the Board of Directors, the work report of the Board of Supervisors, the profit distribution plan, the financial budget, the financial statements, the amendments to the Articles of Association, the election of directors and supervisors, the engagement of external auditors and the auditors' fee, the replenishment of supplementary capital, the A+H share rights issue, the feasibility study report on fund-raisings, the use of proceeds from previous fund-raisings, the mid-term capital management plan, and the caps for continuing connected transactions. In doing so, the Shareholders' General Meeting managed to safeguard the legitimate interests of all shareholders and ensure the lawful execution of rights by shareholders, thereby promoting a long-term, prudent and sustainable development of the Bank.

Board of Directors

Composition and Responsibilities of the Board of Directors

The Board of Directors is the Bank's decision-making body. It consists of 16 members, including 2 executive directors, namely Dr. Chen Xiaoxian and Dr. Zhao Xiaofan; 9 non-executive directors, namely Mr. Kong Dan, Mr. Chang Zhenming, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Zhang Jijing, Mr. Guo Ketong, Mrs. Chan Hui Dor Lam Doreen, Mr. Ángel Cano Fernández and Mr. José Andrés Barreiro; and 5 independent non-executive directors, namely Dr. Bai Chong-En, Dr. Ai Hongde, Dr. Xie Rong, Mr. Wang Xiangfei and Mr. Li Zheping. The principal responsibilities of the Board of Directors of the Bank include but are not limited to the following:

- to be responsible for convening the Shareholders' General Meeting and reporting its work to the Shareholders' General Meeting;
- to make decisions on development strategies, business plans and investment plans of the Bank;
- to prepare the annual financial budget and financial statements of the Bank;

- to prepare the profit distribution plan and compensation makeup plan of the Bank;
- to decide significant investments, significant asset disposal plans and other significant proposals of the Bank in accordance with the Articles of Association or within the terms of reference granted by the Shareholders' General Meeting;
- to formulate the plan for increase or decrease of the registered capital of the Bank;
- to prepare plans for the merger, division, dissolution, liquidation or transformation of the Company;
- to formulate the plan for issuing corporate bonds or other marketable securities and listing;
- to formulate the plan for buyback of the shares of the Bank;
- to appoint or dismiss the president and Board secretary of the Bank, and decide their remunerations, awards and punishments;
- to appoint or dismiss vice-president and president assistant of the head office as nominated by the president and other senior management staff designated by the Board of Directors, and to determine their remunerations, awards and punishments;
- to propose to the Shareholders' General Meeting for appointment or dismissal of accounting firm;
- to examine and approve regulations on related party transactions, to examine and approve or authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve related party transactions (excluding those that should be examined and approved by the Shareholders' General Meeting);
- other authorities and powers as specified in relevant laws, administrative rules, regulations or the Articles of Association, and as delegated by the Shareholders' General Meeting.

Meetings of the Board of Directors

In 2010, the Board of Directors of the Bank convened 9 meetings (including voting by correspondence) and deliberated and adopted 38 resolutions and proposals, including the Bank's 2009 annual report, 2010 first and third quarterly reports and 2010 interim report, the proposal on A+H share rights issue, the financial budget, remuneration for employees, profit distribution plan, the engagement of auditors and the auditor's fees, senior management staff remuneration plan for 2009, independent non-executive directors' working system on annual report, information disclosure management system, administrative measures for inside information and information insiders. In addition, the Board of Directors also listened to the work reports of the senior management regarding the business operation, IT planning and management of connected transactions. Attendance rates of directors during 2010 are as follows:

	Times of Attendance		
Directors	**Mandatory Attendance**	**Absence required by law**	**Attendance Rate**
Kong Dan	9/9	—	100%
Chang Zhenming(2) (3)	9/9	—	100%
Chen Xiaoxian	9/9	—	100%
Dou Jianzhong	9/9	—	100%
Ju Weimin	9/9	—	100%
Zhang Jijing(3)	9/9	—	100%
Guo Ketong	9/9	—	100%
Wu Beiying(4)	2/2	—	100%
Zhao Xiaofan	2/2	—	100%
Chan Hui Dor Lam Doreen	9/9	—	100%
Ángel Cano Fernández(3)	4/4	—	100%
José Andrés Barreiro	9/9	—	100%
Bai Chong-En	9/9	—	100%
Ai Hongde(2)	9/9	—	100%
Xie Rong	9/9	—	100%
Wang Xiangfei	9/9	—	100%
Li Zheping	9/9	—	100%

Notes: (1) According to the Articles of Association, directors can entrust other directors to attend the meetings of the Board of Directors and exercise voting rights as proxy.

(2) Mr. Chang Zhenming and Dr. Ai Hongde did not attend the Board meeting held on 28 April 2010 in person. They entrusted other directors to attend and exercise voting rights as proxy.

(3) Mr. Chang Zhenming, Mr. Zhang Jijing and Mr. Ángel Cano Fernández did not attend the Board meeting held on 11 August 2010 in person. They entrusted other directors to attend and exercise voting rights as proxy.

(4) Mr. Wu Beiying resigned as the Bank's executive director and member of the Risk Management Committee under the Board of Directors in February 2010 due to rearrangement of his work.

The Execution of Resolutions of the Shareholders' General Meeting by the Board of Directors

According to the Proposal on Financial Report for 2009 and the Profit Distribution Plan for 2009 as deliberated and approved at the 2009 annual general meeting, the Board of Directors of the Bank distributed dividends out of the profits as of the end of 2009 to both domestic and overseas shareholders.

According to the Proposal on Engagement of Accounting Firms in 2010 and their fees as deliberated and approved at the annual general meeting for 2009, the Bank's Board of Directors continued to appoint KPMG Huazhen to conduct audit according to domestic accounting standards and KPMG to conduct audit according to overseas accounting standards in 2010.

According to the Proposal on Replenishment of the Supplementary Capital in 2010 for China CITIC Bank Corporation Limited as deliberated and approved by the first extraordinary general meeting in 2010, the Bank successfully replenished its supplementary capital by issuing RMB16.5 billion worth of subordinated bonds to institutional investors such as insurance companies and commercial banks through open market tender in May 2010.

According to the Proposal on Election of Mr. Ángel Cano Fernández as a Non-executive Director Nominated by Shareholder and the Proposal on Election of Dr. Zhao Xiaofan as an Executive Director Nominated by Shareholder as deliberated and approved at the first and the second extraordinary general meetings in 2010 respectively, the qualifications for the office of both directors have been approved by the CBRC and have taken effect.

According to Proposal on the Continuing Connected Transaction Concerning the Loan Asset Transfer between the Group and CITIC Group as deliberated and approved at the third extraordinary general meeting in 2010, the Bank has set the annual caps for the three-year period from 2011 to 2013 in connection with the continuing connected transaction concerning the loan asset transfer conducted with CITIC Group and its associates in the ordinary course of business of the Bank and the respective annual caps have taken effect.

According to Proposal on the Rights Issue of A Shares and H Shares of China CITIC Bank as deliberated and approved at the third extraordinary general meeting in 2010, the first A-share shareholder class meeting in 2010 and the first H-share shareholder class meeting in 2010, the Bank has commenced the relevant preparation work for the A+H share rights issue. Please refer to "Significant Events–Updates on Other Significant Events" in this annual report for details.

Responsibility Statement of the Board of Directors on Financial Reports

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

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

The Independence of Independent Non-Executive Directors and their Performance of Duties

The independent non-executive directors of the Bank have no business or financial interests in the Bank or its subsidiaries, nor do they assume any management positions in the Bank. Their independence is well guaranteed. The Bank has already received an annual confirmation letter from each independent non-executive director confirming their independence and has recognised their independence.

The independent non-executive directors of the Bank attended the meetings of the Board of Directors and the specialized committees with the attendance rate of 100% and actively expressed their opinions. They also strengthened their communication with the management team and provided guidance by conducting field study and holding meetings. The chairman of the Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee under the Board of Directors were also independent non-executive directors, and independent non-executive directors have taken majority seats in both committees. According to the Independent Directors' Working System on Annual Report, the independent non-executive directors of the Bank strengthened their communication with auditors, giving full play to their responsibility of supervision. In 2010, the independent directors did not raise any objections to the resolutions of the Board of Directors or any committees of the Bank.

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

CITIC Group completed the transfer of 70.32% equity interests in CIFH held by it to the Bank on 23 October 2009, which basically resolved the horizontal competition legacy between the Bank and CIFH since the Bank's listing. Since 23 October 2009, CIFH has been released from all its obligations under the Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, and were of the view that CITIC Group has complied with its non-competition undertakings. CITIC Group made statement on its compliance with the non-competition undertakings under the Non-Competition Deed entered into with the Bank on 13 March 2007.

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

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

Specialized Committees under the Board of Directors

There are 4 specialized committees under the Board of Directors of the Bank, namely the Strategic Development Committee, the Audit and Related Party Transactions Control Committee, the Risk Management Committee and the Nomination and Remuneration Committee.

Strategic Development Committee

The Bank's Strategic Development Committee comprises 5 directors. They are Mr. Chang Zhenming, as chairman of this committee, and Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin and Mr. Zhang Jijing, as members of this committee. The major responsibilities of the Strategic Development Committee are to formulate and evaluate the Bank's business targets and long-term development strategies, business and organization development plans, major investment and financing plans as well as other important matters that would affect the Bank's development.

In 2010, the Strategic Development Committee convened one meeting to discuss and approve the Financial Budget of China CITIC Bank for 2010, China CITIC Bank's profit distribution plan for 2009 and Proposal on Evaluation of the Strategic Cooperation between China CITIC Bank, CITIC Ka Wah Bank Limited (now CBI) and the strategic investor – BBVA in 2009. Attendance rates of related directors are as follows:

Directors	Times of Attendance	Attendance Rate
Chang Zhenming	1/1	100%
Chen Xiaoxian	1/1	100%
Dou Jianzhong	1/1	100%
Ju Weimin	1/1	100%
Zhang Jijing	1/1	100%

Audit and Related Party Transactions Control Committee

The Bank's Audit and Related Party Transactions Control Committee comprises 7 directors. They are Dr. Ai Hongde, independent non-executive director as chairman, and Mr. Ju Weimin, Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Mr. José Andrés Barreiro, as members of this committee. The major responsibilities of the Audit and Related Party Transactions Control Committee include supervision of the Bank's internal controls, financial information and internal audit matters, identification of related parties of the Bank, and the review and filing of the Bank's related party transactions within its authorization.

In 2010, the Audit and Related Party Transactions Control Committee convened 5 meetings to mainly review the information disclosure management system, Audit Procedure of the Audit and Related Party Transactions Control Committee, Independent Directors' Working System on Annual Report, Administrative Measures for Inside Information and Information Insiders, regular reports, self-evaluation reports on internal control, social responsibility reports, credit line for related parties, the engagement of accounting firms, and approval of related party transactions within authorization. Attendance rates of related directors are as follows:

Directors	Times of Attendance	Attendance Rate
Ai Hongde	5/5	100%
Ju Weimin(1)	5/5	100%
Xie Rong	5/5	100%
Bai Chong-En(2)	5/5	100%
Wang Xiangfei(3)	5/5	100%
Li Zheping	5/5	100%
José Andrés Barreiro(4)	5/5	100%

Notes: (1) Mr. Ju Weimin did not attend the meetings in person held on 12 April 2010 and 22 April 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

(2) Dr. Bai Chong-En did not attend the meetings in person held on 22 April 2010 and 6 August 2010, and he entrusted another committee member to attend the meetings and exercise his voting rights as proxy.

(3) Mr. Wang Xiangfei did not attend the meeting in person held on 12 April 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

(4) Mr. José Andrés Barreiro did not attend the meetings in person held on 22 April 2010 and 25 October 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

According to the requirements of the CSRC and the designated corporate governance responsibilities, the Audit and Related Party Transactions Control Committee of the Bank fully performed its important role in supervising the audit and disclosure of the annual report for 2010, thus maintained the independence of audit. The committee reviewed the Bank's financial and accounting statements both before the statements are submitted to the certified public accountant (CPA) for annual audit and after the CPA provide the preliminary audit pinions. The committee was of the view that the statements truly, accurately and completely reflected the overall situation of the Bank after repeated and full communication with the CPA responsible for annual audit.

In order to make relevant preparations, members of this committee communicated with the CPA responsible for annual audit in writing on 29 December 2010 and determined the timetable for auditing the 2010 financial statements, the focus of audit and methodology of risk judgment and identification. Afterwards, the committee conducted a preliminary review of the financial statements prepared by the Bank and formed written opinions, deciding that the Bank's financial statements were complete and comprehensive and were ready for presenting to the CPA responsible for annual audit. On 23 February 2011, presided by committee chairman Dr. Ai Hongde, the committee reviewed the Bank's financial statements for the second time after the CPA formed their preliminary opinions, and decided that the auditors' auditing was independent and objective and the audit procedure was lawful and effective. Through continuously reviewing financial statements and auditor's report, the committee supervised the external auditors in advancing work in all aspects as scheduled. On 21 March 2011, the committee held a meeting and listened to the business operation report presented by senior management and the report on the progress of 2010 annual audit by the CPA, and resolved to submit the audited 2010 annual financial statements to the Board of Directors for deliberation. In addition, the Audit and Related Party Transactions Control Committee studied and discussed matters such as the Bank's social responsibility, internal control and the avoidance of horizontal competition, and deliberated relevant proposals.

Risk Management Committee

The Bank's Risk Management Committee comprises 5 directors. They are Dr. Chen Xiaoxian, as chairman, and Mr. Ju Weimin, Dr. Ai Hongde, Dr. Bai Chong-En, and Mr. Li Zheping as members of this committee. The major responsibilities of the Risk Management Committee are to formulate the Bank's risk management strategies, policies and measures, and internal control procedures, as well as to supervise and evaluate the risk management activities conducted by relevant senior management and risk management departments.

In 2010, the Risk Management Committee convened 3 meetings and deliberated in particular on the Bank's contingency plan for liquidity risk management, China CITIC Bank's operational risk management policies, etc. Attendance rates of related directors are as follows:

Directors	Times of Attendance	Attendance Rate
Chen Xiaoxian	3/3	100%
Ju Weimin	3/3	100%
Wu Beiying[(1)]	1/1	100%
Ai Hongde	3/3	100%
Bai Chong-En	3/3	100%
Li Zheping	3/3	100%

Note: (1) Mr. Wu Beiying resigned as an executive director of the Bank and member of the Risk Management Committee under the Board of Directors in February 2010 due to the re-arrangement of his position.

Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises 5 directors, with Mr. Wang Xiangfei, an independent non-executive director, as chairman, and Mr. Guo Ketong, Dr. Ai Hongde, Dr. Xie Rong, and Dr. Bai Chong-En, as members of this committee. The major responsibilities of the Nomination and Remuneration Committee are to formulate the nomination procedure and standards for nominating directors and senior management candidates, preliminarily review and discuss the qualifications of directors and senior management, formulate and supervise the implementation of the remuneration scheme for directors, supervisors and senior management, as well as other functions authorized by the Board of Directors.

In 2010, the Nomination and Remuneration Committee altogether convened 4 meetings to deliberate on remuneration for employees for 2009, the nomination of Dr. Zhao Xiaofan as executive director candidate proposed by shareholders, the nomination of Mr. Cao Guoqiang and Mr. Zhang Qiang as vice-presidents of China CITIC Bank, the remuneration proposal of senior management of China CITIC Bank for 2009, the report on the duty performance of the Nomination and Remuneration Committee under the Board of Directors to be disclosed in the annual report, etc. Attendance rates of related directors are as follows:

Directors	Times of Attendance	Attendance Rate
Wang Xiangfei	4/4	100%
Guo Ketong(1)	4/4	100%
Ai Hongde(2)	4/4	100%
Xie Rong(3)	4/4	100%
Bai Chong-En	4/4	100%

Notes: (1) Mr. Guo Ketong did not attend the meeting in person held on 17 September 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

(2) Dr. Ai Hongde did not attend the meeting in person held on 17 September 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

(3) Dr. Xie Rong did not attend the meeting in person held on 10 February 2010, and he entrusted another committee member to attend the meeting and exercise his voting rights as proxy.

According to the regulatory requirements of the CSRC and the designated corporate governance responsibilities, the Nomination and Remuneration Committee under the Board of Directors studied and examined the corporate remuneration management system and the remuneration policies and schemes for to directors, independent directors, supervisors, external supervisors and senior management in 2010, and supervised the implementation of remuneration schemes. The committee is of the view that the senior management of the Bank, within their scope of responsibilities and duties specified in laws, regulations and the Articles of Association, under the leadership and authorization of the Board of Directors, and under the supervision and guidance of the Board of Supervisors, performed integrity and diligence obligations in 2010, further enhanced the corporate value and shareholders' value. Upon review, the committee is of the view that the disclosed remunerations for directors, independent directors, supervisors, external supervisors and senior management complied with the remuneration policies, schemes, and applicable information disclosure standards of domestic and overseas regulatory authorities for listed companies. The committee confirmed that the Bank did not have any equity incentive scheme as of the end of 2010.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the Shareholders' General Meeting. The Board of Supervisors of the Bank consists of 8 supervisors, with Mr. Wu Beiying as chairman, Mr. Wang Shuanlin as vice-chairman and Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Zheng Xuexue, Mr. Lin Zhengyue, Mr. Deng Yuewen and Mr. Li Gang as members. Of the 8 members, two are external supervisors, three are shareholder representative supervisors and three are employee representative supervisors. The number of members and composition of the Board of Supervisors comply with statutory requirements and the Articles of Association. The principal responsibilities of the Board of Supervisors of the Bank include but are not limited to the following:

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

In 2010, the Board of Supervisors of the Bank held seven meetings, at which the supervisors discussed and approved the annual work report of the Board of Supervisors, regular reports and other relevant proposals. In addition, the Board of Supervisors supervised and examined the Bank's operations and management by attending Board of Directors meetings, conducting field study in some of the Bank's branches as well as other banks and non-bank financial institutions inside and outside Chinese Mainland, carrying out specialized inspections, reviewing various documents and listening to the reports from management. For more information about the work of the Board of Supervisors during the reporting period, please see "Report of the Board of Superviosrs" in this annual report.

Senior Management

Senior management is the executive body of the Bank and is accountable to the Board of Directors. The Bank's senior management consists of 10 members. Please refer to "Directors, Supervisors, Senior Management and Staff" for details. There is a strict separation of duties and powers between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management manages and makes decisions on the business operation within its scope of authority. The Board of Directors assesses the performance of the senior management, and the assessment conclusion shall be used as the basis for determining senior management's remuneration and other incentive arrangements.

Internal Control

The Bank managed risk based on the *Basic Standards for Enterprise Internal Control* released by five ministries including the MOF as well as the operational risk project under the New Basel Capital Accord. By examining the overall internal system, standardizing the recording of business management process, identifying risk loopholes and key points for risk control, the Bank made every effort to optimize its internal framework system and set up a three-tier internal control structure, namely departments for the implementation of various business processes, departments for the management of daily processes and departments for internal audit, which realized a preliminary transition from a result-oriented to a process-oriented method for improving internal control. The focus will be attached on the design of business processes instead of merely on its effective implementation, on integrated control instead of control of different business lines and on frontline control instead of indirect control on output.

Major Measures Adopted by the Bank in the Reporting Period

— The Bank improved the internal control environment. The Bank gradually established a standardized corporate governance structure pursuant to the PRC laws and regulations, the Articles of Association and international norms. The structure was continuously being improved in practice. In 2010, the Bank strictly complied with relevant laws and regulations and specified the respective duties of its Shareholders' General Meeting, Board of Directors, Board of Supervisors, directors, supervisors and senior management in the Articles of Associations and relevant rules of procedures. On that basis and in line with its actual situation, the Bank gave full play to the role of its Board of Directors, the Board of Supervisors and the senior management of the Bank in practising corporate governance. A scientific and effective decision-making, executive and supervision mechanism was established, which guaranteed the coordination and check-and-balance among its decision-making body, executive body as well as supervisory body and ensured that they were able to carry out their respective duties accordingly.

— The Bank optimized risk identification and monitoring measures. The Bank continuously improved its risk management system, cultivated the risk management culture of pursuing "risk-adjusted return", set up risk management system and procedures covering all the businesses throughout the Bank, developed risk management systems, continuously improve risk identification and measurement capability, optimized the strategy to handle risks and regularly submitted risk analysis report to the Board of Directors and the senior management. With respect to credit risk, the Bank continuously enhanced its risk monitoring on key industries, enterprises and products, strived to mitigate loan risks and made effort to advance an institutionalized, streamlined and informatized way of conducting risk early warning related work in order to accelerate the construction and optimization of the risk early warning system. With respect to market risk, the Bank pushed forward the project of internal model approach of market risk under the New Basel Capital Accord and continuously strengthened the market risk management data and information system base. With respect to liquidity risk, the Bank continued to implement and optimize the three-tier RMB liquidity provision system and managed RMB liquidity in a dynamic manner. The Bank also carried out regular and irregular stress test to continuously monitor the liquidity risk of RMB, commenced the construction of the information system for liquidity risk management and accelerated the construction of IT system platforms. With respect to operational risk, the Bank proactively established an operational risk management system in compliance with the *Basic Standards for Enterprise Internal Control* and the comprehensive risk management standard under the New Basel Capital Accord. With respect to reputation risk, the Bank optimized its reputation risk management system, enhanced monitoring and report on public sentiment and set up a bank wide public sentiment monitoring system.

— The Bank enhanced its internal control measures. With respect to credit granting business, the Bank implemented a system with defined responsibilities and duties to separate the procedures of credit investigation and credit approval as well as check and balance with each other. The duties of credit investigation, credit approval and post-lending monitoring were conducted separately. The Bank also continuously optimized and detailed business management measures and operational procedures in response to different businesses and products. The Bank upgraded to a higher level the authorization of credit approval for loans to risk-concentrated industries. As for government financing platform and industries with over-capacity, the new credit granting shall be checked and approved by the head office. With respect to treasury business, the Bank continuously improved the management system of authorizing and credit granting. An internal control mechanism with featuring separate front, mid and back office work flows was implemented for the treasury and capital market business. With respect to deposit and counter business, the Bank stepped up its institutional construction, realized the centralized opening and management of corporate banking settlement account and all-round risk prevention of accounting and operation of high-risk businesses at the counter so that the operational risk was effectively prevented. With respect to information system, the Bank proactively set up and improved IT risk management organization, institution and mechanism based on the systematic and institutionalized IT risk management practice in a move to prevent IT risks, speeded up the construction of application system and infrastructures and promoted professionalized management. As for financial statements, with the *Management Measures on Financial Statements Preparation* as the core, a management system on financial statements preparation was established, pursuant to which the Board Office is positioned as the department in charge of the information disclosure of the Bank's financial reports and related works, the Budget and Finance Department as the centralized management department for the preparation of financial reports. This management system sets forth the schedule of financial statements preparation related works and the procedures for data gathering, the reports generation and the subsequent management. The Bank continuously improved its financial statements preparation system in order to improve the efficiency and quality of financial statements preparation and to ensure the truthfulness and completeness of the Bank's financial statements.

— The Bank optimized the information exchange and communication mechanism. In 2010, the Bank integrated resources throughout the Bank, optimized integrated office system, improved the system to be more user-friendly and strengthened the error tolerance mechanism and expanded coordinated office function. The Bank made full use of the function of office system as the major channel for display, exchange, publicizing and communication throughout the Bank, which facilitates the Bank to promptly report its business development and business management information throughout the Bank, in a move to further promote the internal information exchange and communication.

— The Bank consolidated the foundation for internal control and compliance management. The Bank proactively put in practice the result of its *Basic Standards for Enterprise Internal Control* project and issued an internal control management guideline document, Internal Control Manual. The document specified duties and responsibilities for a three-tier firewall internal control system for the first time, set out the evaluation mechanism and procedure of internal control and specified the standard document for the overall business process management. The Bank issued and implemented the *Guidance on the Internal Control and Compliance Work*, which established the objectives and requirements of the internal control and compliance work of the Bank in the next two to three years, clarified the duties and tasks of internal control departments involved in the three-tier firewall of the head office and the branches. The Bank also rolled out *Institutional Management Measures (for Trial Implementation)* and *Business Procedures Management Measures (for Trial Implementation)*, which clarified that the Bank would gradually implement an accountable person system for corresponding business process of all the business lines within the whole Bank. Based on the life cycle of institutions and systems, the Bank defined the layer of the institutional system, standardized the varieties and elements of institutions and specified the standards of various procedures including establishment, amendment, improvement and abolishment, which promoted the management departments in head office and branches to identify the risks from source and control risks proactively.

Information on Self-Assessment on Internal Control of the Company

Pursuant to the relevant laws and regulations, the Bank established a relatively sophisticated organizational structure with the Shareholders' General Meeting, the Board of Directors and specialized committee, the Board of Supervisors and the Senior Management as core, an institutional arrangement which guaranteed the independent operation of different bodies and possessed effective check and balance as well as a scientific and efficient mechanism for decision-making, incentives and restrictions. The Board of Directors is responsible for the establishment, improvement and effective implementation of internal control; the Board of Supervisors is responsible for the supervision on the establishment and the implementation of internal control by the Board of Directors; the Senior Management is responsible for the management and organization of the daily operation of the Bank's internal control.

In response to the needs for internal management and risk management, the Bank established an internal control management structure at the management level featuring in clear accountability, labor allocation, and well-defined responsibility, and all staff participation. As the first firewall, each business operational department of the head office and branches and networks at grass root levels are responsible for the implementation of internal control and the fulfillment of internal control requirements stipulated by business management departments. As the second firewall, each business management department (including internal control, compliance, operational risk management departments) of the head office and branches are responsible for the establishment and maintenance of internal control. Those departments manage the implementation of and compliance with rules and regulations, and various procedures. As the third firewall, the internal audit department and the inspection and supervision department are responsible for the audit and evaluation on the effectiveness of internal control. During the reporting period, the Bank, upholding the principles of effectiveness and resources sharing, managed to push forward the sophistication and effective implementation of its internal control system, promoted the integrated management and control of the three-tire firewall mechanism, improved the duty and responsibility mechanism of internal control, promoted the effective duty execution on internal control management and the effective resources allocation, deepened internal control management and enhanced the efficiency and efficacy of internal control. The Bank will continue to improve the completeness, rationality and effectiveness of its internal control with the continuous perfection of laws and regulations as well as the gradual improvement of the Bank's own management.

Internal Audit

The internal auditor of the Bank is responsible for supervising and evaluating the sufficiency and effectiveness of the Bank's risk management and internal control and reporting to the Board of Directors, the Board of Supervisors, and the senior management in this regard. The Audit and Related Party Transactions Control Committee under the Board of Directors and Internal Audit Committee are responsible for the internal audit management. The Bank exercises dual management on auditing work at the head office and the branch level, and the head office arranges and coordinates the audit, as well as the deployment of personnel.

In 2010, the Bank proactively coordinated the supervision and inspection resources throughout the Bank and enhanced the inspection and supervision in key fields, which effectively improved the quality and effect of audit and supervision. The Bank mainly adopted the following measures.

— The Bank proactively promoted the integration of inspection resources throughout the Bank. The Bank strived to explore a mechanism for inspection items coordination in a way where the head office is responsible for selecting items, allocating resources, making plans, organizing trainings and organizing the branches to conduct special examination. The Bank also enhanced the joint examination and inspection by audit department and business departments so as to improve the frequency and coverage of on-site auditing. In 2010, the Bank's on-site audit covered all key business areas, institutions and key procedures for risk control, achieving the audit goal at all levels.

— The Bank proactively promoted system construction and application. The Bank enhanced the support of technical platforms and the improvement, promotion and application of off-site audit. Efforts were made to make full use of the role of off-site technology played in audit resources allocation and audit efficiency improvement, which improved the monitoring coverage and accuracy of audit throughout the Bank.

— The Bank continues to carry out case-prevention. The Bank launched the "Year of Internal Control and Case-Prevention Systems Implementation" campaign throughout the Bank. The Bank prepared and promoted to apply 60 forbidden items for key positions and risk-prone businesses as well as set up and promoted the dynamic screening system on deposit. The heads of the branches carried out on-site test and inspection in person and strengthened the supervision on key business areas and risk-prone procedures, forming a top-down joint risk inspection mechanism.
— The Bank increased its efforts in rectification. In 2010, the Bank rectified and kept tracking problems found during its internal and external inspections and those identified by regulatory authorities. The Bank designated the persons responsible for and the time limit for rectification.

Management of Related Party Transactions

In 2010, the Bank strictly adhered to the regulatory requirements of Chinese Mainland and Hong Kong and further enhanced related party transactions management in areas such as the establishment of an institutional system, compliance management and foundational work, bringing the synergy effect of the CITIC financial platform into full play on the basis of compliance and realizing a growth in the value of the shareholders.

In terms of the establishment of an institutional system, the Bank further perfected the three modules in related party transactions management, namely related parties, credit extension related party transactions and non-credit extension related party transactions. In terms of compliance management, the Bank applied for annual caps for seven main types of non-credit extension related party transactions for a period of 3 years, performed the approval and disclosure obligations for the RMB5.03 billion worth of credit extension related party transactions with CITIC Group, and propelled the healthy development of the Bank's business. In terms of foundational work, the Bank sorted out the data for the non-credit extension related party transactions from various business lines such as corporate banking, retail banking, international banking and treasury and capital market, and ensured a comprehensive management of the related party transactions.

The Board of Directors and the Audit and Related Party Transactions Control Committee attached great importance to the management of related party transactions, fulfilled earnestly their function in reviewing related party list, approving credit extension related party transactions and building an institutional system for related party transactions management, which ensures that the Bank's related party transactions are carried out in compliance with laws and regulations.

Statement of Independence from the Controlling Shareholder

The Bank is independent from the controlling shareholder in business operation, personnel, assets, corporate structure and financial aspects. The Bank has its own business separate from that of its controlling shareholder and has the capability of performing independent operation.

In terms of business operation, the Bank has a comprehensive business structure and has the capability to operate independently. The Bank is engaged independently in businesses within the authorized business scope, and has not experienced interference or control by its controlling shareholder or other related parties. There was also no adverse impact on the independence and completeness of Bank's operation of business due to the connected relationship with its controlling shareholder and other related parties.

In terms of personnel, the Bank has its own independent human resources and remuneration system. Save for the president who also serves as an executive director and deputy general manager of CITIC Group, none of the other members of senior management of the Bank have taken any positions in the controlling shareholder or any other entities controlled by it; and none of the financial staff of the Bank have taken any offices in the controlling shareholder or any other entities controlled by it.

In terms of assets, the Bank has the ownership or use rights to the land and properties, as well as intellectual property rights to trademarks and domain names, etc relevant to business operation.

In terms of financial matters, the Bank has established an independent financial accounting department and a separate system of accounting and financial management to make independent financial decisions. The Bank has set up its own account according to the law, which is separate from the account of its controlling shareholder. The procedure and requirements in relation to the opening of accounts with the Bank by the controlling shareholder are identical to those applicable to all other third parties, and the accounts of the controlling shareholder are completely separated from the fund and account of the Bank.

In terms of corporate structure, the Bank has established the Shareholders' General Meeting, Board of Directors, and Board of Supervisors, as well as other operational and management departments based on the needs of business operation and management. The Bank exercises independently its discretion in the operation and management of business, and there is no mix of corporate structure with that of the controlling shareholder.

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

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

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

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

Appointment and Dismissal of Accounting Firm

As approved at the 2009 Annual General Meeting, the Bank employed KPMG Huazhen as its domestic accounting firm and KPMG as its overseas accounting firm for the year 2010. Ever since the Bank's IPO auditing in 2006, the two firms have been serving as the Bank's auditors.

As of the end of 2010, the Group paid RMB9.2 million as the audit service fees to KPMG and KMPG Huazhen for their services rendered in auditing the Group's 2010 financial statements (excluding the audit performed for the financial statements of its overseas subsidiaries). The Group's overseas subsidiaries paid HKD5.93 million as audit service charges to KPMG.

Except for the above-mentioned audit fees, the Bank paid approximately RMB3.2 million to KPMG as non-audit service charge.

Management of Investor Relations

Investor relations continued to gain close attention and firm support from the Bank's Board of Directors and management. While uncompromising in maintaining a standardized and highly efficient management, the Bank stepped up its effort in its communication with investors, taking initiative and bringing innovation in the work of investor relations management. During the reporting period, the Bank received foreign and domestic investors for 170 times, attended 5 investment promotion seminars held by foreign and domestic well-known investment banks and securities companies, organized 3 meetings for results announcement, 3 global conference calls, 2 foreign and domestic road shows, and 1 reverse road show. Senior management team such as the president of the Bank and the heads of major department participated in important investor activities such as road shows, reverse road show and meetings for results announcement with an aim to engage in in-depth and honest exchanges with institutional investors, which was well received by the market. The Bank received inquiries from and communicated with the massive minority shareholders by ways of email and phone calls, dealt with hundreds of cases through investor hotline and email. Furthermore, the Bank made publicities through foreign and domestic media and the Bank's website, improved the channels of communication between investors and the Bank to enable investors to gain deeper understanding of the business operation and management of the Bank through various channels.

After the announcement of the proposed rights issue of A shares and H shares, the Bank rolled out a three-week global road show and a 2-day reverse road show in light of the rights issue, and organized conference calls with investors and analysts from all over the world to explain the reasons, goals and effects of this rights issue, and to answer questions from investors and analysts. The prompt and full communication between the Bank and investors with respect to the rights issue yielded favorable results. The Bank gained more understanding and won support from investors, which ensured the approval of the rights issue resolution with an overwhelming majority affirmative votes at the general meeting.

In the future, the Bank will continue to promote and improve management of investor relations, enhance in-depth communication with its investors to attain more attention and better recognition from market.

Information Disclosure

The Bank made information disclosure in compliance with the regulatory requirements of the listing venues and published various regular reports and interim announcements to ensure the disclosure of information in a prompt, fair, accurate, authentic and complete manner, and to safeguard legitimate rights and interests of investors and other parties involved. As a bank concurrently listed in both Hong Kong and Shanghai, the Bank makes sure that it applies the more stringent information disclosure requirements of the stock exchanges in the listing venues to ensure an equal treatment to all investors. In 2010, the Bank published more than 30 announcements according to requirements of domestic and overseas regulatory authorities. In order to promote the establishment of an information disclosure system and to further enhance the transparency of information disclosure, the Bank formulated the *Administrative Measures for Inside Information and Information Insiders*, made amendments to *the Regulatory Measures on Information Disclosure*, which further perfected the content, form, procedure, and management of information disclosure, and detailized the arrangement of preparing annual report and other regular reports, regular report deliberation and approval procedure and confidentiality requirements as well as the accountability for significant mistakes in regular report. Going forward, the Bank will establish specific system for accountability for significant mistakes in annual report in order to standardize the procedure and quality of annual report preparation and ensure investors' equal rights to acquire the Bank's information in market.

During the reporting period, the Bank continuously improved the information disclosure of regular report based on the interest and focus of investors and analysts according to regulations of both listing venues. The Bank's full and accurate information disclosure was well received on the market. The Bank received many awards including "Best Annual Report" for its 2009 annual report from prestigious international award rating institutions, such as MerComm and the League of American Communications Professionals (LACP).

Principal Business

The Bank engages in banking and related financial services.

Major Customers

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

Profit and Dividends Distribution

The cash dividends distribution of the Bank since listing is listed as below:

Unit: RMB million

Year for which dividends are distributed	Total amount of cash dividends (pre-tax)	Distribution ratio(%)
2007	2,088	25
2008	3,330	25
2009	3,435	25

The audited profit after tax as shown on the 2010 domestic and overseas financial statements prepared in accordance with PRC GAAP and the International Financial Reporting Standards (IFRS), respectively, were both RMB20.83 billion.

10% of the profit after tax with a total amount of RMB2.083 billion will be transferred to the statutory surplus reserve. RMB3.124 billion will be transferred to the general reserve. No discretionary reserve will be charged.

The Bank plans to issue A and H shares to its existing shareholders by way of rights issue (hereinafter "Rights Issue"), which is expected to complete in the near future. According to Article 33 of the *Measures for the Administration of Securities Issuance and Underwriting*: "when it comes to the circumstances where the profit distribution and common reserve capitalizing plan have not been submitted to the Shareholders' General Meeting for approval or have not been executed though approved by the Shareholders' General Meeting, listed company shall execute its securities issuance after the execution of the plan", to ensure the smooth proceeding of the Rights Issue, the Bank decides not to arrange cash dividend distribution for 2010, nor does it arrange the common reserve capitalizing, and relevant profit will be retained for future distribution, which is in the interest of its long-term development.

Independent Opinions of Independent Directors Concerning No Profit Distribution for 2010

According to the *Establishment of Independent Director Systems by Listed Companies Guiding Opinion and Rules of Enhancing the Protection of Public Shareholders' Rights and Interests* promulgated by the CSRC and the Articles of Association, we, as independent directors, hold the following independent opinions concerning the Proposal about the 2010 Profit Distribution Plan of China CITIC Bank approved at the Bank's 20th meeting of the second Board of Directors:

Both the audited profit after tax as shown on the 2010 domestic and overseas financial statements prepared in accordance with PRC GAAP and the International Financial Reporting Standards (IFRS), respectively, were RMB 20.830 billion.

The Bank plans to issue A and H shares to its existing shareholders by way of rights issue (hereinafter "Rights Issue"), which is expected to complete in the near future. To ensure the smooth proceeding of the Rights Issue, the Bank decides not to arrange profit distribution for 2010 as approved by the Board of Directors, which will be submitted to the Shareholders' General Meeting for approval.

As to the above matter, we are of the view that: the Bank has implemented a stable profit distribution policy since its listing. No profit distribution for 2010 is to ensure a smooth proceeding of its Rights Issue, which is in the interest of the Bank's long-term development. We hold no dissenting opinions on the profit distribution plan for 2010 approved by the Board of Directors.

Independent Directors of China CITIC Bank Corporation Limited
Bai Chong-En, Ai Hongde, Xie Rong, Wang Xiangfei, Li Zheping

Reserve

Please refer to Notes 51, 52 and 53 to the Financial Statements in this annual report for details on change in reserve of the Bank as of the end of 2010.

Distributable Reserve

Please refer to the "Consolidated Statement of Changes in Equity" of the Financial Statements in this annual report for details on distributable reserve of the Bank.

Donations

The Bank made donations with a total amount of approximately RMB17.6699 million during the reporting period.

Fixed Assets

Please refer to Note 32 to the Financial Statements in this annual report for details on the changes in fixed assets as of the end of the reporting period.

Subsidiaries

CITIC International Financial Holdings Limited

Established in 2002, CIFH, a controlled subsidiary of the Bank, is an investment and holding company registered in Hong Kong. CIFH engages in commercial banking and non-bank financial services. Please refer to "Management Discussion and Analysis-Overseas Networks" in this annual report for details on CIFH.

CBI, a wholly-owned subsidiary of CIFH is a licensed bank incorporated in Hong Kong. In addition, CIFH holds 27.5% equity interest in CITIC Capital, a company specialized in investment management and consulting business in China and 40% equity interest in CIAM, a company specialized in asset management and direct investment business.

China Investment and Finance Limited

Established in 1984, CIFL, a controlled subsidiary of the Bank. The registered office and the place of business is in Hong Kong. CIFL holds a "money lender license" issued by the Companies Registry of the Hong Kong SAR Government, and its business covers loan and investment business, etc. Please refer to "Management Discussion and Analysis-Overseas Networks" in this annual report for details on CIFL.

Share Capital and Public Float

Please refer to Note 50 to the Financial Statements in this annual report for details on changes in share capital of the Bank during the reporting period. According to the public information as of the date on which the annual report is signed off for printing, the Board of Directors of the Bank is of the view that the Bank has sufficient public float.

Purchase, Sale or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

Pre-Emptive Rights

The Articles of Association of the Bank has no provisions on mandatory pre-emptive rights. According to the Articles of Association, the Bank may increase its registered capital by way of public offering or private placing, rights issue or bonus issue to the current shareholders, or using its capital reserve to increase share capital or by other means permitted by laws and administrative regulations as approved by the relevant authorities.

Retirement and Benefits

Please refer to Note 44 to the Financial Statements in this annual report for details on the retirement benefits for employees provided by the Bank.

Use of Proceeds and Material Investment with Non-Raised Funds

All proceeds raised by the Bank were used in accordance with the purposes as disclosed in the prospectus, i.e. all the proceeds were used to replenish the capital of the Bank and to enhance the capital adequacy ratio and risk resistance capability of the Bank.

During the reporting period, the Bank did not make any material investment with non-raised funds.

Issuance of Shares

Please refer to "Changes in Share Capital and Shareholding of the Substantial Shareholders – Securities Issuing and Listing" in this annual report for details on the Bank's share issuance during the reporting period.

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

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

Name of director	Name of associated corporation	Nature of interests	Class/number of share interest held	Percentage in the issued share capital	Execution period
Kong Dan	CITIC Resources	personal interests	20,000,000 shares (L) options	0.33%	7 March 2008 –6 March 2012
Chang Zhenming	CITIC Pacific	personal interests	500,000 shares (L) options	0.01%	16 October 2007 –15 October 2012
			600,000 shares (L) options	0.02%	19 November 2009 –18 November 2014
Dou Jianzhong	CIAM Group Limited	personal interests	1,250,000 shares (L) options	0.56%	9 September 2010 –8 September 2012
			1,250,000 shares (L) options		9 September 2011 –8 September 2014
Chan Hui Dor Lam Doreen	China CITIC Bank	personal interests	2,974,689 shares (L) H shares	0.02%	—
Zhang Jijing	CITIC Resources	personal interests	10,000,000 shares (L) options	0.17%	2 June 2006 –1 June 2013
	CITIC Pacific	personal interests	500,000 shares (L) options	0.01%	19 November 2009 –18 November 2014

Note: (L) – Long position

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

Interests of Substantial Shareholders

Please refer to "Changes in Share Capital and Shareholding of the Substantial Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons" in this annual report for details.

Interests of Directors and Supervisors in Material Contracts

During the reporting period, neither the Bank or its controlled companies, nor any of its subsidiaries or fellow subsidiaries have entered into any contract in relation to the business of the Bank in which any director or supervisor has material interests, whether directly or indirectly.

No director or supervisor of the Bank entered into any service contract with the Bank or any of its subsidiaries which cannot be terminated within one year or which requires any compensation besides the statutory compensation upon termination.

Tax Deduction and Exemption

Please refer to "Management Discussion and Analysis – Analysis of the Financial Statements" in this annual report for details on tax deduction and exemption.

Auditors

Please refer to "Report of Corporate Governance" in this annual report for details on the auditors of the Bank. A proposal for engaging the auditors of the Bank will be submitted to the upcoming 2010 annual general meeting for approval.

Relationships among Directors, Supervisors and Senior Management

There are no material financial, business, family or other relationships among directors, supervisors or senior management of the Bank.

Interest of Directors in the Business Competing with the Bank

None of the Directors of the Bank has any interests in business which directly or indirectly competes or may compete with the Bank's business.

Management of Inside Information

The Bank has already established the registration and filing mechanism of insiders and include people like external information users and included internal staff who has the access to the annual financial information before disclosure and people from external institutions including auditors in the management of insiders. Therefore, the Bank managed to ensure that relevant information would not be revealed in any forms before the disclosure of regular reports so as to protect the legitimate rights and interests of the Bank's investors and parties involved.

To ensure the impartiality and fairness of all information disclosure, the Bank simulated the *Administrative Measures for Inside Information and Information Insiders* and set relevant regulations for insider registration and filing, confidentiality management and punishment. During the reporting period, the Bank conducted self-investigation on trading of the Bank's securities by internal insiders prior to the information disclosure of this annual report, which is in strict compliance with relevant provisions under the *Administrative Measures for Inside Information and Information Insiders*. A survey in the form of internal investigation was also carried out on the reporting of information to external parties by subsidiaries, and subsidiaries were urged to remind external information users of their obligations to keep information in confidentiality in writing. In addition, the Bank established a system to record the reporting of external information. Such a record and filing system covers the basis of reporting, purpose for reporting, the type of information reported, the time of reporting, and whether the external information users are informed on their confidentiality obligation by the Bank in writing. During the reporting period, the Bank did not identify any trading of the Bank's securities by the Bank's internal insiders prior to the information disclosure of this annual report.

Statement on Internal Control Responsibilities of the Board of Directors

The Bank's internal control system aims to ensure that the operations and management of the Bank are conducted in compliance with relevant laws and regulations, and to safeguard assets safety and the truthfulness, accuracy and completeness of the Bank's financial statements and relevant information. The Bank operates in accordance with the standards prescribed in relevant laws and regulations and has established a sound internal control system. The Board of Directors has made evaluations on the internal control system in relation to financial statements based on relevant laws and regulations, issued a 2010 Self-assessment Report on the Company's Internal Control by the Board of Directors of China CITIC Bank Corporation Limited and was of the view that the internal control system established in 2010 by the Bank was generally sound and its implementation was effective.

Meetings of the Board of Supervisors

During the reporting period, a total of 7 meetings were held by the Board of Supervisors of the Bank, and 8 proposals were approved, including Work Report of the Board of Supervisors for the year 2009, election of chairman of the second Board of Supervisors, 2009 annual report, and 2010 first quarterly, third quarterly report and interim report. The attendance rates of supervisors at meetings of the Board of Supervisors are as follows:

Members of Board of Supervisors	Actual Attendance/ Required Attendance	Attendance Rate
Wu Beiying(2)	5/5	100%
Wang Chuan(3)	2/2	100%
Wang Shuanlin	7/7	100%
Zhuang Yumin(4)	7/7	100%
Luo Xiaoyuan	7/7	100%
Zheng Xuexue(5)	7/7	100%
Lin Zhengyue	7/7	100%
Li Gang	7/7	100%
Deng Yuewen	7/7	100%

Notes: (1) According to the Articles of Association, supervisors can entrust other supervisors to attend meetings of the Board of Supervisors and exercise voting rights as proxy.

(2) Mr. Wu Beiying was elected supervisor of the Bank at the second extraordinary general meeting held in 2010. He was elected chairman of the Board of Supervisors at the seventh meeting of the second Board of Supervisors.

(3) Mr. Wang Chuan resigned from his position as supervisor of the Bank in April 2010 due to his retirement.

(4) Dr. Zhuang Yumin did not attend the meeting held on 1 April 2010 in person and entrusted another supervisor to attend the meeting and exercise her voting rights as proxy.

(5) Mr. Zheng Xuexue did not attend the meetings held on 9 March, 23 April, 27 May 2010 in person and entrusted other supervisors to attend the meetings and exercise his voting rights as proxy.

Work Performed by the Board of Supervisors

In 2010, for the sake of safeguarding the interests of our shareholders and depositors, the Board of Supervisors exercised various supervision and examination duties under the laws and regulations and the Articles of Association in accordance with the requirements of the regulatory authority and corporate governance. By convening and attending routine meetings, listening to the special reports from the management, performing special researches, carrying out on-site inspections, attending meetings organized by regulators and holding trainings, the Board of Supervisors performed its supervisory duties faithfully and effectively and achieved its goals set in 2010 work plan of the Board of Supervisors successfully, ensured the stable performance of various tasks of the Board of Supervisors and continuously promoted and perfected the Bank's corporate governance.

The Board of Supervisors Performed its Routine Duties and Supervised the Bank's Operations in Accordance with the Laws

The Board of Supervisors held seven regular and interim meetings in 2010, in which proposals including Work Report of Board of Supervisors for the year 2009, election of chairman of the second Board of Supervisors, 2009 annual report, and 2010 first quarterly report, third quarterly report and interim report were reviewed and approved. Due diligence was carried out on the Bank's operations in compliance with the laws, the authenticity of the financial reports, particulars of acquisitions and disposals of assets, related party transactions, implementation of internal control mechanism and corporate governance, based on which independent opinion of the Board of Supervisors was given. By arranging forum on principles, the Board of Supervisors was able to further sort out the direction and the priority of its work, which laid the foundation for further fulfilling its supervisory role.

The supervisors of the Bank attended the 2009 annual general meeting, all extraordinary general meetings in 2010 and all meetings of the Board of Directors and its specialized committees as non-voting delegates. The supervisors attended in person the meeting of the presidents of the Bank's all branches in China, and selectively attended administrative meetings of the management as non-voting delegates. By way of attending meetings as non-voting delegates, the supervisors were able to gain insights in the operations and management of the Bank, gain knowledge of the policies and important decisions made by the Board of Directors and the management to promote the business development of the Bank in a timely manner, supervise the validity and legitimacy of general meetings, meetings of the Board of Directors and the management as well as the voting procedure, and monitor the duty performance by directors and senior management of the Bank, and urge them to perform their duties with due diligence.

The Board of Supervisors Conducted Frequent On-site Inspection and Field Studies to Relentlessly Promote the Prudent Development of the Bank

With regard to the characteristics of risks related to the local government financing platform and real estate loans, the Board of Supervisors engaged accounting firms to carry out a dedicated on-site inspection on two selected tier-one branches with respect to the quality and risk profile of loans to the local government financing platforms and real estate development loans. In addition, in accordance with the financial supervisory duties of the Board of Supervisors, the dedicated inspection also covered the implementation of various financial systems in the current year. The inspection results were reported to the management, so as to urge the branches to make timely adjustments and continuously improve relevant work.

According to the work plan of the Board of Supervisors for 2010, in order to perform its role as a risk and financial supervisory body, the Board of Supervisors visited various branches to carry out investigations and studies at the frontier of business to gain a full picture and in-depth knowledge of the distribution and asset quality of the relevant loans in branches, and to understand the problems encountered and experience gained by branches when implementing important management systems of the head office. On that basis, the Board of Supervisors provided relevant recommendations to the management.

The Board of Supervisors led delegations to visit a number of countries in Europe and Asia to conduct field investigations and studies on several foreign banks. Through those investigations and studies, the Board of Supervisors was able to gain deeper understanding as to the specific functions and actual operations of the Board of Supervisors in various economic bodies in supervising corporate governance, the similarities and differences with the Bank in terms of corporate governance, and, on which basis, made recommendations to improve and perfect the work of the Bank's Board of Supervisors and to enhance its function as a supervisory and instructive body.

The Board of Supervisors Further Strengthened Self-Development to Improve Duty Performance

In 2010, the Board of Supervisors made duty allocation internally with regard to its supervisory work based on the professional background and experience of its members, and set up three internal teams, namely the financial supervisory team, the duty performance supervisory team and the risk supervisory team, focusing on its supervision on financial matters, duty performance and risk management, respectively. The teams studied and decided their respective duties and conducted work accordingly. Such an allocation of duty is effective for making full use of the professional experience of each supervisor and is favorable for improving the professionalism of the Board of Supervisors in decision-making. It was an inspiring exploration of better ways to perform the supervisory function of the Board of Supervisors.

The Board of Supervisors of the Bank participated in the supervisory meetings organized by regulatory authorities such as the CBRC to earnestly learn and implement the relevant regulatory requirements and gain timely knowledge of the new regulatory requirements and macro operation conditions. The Board of Supervisors attended the annual meeting held by the CBRC for prudential supervision in 2010 and listened to the CBRC's briefing on the regulatory rating results for the Bank. The rating results were discussed and the improvement measures were proposed at this meeting.

Members of the Board of Supervisors actively participated in the 2010 training courses for directors and supervisors organized by the CSRC Beijing Bureau. All of them passed the training test and obtained certification. By participating in the training courses, members of the Board of Supervisors was able to improve their capability to perform their duties, which in turn paved the way for a more effective supervisory role of the Board of Supervisors.

Independent Opinions of Board of Supervisors on Relevant Matters

Compliance of the Bank's Operation based on Laws

The Bank conducted its business in accordance with the Company Law, Commercial Banks Law and the Articles of Association of the Bank. The decision-making procedures were legal and valid. No violations of relevant laws and regulations or the Articles of Association of the Bank were identified in directors or senior management when executing their duties that resulted in impairment of the interests of the Bank and its shareholders.

Authenticity of the Financial Report

The financial report for 2010 has reflected the financial positions and operating results of the Bank in an authentic, objective and accurate manner.

Use of Proceeds

During the reporting period, the actual use of proceeds was consistent with those purposes as stated in the Bank's prospectus.

Acquisition and Disposal of Assets

During the reporting period, the Board of Supervisors was not aware of any asset acquisition or disposal by the Bank which might result in the impairment of the interests of the shareholders or result in the loss of the Bank's assets.

Related Party Transactions

During the reporting period, the Board of Supervisors was not aware of any related party transactions that might result in the impairment of the interests of the Bank or its shareholders.

Execution of Resolutions Adopted at Shareholders' General Meeting

The Board of Supervisors had no disagreement with the reports and proposals submitted to the shareholders' general meeting for consideration by the Board of Directors during the reporting period. The Board of Supervisors supervised the execution of the resolutions adopted at the general meetings and believed that the Board of Directors of the Bank diligently implemented the resolutions adopted at the general meetings.

Board of Supervisors' Review on Self-Assessment Report on Internal Control

The Board of Supervisors reviewed the 2010 Self-Assessment Report on the Company's Internal Control by the Board of Directors of China CITIC Bank Corporation Limited and had no disagreement upon the content of this report.

Board of Supervisors' Review on Social Responsibility Report

The Board of Supervisors reviewed the 2010 Social Responsibility Report of China CITIC Bank Corporation Limited and had no disagreement upon the content of this report.

Material Acquisitions, Disposals or Restructurings of Assets

Save and except as disclosed in this annual report, the Bank did not engage in material acquisitions, disposals or restructurings of assets during the reporting period.

Material Contracts and Their Performance

During the reporting period, the Bank did not have material assets business with other companies to custody, contract or lease their assets, nor did it entrust other companies to custody, 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 guarantees that need to be disclosed except for the financial guarantee services within the approved business scope of the Bank.

Special Explanations and Independent Opinions of Independent Directors Concerning Guarantees Offered by the Bank to External Parties

We, as independent directors of China CITIC Bank, examined the guarantees offered by China CITIC Bank to external parties in an impartial, fair and objective manner, and hereby express the following special explanations and opinions:

Upon our inspection, the guarantees offered by the Group to external parties are mainly letter of guarantee, and letter of guarantee business is one of the regular banking businesses within the Bank's business scope which has been approved. As of the end of the reporting period, the balance of letters of guarantee issued by the Group was an equivalent of RMB68.932 billion.

The Bank has attached great importance to the management of risks related to the afore-said business, and formulated creditability standards of the guaranteed, and the operation procedures and examination and approval procedures of the guaranty business based on the characteristics of risks associated with the guaranty business. During the reporting period, the afore-said business ran well, with no illegal guarantee issued. We are of the view that the Bank has effectively controlled the risk involved in its guaranty business.

Independent Directors of China CITIC Bank Corporation Limited
Bai Chong-En, Ai Hongde, Xie Rong, Wang Xiangfei, Li Zheping

Material Litigation and Arbitration

The Bank has been involved in several lawsuits and arbitrations during its daily operation. Most of these lawsuits and arbitrations were sought by the Bank to enforce loan repayment. Besides, there were also lawsuits and arbitrations regarding disputes with clients. As of the end of the reporting period, the Bank was involved in 73 lawsuits and arbitrations with a disputed amount exceeding RMB30 million (either as plaintiff/claimant or defendant/claimee), with an aggregate disputed amount of RMB4.869 billion; there are 44 unsettled lawsuits and arbitrations (regardless of the disputed amount) in which the Bank acted as defendant/claimee with an aggregate disputed amount of RMB287 million. The management of the Bank is of the view that these lawsuits will not have any material impact on the financial position of the Bank.

Significant Related Party Transactions

When entering into related party transactions with the related parties during the ordinary course of business, the Bank only entered into such transactions on normal commercial terms and the terms available to related parties are no more favorable than those available to independent third parties of the same kind of transactions. Please refer to Note 51 to the Financial Statements-Related Parties Transactions for detailed information of related party transactions.

Related party transactions involving disposal and acquisition of assets

Save and except as disclosed in this annual report, the Bank did not engage in any related party transactions involving disposal and acquisition of assets.

Credit Extension Related Party Transactions

The Bank attached great importance to the daily monitoring and management on related party transactions and ensured a legal and compliant operation of party transactions business through enhancing its management on process, risk approval and post-lending. As of the end of the reporting period, the balance of credit extended by the Bank to related parties was RMB2.481 billion, of which the balance for credit to CITIC Group and its subsidiaries was RMB2.112 billion and the balance for credit to BBVA and its subsidiaries was RMB369 million. All of the balance was normal loans. They would not have material impact on the normal operation of the Bank in terms of amount, structure and quality.

When entering into credit extension related party transactions with the related parties during the ordinary course of business, the Bank only entered into such transactions on normal commercial terms and the terms available to related parties are no more favorable than those available to independent third parties of the same kind of transactions. Meanwhile, the Bank fulfilled the requirements for approval and disclosure by the SSE and the CBRC. As of the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the *Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No. 56)* and the *Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies (Zheng Jian Fa [2005] No. 120)*. The loans granted by the Bank to its largest shareholder and fellow controlled companies had no adverse impact on the operation and financial position of the Bank.

Non-Credit Extension Continuing Related Party Transactions

In 2008, the Bank entered into continuing related party transactions framework agreements with CITIC Group and its associates, which laid down the principles for the parties to conduct continuing related party transactions and the respective annual caps for the three years from 2008 to 2010. Based on the demands presented by business development, in 2010, the Bank entered into continuing related party transactions framework agreements with CITIC Group and its associates again, which proposed the respective annual caps for the three years from 2011 to 2013 for the continuing related party transactions, and the Bank also set the respective annual caps for three years for the capital market transactions entered into between the Bank and CIFH and its subsidiaries. In addition, the Bank continued to transact with BBVA under their Interbank Transactions Master Agreements for the years from 2009 to 2011 subject to the respective approved annual caps. According to the applicable provisions of Chapter 14A of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and Chapter 10 of *Rules of Shanghai Stock Exchange for the Listing of Stocks*, the performance of the above-mentioned continuing related party transactions are as follows:

Third-Party Escrow Service

According to the Third-Party Escrow Service Framework Agreement entered into between the Bank and CITIC Group in November 2008, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2010, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB85 million. As of the end of the reporting period, the actual amount incurred was RMB10 million.

Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement entered into between the Bank and CITIC Group in November 2008, the sale agency services to be provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2010, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB98 million. As of the end of the reporting period, the actual amount incurred was RMB90 million.

Asset Custody Service

According to the Asset Custody Service Framework Agreement entered into between the Bank and CITIC Group in November 2008, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2010, the annual cap for the transactions under the Asset Custody Service Framework Agreement was RMB43 million. As of the end of the reporting period, the actual amount incurred was RMB40 million.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in November 2008, the transactions to be conducted between the Bank and CITIC Group and its associates pursuant to the Loan Asset Transfer Framework Agreement shall be made on terms not more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: the statutory or guidance prices prescribed by the PRC government; where there is no government-prescribed price or guidance price, the market prices shall prevail; and where there is no such government-prescribed price or guidance price or market price, the price shall be determined by the book value of the loan assets after appropriate discounting to reflect the appropriate risks of the loan assets. In 2010, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB415 billion. As of the end of the reporting period, the actual amount incurred was RMB50 million.

Wealth Management Service

According to the Wealth Management Service Framework Agreement entered into between the Bank and CITIC Group in November 2008, the wealth management service fee to be paid by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to comparable independent third parties. The wealth management fees payable to CITIC Group and its associates by the Bank shall be determined based on the relevant market rates and subject to periodic review. In 2010, the annual cap for the transactions under the Wealth Management Service Framework Agreement was RMB2.65 billion. As of the end of the reporting period, the actual amount incurred was RMB127 million.

Financial Consulting and Asset Management Service

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in 2010, the financial consulting and asset management services to be provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties or based on the market prices and rates applicable to independent counterparties for the same transactions. In 2010, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB77 million. As of the end of the reporting period, the actual amount incurred was RMB11 million.

Technology Service

According to the Technology Service Framework Agreement entered into between the Bank and CITIC Group in 2010, the technology services to be provided by CITIC Group and its associates to the Bank include the development, integration, maintenance and support as well as outsourcing services for the management information system and the transaction information system. The service fee payable by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The prices and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties or based on the market prices and rates applicable to independent counterparties for the same transactions. In 2010, the annual cap for the transactions under the Technology Service Framework Agreement was RMB61.6 million. As of the end of the reporting period, the actual amount incurred was RMB26 million.

Capital Market Transactions with CITIC Group

According to the Capital Market Transactions Master Agreement entered into between the Bank and CITIC Group in 2010, the Bank, CITIC Group and its associates shall conduct capital market transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2010, the annual cap for the realised gains, realised losses, unrealised gains and unrealised losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1.1 billion and that for the fair value of the derivative financial instruments was RMB4.2 billion. As of the end of the reporting period, the actual net gain of the transactions was RMB581 million, of which the realized net gain was RMB1,036 million and the unrealized net loss was RMB455 million, the fair value of financial derivatives was RMB10 million (recorded as assets) and RMB46 million (recorded as liabilities).

Interbank Transactions with BBVA

According to the Interbank Transactions Master Agreement entered into between the Bank and BBVA in 2009, the Bank and BBVA Group shall conduct interbank transactions in their ordinary and usual course of business according to applicable general interbank transaction practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2010, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Interbank Transactions Master Agreement was RMB480 million, and that for the fair value of derivative financial instruments was RMB450 million. As of the end of the reporting period, the actual net gain of transactions was RMB74 million, of which the realized net gain was RMB7 million and the unrealized net gain was RMB67 million, the fair value of financial derivatives was RMB52 million (recorded as assets) and RMB45 million (recorded as liabilities).

Capital Market Transactions with CIFH

According to the Capital Market Transactions Master Agreement entered into between the Bank and CIFH in 2010, the Bank and CIFH shall conduct capital market transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2010, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1 billion, and that for the fair value of derivative financial instruments was RMB3.5 billion. As of the end of the reporting period, no relevant transactions were conducted between the Bank and CIFH.

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

(1) In the ordinary and usual course of business of the Bank;
(2) On normal commercial terms;
(3) In accordance with the relevant agreements governing them and the terms of which are fair and in the interests of shareholders of the Bank as a whole.

The auditor has obtained a full list of the continuing connected transactions prepared by the Bank's management, following the testing work carried out by the auditor pursuant to the *Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to the *Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* laid down by the Hong Kong Institute of Certified Public Accountants, the auditor have confirmed that:

(1) No transactions have been conducted without the approval from the Board of Directors;
(2) There is no inconsistency in all material aspects between the transactions which involved the provision of products or services by the Bank or its subsidiaries and the pricing policies of the Bank;
(3) There is no inconsistency in all material aspects between the transactions concerned and the terms of the respective agreement;
(4) None of the continuing connected transactions exceeds their respective annual caps disclosed in the relevant announcements of the Bank.

Shareholding in Other Listed Companies and Financial Enterprises

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

Unit: RMB

No.	Stock code	Stock Name	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 shareholder's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	15,795,000.00	—	8,515,118.78	—	8,146,189.74	368,929.04	Available-for-sale financial assets	Purchase with cash
2	V	Visa Inc.	7,509,605.39	—	23,627,618.05	—	30,438,932.12	(6,811,314.07)	Available-for-sale financial assets	Acquire for free/ bonus share
3	MA	Mastercard International	201,629.69	—	1,121,395.54	—	1,325,120.90	(203,725.36)	Available-for-sale financial assets	Bonus share
	Total		23,506,235.08		33,264,132.37		39,910,242.76	(6,646,110.39)		

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

Unit: RMB

Name of company	Initial investment amount	Shares Held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder'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	2,362,500,00	—	Available-for-sale financial assets	Purchase with cash
SWIFT	161,127.66	22	—	144,641.31	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,382,631.58	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	13,783,465.66	—	—	Available-for-sale financial assets	Bonus share
Total	88,960,234.79			132,060,738.55	2,362,500.00			

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB324 million as of the end of the reporting period.

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

During the reporting period, neither the Bank nor the Board of Directors, nor Directors nor Senior Management of the Bank was subject to investigation, administrative punishment, banning the entry to securities markets and criticism by notice circulation by the CSRC, or punishment by other administrative departments due to the identification as inappropriate candidate, or public reprimand from any stock exchanges. Furthermore, none of them was subject to any punishment from other regulatory authorities which may have any material impact on the operations of the Bank.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

There is no appropriation of the Bank's funds by controlling shareholder and other related parties. The auditor has issued the 2010 Special Statement on Fund Appropriation by Controlling Shareholder and Other Related Parties for China CITIC Bank Corporation Limited.

Undertakings of the Company or its Shareholders Holding 5% or more in the Company

During the reporting period, the shareholders holding 5% or more shares in the Bank are CITIC Group and BBVA. On 28 September 2010, CITIC Group undertook to, according to its shareholding percentage in the Bank, purchase the Bank's rights shares issued pursuant to the Bank's rights issue program adopted at the 13th meeting of the Bank's second Board of Directors in cash and in one go. Related work on the Bank's rights issue program is still proceeding, this purchase undertaking shall only be executed after the rights issue program is reviewed and approved by the CSRC and the SEHK.

Save as the above undertaking and the undertakings made by CITIC Group upon the Bank's listing on 27 April 2007, no new undertaking was made during the reporting period. The Bank is not aware of any shareholders with shareholding of 5% or more in the Bank having breached any undertakings they made.

Progress of Other Significant Events

The proposed rights issue of A Shares and H Shares of the Bank has been approved at the 13th meeting of the Second Board of Directors of the Bank held on 11 August 2010 and approved by the third Extraordinary General Meeting of the Bank in 2010, the first A Shareholders Class Meeting of the Bank in 2010 and the first H Shareholders Class Meeting in 2010 held on 30 September 2010.

According to the rights issue plan, the Bank will issue up to no more than 8,587,335,691 shares on the basis of up to 2.2 shares for every 10 existing shares held by all qualified shareholders. The basis for rights issue of A shares and H shares shall be the same. The final basis of the rights issue shall be determined by the Board of Directors within the authorization by Shareholders' General Meeting or any directors or senior management members authorized by the Board of Directors pursuant to the authorization of Shareholders' General Meeting after negotiating with sponsors/lead underwriters with reference to the then market conditions. The number of A shares to be issued will be up to no more than 5,858,939,146 shares and the number of H shares to be issued will be up to no more than 2,728,396,545 shares.

The Bank has already obtained the approvals from the MOF and the CBRC for the afore-said rights issue plan. Applications have also been made to regulatory authorities such as the CSRC. Currently, the Bank is actively pushing forward the regulatory approval procedures for the rights issue.

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

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 142 to 264, which comprise the consolidated and Bank statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

31 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2010	2009 (Restated)
Interest income		72,460	56,131
Interest expense		(24,325)	(20,147)
Net interest income	7	48,135	35,984
Fee and commission income		6,308	4,718
Fee and commission expense		(612)	(498)
Net fee and commission income	8	5,696	4,220
Net trading gain	9	1,289	383
Net gain from investment securities	10	142	—
Net hedging loss	11	(1)	(3)
Other operating income		1,095	399
Operating income		56,356	40,983
Operating expense	12	(22,638)	(19,131)
Operating Profit before impairment		33,718	21,852
Impairment losses on			
— Loans and advances to customers	13	(4,238)	(2,446)
— Others	13	(1,011)	(173)
Total impairment losses		(5,249)	(2,619)
Revaluation gain on investment properties		54	32
Share of profits of associates		172	151
Losses on disposals of associates		—	(151)
Profit before tax		28,695	19,265
Income tax	17	(6,916)	(4,705)
Net profit		21,779	14,560
Other comprehensive income for the year			
Available-for-sale financial assets			
— Changes in fair value		(450)	112
— (Gains)/losses on disposal transferred to profit or loss		(66)	56
Income tax relating to available-for-sale financial assets		136	(30)
Other comprehensive (loss)/income for available-for-sale financial assets, net of tax		(380)	138
Exchange difference on translating foreign operations		(476)	(74)
Other comprehensive income/(loss) of associates		42	(39)
Others		—	8
Other comprehensive (loss)/income, net of tax	19	(814)	33
Total comprehensive income		20,965	14,593
Net profit attributable to:			
Shareholders of the Bank		21,509	14,320
Non-controlling interests		270	240
		21,779	14,560
Total comprehensive income attribute to:			
Shareholders of the Bank		20,812	14,363
Non-controlling interests		153	230
		20,965	14,593
Basic and diluted earnings per share (RMB)	18	0.55	0.37

The notes on pages 149 to 264 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Assets				
Cash and balances with central bank	20	**256,323**	224,003	207,357
Deposits with banks and non-bank financial institutions	21	**81,955**	26,319	40,227
Placements with banks and non-bank financial institutions	22	**48,633**	55,489	28,380
Trading financial assets	23	**2,855**	4,449	8,769
Positive fair value of derivatives	24	**4,478**	3,182	6,625
Financial assets held under resale agreements	25	**147,632**	185,203	57,698
Interest receivable	26	**6,095**	4,135	4,432
Loans and advances to customers	27	**1,246,026**	1,050,479	716,386
Available-for-sale financial assets	28	**137,109**	94,345	103,555
Held-to-maturity investments	29	**129,041**	107,466	104,810
Investments in associates	30	**2,253**	2,140	2,183
Fixed assets	32	**9,974**	10,321	9,419
Investment properties	33	**248**	161	131
Goodwill	34	**857**	887	889
Intangible assets	35	**217**	165	118
Deferred tax assets	36	**2,565**	2,095	2,175
Other assets	37	**5,053**	4,192	26,101
Total assets		**2,081,314**	1,775,031	1,319,255
Liabilities				
Deposits from banks and non-bank financial institutions	39	**141,663**	275,049	108,720
Placements from banks and non-bank financial institutions	40	**7,072**	4,553	1,607
Trading financial liabilities	41	**10,729**	2,755	3,078
Negative fair value of derivatives	24	**4,126**	3,628	6,801
Financial assets sold under repurchase agreements	42	**4,381**	4,100	957
Deposits from customers	43	**1,730,816**	1,341,927	1,027,325
Accrued staff costs	44	**7,853**	6,987	5,313
Taxes payable	45	**2,598**	1,004	3,809
Interest payable	46	**8,569**	6,538	6,811
Provisions	47	**36**	50	50
Debts securities issued	48	**34,915**	18,422	20,375
Other liabilities	49	**4,018**	3,010	5,350
Total liabilities		**1,956,776**	1,668,023	1,190,196

The notes on pages 149 to 264 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
Equity				
Share capital	50	**39,033**	39,033	39,033
Share premium and other reserve	51	**31,574**	31,555	58,860
Investment revaluation reserve	51	**(632)**	(236)	(354)
Surplus reserve	52	**5,618**	3,535	2,161
General reserve	53	**15,698**	12,562	7,746
Retained earnings		**30,576**	17,721	12,916
Exchange difference		**(1,692)**	(1,372)	(1,311)
Total equity attributable to shareholders of the Bank		**120,175**	102,798	119,051
Non-controlling interests		**4,363**	4,210	10,008
Total equity		**124,538**	107,008	129,059
Total liabilities and equity		**2,081,314**	1,775,031	1,319,255

Approved and authorised for issue by the board of directors on 31 March 2011.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**	**Company stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 149 to 264 form part of these financial statements.

Statement of Financial Position

As at 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Assets				
Cash and balances with central bank	20	**255,394**	223,529	206,936
Deposits with banks and non-bank financial institutions	21	**67,157**	20,898	31,298
Placements with banks and non-bank financial institutions	22	**39,221**	42,892	19,900
Trading financial assets	23	**2,298**	3,383	7,755
Positive fair value of derivatives	24	**3,094**	2,166	5,357
Financial assets held under resale agreements	25	**147,692**	185,271	57,767
Interest receivable	26	**5,615**	3,748	3,943
Loans and advances to customers	27	**1,170,383**	985,854	650,942
Available-for-sale financial assets	28	**119,032**	76,342	85,023
Held-to-maturity investments	29	**129,301**	107,715	105,044
Investment in subsidiaries	31	**9,884**	9,884	87
Fixed assets	32	**9,508**	9,563	8,621
Intangible assets	35	**217**	165	118
Deferred tax assets	36	**2,473**	1,995	2,065
Other assets	37	**4,548**	3,744	3,006
Total assets		**1,965,817**	1,677,149	1,187,862
Liabilities				
Deposits from banks and non-bank financial institutions	39	**143,775**	275,124	108,605
Placements from banks and non-bank financial institutions	40	**5,813**	2,236	963
Trading financial liabilities	41	**10,729**	2,755	2,639
Negative fair value of derivatives	24	**2,869**	2,652	5,579
Financial assets sold under repurchase agreements	42	**4,381**	4,100	957
Deposits from customers	43	**1,634,330**	1,259,064	943,342
Accrued staff costs	44	**7,618**	6,812	5,168
Taxes payable	45	**2,573**	981	3,791
Interest payable	46	**8,243**	6,269	6,427
Provisions	47	**36**	50	50
Debt securities issued	48	**22,500**	12,000	12,000
Other liabilities	49	**3,360**	2,483	2,969
Total liabilities		**1,846,227**	1,574,526	1,092,490

The notes on pages 149 to 264 form part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Equity				
Share capital	50	**39,033**	39,033	39,033
Share premium and other reserve	51	**33,706**	33,706	36,916
Investment revaluation reserve	51	**(451)**	(23)	(72)
Surplus reserve	52	**5,618**	3,535	2,161
General reserve	53	**15,650**	12,526	7,716
Retained earnings		**26,034**	13,846	9,618
Total equity		**119,590**	102,623	95,372
Total liabilities and equity		**1,965,817**	1,677,149	1,187,862

Approved and authorised for issue by the board of directors on 31 March 2011.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**	**Company stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 149 to 264 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(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 year												
(I) Comprehensive income	13	—	—	19	—	(396)	—	—	21,509	(320)	153	20,965
(II) Profit appropriations												
1. Appropriations to surplus reserve	52	—	—	—	—	—	2,083	—	(2,083)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	—	3,136	(3,136)	—	—	—
3. Appropriations to shareholders	54	—	—	—	—	—	—	—	(3,435)	—	—	(3,435)
As at 31 December 2010		39,033	31,301	273	—	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538

For the year ended 31 December 2009

	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	51(i)	—	(13,007)	—	—	—	—	—	—	—	—	(13,007)
(IV) Profit appropriations												
1. Appropriations to surplus reserve	52	—	—	—	—	—	1,374	—	(1,374)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	—	4,816	(4,816)	—	—	—
3. Appropriations to shareholders	54	—	—	—	—	—	—	—	(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 149 to 264 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2010	2009 (Restated)
Operating activities			
Profit before tax		28,695	19,265
Adjustments for:			
— Revaluation (gain)/loss on investments, derivatives and investment properties		(30)	537
— Investment gains		(310)	(58)
— Net gain on disposal of fixed assets		(456)	(35)
— Unrealised foreign exchange losses/(gains)		255	(21)
— Impairment losses		5,249	2,619
— Depreciation and amortisation		1,195	1,188
— Interest expense on subordinated debts/bonds issued		1,098	733
— Dividend income from equity investment		(4)	(5)
— Income tax paid		(5,459)	(7,925)
		30,233	16,298
Changes in operating assets and liabilities:			
Increase in balances with central bank		(69,978)	(35,186)
Increase in deposits with banks and non-bank financial institutions		(32,403)	(4,100)
Increase in placements with banks and non-bank financial institutions		(1,679)	(10,828)
Decrease in trading financial assets		2,145	3,967
Decrease/(increase) in financial assets held under resale agreements		37,551	(127,505)
Increase in loans and advances to customers		(201,193)	(335,972)
(Decrease)/increase in deposits from banks and non-bank financial institutions		(133,077)	166,491
Increase in placements from banks and non-bank financial institutions		2,570	2,948
Increase in trading financial liabilities		8,305	158
Increase in financial assets sold under repurchase agreements		323	3,142
Increase in deposits from customers		393,211	314,760
Increase in other operating assets		(32,434)	(300)
Increase/(decrease) in other operating liabilities		33,751	(1,570)
Net cash flows from/(used in) operating activities		37,325	(7,697)
Investing activities			
Proceeds from disposal and redemption of investments		399,602	210,752
Proceeds from disposal of fixed assets, land use rights, and other assets		736	90
Cash received from equity investment income		58	7
Payments on acquisition of investments		(438,147)	(199,985)
Payments on acquisition of fixed assets, land use rights and other assets		(1,647)	(2,192)
Payment on acquisition of subsidiaries		—	(13,007)
Net cash flows used in investing activities		(39,398)	(4,335)
Financing activities			
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid		—	1,499
Cash received from debt securities issued		19,798	—
Cash paid on debt securities issued		(5,990)	—
Interest paid on debt securities issued		(823)	(2,827)
Dividends paid		(3,435)	(3,330)
Net cash flows from/(used in) financing activities		9,550	(4,658)
Net increase/(decrease) in cash and cash equivalents		7,477	(16,690)
Cash and cash equivalents as at 1 January		167,248	183,950
Effect of exchange rate changes on cash and cash equivalents		(815)	(12)
Cash and cash equivalents as at 31 December	55	173,910	167,248
Cash flows from operating activities include:			
Interest received		70,533	55,767
Interest paid, excluding interest expense on subordinated debts/bonds issued		(21,762)	(19,650)

The notes on pages 149 to 264 form part of these financial statements.

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 31 December 2010, the Group mainly operates in Mainland China with branches covering 29 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of PRC ("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 Financial Holdings Limited ("CIFH"), a CITIC Group fellow subsidiary, as joint promoters established the Bank as a joint stock company in December 2006 and renamed China CITIC Bank into China CITIC Bank Corporation Limited.

The Bank 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 financial statements were approved by the Board of Directors of the Bank on 31 March 2011.

2 Basis of preparation

These financial statements have been prepared on a going concern basis.

The consolidated financial statements for the year ended 31 December 2010 comprise the Bank and its subsidiaries and the Group's interest in associates.

(a) Accounting year

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

2 Basis of preparation (Continued)

(b) Functional currency and presentation currency

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

(c) Measurement basis

These financial statements have been prepared on the historical cost basis except:

— financial assets and financial liabilities at fair value through profit or loss (including trading assets and trading liabilities) (see Note 4(3))

— available-for-sale financial assets, except those for which a reliable measure of fair value is not available (see Note 4(3))

— bank premises (see Note 4(7))

— fair value hedged items (see Note 4(4))

— investment properties (see Note 4(10))

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(24). Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 Statement of compliance

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

The 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 financial statements 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*;

3 Statement of compliance (Continued)

- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*;

- Improvements to IFRSs (2009);

The amendments to IAS 39 have had no material impact on the Group's financial statements 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 statements 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.

- 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 5.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(b) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets at the acquisition date. The Group recognises the relevant deferred tax assets and reduces goodwill accordingly if within 12 months of the acquisition date, new or updated information indicates that at the acquisition date, the obtained deferred tax benefit is expected to be realised in future periods. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. All other acquired deferred tax benefit shall be included in profit or loss for the current period.

(c) Consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. In assessing control, potential voting rights, are taken into account by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated statement of financial position and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(c) Consolidated financial statements (Continued)

The portion of a subsidiary's equity that is not attributable to the Bank whether directly or indirectly through subsidiaries is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented in the consolidated statement of comprehensive income below the "net profit" line item as "non-controlling interests".

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Bank acquired a non-controlling interest from a subsidiary's non-controlling parties, the difference between the investment cost for acquiring the non-controlling interest and the corresponding reduction of non-controlling interest in the consolidated financial statements, or where the Bank disposed of part of its interest in a subsidiary without loss of control over the subsidiary, difference between the proceeds of the disposal and the share of the net identifiable assets of the subsidiary corresponding to the interest being disposed of, is adjusted to the capital reserve in the consolidated statement of financial position. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognised as investment income for the current period when control is lost. The amount recognised in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(d) Special purpose entities

The Group has established a number of Special Purpose Entities ("SPEs") for investment and wealth management product issuance purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

(2) Foreign currency translations

(a) Translation of foreign currency transactions

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

(b) Translation of financial statements denominated in foreign currency

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

(3) Financial instruments

(a) Categorisation

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

Financial assets and financial liabilities at fair value through the profit or loss

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) *Categorisation (Continued)*

Financial assets and financial liabilities at fair value through the profit or loss (Continued)

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

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(b) Derivatives and embedded derivatives

Derivatives mainly include forward and swap contracts performed in foreign currency market and interest rate market. The Group uses derivatives to hedge its exposure on foreign exchange and interest rate risks. The Group adopts hedge accounting in accordance with Note 4(4) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

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

(c) Recognition and derecognition

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

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

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

(d) Measurement

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(d) Measurement (Continued)

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

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

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

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from other comprehensive income to the profit or loss.

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

(e) Impairment

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

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

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

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

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

Loans and receivables and held-to-maturity investments

Individual assessment

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

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

Collective assessment

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

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

Collective assessment (Continued)

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

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

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

Impairment reversal and loan written-off

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

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

Rescheduled loans

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

Available-for-sale financial assets

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

Available-for-sale financial assets (Continued)

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

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instrument and that techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale and repurchase agreements on the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(h) Financial assets held under resale and financial assets sold under repurchase agreements (Continued)

The difference between the sale and repurchase consideration, and that between the purchase and resale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(4) Hedging

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value and that are designated as being hedged.

A hedging instrument is a designated derivative whose changes in fair value are expected to offset changes in the fair value of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

The hedge is considered to be highly effective when it meets both the criteria as follows:

- the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributive to the hedged risk during the period for which the hedge is designated.
- the changes in fair value or cash flow must offset each other in the range of 80 percent to 125 percent.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

(5) Investment in subsidiaries

Initial recognition

The initial cost of an investment obtained through a business combination involving entities under common control is the Bank's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

4 Significant accounting policies and accounting estimates (Continued)

(5) Investment in subsidiaries (Continued)

Initial recognition (Continued)

For an investment in subsidiary obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.

The initial cost of an investment obtained through a business combination involving entities not under common control, the initial investment cost represents the aggregate of the fair values of assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquire.

The investment is recognised at the cost of capital injected into the subsidiary if it is set up by the Bank.

Measurement and recognition of investment gains or losses

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method.

The Group's proportion of dividends or profits declared to distribute by subsidiaries are recognized as current investment gain, except for the declared but not distributed dividends or profits included in the consideration paid for acquisition.

The investments are stated at cost less impairment losses (see Note 4(14)) in the balance sheet.

In the Bank's financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 4(1)(c).

(6) Investment in associates

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates for the year. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

Profits and losses resulting from transactions between the Group and its associate or jointly controlled entity are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

The Group discontinues recognising its share of net losses of the associate or jointly controlled entity after the carrying amount of investments in associate and jointly controlled entity together with any long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or jointly controlled entity makes net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4 Significant accounting policies and accounting estimates (Continued)

(7) Fixed asset

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction-in-progress, an item of property and equipment, represents property and equipment under construction and is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are stated at cost upon initial recognition. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises the construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, fixed assets are stated at cost less accumulated depreciation and impairment losses.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

(b) Subsequent costs

The Group recognises in the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense when incurred.

(c) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of fixed assets and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

	Estimated useful lives
Bank premises	30 – 35 years
Computer equipment and others	3 – 10 years

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(d) Impairment

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4 (14).

(e) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

4 Significant accounting policies and accounting estimates (Continued)

(8) Land use rights

Land use rights are stated at cost less amortisation. Land use rights are amortised on a straight-line basis over the respective periods of grant.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4(14).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4(14).

(10) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use. Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

The Group makes estimation of the fair value of investment properties, based on market price and other related information from active real estate market where the property is located.

(11) Lease

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(a) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments and initial direct costs at the commencement of the lease term, is included in “loans and advances to customers” on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(3)(e).

(b) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group’s depreciation policies, as set out in note 4(7) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(14). Revenue arising from operating leases is recognised in accordance with the Group’s revenue recognition policies, as set out in note 4(18)(d).

4 Significant accounting policies and accounting estimates (Continued)

(11) Lease (Continued)

(b) Operating leases (Continued)

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(12) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of the purchased goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(14).

(13) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the income statement.

(14) Allowances for impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

4 Significant accounting policies and accounting estimates (Continued)

(14) Allowances for impairment of non-financial assets (Continued)

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(15) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for service rendered by employees. Except for the termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in profit or loss. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values in statement of financial position.

4 Significant accounting policies and accounting estimates (Continued)

(15) Employee benefits (Continued)

(a) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, The Group has joined a defined contribution retirement plan for the employees arranged by local government organisations of labour and social security. The Group is required to make contributions to a separate entity which could be the government or publicly administered retirement schemes at certain rates of the salaries, bonuses and certain allowances of its employees. The contributions are charged to the profit or loss for the current period on an accrual basis. A member of the schemes is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date, payable by local government organisations of labour and social security.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross wages which are expensed in profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

(b) Housing provident funds and other social insurance

Apart from retirement benefits, in accordance with the related laws, regulations and policies of the PRC, the Group participates in required social insurance programmes, including housing provident funds, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. The Group makes contributions of housing provident funds and social insurance to government agencies in a certain percentage of salary and expensed in profit or loss.

(c) Supplementary retirement benefits

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine its present values. In calculating the Group's obligations, any cumulative unrecognised gains or losses is recognised in profit or loss.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A possible obligation arising from past transactions or events whose existence can only be confirmed by the occurrence or non-occurrence of one or more future uncertain events; or a present obligation that arises from past transactions or events and it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4 Significant accounting policies and accounting estimates (Continued)

(17) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statement as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income arising from the use of entity assets by others is recognised in income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(c) Dividend income

Dividend income from unlisted equity investment is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 Significant accounting policies and accounting estimates (Continued)

(18) Income recognition (Continued)

(d) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(e) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(19) Income tax

Current income tax is the expected tax payables on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(20) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(21) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

4 Significant accounting policies and accounting estimates (Continued)

(22) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control or exercise significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties are included but not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control or can exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control or significant influence over both the enterprises or individuals and the Group;

(f) an associate of the Group, including its subsidiaries;

(g) an jointly controlled entity of the Group, including its subsidiaries;

(h) principal individual investors of the Group, and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Group's parent and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family member of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(23) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments and etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity security investments

The Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity security investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sales or held-to-maturity security investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For impairment loss for held-to-maturity security investments, the Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt security is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management review the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements (Continued)

(d) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management make significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with supplementary retirement benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised the Group's profit and loss at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 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:

- 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.

(Expressed in millions of Renminbi unless otherwise stated)

5 Change in accounting policies (Continued)

The Bank has chosen to early adopt the amendments to IFRS 1 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 the financial statements, 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

	2010 Increase/ (decrease)	2009 Increase/ (decrease)
Operating expense	**(16)**	(1)
Net profit	**16**	1
Total comprehensive income	**16**	1
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 financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

6 Taxation

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated at the range of 1% to 7% of business tax.

(Expressed in millions of Renminbi unless otherwise stated)

6 Taxation (Continued)

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "tax payable" in the statement of financial position.

7 Net interest income

	2010	2009
Interest income arising from:		
Deposits with central banks	3,164	2,179
Deposits with banks and non-bank financial institutions	802	137
Placements with banks and non-bank financial institutions	807	240
Financial assets held under resale agreements	2,840	687
Loans and advances to customers (note (i))		
— corporate loans	47,823	37,968
— personal loans	8,999	5,892
— discounted bills	1,998	2,757
Investments in debt securities (note (ii))	6,016	6,239
Others	11	32
	72,460	56,131
Interest expense arising from:		
Balances due to central banks	—	(7)
Deposits from banks and non-bank financial institutions	(2,746)	(1,321)
Placements from banks and non-bank financial institutions	(223)	(145)
Trading financial liabilities	(82)	(8)
Financial assets sold under repurchase agreements	(46)	(46)
Deposits from customers	(20,143)	(17,767)
Debts securities issued	(1,084)	(848)
Others	(1)	(5)
	(24,325)	(20,147)
Net interest income	48,135	35,984

Notes: (i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired loans and advances to customers of RMB133 million for the year ended 31 December 2010 (2009: RMB126 million) (Note 27(c)).

(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 RMB195 million (2009: RMB333 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB82 million (2009: RMB8 million).

(Expressed in millions of Renminbi unless otherwise stated)

8 Net fee and commission income

	2010	2009
Fee and commission income		
Consultancy and advisory fees	**1,696**	1,398
Bank card fees	**1,455**	1,159
Settlement fees	**1,063**	682
Commission for wealth management services	**771**	376
Agency fees and commission (note(i))	**692**	690
Guarantee fees	**408**	284
Commission for custodian business	**208**	113
Others	**15**	16
Total	**6,308**	4,718
Fee and commission expense	**(612)**	(498)
Net fee and commission income	**5,696**	4,220

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.

9 Net trading gain

	2010	2009
Trading profit/(loss):		
— debt securities	**52**	(57)
— foreign currencies	**1,583**	792
— derivatives	**(316)**	(363)
— investment funds	**(23)**	(2)
— financial liabilities designated at fair value through profit and loss	**(7)**	13
Total	**1,289**	383

10 Net gain from investment securities

	2010	2009
Net gain from sale of available-for-sale securities	**55**	66
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**67**	(56)
Others	**20**	(10)
Total	**142**	—

11 Net hedging loss

	2010	2009
Net loss of fair value hedge	**(1)**	(3)

(Expressed in millions of Renminbi unless otherwise stated)

12 Operating expenses

	2010	2009 (Restated)
Staff costs		
— salaries and bonuses	7,406	6,898
— social insurance	759	561
— welfare expenses	562	455
— housing fund	398	301
— labor union expenses and employee education expenses	301	263
— housing allowance	173	150
— defined contribution retirement schemes	156	122
— supplementary retirement benefits	3	2
— others	295	169
Subtotal	10,053	8,921
Property and equipment expenses		
— rent and property management expenses	1,345	991
— depreciation	841	786
— amortisation expenses	354	402
— electronic equipment operating expenses	275	211
— maintenance	222	180
— others	308	256
Subtotal	3,345	2,826
Business tax and surcharges	3,685	2,761
Other general and administrative expenses		
— audit fees	15	15
— others	5,540	4,608
Subtotal	5,555	4,623
Total	22,638	19,131

13 Impairment losses on assets

	Note	2010	2009
Impairment losses charged on			
— Loans and advances to customers		4,238	2,446
— Available-for-sale financial assets	(i)	579	56
— Held-to-maturity investments		—	7
— Off-balance sheet assets	(ii)	338	30
— Repossessed assets		76	35
— Others		18	45
Total		5,249	2,619

Notes: (i) The impairment losses of RMB579 million charged on the Group's available-for-sale financial assets in the year ended 31 December 2010 represent the full impairment allowance made on investments in Farmington Finance Limited ("Farmington investments") held by CIFH's wholly-owned subsidiary, CITIC Bank International Limited ("CBI"). During the year, management of CBI considered the fair value for Farmington investments to likely be zero and thus, decided to make a full impairment on its carrying value of approximately RMB417 million (included in the available-for-sale financial assets) and transfer the investment revaluation reserve deficit of RMB162 million to the income statement, the total effects of which amounted to RMB579 million.

(ii) In prior years, CBI entered into two credit default swaps ("CDS") with a notional value of USD456 million, or the equivalent of RMB3,020 million, with the senior loan provider of Farmington as a partial credit protection against non-performance of a term loan to Farmington provided by this senior loan provider. Management of CBI assessed the probability that the senior loan provider of Farmington would exercise its right to recover certain losses under the CDS arrangement from CBI and has made the necessary provision accordingly in the year ended 31 December 2010.

(Expressed in millions of Renminbi unless otherwise stated)

14 Directors' and Supervisors' emoluments

The aggregate of the emoluments before individual income tax borne by the Bank in respect of the Directors and Supervisors who held office during the year is as follows:

	2010						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	3,832	4,732	197	33	4,962
Zhao Xiaofan (note(i))	—	600	2,555	3,155	151	30	3,336
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Chan Hui Dor Lam	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
José Andrés Barreiro	—	—	—	—	—	—	—
Ángel Cano Fernández (note(i))	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Zhong En	200	—	—	200	—	—	200
Ai Hongde	200	—	—	200	—	—	200
Xie Rong	200	—	—	200	—	—	200
Wang Xiangfei	200	—	—	200	—	—	200
Li Zheping	200	—	—	200	—	—	200
Supervisors/External Supervisors							
Wu Beiying (note(i))	—	600	2,299	2,899	149	31	3,079
Wang Shuanlin	—	550	2,299	2,849	137	32	3,018
Zhuang Yumin	180	—	—	180	—	—	180
Luo Xiaoyuan	180	—	—	180	—	—	180
Zheng Xuexue	—	—	—	—	—	—	—
Lin Zhengyue	—	161	1,718	1,879	115	123	2,117
Deng Yuewen	—	111	1,643	1,754	119	19	1,892
Li Gang	—	129	1,838	1,967	88	30	2,085
Former Directors and Supervisors resigned in 2010							
Wang Chuan (note(i))	—	—	—	—	—	—	—
	1,360	3,051	16,184	20,595	956	298	21,849

(Expressed in millions of Renminbi unless otherwise stated)

14 Directors' and Supervisors' emoluments (Continued)

	2009						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	3,812	4,712	219	31	4,962
Wu Beiying	—	600	2,580	3,180	162	31	3,373
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Chan Hui Dor Lam	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
José Andrés Barreiro (note(ii))	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Zhong En	267	—	—	267	—	—	267
Ai Hongde	233	—	—	233	—	—	233
Xie Rong	233	—	—	233	—	—	233
Wang Xiangfei	267	—	—	267	—	—	267
Li Zheping	202	—	—	202	—	—	202
Supervisors/External Supervisors							
Wang Chuan	—	—	—	—	—	—	—
Wang Shuanlin	—	550	2,294	2,844	118	31	2,993
Zhuang Yumin	180	—	—	180	—	—	180
Luo Xiaoyuan	240	—	—	240	—	—	240
Zheng Xuexue	—	—	—	—	—	—	—
Lin Zhengyue	—	137	1,770	1,907	110	29	2,046
Deng Yuewen	—	110	1,825	1,935	98	18	2,051
Li Gang	—	118	1,120	1,238	82	28	1,348
Former Directors and Supervisors resigned in 2009							
José Ignacio Goirigolzarri (note(ii))	—	—	—	—	—	—	—
	1,622	2,415	13,401	17,438	789	168	18,395

Notes:

(i) Mr. Zhao Xiaofan was appointed as executive director in April 2010. Mr. Ángel Cano Fernández was appointed as non-executive director in February 2010. Mr. Wu Beiying resigned the position of executive director in February 2010, and was appointed as Chairman of the Board of Supervisors in April 2010. Mr. Wang Chuan resigned the position of Chairman of the Board of Supervisors in April 2010.

(ii) Mr. José Andrés Barreiro was appointed as non-executive director in September 2009. Mr. José Ignacio Goirigolzarri resigned the position of non-executive director in October 2009.

(iii) Other benefits in kind included the Bank's contributions to medical fund, housing provident fund and other social insurances, which are payable to labour and social securities authorities based on the lower of certain percentages of the salaries or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to a defined contribution retirement schemes set up by CITIC Group in accordance with the relevant government policies, and supplementary medical insurance scheme.

(iv) None of the Directors and Supervisors received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2010 and 2009.

(Expressed in millions of Renminbi unless otherwise stated)

15 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2009: two) are Directors whose emoluments are disclosed in Note 14 above. The aggregate of the emoluments before individual income tax in respect of the other three (2009: three) highest paid individuals are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	1,876	1,893
Discretionary bonuses	7,701	7,662
Retirement scheme contributions	450	485
Total	10,027	10,040

The emoluments before individual income tax of the three (2009: three) individuals with the highest emoluments are within the following bands:

	2010	2009
RMB3,000,001 – RMB3,500,000	3	3
RMB3,500,001 – RMB4,000,000	—	—

16 Loans to directors, supervisors and officers

Loans to the Directors, Supervisor and Officers (and their affiliates) of the Bank as defined under section 161B of the Hong Kong Companies Ordinance during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Aggregate amount of relevant loans outstanding at year end	26	20

	2010	2009
Maximum aggregate amount of relevant loans outstanding during the year	31	23

17 Income tax

(a) Recognised in the statement of comprehensive income

	2010	2009
Current tax		
— Mainland China	7,177	4,511
— Hong Kong	85	147
— Over sea	(6)	—
Deferred tax	(340)	47
Income tax	6,916	4,705

(Expressed in millions of Renminbi unless otherwise stated)

17 Income tax (Continued)

(b) Reconciliation between income tax expense and accounting profit

	2010	2009 (Restated)
Profit before tax	**28,695**	19,265
Income tax calculated at statutory tax rate	**7,174**	4,816
Effect of different tax rates in other regions	**(87)**	81
Tax effect of non-deductible expenses (Note (i))	**338**	189
Tax effect of non-taxable income		
— Interest income arising from PRC government bonds	**(345)**	(287)
— Others	**(164)**	(94)
	(509)	(381)
Income tax	**6,916**	4,705

Notes: (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 HKD14 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.

18 Earnings per share

Earnings per share information for the year ended 31 December 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 year ended 31 December 2010 and 2009.

	2010	2009 (Restated)
Net profit attributable to shareholders of the Bank	**21,509**	14,320
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)	**0.55**	0.37

19 Other comprehensive income

	2010	2009 (Restated)
Available-for-sale financial assets		
— changes in fair value recognised during the year	**(450)**	112
— (gains)/losses on disposal transferred to profit or loss	**(66)**	56
Shares of other comprehensive income/(loss) of associates	**42**	(39)
Exchange differences on translation	**(476)**	(74)
Others	**—**	8
Total other comprehensive (loss)/income	**(950)**	63
Income tax effects relating to each component of other comprehensive income/(loss)	**136**	(30)
Net comprehensive (loss)/income during the year	**(814)**	33

(Expressed in millions of Renminbi unless otherwise stated)

20 Cash and balances with central banks

	The Group		The Bank	
	2010	2009	**2010**	2009
Cash	**4,034**	3,926	**3,876**	3,785
Balances with central banks				
— Statutory deposit reserve funds (note (i))	**197,838**	129,291	**197,109**	129,022
— Surplus deposit reserve funds (note (ii))	**52,428**	89,147	**52,388**	89,083
— Fiscal deposits reserve funds	**2,023**	1,639	**2,021**	1,639
Total	**256,323**	224,003	**255,394**	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 31 December 2010, the statutory deposit reserve placed with the PBOC was calculated at 16.5% (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.

21 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group		The Bank	
		2010	2009	**2010**	2009
In Mainland China					
— Banks		**60,551**	17,014	**60,519**	16,019
— Non-bank financial institutions		**251**	1,418	**251**	1,418
Subtotal		**60,802**	18,432	**60,770**	17,437
Outside Mainland China					
— Banks		**11,858**	4,363	**6,387**	3,461
— Non-bank financial institutions		**9,295**	3,524	**—**	—
Subtotal		**21,153**	7,887	**6,387**	3,461
Gross balance		**81,955**	26,319	**67,157**	20,898
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**81,955**	26,319	**67,157**	20,898

(b) Analysed by remaining maturity

	Note	The Group		The Bank	
		2010	2009	**2010**	2009
Demand deposits		**31,831**	18,534	**17,033**	13,113
Time deposits with remaining maturity					
— within one month		**30,900**	2,928	**30,900**	2,928
— between one month and one year		**19,224**	4,857	**19,224**	4,857
Gross balance		**81,955**	26,319	**67,157**	20,898
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**81,955**	26,319	**67,157**	20,898

(Expressed in millions of Renminbi unless otherwise stated)

22 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
In Mainland China					
— Banks		**35,039**	42,958	**31,766**	40,939
— Non-bank financial institutions		**4,649**	566	**4,649**	566
Subtotal		**39,688**	43,524	**36,415**	41,505
Outside Mainland China					
— Banks		**8,953**	11,974	**1,954**	582
— Non-bank financial institutions		**—**	—	**860**	814
Subtotal		**8,953**	11,974	**2,814**	1,396
Gross balance		**48,641**	55,498	**39,229**	42,901
Less: Allowances for impairment losses	38	**(8)**	(9)	**(8)**	(9)
Net balance		**48,633**	55,489	**39,221**	42,892

(b) Analysed by remaining maturity

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
Within one month		**31,798**	34,363	**26,090**	29,509
Between one month and one year		**11,182**	18,423	**8,609**	13,188
Over one year		**5,661**	2,712	**4,530**	204
Gross balance		**48,641**	55,498	**39,229**	42,901
Less: Allowances for impairment losses	38	**(8)**	(9)	**(8)**	(9)
Net balance		**48,633**	55,489	**39,221**	42,892

23 Trading financial assets

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
Held for trading purpose:					
— Debt trading assets	(i)	**2,298**	3,796	**2,298**	3,246
— Equity trading assets	(ii)	**3**	2	**—**	—
— Investment funds	(ii)	**4**	3	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**550**	648	**—**	137
Total		**2,855**	4,449	**2,298**	3,383

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.

(Expressed in millions of Renminbi unless otherwise stated)

23 Trading financial assets (Continued)

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

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— PBOC	**10**	1,142	**10**	1,142
— Policy banks	**67**	294	**67**	294
— Banks and non-bank financial institutions	**59**	—	**59**	—
— Corporate entities	**2,130**	1,778	**2,130**	1,778
Subtotal	**2,266**	3,214	**2,266**	3,214
Outside Mainland China				
— Government	**32**	32	**32**	32
— Banks and non-bank financial institutions	**—**	550	**—**	—
Subtotal	**32**	582	**32**	32
Total	**2,298**	3,796	**2,298**	3,246
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**2,298**	3,796	**2,298**	3,246
Total	**2,298**	3,796	**2,298**	3,246

(ii) Equity and investment funds issued by:

	The Group	
	2010	2009
Outside Mainland China		
— Corporate entities	**7**	5
Total	**7**	5
Listed in Hong Kong	**—**	—
Listed outside Hong Kong	**3**	5
Unlisted	**4**	—
Total	**7**	5

(Expressed in millions of Renminbi unless otherwise stated)

23 Trading financial assets (Continued)

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

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— Government	**25**	30	—	—
— Banks and non-bank financial institutions	**413**	366	—	—
— Corporate entities	**112**	115	—	—
Subtotal	**550**	511	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	—	137	—	137
Subtotal	—	137	—	137
Total	**550**	648	—	137
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	**70**	74	—	—
Unlisted	**480**	574	—	137
Total	**550**	648	—	137

24 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 24(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.

	The Group					
	2010			2009		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	**5,870**	**48**	**40**	2,604	31	112
Non-Hedging Instruments						
— Interest rate derivatives	**204,489**	**1,433**	**1,481**	171,575	1,731	2,091
— Currency derivatives	**429,730**	**2,985**	**2,591**	271,623	1,405	1,404
— Credit derivatives	**968**	**7**	**9**	956	14	20
— Equity derivatives	**395**	**5**	**5**	126	1	1
Total	**641,452**	**4,478**	**4,126**	446,884	3,182	3,628

(Expressed in millions of Renminbi unless otherwise stated)

24 Derivatives (Continued)

	The Bank					
	2010			2009		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	163,018	885	961	127,680	1,122	1,492
— Currency derivatives	286,138	2,202	1,899	177,098	1,030	1,140
— Credit derivatives	968	7	9	956	14	20
Total	450,124	3,094	2,869	305,734	2,166	2,652

Credit risk weighted amounts

	The Group		The Bank	
	2010	2009	2010	2009
Interest rate derivatives	959	1,371	425	813
Currency derivatives	3,581	1,571	1,621	999
Credit derivatives	28	30	28	30
Equity derivatives	19	5	—	—
Total	4,587	2,977	2,074	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 Hong Kong Monetary Authority ("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)

25 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
In Mainland China					
— PBOC		—	59,000	—	59,000
— Banks		107,572	119,609	107,572	119,609
— Non-bank financial institutions		39,426	6,555	39,426	6,555
— Corporate entities		634	39	634	39
Subtotal		147,632	185,203	147,632	185,203
Outside Mainland China					
— Non-bank financial institutions		—	—	60	68
Subtotal		—	—	60	68
Gross balance		147,632	185,203	147,692	185,271
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		147,632	185,203	147,692	185,271

(b) Analysed by remaining maturity

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
Within one month		95,096	166,280	95,096	166,348
Between one month and one year		51,968	18,817	52,028	18,817
More than one year		568	106	568	106
Gross balance		147,632	185,203	147,692	185,271
Less: Allowances for impairment losses	38	—	—	—	—
Net balance		147,632	185,203	147,692	185,271

26 Interest receivable

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
Debt securities		2,999	2,174	2,872	2,047
Loans and advances to customers		2,921	1,788	2,704	1,661
Others		205	173	69	40
Gross balance		6,125	4,135	5,645	3,748
Less: Allowance for impairment losses	38	(30)	—	(30)	—
Net balance		6,095	4,135	5,615	3,748

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 2010	The Group 2009	The Bank 2010	The Bank 2009
Corporate loans					
— Loans		**990,435**	820,561	**933,185**	773,557
— Discounted bills		**55,699**	94,774	**53,512**	93,280
— Lease payments receivable		**1,837**	2,074	**—**	—
Subtotal		**1,047,971**	917,409	**986,697**	866,837
Personal loans					
— Residential mortgages		**160,149**	114,156	**149,852**	103,660
— Credit cards		**19,570**	14,191	**19,342**	13,918
— Others		**36,555**	19,893	**32,152**	16,059
Subtotal		**216,274**	148,240	**201,346**	133,637
Gross balance		**1,264,245**	1,065,649	**1,188,043**	1,000,474
Less:	38				
— Individual impairment allowances		**(4,727)**	(5,389)	**(4,474)**	(5,115)
— Collective impairment allowances		**(13,492)**	(9,781)	**(13,186)**	(9,505)
Net balance		**1,246,026**	1,050,479	**1,170,383**	985,854

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

The Group

	2010				
	Loans and advances for which allowances are collectively assessed	**Impaired loans and advances (note (i)) for which allowances are collectively assessed**	**Impaired loans and advances (note (i)) 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	**6,181**	**—**	**64**	**6,245**	**1.02%**
— non-financial institutions	**1,249,531**	**801**	**7,668**	**1,258,000**	**0.67%**
	1,255,712	**801**	**7,732**	**1,264,245**	**0.67%**
Less: Impairment allowances against loans and advances to					
— financial institutions	**(24)**	**—**	**(28)**	**(52)**	
— non-financial institutions	**(12,798)**	**(670)**	**(4,699)**	**(18,167)**	
	(12,822)	**(670)**	**(4,727)**	**(18,219)**	
Net loans and advances to					
— financial institutions	**6,157**	**—**	**36**	**6,193**	
— non-financial institutions	**1,236,733**	**131**	**2,969**	**1,239,833**	
	1,242,890	**131**	**3,005**	**1,246,026**	

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (Continued)

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

The Group (Continued)

	2009				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) 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	

The Bank

	2010				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) 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	2,448	—	64	2,512	2.55%
— non-financial institutions	1,178,109	785	6,637	1,185,531	0.63%
	1,180,557	785	6,701	1,188,043	0.63%
Less: Impairment allowances against loans and advances to					
— financial institutions	(24)	—	(28)	(52)	
— non-financial institutions	(12,494)	(668)	(4,446)	(17,608)	
	(12,518)	(668)	(4,474)	(17,660)	
Net loans and advances to					
— financial institutions	2,424	—	36	2,460	
— non-financial institutions	1,165,615	117	2,191	1,167,923	
	1,168,039	117	2,227	1,170,383	

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (Continued)

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

The Bank (Continued)

	2009				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) 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	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually, or

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

(ii) As at 31 December 2010, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB7,732 million (2009: RMB9,038 million). The covered portion and uncovered portion of these loans and advances were RMB1,235 million (2009 RMB1,953 million) and RMB6,497 million (2009: RMB7,085 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,418 million (2009: RMB2,839 million). The individual impairment allowances made against these loans and advances were RMB4,727 million (2009: RMB5,389 million).

As at 31 December 2010, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB6,701 million (2009: RMB7,942 million). The covered portion and uncovered portion of these loans and advances were RMB994 million (2009: RMB1,662 million) and RMB5,707 million (2009: RMB6,280 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,017 million (2009: RMB1,816 million). The individual impairment allowances made against these loans and advances were RMB4,474 million (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.

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (Continued)

(c) Movements of allowances for impairment losses

The Group

	2010			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	8,855	926	5,389	15,170
Charge for the year				
— new impairment allowances charged to profit or loss	3,977	201	1,448	5,626
— impairment allowances released to profit or loss	—	(6)	(1,382)	(1,388)
Unwinding of discount	—	—	(133)	(133)
Transfers out	(10)	—	(83)	(93)
Write-offs	—	(457)	(648)	(1,105)
Recoveries of loans and advances previously written off	—	6	136	142
As at 31 December	12,822	670	4,727	18,219

	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

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (Continued)

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

The Bank

	2010			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	8,582	923	5,115	14,620
Charge for the year				
— new impairment allowances charged to profit or loss	3,936	189	1,292	5,417
— impairment allowances released to profit or loss	—	—	(1,352)	(1,352)
Unwinding of discount	—	—	(125)	(125)
Transfers out	—	—	(74)	(74)
Write-offs	—	(444)	(506)	(950)
Recoveries of loans and advances previously written off	—	—	124	124
As at 31 December	12,518	668	4,474	17,660

	2009			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	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
— impairment allowances released to profit or loss	—	—	(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)

27 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

The Group

	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	634	841	739	397	2,611
Guaranteed loans	268	184	663	1,305	2,420
Loans with pledged assets					
— Loans secured by tangible assets	2,147	769	1,149	1,071	5,136
— Loans secured by monetary assets	136	44	28	204	412
Total	3,185	1,838	2,579	2,977	10,579

	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					
— 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

(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (Continued)

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

The Bank

	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	599	246	693	397	1,935
Guaranteed loans	87	130	580	1,263	2,060
Loans with pledged assets					
— Loans secured by tangible assets	1,852	681	1,138	1,027	4,698
— Loans secured by monetary assets	57	44	28	204	333
Total	2,595	1,101	2,439	2,891	9,026

	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					
— 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 of which the principal or interest are overdue one day or more.

(e) Lease payments receivables

Lease payements 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			
	2010		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)	180	222	235	289
1 year to 2 years (including 2 years)	134	167	136	180
2 years to 3 years (including 3 years)	92	120	95	134
Over 3 years	1,431	1,704	1,608	1,990
Total	1,837	2,213	2,074	2,593
Less:				
— Individual impairment allowances	(1)		(9)	
— Collective impairment allowances	—		—	
Net balance	1,836		2,065	

(Expressed in millions of Renminbi unless otherwise stated)

28 Available-for-sale financial assets

		The Group		The Bank	
	Note	**2010**	2009	**2010**	2009
Debt securities	(i)	**129,342**	87,197	**112,889**	70,794
Investment funds	(ii)	**6,342**	5,791	**6,018**	5,420
Certificates of deposit	(iii)	**1,260**	1,183	**—**	—
Equity investments	(iv)	**165**	174	**125**	128
Total		**137,109**	94,345	**119,032**	76,342

(i) Debt securities issued by

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— Government	**9,794**	7,598	**9,794**	7,598
— PBOC	**42,085**	16,956	**42,085**	16,956
— Policy banks	**11,549**	7,942	**11,549**	7,942
— Banks and non-bank institutions	**6,107**	4,296	**5,795**	4,256
— Corporate entities	**39,392**	26,655	**39,342**	26,654
Subtotal	**108,927**	63,447	**108,565**	63,406
Outside Mainland China				
— Government	**4,207**	2,868	**1,849**	2,012
— Policy banks	**46**	47	**46**	47
— Banks and non-bank financial institutions	**12,829**	14,017	**2,081**	2,805
— Public entities	**348**	2,569	**348**	2,231
— Corporate entities	**2,985**	4,249	**—**	293
Subtotal	**20,415**	23,750	**4,324**	7,388
Total	**129,342**	87,197	**112,889**	70,794
Listed in Hong Kong	**3,655**	4,428	**3,655**	4,275
Listed outside Hong Kong	**3,883**	6,735	**2,528**	3,937
Unlisted	**121,804**	76,034	**106,706**	62,582
Total	**129,342**	87,197	**112,889**	70,794

(ii) Investment funds issued by

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— Corporate entities	**—**	50	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**6,342**	5,741	**6,018**	5,420
Total	**6,342**	5,791	**6,018**	5,420
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**6,342**	5,791	**6,018**	5,420
Total	**6,342**	5,791	**6,018**	5,420

(Expressed in millions of Renminbi unless otherwise stated)

28 Available-for-sale financial assets (Continued)

(iii) Certificates of deposit issued by

	The Group	
	31 December 2010	31 December 2009
In Mainland China		
— Banks and non-bank financial institutions	**306**	—
Outside Mainland China		
— Banks and non-bank financial institutions	**954**	1,183
Total	**1,260**	1,183
Listed in Hong Kong	**—**	—
Listed outside Hong Kong	**—**	—
Unlisted	**1,260**	1,183
Total	**1,260**	1,183

(iv) Equity investments issued by

	The Group		The Bank	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
In Mainland China				
— Corporate entities	**114**	114	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**11**	22	**11**	14
— Corporate entities	**40**	38	**—**	—
Total	**165**	174	**125**	128
Listed in Hong Kong	**9**	8	**—**	—
Listed outside Hong Kong	**23**	32	**11**	14
Unlisted	**133**	134	**114**	114
Total	**165**	174	**125**	128

(Expressed in millions of Renminbi unless otherwise stated)

29 Held-to-maturity investments

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

	Note	The Group		The Bank	
		2010	2009	**2010**	2009
In Mainland China					
— Government		**52,320**	36,243	**52,320**	36,243
— PBOC		**27,316**	30,116	**27,316**	30,116
— Policy banks		**21,501**	21,497	**21,501**	21,497
— Banks and non-bank financial institutions		**11,579**	6,662	**11,579**	6,662
— Corporate entities		**13,597**	7,375	**13,597**	7,375
Subtotal		**126,313**	101,893	**126,313**	101,893
Outside Mainland China					
— Government		**30**	31	**30**	31
— Banks and non-bank financial institutions		**742**	1,602	**1,073**	1,943
— Public sector entities		**1,377**	3,161	**1,372**	3,137
— Corporate entities		**688**	994	**622**	926
Subtotal		**2,837**	5,788	**3,097**	6,037
Gross balance		**129,150**	107,681	**129,410**	107,930
Less: Allowance for impairment losses	38	**(109)**	(215)	**(109)**	(215)
Net balance		**129,041**	107,466	**129,301**	107,715
Listed in Hong Kong		**125**	128	**125**	128
Listed outside Hong Kong		**819**	1,784	**1,084**	2,057
Unlisted		**128,097**	105,554	**128,092**	105,530
Net balance		**129,041**	107,466	**129,301**	107,715
Fair value of held-to-maturity investments		**125,644**	107,926	**125,888**	108,149
In which: Market value of listed securities		**917**	1,941	**1,248**	2,215

In 2010, the Group did not disposed of any held-to-maturity debt securities (2009: RMB260 million).

(Expressed in millions of Renminbi unless otherwise stated)

30 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 31 December 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

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

	2010				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net profit**
CCHL	**8,366**	**3,484**	**4,697**	**775**	**349**
CIAM	**2,800**	**331**	**2,210**	**252**	**199**
Total	**11,166**	**3,815**	**6,907**	**1,027**	**548**

(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	**106**	**86**	**192**
Dividend receivable	**—**	**(19)**	**(19)**
Exchange difference	**(48)**	**(12)**	**(60)**
As at 31 December 2010	**1,375**	**878**	**2,253**

	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

(Expressed in millions of Renminbi unless otherwise stated)

31 Investment in subsiduaries

	Note	The Bank 31 December 2010	31 December 2009
Investment in subsidiaries			
— CIFH	(i)	**9,797**	9,797
— China Investment and Finance Limited ("CIFL")	(ii)	**87**	87
Total		**9,884**	9,884

Major subsidiaries of the Group as at 31 December 2010 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH	Hong Kong	HKD7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL	Hong Kong	HKD25 million	Lending services	95%	5%	98.5%
CITIC Bank International Limited ("CBI") (note)	Hong Kong	HKD7,283 million	Commercial banking	—	100%	100%
CITIC Bank International (China) Limited ("CBI (China)") (note)	Mainland China	RMB1 billion	Commercial banking	—	100%	100%
HKCB Finance Limited (note)	Hong Kong	HKD200 million	Consumer lending	—	100%	100%

Note: subsidiaries held by CIFH.

(i) 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.

(ii) 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.

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets

The Group

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
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	122	49	661	832
Transfers from construction in progress	249	(249)	—	—
Surplus on revaluation on the date of transfers to investment properties	35	—	—	35
Transfers to investment properties	(94)	—	—	(94)
Disposals	(331)	—	(115)	(446)
Exchange difference	(27)	—	(22)	(49)
As at 31 December 2010	8,847	701	4,246	13,794
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	(317)	—	(524)	(841)
Disposals	71	—	98	169
Transfers to investment properties	21	—	—	21
Exchange difference	8	—	18	26
As at 31 December 2010	(1,528)	—	(2,292)	(3,820)
Net carrying value:				
As at 1 January 2010 (Restated) (Note (i))	7,582	901	1,838	10,321
As at 31 December 2010 (Note (i))	7,319	701	1,954	9,974

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
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)

32 Fixed assets (Continued)

The Group (Continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
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 deemed cost:				
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	**122**	**49**	**565**	**736**
Transfers from construction in progress	**249**	**(249)**	**—**	**—**
Disposals	**(8)**	**—**	**(88)**	**(96)**
As at 31 December 2010	**8,348**	**701**	**3,561**	**12,610**
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	**(1,036)**	**—**	**(1,371)**	**(2,407)**
Depreciation charges	**(298)**	**—**	**(478)**	**(776)**
Disposals	**1**	**—**	**80**	**81**
As at 31 December 2010	**(1,333)**	**—**	**(1,769)**	**(3,102)**
Net carrying value:				
As at 1 January 2010 (note (i))	**6,949**	**901**	**1,713**	**9,563**
As at 31 December 2010 (note (i))	**7,015**	**701**	**1,792**	**9,508**

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (Continued)

The Bank (Continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
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

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
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

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (Continued)

The Bank (Continued)

Notes:

(i) As at 31 December 2010, the net book value of the Group's bank premises for which the ownership registration procedures had not been completed was approximately RMB654 million (2009: RMB731 million). The Group anticipated that there would be no significant issues or costs in completing such procedures.

(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	
	2010	2009	**2010**	2009
Long term leases (over 50 years), held in Hong Kong	**57**	81	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**205**	524	**—**	—
Medium term leases (10-50 years), held in Mainland China	**7,015**	6,949	**7,015**	6,949
Permanent term lease, held in overseas	**27**	28	**—**	—
Total	**7,304**	7,582	**7,015**	6,949

33 Investment properties

	The Group	
	2010	2009
Fair value as at 1 January	**161**	131
Addition:		
— Change in fair value	**54**	32
— Transfer from fixed assets	**73**	9
Decrease:		
— Disposal	**(34)**	(10)
Exchange difference	**(6)**	(1)
Fair value as at 31 December	**248**	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 31 December 2010.

All investment properties of the Group were revalued at 31 December 2010 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

(Expressed in millions of Renminbi unless otherwise stated)

33 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 and the Bank	
	2010	2009
Long term leases (over 50 years), held in Hong Kong	**10**	13
Medium term leases (10-50 years), held in Hong Kong	**214**	123
Medium term leases (10-50 years), held in Mainland China	**24**	25
Total	**248**	161

34 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	
	2010	2009
As at 1 January	**887**	889
Exchange difference	**(30)**	(2)
As at 31 December	**857**	887

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

	The Group	
	2010	2009
Corporate Banking	**857**	887

The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a maximum of five-year period. Cash flow beyond the five-year period were extrapolated by using an estimated annual growth rate of 7% (2009: 6%) which does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the financial budgets based on past performance and its expectation on market development. The pre-tax discount rate used was 12.30% (2009:12.55%) which reflects specific risks relating to the relevant segment.

Based on the result of impairment test, no impairment loss on goodwill were recognized as at 31 December 2010 (2009: nil).

(Expressed in millions of Renminbi unless otherwise stated)

35 Intangible assets

The Group and the Bank

	Software	**Others**	**Total**
Cost			
As at 1 January 2010	**285**	**14**	**299**
Additions	**107**	**—**	**107**
As at 31 December 2010	**392**	**14**	**406**
Amortization			
As at 1 January 2010	**(126)**	**(8)**	**(134)**
Charge for the year	**(55)**	**—**	**(55)**
As at 31 December 2010	**(181)**	**(8)**	**(189)**
Net carrying value			
As at 1 January 2010	**159**	**6**	**165**
As at 31 December 2010	**211**	**6**	**217**

	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)

36 Deferred tax assets

(a) Analysed by nature

The Group

	31 December 2010		31 December 2009	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	5,203	1,275	3,770	943
— Fair value adjustments	628	136	728	182
— Internal retirement and salary payable	4,412	1,103	3,660	915
— Others	202	51	222	55
Total	10,445	2,565	8,380	2,095

The Bank

	31 December 2010		31 December 2009	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	4,900	1,225	3,588	897
— Fair value adjustments	380	95	512	128
— Internal retirement and salary payable	4,412	1,103	3,660	915
— Others	200	50	220	55
Total	9,892	2,473	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	332	(176)	188	(4)	340
Recognized in other comprehensive income	—	130	—	—	130
As at 31 December 2010	1,275	136	1,103	51	2,565
As at 1 January 2009	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)

36 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**	**915**	**55**	**1,995**
Recognized in profit or loss	**328**	**(175)**	**188**	**(5)**	**336**
Recognized in other comprehensive income	**—**	**142**	**—**	**—**	**142**
As at 31 December 2010	**1,225**	**95**	**1,103**	**50**	**2,473**
As at 1 January 2009	1,968	63	11	23	2,065
Recognized in profit or loss	(1,071)	80	904	32	(55)
Recognized in other comprehensive income	—	(15)	—	—	(15)
As at 31 December 2009	897	128	915	55	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 31 December 2010 (31 December 2009: nil).

37 Other assets

	Note	The Group 31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Leasehold improvements		**860**	732	554
Repossessed assets	(i)	**441**	610	704
Land use rights		**621**	630	644
Prepaid rent		**320**	247	212
Prepaid income tax		**51**	462	—
Receivable for share transfer		**—**	—	21,821
Others	(ii)	**2,760**	1,511	2,166
Total		**5,053**	4,192	26,101

	Note	The Bank 31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Leasehold improvements		**860**	732	554
Repossessed assets	(i)	**290**	377	465
Land use rights		**621**	630	644
Prepaid rent		**314**	247	212
Prepaid income tax		**—**	462	—
Others	(ii)	**2,463**	1,296	1,131
Total		**4,548**	3,744	3,006

(Expressed in millions of Renminbi unless otherwise stated)

37 Other assets (Continued)

(i) Repossessed assets

	Note	The Group 31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Premises		**487**	685	811
Others		**234**	303	295
Gross balance		**721**	988	1,106
Less: Allowance for impairment losses	38	**(280)**	(378)	(402)
Net balance		**441**	610	704

	Note	The Bank 31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
Premises		**484**	651	777
Others		**35**	92	78
Gross balance		**519**	743	855
Less: Allowance for impairment losses	38	**(229)**	(366)	(390)
Net balance		**290**	377	465

(ii) Others

	Note	The Group 31 December 2010	The Group 31 December 2009	The Bank 31 December 2010	The Bank 31 December 2009
Gross balance		**3,380**	2,101	**3,078**	1,883
Less: Allowance for impairment losses	38	**(620)**	(590)	**(615)**	(587)
Net balance		**2,760**	1,511	**2,463**	1,296

(Expressed in millions of Renminbi unless otherwise stated)

38 Movements of allowances for impairment losses

The Group

	Note	2010 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	21	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	22	9	—	—	(1)	—	8
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	—	31	—	—	(1)	30
Loans and advances to customers	27	15,170	5,626	(1,388)	(84)	(1,105)	18,219
Available-for-sale financial assets		371	579	—	(130)	(579)	241
Held-to-maturity investments	29	215	—	—	(106)	—	109
Repossessed assets	37(i)	378	79	(3)	(138)	(36)	280
Other assets	37(ii)	590	14	(27)	90	(47)	620
Gross balance		16,733	6,329	(1,418)	(369)	(1,768)	19,507

	Note	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	21	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	22	143	—	—	—	(134)	9
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	—	—	—	—	—	—
Loans and advances to customers	27	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	29	223	7	—	—	(15)	215
Repossessed assets	37(i)	402	35	—	(59)	—	378
Other assets	37(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)

38 Movements of allowances for impairment losses (Continued)

The Bank

	Note	2010 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	21	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	22	9	—	—	(1)	—	8
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	—	31	—	—	(1)	30
Loans and advances to customers	27	14,620	5,417	(1,352)	(75)	(950)	17,660
Available-for-sale financial assets		300	—	—	(87)	—	213
Held-to-maturity investments	29	215	—	—	(106)	—	109
Repossessed assets	37(i)	366	24	—	(136)	(25)	229
Other assets	37(ii)	587	13	(27)	89	(47)	615
Gross balance		16,097	5,485	(1,379)	(316)	(1,023)	18,864

	Note	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	21	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	22	143	—	—	—	(134)	9
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	—	—	—	—	—	—
Loans and advances to customers	27	13,572	3,534	(1,579)	(23)	(884)	14,620
Available-for-sale financial assets		515	45	—	(196)	(64)	300
Held-to-maturity investments	29	223	7	—	—	(15)	215
Repossessed assets	37(i)	390	35	—	(59)	—	366
Other assets	37(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 year. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Notes 13.

(Expressed in millions of Renminbi unless otherwise stated)

39 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— Banks	**72,315**	169,670	**72,272**	169,761
— Non-bank financial institutions	**69,315**	105,362	**69,315**	105,362
Subtotal	**141,630**	275,032	**141,587**	275,123
Outside Mainland China				
— Banks	**33**	17	**2,188**	1
Subtotal	**33**	17	**2,188**	1
Total	**141,663**	275,049	**143,775**	275,124

40 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2010	2009	**2010**	2009
In Mainland China				
— Banks	**5,298**	1,901	**5,000**	1,495
— Non-bank financial institutions	**813**	741	**813**	741
Subtotal	**6,111**	2,642	**5,813**	2,236
Outside Mainland China				
— Banks	**961**	1,911	**—**	—
Subtotal	**961**	1,911	**—**	—
Total	**7,072**	4,553	**5,813**	2,236

41 Trading financial liabilities

	The Group		The Bank	
	2010	2009	**2010**	2009
Financial liabilities designated at fair value through profit or loss				
— Structured deposits	**10,729**	2,755	**10,729**	2,755
Total	**10,729**	2,755	**10,729**	2,755
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**10,729**	2,755	**10,729**	2,755
Total	**10,729**	2,755	**10,729**	2,755

(Expressed in millions of Renminbi unless otherwise stated)

42 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
In Mainland China				
— PBOC	21	—	21	—
— Banks	300	2,837	300	2,837
— Non-bank financial institutions	4,000	—	4,000	—
Subtotal	4,321	2,837	4,321	2,837
Outside Mainland China				
— Banks	60	1,263	60	1,263
Total	4,381	4,100	4,381	4,100

(b) Analysed by types of collaterals

	The Group		The Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Discounted bills	21	—	21	—
Debt securities	4,060	1,263	4,060	1,263
Loans and advances to customers	300	2,837	300	2,837
Total	4,381	4,100	4,381	4,100

43 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	2010	2009	2010	2009
Demand deposits				
— Corporate customers	746,278	577,155	729,247	559,207
— Personal customers	87,521	66,908	71,140	49,066
Subtotal	833,799	644,063	800,387	608,273
Time and call deposits				
— Corporate customers	677,843	516,369	633,497	485,851
— Personal customers	213,233	177,167	194,505	160,613
Subtotal	891,076	693,536	828,002	646,464
Outward remittance and remittance payables	5,941	4,328	5,941	4,327
Total	1,730,816	1,341,927	1,634,330	1,259,064

Deposits from customers include pledged deposit for:

	The Group		The Bank	
	2010	2009	2010	2009
Bank acceptances	218,083	166,269	218,082	166,269
Letters of credit	24,875	5,931	24,803	5,823
Guarantees	6,389	3,813	6,389	3,807
Others	40,792	27,503	37,073	26,030
Total	290,139	203,516	286,347	201,929

(Expressed in millions of Renminbi unless otherwise stated)

44 Accrued staff costs

The Group

	Note	2010 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		6,612	7,406	(6,660)	7,358
Welfare expenses		—	562	(562)	—
Social insurance	(i)	20	759	(760)	19
Housing fund		7	398	(389)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	156	(156)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	301	(257)	272
Others		51	295	(225)	121
Total		6,987	10,053	(9,187)	7,853

	Note	2009 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		5,080	6,898	(5,366)	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	169	(119)	51
Total		5,313	8,921	(7,247)	6,987

The Bank

	Note	2010 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		6,441	6,693	(6,007)	7,127
Welfare expenses		—	556	(556)	—
Social insurance	(i)	20	755	(756)	19
Housing fund		7	392	(383)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	154	(154)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	299	(256)	271
Others		47	220	(149)	118
Total		6,812	9,245	(8,439)	7,618

(Expressed in millions of Renminbi unless otherwise stated)

44 Accrued staff costs (Continued)

The Bank (Continued)

		2009			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		4,936	6,277	(4,772)	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		—	99	(52)	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. In 2010, the Group made annuity contribution amounting to RMB154 million (2009: RMB122 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.

(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 44(i) to 44(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

(Expressed in millions of Renminbi unless otherwise stated)

45 Taxes payable

	The Group		The Bank	
	2010	2009	**2010**	2009
Income tax	**1,216**	13	**1,201**	—
Business tax and surcharges	**1,371**	980	**1,368**	977
Others	**11**	11	**4**	4
Total	**2,598**	1,004	**2,573**	981

46 Interest payable

	The Group		The Bank	
	2010	2009	**2010**	2009
Deposits from customers	**7,783**	6,047	**7,685**	5,987
Debt securities issued	**668**	370	**538**	271
Others	**118**	121	**20**	11
Total	**8,569**	6,538	**8,243**	6,269

47 Provisions

The Group and the Bank

	2010	2009
Litigation provisions	**36**	50

Movement of provisions:

	2010	2009
As at 1 January	**50**	50
Charge for the year	**36**	—
Reversal for the year	**(10)**	—
Transfer out	**(40)**	—
As at 31 December	**36**	50

48 Debt securities issued

		The Group		The Bank	
	Note	**2010**	2009	**2010**	2009
Notes issued	(i)	**197**	63	**—**	—
Certificates of deposit issued	(ii)	**5,943**	3,252	**—**	—
Subordinated debts bonds issued:					
— by the Bank	(iii)	**22,500**	12,000	**22,500**	12,000
— by CIFH	(iv)	**6,275**	3,107	**—**	—
Total		**34,915**	18,422	**22,500**	12,000

(Expressed in millions of Renminbi unless otherwise stated)

48 Debt securities issued (Continued)

(i) The notes were issued by CBI, a subsidiary of CIFH, and measured at amortized cost.

(ii) The 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 31 December represents:

	Note	2010	2009
Subordinated fixed rate bonds maturing:			
— in June 2016	(a)	4,000	4,000
— in May 2020	(b)	5,000	—
— in June 2021	(c)	2,000	2,000
— in May 2025	(d)	11,500	—
Subordinated floating rate debts maturing:			
— in June 2010		—	4,778
— in June 2010		—	320
— in July 2010		—	602
— in September 2010		—	300
Total		22,500	12,000

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(Expressed in millions of Renminbi unless otherwise stated)

48 Debt securities issued (Continued)

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

	Note	2010	2009
Perpetual subordinated fixed rate notes	(a)	**1,678**	1,742
Subordinated floating rate notes maturing in December 2017	(b)	**1,323**	1,365
Subordinated fixed rate notes maturing in June 2020	(c)	**3,274**	—
Total		**6,275**	3,107

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of USD250 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.

49 Other liabilities

	The Group		The Bank	
	2010	2009	**2010**	2009
Settlement accounts	**1,229**	742	**1,229**	727
Dormant accounts	**190**	214	**190**	214
Payment and collection clearance accounts	**197**	187	**197**	187
Government bonds redemption payable	**97**	74	**97**	74
Others	**2,305**	1,793	**1,647**	1,281
Total	**4,018**	3,010	**3,360**	2,483

(Expressed in millions of Renminbi unless otherwise stated)

50 Equity

The Group and the Bank

	2010	2009
A-Share	**26,631**	26,631
H-Share	**12,402**	12,402
Total	**39,033**	39,033

51 Share premium, other reserve and investment revaluation reserve

The Group

	Note	Share premium	Other reserve	Investment revaluation reserve (i)	Total
As at 1 January 2010		**31,301**	**254**	**(236)**	**31,319**
Other comprehensive income		**—**	**19**	**(396)**	**(377)**
As at 31 December 2010		**31,301**	**273**	**(632)**	**30,942**
As at 1 January 2009		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		(13,007)	—	—	(13,007)
As at 31 December 2009		31,301	254	(236)	31,319

The Bank

	Note	Share premium	Other Reserve	Investment revaluation reserve (i)	Total
As at 1 January 2010		**33,706**	**—**	**(23)**	**33,683**
Other comprehensive income		**—**	**—**	**(428)**	**(428)**
As at 31 December 2010		**33,706**	**—**	**(451)**	**33,255**
As at 1 January 2009		36,916	—	(72)	36,844
Other comprehensive income		—	—	49	49
Consideration paid for business combination under common control		(3,210)	—	—	(3,210)
As at 31 December 2009		33,706	—	(23)	33,683

(i) 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.

(Expressed in millions of Renminbi unless otherwise stated)

52 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank	
	2010	2009
As at 1 January	**3,535**	2,161
Appropriations	**2,083**	1,374
As at 31 December	**5,618**	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 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.

53 General reserve

	The Group		The Bank	
	2010	2009	**2010**	2009
As at 1 January	**12,562**	7,746	**12,526**	7,716
Appropriations	**3,136**	4,816	**3,124**	4,810
As at 31 December	**15,698**	12,562	**15,650**	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 and the Bank's banking subsidiaries in Mainland China have complied with the above requirements as of 31 December 2010.

54 Profit appropriations

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

	The Group		The Bank	
	2010	2009	**2010**	2009
Appropriations to				
— Statutory surplus reserve fund	**2,083**	1,374	**2,083**	1,374
— General reserve	**3,136**	4,816	**3,124**	4,810
As at 31 December	**5,219**	6,190	**5,207**	6,184

In accordance with the approval from the Board of Directors dated 31 March 2011, the Bank appropriated RMB2,083 million to statutory surplus reserve fund and RMB3,124 million to general reserve, representing 10% and 15% of the net profit after taxation under PRC GAAP, respectively. The Group's subsidiary CBI (China) made an appropriation to general reserve in accordance with relevant regulatory requirements.

(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.

(Expressed in millions of Renminbi unless otherwise stated)

55 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	2010	2009
Cash	4,034	3,926
Surplus deposit reserve funds	52,428	89,147
Deposits with banks and non-bank financial institutions due within three months when acquired	44,876	21,589
Placements with banks and non-bank financial institutions due within three months when acquired	31,938	40,410
Investment securities due within three months when acquired	40,634	12,176
Subtotal	169,876	163,322
Total	173,910	167,248

56 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	
	2010	2009	2010	2009
Contractual amount				
Loan commitments				
— with an original maturity of within one year	39,177	15,979	18,676	913
— with an original maturity of one year or beyond	21,319	25,250	16,193	22,485
Subtotal	60,496	41,229	34,869	23,398
Guarantees	68,932	62,901	65,474	60,022
Letters of credit	116,529	52,585	113,394	49,901
Acceptances	427,573	305,363	426,538	304,893
Credit card commitments	49,844	40,597	44,169	34,886
Total	723,374	502,675	684,444	473,100

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(b) Credit risk weighted amount

	The Group		The Bank	
	2010	2009	**2010**	2009
Credit risk weighted amount of contingent liabilities and commitments	**252,529**	191,767	**244,547**	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.

(c) Capital commitments

The Group had the following authorised capital commitments at 31 December:

	The Group		The Bank	
	2010	2009	**2010**	2009
— Contracted for	**326**	683	**277**	652
— Authorized but not contracted for	**98**	12	**81**	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 31 December, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	The Group		The Bank	
	2010	2009	**2010**	2009
Within one year	**1,170**	934	**1,039**	855
After one year but within two years	**1,075**	799	**971**	733
After two years but within three years	**988**	677	**900**	639
After three years but within five years	**1,657**	1,072	**1,474**	991
After five years	**1,751**	1,103	**1,536**	1,103
Total	**6,641**	4,585	**5,920**	4,321

(e) Outstanding litigations and disputes

As at 31 December 2010, the Group was the defendant in certain pending litigations with gross claims of RMB255 million (2009: RMB438 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB36 million (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 31 December 2009 and 2010.

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(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:

	The Group and the Bank	
	2010	2009
Bonds redemption obligations	**6,619**	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 47) 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.

57 Pledged assets

(a) Financial assets pledged as collaterals

The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the reporting date.

	The Group		The Bank	
	2010	2009	**2010**	2009
Discounted bills	**21**	—	**21**	—
Debt securities	**4,711**	2,349	**4,711**	1,279
Loans and advances to customers	**300**	2,837	**300**	2,837
Others	**1,920**	55	**—**	—
Total	**6,952**	5,241	**5,032**	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 31 December 2010, the Group could dispose collateral with the fair value of RMB9 million under resale agreements which was permitted to sell or repledge in the absence of default for the transactions (2009: nil).

(Expressed in millions of Renminbi unless otherwise stated)

58 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the 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	
	2010	2009
Entrusted loans	**99,662**	55,413
Entrusted funds	**99,662**	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	
	2010	2009	**2010**	2009
Investments under wealth management services	**168,983**	81,957	**103,649**	81,895
Funds from wealth management services	**168,983**	81,957	**103,649**	81,895

Amongst the above funds from wealth management service, RMB23,692 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 31 December 2010 (2009: RMB32,117 million).

59 Segment reporting

The segment reporting is disclosed in accordance with the accounting policy set out in note 4 (23). 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 year to acquire fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

The Group comprises the following main business segments 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)

59 Segment reporting (Continued)

(a) Business segments (Continued)

	2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	34,633	5,541	6,370	1,574	17	48,135
Internal net interest income/(expense)	4,578	853	(5,038)	12	(405)	—
Net interest income/(expense)	39,211	6,394	1,332	1,586	(388)	48,135
Net fee and commission income	2,992	2,002	96	598	8	5,696
Net trading gain/(loss)	481	2	484	375	(53)	1,289
Net gain from investment securities	—	—	80	20	42	142
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	347	11	—	495	242	1,095
Operating income/(expense)	43,031	8,409	1,992	3,073	(149)	56,356
Operating expenses						
— depreciation and amortization	(582)	(482)	(62)	(65)	(4)	(1,195)
— others	(12,974)	(6,815)	(300)	(1,220)	(134)	(21,443)
Impairment losses	(3,678)	(546)	—	(1,025)	—	(5,249)
Revaluation gain on investment properties	—	—	—	54	—	54
Share of profits of associates	—	—	—	172	—	172
Profit/(loss) before tax	25,797	566	1,630	989	(287)	28,695
Capital expenditure	786	690	75	94	2	1,647

	31 December 2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Investment in associates	—	—	—	2,253	—	2,253
Deferred tax assets						2,565
Total asset						2,081,314
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Deferred tax liabilities						—
Total liabilities						1,956,776
Off-balance sheet credit commitments	640,308	44,169	—	38,897	—	723,374

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

	2009					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	26,349	2,118	5,598	1,721	198	35,984
Internal net interest income/(expense)	1,337	3,229	(3,679)	13	(900)	—
Net interest income/(expense)	27,686	5,347	1,919	1,734	(702)	35,984
Net fee and commission income/(expense)	2,137	1,359	105	756	(137)	4,220
Net trading gain/(loss)	502	1	(360)	225	15	383
Net (loss)/gain from investment securities	—	—	(59)	55	4	—
Net hedging loss	—	—	—	(3)	—	(3)
Other operating income	174	17	—	89	119	399
Operating income/(expense)	30,499	6,724	1,605	2,856	(701)	40,983
Operating expenses						
— depreciation and amortisation	(607)	(450)	(43)	(67)	(21)	(1,188)
— others	(10,657)	(5,259)	(558)	(1,375)	(94)	(17,943)
Impairment losses	(1,236)	(661)	(10)	(491)	(221)	(2,619)
Revaluation gain on investment properties	—	—	—	32	—	32
Share of profits of associates	—	—	—	151	—	151
Losses on disposals of associates	—	—	—	(151)	—	(151)
Profit/(loss) before tax	17,999	354	994	955	(1,037)	19,265
Capital expenditure	1,165	965	97	34	41	2,302

	31 December 2009					
	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

59 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 29 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFC 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, Jinan and Tangshan;

— "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, Urumqi, Guiyang and Lanzhou;

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	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	11,058	5,477	8,884	5,328	5,098	1,388	9,312	1,590	—	48,135
Internal net interest income/(expense)	1,433	1,322	2,461	810	62	98	(6,198)	12	—	—
Net interest income	12,491	6,799	11,345	6,138	5,160	1,486	3,114	1,602	—	48,135
Net fee and commission income	1,080	648	1,113	562	430	106	1,151	606	—	5,696
Net trading gain	257	118	275	65	33	14	154	373	—	1,289
Net gain from investment securities	—	—	1	—	—	—	79	62	—	142
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income/(expense)	132	125	175	30	23	9	63	538	—	1,095
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense										
— depreciation and amortisation	(259)	(122)	(227)	(107)	(108)	(34)	(273)	(65)	—	(1,195)
— others	(5,092)	(2,858)	(4,333)	(2,537)	(2,218)	(594)	(2,540)	(1,271)	—	(21,443)
Impairment losses	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Revaluation gain on investment properties	—	—	—	—	—	—	—	54	—	54
Share of profits of associates	—	—	—	—	—	—	—	172	—	172
Profit before tax	7,511	3,863	6,978	3,744	3,085	963	1,506	1,045	—	28,695
Capital expenditure	236	115	377	160	441	49	175	94	—	1,647

	31 December 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Interests in associates	—	—	—	—	—	—	—	2,253	—	2,253
Deferred tax assets										2,565
Total assets										2,081,314
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Deferred tax liabilities										—
Total liabilities										1,956,776
Off-balance sheet credit commitment	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2009									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	8,306	3,962	5,846	3,644	3,701	953	7,818	1,754	—	35,984
Internal net interest income/(expense)	828	531	1,646	362	(50)	61	(3,391)	13	—	—
Net interest income	9,134	4,493	7,492	4,006	3,651	1,014	4,427	1,767	—	35,984
Net fee and commission income	695	393	826	366	235	71	873	761	—	4,220
Net trading gain/(loss)	195	88	311	39	20	9	(506)	227	—	383
Net (loss)/gain from investment securities	—	—	(54)	—	—	—	(14)	68	—	—
Net hedging loss	—	—	—	—	—	—	—	(3)	—	(3)
Other operating income	81	37	98	20	12	4	58	89	—	399
Operating income	10,105	5,011	8,673	4,431	3,918	1,098	4,838	2,909	—	40,983
Operating expense										
— depreciation and amortisation	(258)	(109)	(211)	(92)	(106)	(33)	(310)	(69)	—	(1,188)
— others	(4,126)	(2,315)	(3,487)	(1,697)	(1,463)	(441)	(2,968)	(1,446)	—	(17,943)
Impairment losses	(538)	(194)	75	(314)	(302)	(220)	(624)	(502)	—	(2,619)
Revaluation gain on investment properties	—	—	—	—	—	—	—	32	—	32
Share of profits of associates	—	—	—	—	—	—	—	151	—	151
Losses on disposals of associates	—	—	—	—	—	—	—	(151)	—	(151)
Profit before tax	5,183	2,393	5,050	2,328	2,047	404	936	924	—	19,265
Capital expenditure	876	165	331	326	205	61	309	29	—	2,302

	31 December 2009									
	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

60 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk:** credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk:** the exposure to market variables such as interest rates, exchange rates and equity markets.

— **Liquidity risk:** where Group is unable to meet its payment obligations when due, or it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

— **Operational risk:** the risk arising from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents 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.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or 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.

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	
	2010	2009	**2010**	2009
Balances with central banks	**252,289**	220,077	**251,518**	219,744
Deposits with bank and non-bank financial institutions	**81,955**	26,319	**67,157**	20,898
Placements with banks and non-bank financial	**48,633**	55,489	**39,221**	42,892
Trading financial assets	**2,848**	4,444	**2,298**	3,383
Positive fair value of derivatives	**4,478**	3,182	**3,094**	2,166
Financial assets held under resale agreements	**147,632**	185,203	**147,692**	185,271
Interest receivable	**6,095**	4,135	**5,615**	3,748
Loans and advances to customers	**1,246,026**	1,050,479	**1,170,383**	985,854
Available-for-sale financial assets	**130,602**	88,380	**112,889**	70,794
Held-to-maturity investments	**129,041**	107,466	**129,301**	107,715
Other financial assets	**2,532**	1,365	**2,257**	1,150
Subtotal	**2,052,131**	1,746,539	**1,931,425**	1,643,615
Credit commitments	**723,374**	502,675	**684,444**	473,100
Maximum credit risk exposure	**2,775,505**	2,249,214	**2,615,869**	2,116,715

(Expressed in millions of Renminbi unless otherwise stated)

60 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	2010 Loans and advances to customers	2010 Due from banks and non-bank financial institutions	2010 Financial assets held under resale agreements	2010 Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,732	31	—	442
Allowance for impairment		(4,727)	(8)	—	(334)
Net balance		3,005	23	—	108
— Collectively assessed					
Gross balance		801	—	—	29
Allowance for impairment		(670)	—	—	—
Net balance		131	—	—	29
Overdue but not impaired	(1)				
Gross balance		3,162	—	—	—
Within which					
— Less than 3 months		2,972	—	—	—
— 3 months to 1 year		188	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(94)	—	—	—
Net balance		3,068	—	—	—
Neither overdue nor impaired					
Gross balance		1,252,550	130,565	147,632	262,354
Allowance for impairment	(2)	(12,728)	—	—	—
Net balance		1,239,822	130,565	147,632	262,354
Net balance of total assets		1,246,026	130,588	147,632	262,491

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

The Group (continued)

	Note	2009 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		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)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

The Bank

	Note	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		6,701	31	—	430
Allowance for impairment		(4,474)	(8)	—	(323)
Net balance		2,227	23	—	107
— Collectively assessed					
Gross balance		785	—	—	—
Allowance for impairment		(668)	—	—	—
Net balance		117	—	—	—
Overdue but not impaired	(1)				
Gross balance					
Within which		2,574	—	—	—
— Less than 3 months		2,422	—	—	—
— 3 months to 1 year		150	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(87)	—	—	—
Net balance		2,487	—	—	—
Neither overdue nor impaired					
Gross balance		1,177,983	106,355	147,692	244,381
Allowance for impairment	(2)	(12,431)	—	—	—
Net balance		1,165,552	106,355	147,692	244,381
Net balance of total assets		1,170,383	106,378	147,692	244,488

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

The Bank (continued)

	Note	2009 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)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

As at 31 December 2010, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB309 million (2009: RMB500 million). The covered portion and uncovered portion of these loans and advances were RMB38 million (2009: RMB129 million) and RMB271 million (2009: RMB371 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB179 million (2009: RMB765 million).

As at 31 December 2010, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB34 million (2009: RMB54 million). The covered portion and uncovered portion of these loans and advances were RMB3 million (2009: RMB4 million) and RMB31 million (2009: RMB50 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB18 million (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					
	2010			2009		
	Gross balance	%	Loans with pledged assets	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	260,264	20.6	86,555	210,446	19.8	75,177
— Wholesale and retail	128,942	10.2	64,381	85,872	8.1	41,561
— Transportation, storage and postal services	124,734	9.9	38,889	102,557	9.6	32,325
— Production and supply of electric power, gas and water	81,869	6.5	9,130	85,106	8.0	10,742
— Water, environment and public utility management	81,205	6.5	28,103	74,604	7.0	26,556
— Real estate	72,433	5.7	54,059	46,312	4.3	39,485
— Public management and social organizations	58,163	4.6	35,086	49,560	4.7	31,257
— Rent and business services	48,444	3.8	22,174	49,900	4.7	24,383
— Construction	44,798	3.5	12,153	34,554	3.2	10,068
— Financing	6,245	0.5	2,279	6,551	0.6	2,178
— Others	85,175	6.7	22,479	77,173	7.2	18,846
Subtotal	992,272	78.5	375,288	822,635	77.2	312,578
Personal loans	216,274	17.1	189,942	148,240	13.9	131,224
Discounted bills	55,699	4.4	—	94,774	8.9	—
Gross loans and advances to customers	1,264,245	100.0	565,230	1,065,649	100.0	443,802

(Expressed in millions of Renminbi unless otherwise stated)

60 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					
	2010			2009		
	Gross balance	%	Loans with pledged assets	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	251,249	21.1	82,442	204,706	20.5	72,929
— Transportation, storage and postal services	122,142	10.3	37,012	99,823	10.0	30,303
— Wholesale and retail	120,616	10.2	61,256	82,159	8.2	39,608
— Production and supply of electric power, gas and water	81,561	6.8	9,099	84,819	8.5	10,561
— Water, environment and public utility management	81,155	6.8	28,103	74,604	7.5	26,556
— Real estate	61,780	5.2	43,548	37,320	3.7	30,783
— Public management and social organizations	58,087	4.9	35,086	49,560	4.9	31,257
— Rent and business services	48,263	4.1	22,093	49,800	5.0	24,383
— Construction	44,630	3.8	12,039	34,381	3.4	9,973
— Financing	2,512	0.2	607	2,583	0.3	823
— Others	61,190	5.1	18,357	53,802	5.4	13,085
Subtotal	933,185	78.5	349,642	773,557	77.4	290,261
Personal loans	201,346	17.0	175,560	133,637	13.3	117,227
Discounted bills	53,512	4.5	—	93,280	9.3	—
Gross loans and advances to customers	1,188,043	100.0	525,202	1,000,474	100.0	407,488

(Expressed in millions of Renminbi unless otherwise stated)

60 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)

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

	2010				
	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	3,076	2,144	2,647	648	(351)
Whole Sale and retail	1,369	860	1,245	464	(81)

	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

	2010				
	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	2,941	2,084	2,566	546	(339)
Transportation, storage and postal services	96	77	1,201	251	—
Whole Sale and retail	1,332	845	1,186	476	(62)

	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)

(Expressed in millions of Renminbi unless otherwise stated)

60 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:

The Group

	2010			2009		
	Gross balance	**%**	**Loans and advances secured by collaterals**	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	**346,098**	**27.4**	**139,571**	293,907	27.6	105,394
Yangtze River Delta	**327,534**	**25.9**	**147,473**	284,055	26.7	129,485
Pearl River Delta and West Strait	**174,510**	**13.8**	**88,514**	145,222	13.6	69,119
Central	**159,534**	**12.6**	**65,359**	133,009	12.5	44,189
Western	**143,237**	**11.3**	**68,137**	113,499	10.6	47,173
Northeastern	**41,239**	**3.3**	**19,701**	34,965	3.3	15,523
Outside Mainland China	**72,093**	**5.7**	**36,475**	60,992	5.7	32,919
Total	**1,264,245**	**100.0**	**565,230**	1,065,649	100.0	443,802

The Bank

	2010			2009		
	Gross balance	**%**	**Loans and advances secured by collaterals**	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	**345,037**	**29.0**	**138,630**	293,056	29.3	104,789
Yangtze River Delta	**325,678**	**27.4**	**145,829**	282,138	28.2	127,786
Pearl River Delta and West Strait	**173,318**	**14.6**	**87,546**	143,807	14.4	68,028
Central	**159,534**	**13.4**	**65,359**	133,009	13.3	44,189
Western	**143,237**	**12.1**	**68,137**	113,499	11.3	47,173
Northeastern	**41,239**	**3.5**	**19,701**	34,965	3.5	15,523
Total	**1,188,043**	**100.0**	**525,202**	1,000,474	100.0	407,488

(Expressed in millions of Renminbi unless otherwise stated)

60 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)

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

	2010 Impaired loans and advances	2010 Individually assessed impairment allowances	2010 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	**2,362**	**1,385**	**4,479**
Yangtze River Delta	**1,950**	**1,132**	**3,497**
Pearl River Delta and West Strait	**1,583**	**910**	**1,870**
Central	**479**	**336**	**1,568**
Western	**531**	**425**	**1,390**

	2009 Impaired loans and advances	2009 Individually assessed impairment allowances	2009 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

The Bank

	2010 Impaired loans and advances	2010 Individually assessed impairment allowances	2010 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	**2,362**	**1,385**	**4,479**
Yangtze River Delta	**1,926**	**1,123**	**3,496**
Pearl River Delta and West Strait	**1,537**	**910**	**1,870**
Central	**479**	**336**	**1,568**
Western	**531**	**425**	**1,390**

	2009 Impaired loans and advances	2009 Individually assessed impairment allowances	2009 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

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

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

		The Group		The Bank	
	Note	**2010**	2009	**2010**	2009
Unsecured loans		**336,806**	293,974	**322,758**	283,394
Guaranteed loans		**306,510**	233,099	**286,571**	216,312
Secured loans					
— Tangible assets other than monetary assets		**434,657**	335,343	**399,424**	301,493
— Monetary assets		**130,573**	108,459	**125,778**	105,995
Subtotal		**1,208,546**	970,875	**1,134,531**	907,194
Discounted bills		**55,699**	94,774	**53,512**	93,280
Gross loans and advances to customers		**1,264,245**	1,065,649	**1,188,043**	1,000,474

(vi) Rescheduled loans and advances to customers

The Group

	2010		2009	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**6,926**	**0.55%**	4,146	0.39%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,205**	**0.17%**	2,079	0.20%
— rescheduled loans and advances overdue less than 3 months	**4,721**	**0.38%**	2,067	0.19%

The Bank

	2010		2009	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**6,278**	**0.53%**	3,577	0.36%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,175**	**0.18%**	2,038	0.20%
— rescheduled loans and advances overdue less than 3 months	**4,103**	**0.35%**	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.

60 Financial risk management (Continued)

(b) Market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments, as well as from 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.

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 year, 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.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group

	Effective interest rate (note (i))	2010 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	1.40%	256,323	4,034	252,289	—	—	—
Deposits with banks and non-bank financial institutions	1.73%	81,955	—	78,152	3,803	—	—
Placements with banks and non-bank financial institutions	1.49%	48,633	23	45,209	3,401	—	—
Financial assets held under resale agreements	2.82%	147,632	—	129,913	17,225	494	—
Loans and advances to customers (note (ii))	5.00%	1,246,026	171	958,047	276,648	10,637	523
Investments (note (iii))	2.68%	271,258	2,617	90,738	83,498	77,751	16,654
Others		29,487	29,487	—	—	—	—
Total assets		2,081,314	36,332	1,554,348	384,575	88,882	17,177

	Effective interest rate (note (i))	2010 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	141,663	206	131,678	9,779	—	—
Placements from banks and non-bank financial institutions	3.43%	7,072	—	5,860	399	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.33%	1,730,816	9,115	1,347,898	317,059	53,256	3,488
Debts securities issued	3.72%	34,915	—	4,177	1,935	6,481	22,322
Others		37,929	27,201	9,014	1,694	20	—
Total liabilities		1,956,776	36,522	1,503,008	330,866	59,757	26,623
Asset-liability gap		124,538	(190)	51,340	53,709	29,125	(9,446)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

	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

	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
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)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The following tables indicate the effective interest rates for the respective year, 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

	Effective interest rate (note (i))	2010 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	1.40%	255,394	3,876	251,518	—	—	—
Deposits with banks and non-bank financial institutions	2.02%	67,157	—	63,354	3,803	—	—
Placements with banks and non-bank financial institutions	2.00%	39,221	23	36,196	3,002	—	—
Financial assets held under resale agreements	2.82%	147,692	—	129,973	17,225	494	—
Loans and advances to customers (note (ii))	5.14%	1,170,383	—	889,165	270,229	10,469	520
Investments (note (iii))	2.73%	260,515	10,163	79,487	78,995	75,217	16,653
Others		25,455	25,455	—	—	—	—
Total assets		1,965,817	39,517	1,449,693	373,254	86,180	17,173

	Effective interest rate (note (i))	2010 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	143,775	446	133,550	9,779	—	—
Placements from banks and non-bank financial institutions	4.15%	5,813	—	5,000	—	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.38%	1,634,330	5,941	1,262,069	311,172	51,660	3,488
Debts securities issued	4.22%	22,500	—	—	—	—	22,500
Others		35,428	24,700	9,014	1,694	20	—
Total liabilities		1,846,227	31,087	1,414,014	322,645	51,680	26,801
Asset-liability gap		119,590	8,430	35,679	50,609	34,500	(9,628)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

	Effective interest rate (note (i))	Total	Non-interest bearing	2009 (restated) 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

	Effective interest rate (note (i))	Total	Non-interest bearing	2009 (restated) Less than three months	Between three months and one year	Between one and five years	More than five years
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

60 Financial risk management (Continued)

(b) Market risk (Continued)

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 RMB5,556 million as at 31 December 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 RMB4,228 million as at 31 December 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.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 31 December 2010 and 31 December 2009.

	2010 Change in interest rates (in basis point)		2009 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(916)**	**916**	(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)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The exposures at the reporting date were as follows:

The Group

			2010		
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	252,374	3,349	446	154	256,323
Deposits with banks and non-bank financial institutions	53,287	17,106	9,925	1,637	81,955
Placements with banks and non-bank financial institutions	35,730	9,842	2,861	200	48,633
Financial assets held under resale agreements	147,632	—	—	—	147,632
Loans and advances to customers	1,135,409	62,248	45,940	2,429	1,246,026
Investments	232,661	26,310	8,795	3,492	271,258
Others	24,455	1,357	3,284	391	29,487
Total assets	1,881,548	120,212	71,251	8,303	2,081,314
Liabilities					
Deposits from banks and non-bank financial institutions	135,472	5,176	333	682	141,663
Placements from banks and non-bank financial institutions	5,000	1,213	46	813	7,072
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,583,501	67,083	64,094	16,138	1,730,816
Debts securities issued	23,002	6,803	4,845	265	34,915
Others	30,652	4,857	1,739	681	37,929
Total liabilities	1,781,948	85,192	71,057	18,579	1,956,776
Net on-balance sheet position	99,600	35,020	194	(10,276)	124,538
Credit commitments	594,287	100,058	17,433	11,596	723,374
Derivatives (note(i))	11,068	(35,463)	13,928	10,953	486

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

	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)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	2010				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	251,957	2,980	309	148	255,394
Deposits with banks and non-bank financial institutions	48,222	16,826	523	1,586	67,157
Placements with banks and non-bank financial institutions	34,201	4,963	57	—	39,221
Financial assets held under resale agreements	147,632	60	—	—	147,692
Loans and advances to customers	1,134,116	34,786	76	1,405	1,170,383
Investments	241,693	16,838	517	1,467	260,515
Others	24,394	721	—	340	25,455
Total assets	1,882,215	77,174	1,482	4,946	1,965,817
Liabilities					
Deposits from banks and non-bank financial institutions	137,523	5,285	285	682	143,775
Placements from banks and non-bank financial institutions	5,000	—	—	813	5,813
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,576,386	45,680	5,095	7,169	1,634,330
Debts securities issued	22,500	—	—	—	22,500
Others	28,941	5,523	198	766	35,428
Total liabilities	1,774,671	56,548	5,578	9,430	1,846,227
Net on-balance sheet position	107,544	20,626	(4,096)	(4,484)	119,590
Credit commitments	594,126	79,045	380	10,893	684,444
Derivatives (note(i))	15,179	(23,762)	4,236	4,710	363

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

	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.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 31 December 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.

	2010 Change in foreign currency exchange rate (in basis point)		2009 (Restated) Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(2)**	**2**	(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.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(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.

The Group

	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	57,193	—	—	—	—	199,130	256,323
Deposits with banks and non-bank financial institutions	31,831	47,397	2,727	—	—	—	81,955
Placements with banks and non-bank financial institutions	—	38,263	4,717	4,960	670	23	48,633
Financial assets held under resale agreements	—	129,337	17,727	568	—	—	147,632
Loans and advances to customers (note(ii))	2,284	224,589	480,708	312,830	221,695	3,920	1,246,026
Investment securities	6,171	67,002	65,947	94,428	34,889	2,821	271,258
Others	7,421	2,960	2,706	2,926	642	12,832	29,487
Total assets	104,900	509,548	574,532	415,712	257,896	218,726	2,081,314
Liabilities							
Deposits from banks and non-bank financial institutions	66,100	65,784	9,779	—	—	—	141,663
Placements from banks and non-bank financial institutions	—	5,603	257	399	813	—	7,072
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	978,528	377,006	317,154	54,640	3,488	—	1,730,816
Debts securities issued	—	204	3,392	5,721	25,598	—	34,915
Others	13,556	11,860	6,367	3,926	722	1,498	37,929
Total liabilities	1,058,184	464,838	336,949	64,686	30,621	1,498	1,956,776
(Short)/Long position	(953,284)	44,710	237,583	351,026	227,275	217,228	124,538

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group (continued)

	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)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank

	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	56,264	—	—	—	—	199,130	255,394
Deposits with banks and non-bank financial institutions	17,033	47,397	2,727	—	—	—	67,157
Placements with banks and non-bank financial institutions	—	31,379	3,320	4,499	—	23	39,221
Financial assets held under resale agreements	—	129,397	17,727	568	—	—	147,692
Loans and advances to customers (note(ii))	1,846	212,258	463,194	286,042	204,058	2,985	1,170,383
Investment securities	6,171	60,887	60,451	89,034	33,929	10,043	260,515
Others	5,936	2,958	2,655	2,926	642	10,338	25,455
Total assets	87,250	484,276	550,074	383,069	238,629	222,519	1,965,817
Liabilities							
Deposits from banks and non-bank financial institutions	68,212	65,784	9,779	—	—	—	143,775
Placements from banks and non-bank financial institutions	—	5,000	—	—	813	—	5,813
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	945,115	322,915	311,172	51,640	3,488	—	1,634,330
Debts securities issued	—	—	—	—	22,500	—	22,500
Others	11,826	11,861	6,342	3,926	722	751	35,428
Total liabilities	1,025,153	409,941	327,293	55,566	27,523	751	1,846,227
(Short)/Long position	(937,903)	74,335	222,781	327,503	211,106	221,768	119,590

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank (continued)

	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.

60 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)

61 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 minority 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 RMB8.5 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 as at 31 December 2010 and 2009 calculated based on the financial statements under PRC GAAP were as follows:

	2010	2009
Capital adequacy ratio (note(i))	11.31%	10.72%
Core capital adequacy ratio (note(ii))	8.45%	9.17%
Components of capital base		
Core capital:		
— Share capital	39,033	39,033
— Capital reserve, investment revaluation reserve and exchange difference	29,250	29,947
— Surplus reserve and general reserve	21,316	16,097
— Retained earnings (note(iii))	25,204	14,286
— Non-controlling interest	4,363	4,210
Total core capital	119,166	103,573
Supplementary capital:		
— General provision for doubtful debts	12,822	8,855
— Subordinated debts/bonds issued	28,775	10,307
— Fair value change of financial assets	165	—
Total supplementary capital	41,762	19,162
Total capital base before deductions	160,928	122,735
Deductions:		
— Goodwill	857	887
— Unconsolidated equity investments	2,267	2,157
— Others	1,190	1,103
Total capital base after deductions	156,614	118,588
Core capital base after deductions	116,988	101,527
Risk weighted assets	1,385,262	1,106,648

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio (Continued)

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) According to regulatory requirements, the retained earnings are net of the estimated dividend in respect of the year ended 31 December 2010 which is based on previous year's practice in relation to dividends.

62 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 29.

(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	
	2010	2009	**2010**	2009
Certificate of deposit (not for trading purpose)	**5,284**	3,252	**5,289**	3,260
Debt securities issued	**197**	63	**197**	63
Subordinated debts/bonds issued	**28,775**	9,107	**27,673**	9,068

	The Bank			
	Carrying values		Fair values	
	2010	2009	**2010**	2009
Subordinated debts/bonds issued	**22,500**	6,000	**20,814**	5,879

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value in accordance with note 4(3)(f) by the level in the fair value hierarchy into which the fair value treatment is categorised:

	The Group			
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)~(iii))	Total
As at 31 December 2010				
Assets				
Trading financial assets	35	2,266	4	2,305
Financial assets designated at fair value through profit and loss	513	—	37	550
Positive fair value of derivatives	26	4,302	150	4,478
Available-for-sale financial assets	15,424	121,140	412	136,976
Total	15,998	127,708	603	144,309
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(10,729)	—	(10,729)
Negative fair value of derivatives	(1)	(3,941)	(184)	(4,126)
Total	(1)	(14,670)	(184)	(14,855)

	The Bank			
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)~(iii))	Total
As at 31 December 2010				
Assets				
Trading financial assets	32	2,266	—	2,298
Financial assets designated at fair value through profit and loss	—	—	—	—
Positive fair value of derivatives	—	2,944	150	3,094
Available-for-sale financial assets	8,020	110,838	60	118,918
Total	8,052	116,048	210	124,310
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(10,729)	—	(10,729)
Negative fair value of derivatives	—	(2,685)	(184)	(2,869)
Total	—	(13,414)	(184)	(13,598)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(i) During the current year, there were no significant transfer between level 1 and level 2 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

The Group

	Assets					Liabilities		
	Trading financial assets	Financial assets designated at fair value through profit and loss	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2010	3	174	476	988	1,641	(1,147)	(840)	(1,987)
Total gain or losses:								
— In profit or loss	1	5	(676)	(412)	(1,082)	1,138	620	1,758
— In other comprehensive income	1	(2)	—	(102)	(103)	—	—	—
Issues	(1)	—	—	—	(1)	—	—	—
Settlements	—	(140)	350	(62)	148	9	36	45
At 31 December 2010	4	37	150	412	603	—	(184)	(184)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	1	5	66	3	75	—	(31)	(31)

The Bank

	Assets					Liabilities		
	Trading financial assets	Financial assets designated at fair value through profit and loss	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2010	—	137	475	55	667	(1,147)	(839)	(1,986)
Total gain or losses:								
— In profit or loss	—	3	(675)	1	(671)	1,138	619	1,757
— In other comprehensive income	—	—	—	13	13	—	—	—
Settlements	—	(140)	350	(9)	201	9	36	45
At 31 December 2010	—	—	150	60	210	—	(184)	(184)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	3	66	1	70	—	(31)	(31)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(iii) In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain/(loss), net gain/(loss) arising from investment securities and impairment losses in the statement of comprehensive income.

63 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 31 December 2010 (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 31, CITIC Group is also a related party of the Bank that has control relations.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant years and the corresponding balances outstanding at the reporting dates are as follows:

	2010				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Profit and loss					
Interest income	**24**	**195**	**29**	**2**	**12**
Fee and commission income	**1**	**277**	**5**	**60**	**—**
Interest expense	**(266)**	**(249)**	**(73)**	**(9)**	**(4)**
Net trading gain/(loss)	**608**	**(12)**	**(56)**	**—**	**6**
Other service fees	**(1)**	**(81)**	**—**	**(1)**	**(29)**

	2009				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Interest income	38	282	15	1	18
Fee and commission income	1	176	—	44	—
Interest expense	(186)	(287)	(16)	(9)	(5)
Net trading gain/(loss)	434	(18)	(59)	—	(2)
Other service fees	(1)	(169)	(2)	—	—

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2010				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Assets					
Gross loans and advances to customers	—	1,980	—	273	—
Less: individually assessed allowances for impairment loss	—	—	—	—	—
Loans and advances to customers (net)	—	1,980	—	273	—
Gross amount of deposits and placements with banks and non-bank financial institutions	—	33	3	—	1,100
Less: Allowances for impairment losses	—	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	—	25	3	—	1,100
Investments	499	530	943	—	10,215
Financial assets held under resale agreements	—	—	—	—	60
Other assets	9	35	115	1	3
Liabilities					
Deposits from customers	13,865	14,350	—	2,736	44
Deposits and placements from banks and non-bank financial institutions	—	10,282	—	—	2,187
Financial assets sold under repurchase agreements	4,000	—	—	—	—
Other liabilities	25	766	2,345	2	—
Equity					
Investment revaluation reserve	2	3	(7)	—	—
Off-balance sheet items					
Guarantees and letters of credit	77	105	—	—	—
Acceptances	—	361	—	—	—
Guarantees received	150	15	2	3	357
Nominal amount of derivatives	1,621	4,870	31,854	—	68

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	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 received	—	—	2	3	728
Nominal amount of derivatives	6,687	3,971	15,345	—	68

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 year of 2010, CITIC Trust did not purchase on behalf of its customers from the Bank loans and advances to customers (2009: RMB2,000 million).

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(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 31 December 2010 to directors, supervisors and executive officers amounted to RMB26.06 million (as at 31 December 2009: RMB20.18 million).

The aggregate of the compensations in respect of directors and supervisors is disclosed in Note 14. The executive officers' compensations during the years are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	4,442	5,004
Discretionary bonuses	19,435	21,914
Contributions to defined contribution retirement schemes	1,148	1,383
	25,025	28,301

(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 44(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.

63 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.

64 Ultimate parent

As disclosed in Note 1, the immediate and ultimate parent of the Group is CITIC Group.

65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the these financial statements.

- 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*;
- Amendments to IFRS 7, *Financial instruments: Disclosure*;
- Amendments to IAS 12, *Income taxes*

The Group is in the process of making assessment of what the impact of these amendments 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.

66 Comparative figures

As disclosed in Note 5, 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.

67 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 these financial statements after the reporting date.

(Expressed in millions of Renminbi unless otherwise stated)

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

1 Difference between the financial statements prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") 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 statements for the year ended 31 December 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 year ended 31 December 2010 or total equity as at 31 December 2010 between the Group's consolidated financial statements prepared under IFRSs and that prepared under PRC GAAP respectively.

2 Liquidity ratios

	31 December 2010	31 December 2009
RMB current assets to RMB current liabilities	**56.75%**	48.13%
Foreign currency current assets to foreign currency current liabilities	**55.78%**	71.39%

The above liquidity ratios were calculated based on the financial statements under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

3 Currency concentrations

	31 December 2010			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**110,335**	**71,242**	**8,305**	**189,882**
Spot liabilities	**(86,621)**	**(71,070)**	**(18,726)**	**(176,417)**
Forward purchases	**185,001**	**30,497**	**26,340**	**241,838**
Forward sales	**(222,510)**	**(15,575)**	**(15,633)**	**(253,718)**
Net (short)/long position	**(13,795)**	**15,094**	**286**	**1,585**

	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 (short)/long position	(6)	13,120	424	13,538

(Expressed in millions of Renminbi unless otherwise stated)

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.

	31 December 2010			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**2,780**	**73**	**820**	**3,673**
— of which attributed to Hong Kong	**1,464**	**73**	**638**	**2,175**
Europe	**7,729**	**287**	**2**	**8,018**
North and South America	**6,583**	**3,277**	**817**	**10,677**
Total	**17,092**	**3,637**	**1,639**	**22,368**

	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

	31 December 2010 Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	327,534	1,725	1,950
Bohai Rim (include Head Office)	346,098	2,397	2,362
Pearl River Delta and West Strait	174,510	1,254	1,583
Central	159,534	478	479
Western	143,237	363	531
Northeastern	41,239	324	651
Outside Mainland China	72,093	853	977
Total	1,264,245	7,394	8,533

	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.

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

	31 December 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	0.01%	0.04%

Note:

All overdue amounts have been overdue over 12 months.

(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 (Continued)

(ii) Gross amounts of overdue loans and advances to customers

	31 December 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	**582**	598
— between 6 and 12 months	**1,256**	1,783
— over 12 months	**5,556**	5,580
Total	**7,394**	7,961
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.05%**	0.06%
— between 6 and 12 months	**0.10%**	0.17%
— over 12 months	**0.44%**	0.52%
Total	**0.59%**	0.75%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

— Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

— Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 31 December 2010, the loans and advances to customers of RMB6,452 million (2009: 6,730 million) and RMB942 million (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 RMB996 million (2009: 1,091 million) and RMB5,456 million (2009: 5,639 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,168 million (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 RMB4,158 million (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 31 December 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 statements.

DOCUMENTS Available for Inspection

1. Original of the 2010 Annual Report bearing the signature of the chairman of the Bank.

2. Financial statements bearing the signature and stamp of the legal representative, president, officer in charge of financial function and the officer in charge of financial department.

3. Original of the audit report bearing the stamp of the accounting firm, together with signature and stamp of the CPA.

4. Original of all documents and announcements of the Company that have been disclosed on the newspapers designated by the CSRC during the reporting period.

5. Articles of Association of China CITIC Bank Corporation Limited.

Information on the Shares

Listing

On 27 April 2007, the Bank simultaneously listed at SSE and SEHK.

Common Shares

The number of outstanding shares are 39,033,344,054, including 26,631,541,573 A shares and 12,401,802,481 H shares.

Dividends

The Board of Directors suggests that considering the Bank plans to issue A and H shares to its existing shareholders by way of rights issue (hereinafter "Rights Issue"), which is expected to complete in the near future and according to Article 33 of the *Measures for the Administration of Securities Issuance and Underwriting*: "when it comes to the circumstances where the profit distribution and common reserve capitalizing plan have not been submitted to the Shareholders' General Meeting for approval or have not been executed though approved by the Shareholders' General Meeting, listed company shall execute its securities issuance after the execution of the plan", the Bank shall not arrange cash dividend distribution for 2010, nor shall it arrange the common reserve capitalizing, and relevant profit shall be retained for future distribution, which is to ensure the smooth proceeding of the Rights Issue and is in the interest of its long-term development. The above proposal will be submitted to the Shareholders' General Meeting for approval.

Stock Code and Stock Name

A-share	
SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH
H-share	
SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Inquiry from Shareholders

If shareholders have any inquiry about their shareholdings, such as share transfer, "street name" shares, address redirecting and loss of shares, please post a letter to the following addresses:

A-share

China Securities Depository and Clearing Corporation Limited Shanghai Branch
36/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: +86-21-68870142

H-share

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-28658555
Fax: +852-28650990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Moody's Investors Service: Long-term deposits rating is Baa2, short-term deposits rating is P-2, financial strength rating is D, rating prospect is neutral.
Fitch ratings: Individual rating is D, support rating is 2.

Index Constituent Stock

A-share Index of SSE
SSE 180 Index
SSE 50 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Index Shanghai-Shenzhen 300 Index
China Securities Index 100 Index
China Securities Index 800 Index

Investor Inquiry

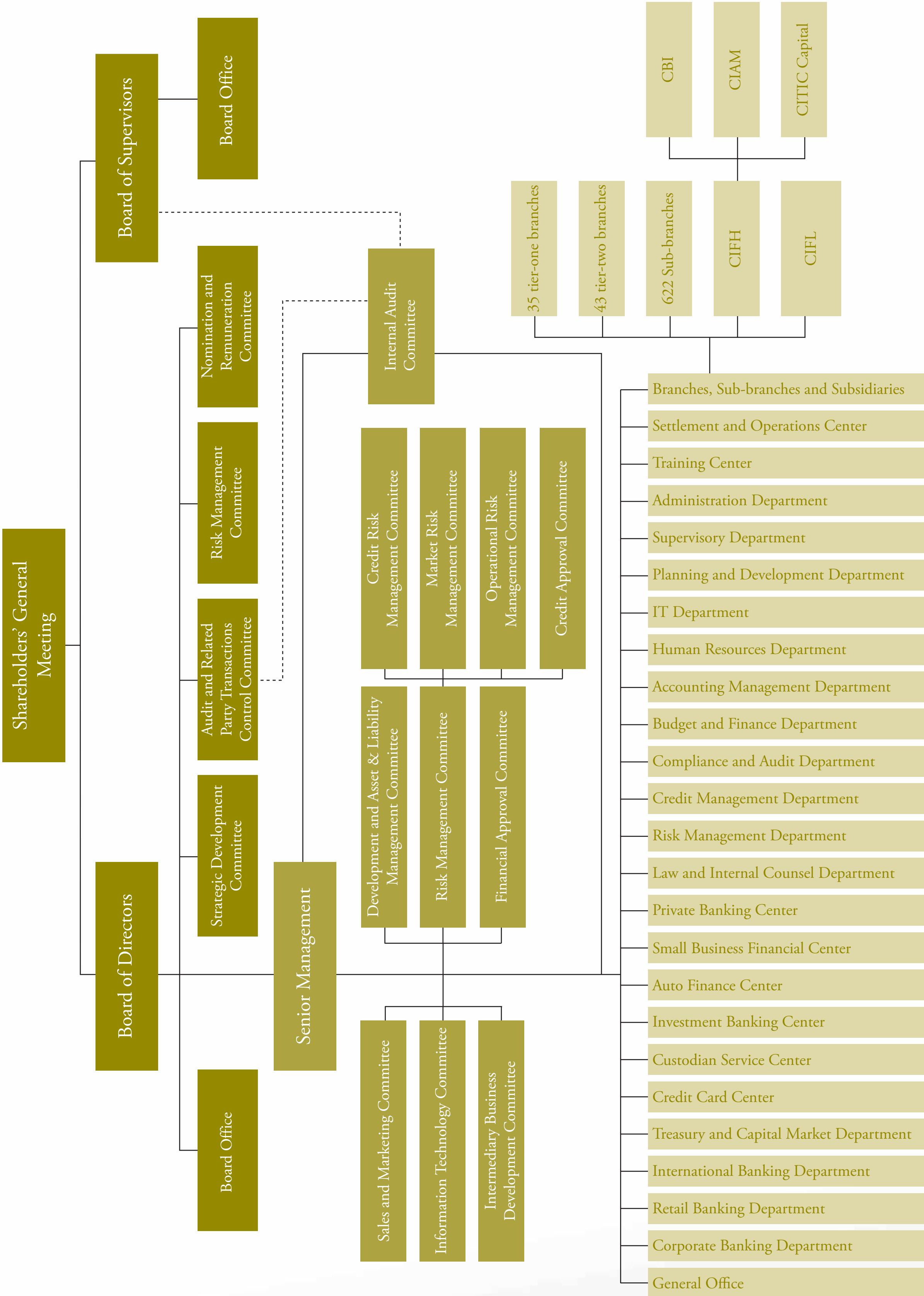
If H-share investors have any inquiry, please contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: 15F, Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-65558000
Fax: +86-10-65550809
E-mail: ir_cncb@citicbank.com

Other Information

This annual report is available in both Chinese and English. To get copies of this annual report prepared in accordance with the international accounting standards, please write to the Bank's H-share Registrar, Computershare Hong Kong Investor Services Limited. To obtain copies of the annual report prepared in accordance with the PRC accounting standards, please visit places of business of the Bank. This annual report is also available (in both English and Chinese) on the following websites: bank.ecitic.com, www.sse.com.cn and www.hkexnews.hk.

If you have any queries about how to obtain copies of this annual report or how to access to those documents on the Bank's website, please call the Bank's hotline at +86-10-65558000 or +852-28628555.

CORPORATE Structure



LIST of Domestic and Overseas Affiliates

As of the end of the reporting period, there were 700 branch outlets in a total of 85 large and medium-sized cities in China (excluding Hong Kong) consisting of 35 tier-one branches, 43 tier-two branches, 622 sub-branches and 2 overseas subsidiaries.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
1	Beijing	1	Head Office	Address: Postal Code: Website: SWIFT BIC:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 100027 http://bank.ecitic.com CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Hotline: 95558
		45	Beijing branch	Address: Postal Code:	Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	26	Tianjin Branch	Address: Postal Code:	No. 14, Nanjing Road, Hexi District, Tianjin 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	25				
	Shijiazhuang	19	Shijiazhuang Branch	Address: Postal Code:	No. 209, Xinhua East Road, Shijiazhuang, Hebei Province 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	5	Tangshan Branch	Address: Postal Code:	No. 46, Xinhua West Road, Tangshan, Hebei Province 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	1	Baoding Branch	Address: Postal Code:	No. 733, Yuhua West Road, Baoding 071000	Tel: 0312-2081598 Fax: 0312-5881160
4	Liaoning Province	55				
	Shenyang	18	Shenyang Branch	Address: Postal Code:	No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	19	Dalian Branch	Address: Postal Code:	No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	7	Anshan Branch	Address: Postal Code:	No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: Postal Code:	No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: Postal Code:	No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province 125001	Tel: 0429-2808185 Fax: 0429-2800885
5	Shanghai	36	Shanghai Branch	Address: Postal Code:	Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai 200120	Tel: 021-58771111 Fax: 021-58776606
6	Jiangsu Province	79				
	Nanjing	19	Nanjing Branch	Address: Postal Code:	No. 348, Zhongshan Road, Nanjing, Jiangsu Province 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	15	Wuxi Branch	Address: Postal Code:	No. 112, Renmin Road, Wuxi, Jiangsu Province 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	9	Changzhou Branch	Address: Postal Code:	Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: Postal Code:	No. 171, Weiyang Road, Yangzhou, Jiangsu Province 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	5	Taizhou Branch	Address: Postal Code:	No. 15, Gulou Road, Taizhou 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Suzhou	20	Suzhou Branch	Address: Postal Code:	No. 258, Zhuhui Road, Suzhou, Jiangsu Province 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	2	Nantong Branch	Address: Postal Code:	Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province 226001	Tel: 0513-81120909 Fax: 0513-81120900
	Zhenjiang	1	Zhenjiang Branch	Address: Postal Code:	No. 11, Changjiang Road, Zhenjiang, Jiangsu Province 212001	Tel: 0511-89886201 Fax: 0511-89886200
7	Zhejiang Province	67				
	Hangzhou	24	Hangzhou Branch	Address: Postal Code:	No. 88, Yan'an Road, Hangzhou, Zhejiang Province 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	9	Wenzhou Branch	Address: Postal Code:	Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou 325000	Tel: 0577-88858466 Fax: 0577-88858575
	Jiaxing	8	Jiaxing Branch	Address: Postal Code:	No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	8	Shaoxing Branch	Address: Postal Code:	No. 289, West Renmin Road, Shaoxing, Zhejiang Province 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Ningbo	16	Ningbo Branch	Address: Postal Code:	CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province 315010	Tel: 0574-87733065 Fax: 0574-87973742
	Taizhou	1	Taizhou Branch	Address: Postal Code:	No. 489, Shifu Avenue, Taizhou, Zhejiang Province 318000	Tel: 0576-81889666 Fax: 0576-88819916
	Lishui	1	Lishui Branch	Address: Postal Code:	No.1, Zijin Road, Lishui, Zhejiang Province 323000	Tel: 0578-2082977 Fax: 0578-2082985
8	Anhui Province	16				
	Hefei	13	Hefei Branch	Address: Postal Code:	No. 78, Huizhou Avenue, Hefei, Anhui Province 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	2	Wuhu Branch	Address: Postal Code:	X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu 241000	Tel: 0553-3888685 Fax: 0553-3888685

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
	Anqing	1	Anqing Branch	Address: Postal Code:	No. 101, Zhongxing Road, Anqing, Anhui Province 246005	Tel: 0556-5280606 Fax: 0556-5280605
9	Fujian Province	36				
	Fuzhou	15	Fuzhou Branch	Address: Postal Code:	No. 99, Hudong Road, Fuzhou 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	12	Xiamen Branch	Address: Postal Code:	CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	6	Quanzhou Branch	Address: Postal Code:	Building of the People's Bank of China, Fengze Street, Quanzhou, Fujian Province 362000	Tel: 0595-22148619 Fax: 0595-22148222
	Putian	2	Putian Branch	Address: Postal Code:	1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	1	Zhangzhou Branch	Address: Postal Code:	1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou 363000	Tel: 0596-2995568 Fax: 0596-2995207
10	Shandong Province	56				
	Jinan	13	Jinan Branch	Address: Postal Code:	CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	16	Qingdao Branch	Address: Postal Code:	No. 22, Mid Hong Kong Road, Qingdao, Shandong Province 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: Postal Code:	No. 109, Xincun West Road, Zhangdian District, Zibo, Shandong Province 255032	Tel: 0533-2212123 Fax: 0533-2212123
	Yantai	5	Yantai Branch	Address: Postal Code:	No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: Postal Code:	No. 2, North Qingdao Road, Weihai, Shandong Province 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	4	Jining Branch	Address: Postal Code:	No. 28, Gongxiao Road, Jining, Shandong Province 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	1	Weifang Branch	Address: Postal Code:	No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	1	Dongying Branch	Address: Postal Code:	No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province 257091	Tel: 0546-7922255 Fax: 0546-8198666
11	Henan Province	24				
	Zhengzhou	18	Zhengzhou Branch	Address: Postal Code:	No. 26, North Jingsan Road, Zhengzhou, Henan Province 450008	Tel: 0371-65792800 Fax: 0371-65792900
	Luoyang	3	Luoyang Branch	Address: Postal Code:	No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province 471000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	1	Jiaozuo Branch	Address: Postal Code:	No. 1736, Tanan Road, Jiaozuo, Henan Province 454000	Tel: 0379-64682858 Fax: 0379-64682875
	Nanyang	1	Nanyang Branch	Address: Postal Code:	Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province 473000	Tel: 0377-61628299 Fax: 0377-61628299
	Anyang	1	Anyang Branch	Address: Postal Code:	Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province 455000	Tel: 0372-5998026 Fax: 0377-5998086
12	Hubei Province	21				
	Wuhan	20	Wuhan Branch	Address: Postal Code:	No. 747, Hankou Construction Avenue, Wuhan, Hubei Province 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	1	Xiangfan Branch	Address: Postal Code:	No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province 441000	Tel: 0710-3454199 Fax: 0710-3454166
13	Hunan Province					
	Changsha	21	Changsha Branch	Address: Postal Code:	No. 456, Wuyi Street, Changsha, Hunan Province 410011	Tel: 0731-84582177 Fax: 0731-84582179
14	Guangdong Province	79				
	Guangzhou	24	Guangzhou Branch	Address: Postal Code:	CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	6	Foshan Branch	Address: Postal Code:	No. 140, Central Fenjiang Road, Foshan, Guangdong Province 528000	Tel: 0757-83989999 Fax: 0757-83309903
	Shenzhen	27	Shenzhen Branch	Address: Postal Code:	5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	20	Dongguan Branch	Address: Postal Code:	Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	1	Jiangmen Branch	Address: Postal Code:	1/F–2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province 529000	Tel: 0750-3939016 Fax: 0750-3939029
	Huizhou	1	Huizhou Branch	Address: Postal Code:	1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province 516000	Tel: 0752-2898837 Fax: 0752-2898851
15	Chongqing	19	Chongqing Branch	Address: Postal Code:	Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing 400010	Tel: 023-63107677 Fax: 023-63107527

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
16	Sichuan Province					
	Chengdu	24	Chengdu Branch	Address: Postal Code:	Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province	18				
	Kunming	16	Kunming Branch	Address: Postal Code:	Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	1	Qujing Branch	Address: Postal Code:	1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	1	Dali Branch	Address: Postal Code:	1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province 671000	Tel: 0872-2323278 Fax: 0872-2323278
18	Guizhou Province					
	Guiyang	1	Guiyang Branch	Address: Postal Code:	Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province 550002	Tel: 0851-5587009 Fax: 0851-5587377
19	Gansu Province					
	Lanzhou	2	Lanzhou Branch	Address: Postal Code:	No. 638, West Donggang Road, Lanzhou, Gansu Province 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province					
	Xi'an	17	Xi'an Branch	Address: Postal Code:	CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province 710061	Tel: 029-87820018 Fax: 029-87817025
21	Shanxi Province	7				
	Taiyuan	6	Taiyuan Branch	Address: Postal Code:	Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	1	Datong Branch	Address: Postal Code:	1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province 037008	Tel: 0352-2513800 Fax: 0352-2513779
22	Jiangxi Province	6				
	Nanchang	5	Nanchang Branch	Address: Postal Code:	Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: Postal Code:	Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province 337000	Tel: 0799-6890078 Fax: 0799-6890005
23	Inner Mongolia Autonomous Region	7				
	Hohhot	5	Hohhot Branch	Address: Postal Code:	No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	1	Baotou Branch	Address: Postal Code:	No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	1	Erdos Branch	Address: Postal Code:	CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region 017000	Tel: 0477-8188000 Fax: 0477-8188002
24	Guangxi Zhuang Autonomous Region	6				
	Nanning	5	Nanning Branch	Address: Postal Code:	No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	1	Liuzhou Branch	Address: Postal Code:	No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region 545026	Tel: 0772-2083625 Fax: 0772-2083622
25	Heilongjiang Province					
	Harbin	3	Harbin Branch	Address: Postal Code:	No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province 150090	Tel: 0451-55558112 Fax: 0451-53995558
26	Jilin Province					
	Changchun	3	Changchun Branch	Address: Postal Code:	No. 1177, Changchun Avenue, Changchun, Jilin Province 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Xinjiang Uighur Autonomous Region					
	Urumqi	1	Urumqi Branch	Address: Postal Code:	CITIC Bank Tower, No.165, North Xinhua Road, Urumqi 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address:	Room 2106, 21/F, 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

DEFINITION

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
CBRC	China Banking Regulatory Commission
Central Bank/PBOC	The People's Bank of China
China AMC	China Asset Management Co., Ltd
China Securities	China Securities Co., Ltd
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CBI	CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited)
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group
CITIC Holdings	CITIC Holdings Company Limited
CITIC Kingtong Securities	CITIC Kingtong Securities Co., Ltd
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd
CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Resources	CITIC Resources Holdings Limited
CITIC Securities	CITIC Securities Co., Ltd
CITIC Trust	CITIC Trust Co., Ltd
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd
Company Law	Company Law of the People's Republic of China
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
MOF	Ministry of Finance of the People's Republic of China
NSSF	National Council for Social Security Fund
SASAC	State-owned Assets Supervision Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China

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