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

2009 Annual Report

Corporate Information

Founded in 1987, China CITIC Bank is one of the earliest emerging commercial banks during China's reform and opening up and among China's first commercial banks engaging in financing on the domestic and international financial markets. It is noted 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 Hong Kong Stock Exchange. On 23 October 2009, China CITIC Bank accomplished the transaction of its acquisition of the 70.32% equity interest in CITIIC International Financial Holdings Limited, successfully building a strategic platform for its internationalized operation.

China CITIC Bank has 31 tier-one branches, 29 tier-two branches and 555 outlets all over Chinese Mainland mainly located in economic centers of the eastern costal region and inner China. With high quality service, more than 24,000 employees provide services regarding fund wealth management, personal loans and credit card business to individual customers on the one hand, and provide comprehensive financial solutions and convenient and safe E-banking services to corporate customers on the other hand.

In "Top 1000 World Banks" ranking released by the The Banker magazine of the United Kingdom, China CITIC Bank ranked the 67th in terms of tier-one capital and the 94th in terms of total assets, among the world's top 100 banks.

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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, China
Postal Code:	100027
Website:	bank.ecitic.com
Contact Telephone Number:	86-10-6555 8000
Fax Number:	86-10-6555 0809
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:	Office of the Board of Directors, CNCB

Legal Advisor as to PRC law:	King & Wood PRC Lawyers
Legal Advisor as to Hong Kong law:	Freshfields Bruckhaus Deringer
PRC Auditor:	KPMG Huazhen Accounting Firm Office Address: 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China Postal code: 100738
International Auditor:	KPMG Office Address: 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository & Clearing Corporation Limited, at 36th Floor, China Insurance Mansion, No. 166 Lu Jia Zui East Road, Pudong New Area, Shanghai
H-share Registrar:	Computershare Hong Kong Investor Services Limited, at 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: Hong Kong Stock Exchanges and Clearing Ltd. CITIC Bank 0998
Date of First Registration:	7 April 1987
Date of Changing Registration:	31 December 2006
Authority of First Registration and Changing Registration:	State Administration for Industry and Commerce, PRC
Registration Number of Business License of:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

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

Financial highlights

Operating Performance

Unit: RMB million

Item	2009	2008	Growth (%)
Operating income	**40,983**	41,963	(2.34)
Profit before taxation	**19,264**	17,713	8.76
Net profit attributable to shareholders	**14,319**	13,296	7.69
Net operating cash flow	**(7,697)**	140,459	—
Per share			
Basic earnings per share (RMB)	**0.37**	0.40	(7.50)
Diluted earnings per share (RMB)	**0.37**	0.40	(7.50)
Net operating cash flow per share (RMB)	**(0.20)**	4.23	—

Profitability Indicators

	2009	2008	Increase/Decrease
Return on average assets (ROAA)	**0.94%**	1.09%	(0.15)
Return on average equity (ROAE) (excluding minority interests)	**12.82%**	13.29%	(0.47)
Cost-to-income ratio (excluding business tax and sur-charges)	**39.95%**	34.72%	5.23
Credit cost	**0.25%**	0.81%	(0.56)
Net interest spread	**2.39%**	2.94%	(0.55)
Net interest margin	**2.51%**	3.16%	(0.65)

Scale Indicators

Unit: RMB million

Item	End of 2009	End of 2008	Growth (%)
Total assets	**1,776,276**	1,319,570	34.61
Total loans and advances to customers	**1,065,649**	730,386	45.90
Total liabilities	**1,668,023**	1,190,196	40.15
Total deposits from customers	**1,341,927**	1,027,325	30.62
Total equity attributable to shareholders	**104,043**	119,366	(12.84)
Net asset value per share attributable to shareholders (RMB)	**2.67**	3.06	(12.75)

Asset Quality Indicators

Item	End of 2009	End of 2008	Increase/Decrease
NPL ratio	**0.95%**	1.41%	(0.46)
Provision coverage ratio	**149.36%**	136.11%	13.25
Allowance for impairment of loans to total loans ratio	**1.42%**	1.92%	(0.50)

Capital Adequacy Indicators

Item	End of 2009	End of 2008	Increase/Decrease
Capital adequacy ratio	**10.14%**	14.32%	(4.18)
Core capital adequacy ratio	**9.17%**	12.32%	(3.15)
Total equity to total assets ratio	**6.09%**	9.80%	(3.71)

Note: On 23 October 2009, China CITIC Bank purchased 70.23% equity interests of CIFH. The accounting figures and financial indicators of 2008 have been treated by retroactive adjustment.

Five Year Financial Summary

Unit: RMB million

Item	2009	2008 (After adjustment)	2007	2006	2005
Operation Performance					
Operating income	**40,983**	41,963	27,955	17,927	13,655
Total profit	**19,264**	17,713	13,172	7,002	5,453
Net profit attributable to shareholders	**14,319**	13,296	8,322	3,858	3,083
Net operating cash flow	**(7,697)**	140,459	29,519	(7,574)	(7,650)
Per share					
Basic earnings per share (RMB)	**0.37**	0.40	0.23	0.12	0.10
Diluted earnings per share (RMB)	**0.37**	0.40	0.23	0.12	0.10
Net operating cash flow per share (RMB)	**(0.20)**	4.23	0.76	(0.24)	(0.29)
Scale Indicators					
Total assets	**1,776,276**	1,319,570	1,011,186	706,723	594,602
Total loans and advances to customers	**1,065,649**	730,386	575,208	463,167	370,254
Total liabilities	**1,668,023**	1,190,196	927,095	675,029	571,377
Total deposits from customers	**1,341,927**	1,027,325	779,999	618,412	530,573
Total equity attributable to shareholders	**104,043**	119,366	84,086	31,689	23,220
Net asset value per share attributable to shareholders (RMB)	**2.67**	3.06	2.15	1.02	0.87
Profitability Indicators					
Return on average assets (ROAA)	**0.94%**	1.09%	0.97%	0.59%	0.57%
Return on average equity (ROAE) (excluding minority interest)	**12.82%**	13.29%	14.37%	14.05%	18.15%
Cost-to-income ratio (deducting business tax and sur-charges)	**39.95%**	34.72%	34.92%	39.67%	41.11%
Credit cost	**0.25%**	0.81%	0.54%	0.34%	0.31%
Net interest spread	**2.39%**	2.94%	2.95%	2.53%	2.38%
Net interest margin	**2.51%**	3.16%	3.12%	2.62%	2.45%
Asset Quality Indicators					
NPL ratio	**0.95%**	1.41%	1.48%	2.50%	4.14%
Provision coverage ratio	**149.36%**	136.11%	110.01%	84.62%	79.88%
Capital Adequacy Indicators					
Capital adequacy ratio	**10.14%**	14.32%	15.27%	9.41%	8.11%
Core capital adequacy ratio	**9.17%**	12.32%	13.14%	6.57%	5.72%

Chairman's Statement

Kong Dan
Chairman

I am hereby pleased to report to all the shareholders that in 2009 the Group realized a net profit attributable to the Bank's Shareholders of RMB14.319 billion, up by 7.69% from the previous year. ROAA and ROAE were 0.94% and 12.82% respectively and the earnings per share was RMB0.37. Based on its prudential market performance, the Bank was the only bank that received the "Best Joint Stock Bank" in "2009 Chinese Financial Institution Gold Medal List and the First Golden Dragon Selection" sponsored by Financial News press and the Institute of Finance and Banking of Chinese Academy of Social Sciences. In "Top 1000 World Banks" ranking released by the The Banker magazine of the United Kingdom, China CITIC Bank ranked the 67th in terms of tier-one capital and the 94th in terms of total assets, which made it among the world's top 100 banks.

The year 2009 was an unusual year with numerous ups and downs. As the global financial crisis continued to spread, China's economy was gradually restoring in spite of hardships. Confronted with such rare adverse conditions, China CITIC Bank seized opportunities inherent in was crisis, strived to adjust its business and assets structure, further promoted its internationalization strategies, withstood the impact of the global financial crisis and achieved good operating performance through adhering to its business operation philosophy of "coordinating the development of efficiency, quality and scale".

Chairman's Statement

On behalf of the Board of Directors of China CITIC Bank, I would like to express my heartfelt gratitude to the management team and all the staff for their immense efforts and contributions to the Bank's continuous performance improvement during the past year, as well as to friends from all walks of life for their on-going and steadfast support to China CITIC Bank.

The sound corporate governance structure plays a vital role in safeguarding the healthy development of China CITIC Bank. In 2009, the Board of Directors perfected the Bank's operating mechanism featuring scientific policy-making, vigorous execution and effective supervision, maintained the professionalism, diversity and independence of the composition of the Board of Directors and the management team and gave full play to its function in scientific decision-making. In 2009, the Board of Directors held 10 meetings while its specialized committees held 15 meetings, at which more than 60 resolutions were formed and a series of material decisions were made in respect of key guiding principles and policies. It is worth highlighting that during the past year, the Board of Directors conducted substantial and highly efficient work in further promoting the Bank's internationalization strategies, perfecting corporate governance and discharging social responsibilities.

Safeguarded by the effective corporate governance, the Bank's risk management system managed to withstand the severe test. Although China's financial system was not directly hit by the international financial crisis, the financial industry was, to a certain extent, exposed to the adverse impacts on China's real economy. Benefiting from the philosophy of prudent operation it has always pursued, the Bank strived to cultivate a scientific risk culture, identified the market trend accurately and adopted appropriate strategies in a timely manner. In 2009 the Group's non-performing loans amounted to RMB10.157 billion, down by RMB129 million from the previous year, while the NPL ratio stood at 0.95%, down by 0.46 percentage point from the previous year and the provision coverage ratio reached 149.36%.

China CITIC Bank has completed its historical transition to accelerate its internationalization strategies. In 2009, the Bank successfully acquired 70.32% equity interest of CIFH at an appropriate time and price, which was another significant strategic move of the Bank since its joint-stock reform and IPO, representing a determined step made by the Bank towards internationalization. BBVA, as a strategic investor of both China CITIC Bank and CIFH, has offered strong support and assistance to contribute to the development of and the cooperation between the two parties. Currently, the three parties have established a "trinity" strategic alliance and will deepen their strategic cooperation continuously. In 2009, BBVA increased its shareholding in the Bank on two consecutive occasions up to 15% despite the downward trend in the stock market, which fully reflects BBVA's high recognition of China's economic development and the value of the Bank.

While endeavoring to maximize the shareholders' interests, the Bank puts the concept of scientific development into effect, assumes corporate social responsibilities proactively and rewards the society for their support with outstanding operating results. The Bank regards the fulfillment of social responsibilities as a key component of the pursuit of sustainable development and recognizes the trust and support from all sectors of the community as the basis for its development. In 2009, the Bank donated an aggregate amount of about RMB5 million and assumed social responsibilities in many social aspects such as education, public welfare and finance, which put into effect our philosophy of caring deeply about people's livelihood and contributing to the development of a harmonious society. As the sincere efforts of the Bank were widely recognized by the general public, it was ranked the sixth among the "2009 China's Most Respected Companies" listed by the *Wall Street Journal Asia*.

Looking ahead in 2010, although the global financial crisis has not completely subsided, the Chinese government has provided us with precious opportunities for innovation and development in many new areas through implementing proactive fiscal policies and moderately loosened monetary policy, encouraging re-organization of state-owned assets, accelerating urbanization, and offering support to rapid emerging industries including new energies, low-carbon economy and environmental protection. Starting from this historic milestone, China CITIC Bank will continue to adopt the concept of scientific development in its overall management, maintain a steady development, enhance its competitiveness in both domestic and global markets as well as its brand building, perform corporate social responsibilities and reward shareholders and society for their trust and support with a sustainable, steady and sound development.

After getting through an economic "frosty winter" hand in hand with its shareholders, China CITIC Bank will be determined to embrace a "warm spring" come alive and will definitely be marching among top domestic and international commercial banks in competitions.

Chairman: Kong Dan
28 April 2010

President's Statement

Chen Xiaoxian
President

2009 was a year when the world and China'a economy underwent a significant turbulence and was a meaningful year for the Group. During the year, adhering to its principle of "maintaining profit, controlling risks and promoting development" the Bank spared no efforts, adapted itself to all the changes, fulfilled business plans and made progress in all respects. In "Top 1000 World Banks" ranking released by the *The Banker* magazine of the United Kingdom, the Group ranked the 67th in terms of tie-one capital and the 94th in terms of total assets, which made it among the world's top 100 banks. In selection for the "Top 200 Most respected Chinese Enterprises in Asia" by *The Wall Street Journal Asia*, the Group ranked the 6th. The awards built a good brand image for the Group. The Group's performance results in 2009 are evidenced by the following eight "Achievements":

Achievement in Operating Performance

Facing the situation where the net interest margin was narrowed down by a large margin, the Group managed to get through hardships, actively responded to changes, adjusted structure and accelerated development, as a result of which, the Group made remarkable achievements in its operating performance. The Group realized a net profit attributable to the Bank's Shareholders of RMB14.319 billion, up by 7.69% compared with the previous year, of which the net non-interest income was RMB4.999 billion, up by 8.39% compared with the previous year, which presented shareholders with a satisfying answer sheet. As of the end of 2009, the total assets of the Group was RMB1,776.276 billion, an increase of 34.61% compared with the end of the previous year, the total balance for deposits stood at RMB1,616.976 billion, increasing by 42.33% compared with the end of the previous year, and the total balance for loans was RMB1,065.649 billion, increasing by 45.9% compared with the previos year, which testified to the significant improvement in the Group's business scale.

Achievement in Internationalization Strategy

In 2009, the Bank effectively completed the acquisition of CIFH in appropriate time, at proper price and within short time framework, which was another significant move for its strategic development after joint-stock reform and IPO. By acquiring CIFH and deepening the strategic cooperation with BBVA, the Bank has initially established a "trinity" internationalized operation platform. In 2009, owing to the confidence in China market and the recognision of the Bank's prospect, BBVA increased its shareholding in the Bank for two consecutive occasions to 15%, which paved the way for a further implementation of the Bank's internationalization strategy.

Achievement in Corporate Banking Business

In 2009, the Group's balance for corporate deposits reached RMB1,097.852 billion, increasing by 33.42% compared with the end of the previous year and the balance for corporate loans amounted to RMB917.409 billion, increasing by 45.94% compared with the end of the previous year. The market share of the international settlement volume maintained the top one among all small and medium-sized banks. The foreign exchange and RMB market making maintained a leading position amongst all competing banks. The Group's corporate banking business made further improvement in following areas: firstly, the systematic marketing capability was enhanced. As of the end of 2009, the number of domestic strategic customers increased to 2,820, an increase of 600 compared with the end of the previous year, and their deposit and loan balance increased by 63.58% and 46.26% respectively compared with the end of the previous year. Therefore, the contribution of strategic customers to the business increased dramatically. Secondly, the Group's market adaptability was strengthened. In early 2009, the Group promptly unveiled the instructive opinions for corporate loans marketing, established the joint lending platform for key projects. In the second half of 2009, the Group aptly tightened the discount scale to ensure a steady growth in RMB denominated general corporate loans. Thirdly, the Group's product R&D and innovation capabilities were improved. The Group launched a new generation of cash management service platform and enhanced the the Group's comprehensive service capability in corporate banking business. In supply chain financing, the Group received good effect of brand building and its service scope kept expanding.

Achievement in Retail Banking Business

In 2009, the Group's retail banking business recorded its best performance in history. The balance for savings deposit recorded RMB244.075 billion, increasing by 19.37% compared with the end of the previous year, the assets under management reached RMB301.239 billion, up by 26.97% compared with the end of the previous year, the balance for personal consumer credit reached RMB148.24 billion, increasing by 45.64% compared with the end of the previous year, the profit from credit cards reached above RMB300 million, an increase of 2.4 times over that of the end of the previous year, and the number of Private Banking Diamond Card holders recorded 5,223, increasing by 157.42% compared with the previous year. In 2009, the Group saw a breakthrough resulting from the implementation of retail banking strategy and established a preliminary universal banking system: Firstly, the Group strengthened personal loan system and established personal loan center, so that it successfully increased personal mortgage loans to over RMB100 billion. Secondly, the Group strengthened its customer acquiring and marketing capability, as a result of which, the number of new personal accounts was 3,060,000, an increase of 17.96% compared with the previous year, and the number of VIP clients was 120,690, up by 37.72% compared with the previous year. Thirdly, the Group strengthened the use of technology, the Group's success rate of inter-bank transaction of bank cards topped all other banks, and the number of its personal Internet banking certified customers reached 2 million with the transaction volume nearly RMB300 billion, tripling or even more than that of the previous year.

Achievement in Risk Control

In 2009, the Group formulated relevant credit policies at the year beginning in advance to identify the allocation of loans against the backdrop of the narrowed interest spread and the contracted demand for credit from real economy. Meanwhile, the Group timely identified and mitigated risk loans and withdrew from high-risk customers. As of the end of 2009, the Group achieved a "double-drop" of NPL ratio which dropped to 0.95%, 0.46 percentage point lower than the end of the previous year, and balance of NPLs which dropped to RMB10.157 billion, RMB129 million lower than the end of the previous year. The provision coverage ratio rose to 149.36%, up by 13.25 percentage points compared with the end of the previous year. Therefore, The Group's risk resistance capability has been furthered improved.

Achievement in Internal Control Management

In 2009, there was no cases occurred, as always, which indicated the Bank's excellent capability in internal control and good compliance culture cultivation. The good performance is mainly reflected in three aspects. Firstly, the internal control management system has fulfilled the development objectives for the current phase. The Bank took the lead to implement the *Basic Standard for Enterprise Internal Control* promulgated by five state ministries including the MOF and established a compliance management system with full-time compliance working teams and part-time compliance staff from business departments. Secondly, the internal control supervision was enhanced. While promoting business development, the Bank carried out "Risk Examination" campaign involving all the branches and business departments. The Bank conducted audit for 795 projects and created a new record for human resources input and examination frequency. Thirdly, the Bank advocated a motivated sense of improving internal control and discharging responsibility, which contributed to the constant compliance culture cultivation.

Achievement in Branch Operation

Guided by the active policy adjustments and measures of the head office, the operation of branches made remarkable progress and maintained a coordinated development of efficiency, quality and scale. 16 branches generated over RMB500 million pre-tax profit and 22 branches achieved the NPL ratio below 1%, which was highly appraised by local regulatory authorities. In addition, over 20 working teams and individuals received awards of national, provincial and municipal level, which significantly enhanced the Bank's market influence.

Achievement in Delicacy Management

With an eye to improve efficiency and delicacy management capabilities, the Group made remarkable improvements in the following areas: Firstly, the Group continuously enhanced its core business system management. The Group launched several electronic banking systems such as a new generation of cash management system, new solutions for cross-border settlement and a new generation of wealth management platform, which improved its operation efficiency and risk control capability as well as its customer segmentation and marketing capabilities. Secondly, the Group continuously enhanced its management on information system. By preliminarily establishing its FTP management system and comprehensively optimizing its management accounting system, the Group was enabled to properly classify performance results among different business lines. Through upgrading the asset measurement system, the Group built a multi-dimensional economic capital monitoring system. Thirdly, the Group continuously enhanced its operation support system management. The Group successfully launched an account centralization system and upgraded the system for retail counters, which effectively elevated its capability to prevent risks in accounting.

The achievements in 2009 shall be attributed to the endeavouring staff and is the definite result of the wise decision making and supervision by regulatory authorities, the Board of Directors and the Board of supervisors. Moreover, it is a result of the support from shareholders, clients and all walks of life in society. On behalf of the senior management, I hereby would like to express our heartfelt gratitude to all of you!

Looking forward in 2010, the world economy is gradually stepping out of recession and China is taking big strides ahead, which is an important opportunity for banks and will also bring in great challenges in risk management and competition. Facing an increasingly complicated operation environment, the Group will stick to the coordinated development between efficiency, quality and scale and adhere to the philosophy of "adjusting structure, enhancing management and promoting development" to realize a faster growth by analyzing macroeconomic situation and policies, speeding up strategic transformation, optimizing business model, intensifying risk management, improving internal control mechanism, strengthening integration with CIFH and giving full play to the synergy effect of subsidiaries under CITIC Goup.

President: Chen Xiaoxian
28 April 2010

Awards

February

- The Bank ranked the 78th among the "Top 500 Financial Brands 2008" by *The Banker* magazine of the United Kingdom nudging into world top 100 banks.

June

- The Bank received the "Best Investment Bank in China" award in the 2009 China Star selection by *The Global Finance*.

- The Bank rose to the 190th among 2009 Global Top 500 Enterprises in Market Value released by *The Financial Times* of the United Kingdom, ranking itself among the top 200 international enterprises.

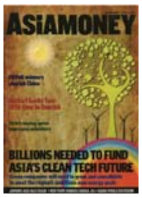
July

- The Bank rose to the 67th in terms of tier-one capital and the 94th in terms of total assets among "Top 1000 World Banks" by *The Banker* magazine of the United Kingdom, ranking itself among the top 100 banks.

August

- The Bank was awarded the "Most Respected Chinese Enterprise" in a selection for the "Top 200 Most respected Chinese Enterprises in Asia" by *The Wall Street Journal Asia*.

September



- The Bank was awarded "Best Foreign Currency Service Provider in China" by *Asia Money* for the fourth consecutive year.

October

THE ASIAN BANKER
EXCELLENCE IN RETAIL FINANCIAL SERVICES
AWARDS 2009

- The Bank received the "Excellence in Retail Financial Services for 2009 — Excellence in Bank Card and Retail Payment" by *The Asian Banker*.
- The Bank received the "Quality Recognition Award U.S. Dollar Clearing" award again by *J.P. Morgan*, the world's largest U.S. Dollar Clearing bank.

November

21世纪经济报道
21st CENTURY BUSINESS HERALD

ASIAN BANKS
亚洲银行竞争力排名
2009 ASIAN BANKS COMPETITIVE RANKINGS

- The Bank rose to the 11th among the *21st Century Business Herald's* "Asian Banks Competitiveness Ranking Research 2009 Bank List", among the leading banks in Asia.
- The Bank received the "Best Overseas Exploration" award for its successful acquisition of CIFH.

December

- The Bank was awarded the "Best Joint Stock Bank" in "2009 Chinese Financial Institution Gold Medal List and the First Golden Dragon Selection" sponsored by *Financial News* press and the Institute of Finance and Banking of Chinese Academy of Social Sciences.
- Dr. Chen Xiaoxian, President of the Bank, was elected as one of the "China Top 10 Financial Figures" by *The Chinese Banker* for the fifth consecutive year.

Stable Profit Growth

Carrying our business goal of "ensuring profit, controlling risk and promoting growth" and presenting shareholders with a satisfying testing paper.

2009 was a year of economic turbulence for China and the world, and an unusual one for the bank. Under the tremendously changing business environment, the Bank kept steady growth and healthy development constantly, which is not only the expectation of our shareholders but also the mission entrusted by the history.

While the net interest margin continued to tighten due to the moderately loosened monetary policy, the Bank overcame difficulties, actively responded to changes, adjusted structure and accelerated development, the operating performance makes new achievements. While the operation scale and quality remarkably improved, the net interest margin achieved 2.51%, the net profit attributable to the Bank's shareholders stood at RMB14.319 billion, representing an increase of 7.69% compared with the previous year; The net fee and commission income recorded RMB4.22 billion, representing an increase of 13.44% compared with the previous year. The operating performance makes new achievements.

Net profit

RMB 14.319 billion

In the severe market environment, the Group's net profit increased by 7.69% despite the adversity, realising a steady and healthy growth.

Management Discussion and Analysis

Economic, financial and supervisory environment

The world economy started to recover in 2009 as stimulus policies of various countries took effect. From the third quarter of 2009, developed economies like the US, Europe and Japan stepped out of recession, and major emerging market economies and developing countries rebounded quickly, with remarkable increase in international trade and investment, as well as rebounding financial markets and bulk commodities prices. As the world economy is entering a "turning stage" towards recovery, the loosened policy environment will continue in a short term and the recovering momentum is expected to be enhanced. It is estimated that the world economic growth will be around 3.9% in 2010. However, uncertainties during recovery period still exist and even grow due to high unemployment rate, high fiscal deficit and sovereign debt and mounting inflation in developed economies and inflating asset price in emerging markets as well as different timing of stimulus policy withdrawal by governments.

In 2009, facing the severe impact of the financial crisis and the complicated situation at home and abroad, the Chinese government practiced proactive fiscal and moderately loosened monetary policies, unveiled a basket of measures to "ensure growth, adjust structure, promote reform and improve people's livelihood", successfully averted the downward trend of economic growth and realized economic restoring. The gross domestic product (GDP) reached RMB33,535.30 billion, with a growth rate of 8.7% compared with the previous year; fixed asset investment was RMB22,484.60 billion, with a growth rate of 30.1% compared with the previous year; the aggregate social retail consumer goods was RMB12,534.30 billion, with a growth rate of 15.5% compared with the previous year; the total foreign trade volume was USD2,207.30 billion, decreased by 13.9% compared with the previous year; the trade surplus was USD196.1 billion, decreased by 33.6% compared with the previous year; the consumer price index (CPI) dropped by 0.7% compared with the previous year and the producer's price index (PPI) dropped by 5.4% compared with the previous year.

China's financial industry operated in a prudent manner. As of the end of 2009, broad money (M2) balance was RMB60.62 trillion, with a growth rate of 27.68% compared with the previous year; narrow money (M1) balance was RMB22 trillion, with a growth rate of 32.35% compared with the previous year; the total loan balance of financial institutions was RMB39.97 trillion, with a growth rate of 31.74% compared with the previous year; the total deposit balance was RMB59.77 trillion, with a growth rate of 28.21% compared with the previous year. The exchange rate of RMB against USD remained stable, the parity price of which was RMB6.8282 at the end of 2009, 64 basis points higher than that at the end of 2008. The stock market rebounded with an aggregate market value of RMB24,393.9 billion of Shanghai Stock Exchange and Shenzhen Stock Exchange at the end of 2009, doubling that of the previous year end. Despite the downward economy and the negative impact by the significantly narrowed interest spread, the domestic banking industry seized the opportunity when the government exercised stimulus policies to expand credit scale and optimize credit structure. While supporting national economic growth, Chinese banking industry realized an increase in net profit, an improvement in asset quality and the remarkable enhancement in comprehensive strength.

In 2009, the CBRC perfected relevant systems, intensified supervision, strictly controlled the credit issuance and formulated a series of policies and measures, including *Interim Measures for the Administration of Fixed Asset Loans, Interim Measures for the Administration of Working Capital Loans, Measures for Personal Loan Management, Guidelines for the Project Financing Business and Guide to Commercial Banks in Capital Adequacy Information Exposure.* Moreover, the CBRC conducted a dynamic supervision on provision and capital according to financial situation and strategic and guided Chinese banking industry to maintain a sound, sustainable and stable development.

Generally speaking, 2009 was full of ups and downs for the world economy and was the most difficult period for China's economy since it entered the new century. Chinese economy and domestic banking industry withstood the test of the global financial crisis. The economy kept growing steadily and the banking industry, while operating safely and steadfastly, contributed a lot to the recovery of domestic economy.

Analysis of the financial statements

Overview

In the face of a complicated and volatile International and domestic economic and financial situation in 2009, the management team of the Group duly adjusted its operation and management strategies in close association with its business goals of "ensuring profit, controlling risks and promoting growth". Great efforts were made to optimize the asset and liability structure and continuously improve the rationality of resources allocation of the Bank. While ensuring fast growth in business scale, the Bank also achieved a continuous improvement of its asset quality and a steady increase in its economic returns.

In compliance with the macro policy requirement of "finance promoting economic growth", the Bank strengthened its support for business development in 2009, achieving a prudent growth of its assets and liabilities. As of the end of the reporting period, the Bank's total assets reached RMB1,776.276 billion, up by RMB456.706 billion or 34.61% from the end of the previous yea, of which the total loans and advances to customers stood at RMB1,065.649 billion, up by RMB335.263 billion or 45.90% from the end of the previous year. Total liabilities amounted to RMB1,668.023 billion, up by RMB477.827 billion or 40.15% from the end of the previous year, of which the total deposits from customers was RMB1,341.927 billion, up by RMB314.602 billion or 30.62% from the end of the previous year.

Carrying out its business philosophy of coordinating the development of efficiency, quality and scale, the Bank has continued to strengthen its credit management and improved its asset quality while ensuring a steadily rapid loan growth. As of the end of the reporting period, the Bank's balance of non-performing loans stood at RMB10.157 billion, down by RMB129 million or 1.25% from the end of the previous year, and the non-performing loan ratio was 0.95%, down by 0.46 percentage point from the end of the previous year. Provision coverage ratio reached 149.36%, up by 13.25 percentage points from the end of the previous year.

Affected by the continuous interest rate cuts by the Central Bank and a sharp fall of market interest rate, there was a general drop in net interest margin in banking industry in 2009. To overcome the adverse impact of the external environment, the Bank duly introduced a series of targeted measures relating to integrated asset and liability management, interest rate pricing and cost control. One of these measures was to flexibly adjust the Bank's asset and liability management strategy in line with the national macro regulatory policies and industry revitalization policies and to promote credit placement and structural adjustment under the precondition of ensuring risk controllability. The second measure was to strengthen the elasticity of interest rate pricing so as to rationally control fund cost and increase returns on loans. The third measure was to deepen effort to increase revenues and reduce expenditure, fully promote the centralized procurement, strengthen the delicacy management on expenses and strictly control irrational expenditures while ensuring fast business growth.

In 2009, the net profit attributable to the Bank's shareholders stood at RMB14.319 billion, representing an increase of RMB1.023 billion or 7.69% compared with the previous year. The net interest margin was 2.51%, representing a fall of 0.65 percentage point compared with the previous year. For the whole year, the Bank's net interest margin in December restored to 2.65%, up by 0.24 percentage point from its lowest level in May and by 0.07 percentage point from January, showing a clear trend of stable recovery.

Since the break-out of the financial crisis, the regulatory authorities in China have significantly raised the statutory capital adequacy ratio in a move to fully improve commercial banks' capability to resist risks. In comprehensive consideration of factors such as business growth, regulatory requirements and return to shareholders, the Group has gradually established and improved a long-term mechanism for capital replenishment which adapts to its strategic development needs. By dynamically managing its capital volume and structure, the Group has further optimized its capital structure. As of the end of the reporting period, its capital adequacy ratio and core capital adequacy ratio stood at 10.14% and 9.17%, respectively, both remaining at a relatively high level.

Accounting figures and financial indicators for 2008 in the following financial statements have been treated with retrospective adjustment due to the consolidation of figures of CIFH.

Management Discussion and Analysis

Income Statement Analysis

Unit: RMB million

	2009	2008	Increase/ Decrease	Growth rate (%)
Net interest income	**35,984**	37,351	(1,367)	(3.66)
Net non-interest income	**4,999**	4,612	387	8.39
Operating income	**40,983**	41,963	(980)	(2.34)
Business and administrative expenses	**(19,132)**	(17,435)	1,697	9.73
Asset impairment loss	**(2,619)**	(6,793)	(4,174)	(61.45)
Profit before taxation	**19,264**	17,713	1,551	8.76
Income tax	**(4,705)**	(4,459)	246	5.52
Net profit	**14,559**	13,254	1,305	9.85
Including: Attributable to the Bank's shareholders	**14,319**	13,296	1,023	7.69
Attributable to minority interests	**240**	(42)	282	—

Net Interest Income

Net interest income of the Group was affected by both the difference between interest-earning assets yield and interest-bearing liabilities cost rate, and the average balances of interest-earning assets and interest-bearing liabilities. In 2009, the Group realized a net interest income of RMB35.984 billion, down by RMB1.367 billion year on year, which was mainly because the expansion of interest-earning assets did not fully offset the negative impact of a falling net interest margin on net interest income. The table below shows the average balances and the average interest rates of the Group's interest-earning assets and interest-bearing liabilities:

Unit: RMB million

	2009			2008		
Item	**Average balance**	**Interest**	**Average yield/Cost rate (%)**	Average balance	Interest	Average yield/Cost rate (%)
Interest earning assets						
Loans and advances to customers	**974,336**	**46,617**	**4.78**	705,182	48,235	6.84
Investment in debt securities	**205,762**	**6,239**	**3.03**	234,934	8,796	3.74
Deposits with Central Bank	**157,938**	**2,179**	**1.38**	135,251	2,246	1.66
Deposits and placement with banks and non-bank financial institutions	**53,594**	**377**	**0.70**	44,423	864	1.94
Amounts under resale agreements	**34,138**	**687**	**2.01**	59,894	2,311	3.86
Others	**7,609**	**32**	**0.42**	3,948	74	1.87
Subtotal	**1,433,377**	**56,131**	**3.92**	1,183,632	62,526	5.28
Interest-bearing liabilities						
Deposits from customers	**1,183,822**	**17,767**	**1.50**	885,501	20,512	2.32
Deposits and placement from banks and non-bank financial institutions	**100,694**	**1,466**	**1.46**	159,512	3,328	2.09
Amounts under repurchase agreements	**4,642**	**46**	**0.99**	5,622	177	3.15
Others(1)	**23,706**	**868**	**3.66**	25,526	1,158	4.54
Subtotal	**1,312,864**	**20,147**	**1.53**	1,076,161	25,175	2.34
Net interest income		**35,984**			37,351	
Net interest spread(2)			**2.39**			2.94
Net interest margin(3)			**2.51**			3.16

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 net interest income by the average balance of total interest-earning assets.

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

Unit: RMB million

	2009 compared with 2008		
	Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	18,410	(20,028)	(1,618)
Investment in debt securities	(1,091)	(1,466)	(2,557)
Deposits with the Central Bank	377	(444)	(67)
Deposits and placement with banks and non-bank financial institutions	178	(665)	(487)
Amounts under resale agreements	(994)	(630)	(1,624)
Others	68	(110)	(42)
Changes in interest income	16,948	(23,343)	(6,395)
Liabilities			
Deposits from customers	6,921	(9,666)	(2,745)
Deposits and placement from banks and non-bank financial institutions	(1,229)	(633)	(1,862)
Amounts under repurchase agreements	(31)	(100)	(131)
Others	(83)	(207)	(290)
Changes in interest expense	5,578	(10,606)	(5,028)
Changes in net interest income	11,370	(12,737)	(1,367)

Net Interest Margin and Net Interest Spread

In 2009, the Group's net interest margin stood at 2.51%, down by 0.65 percentage point from the previous year, while the net interest spread was 2.39%, down by 0.55 percentage point compared with the previous year. Since the global financial crisis, the Chinese government has adopted proactive fiscal policy and moderately loosened monetary policy. On the one hand, the Chinese economy has made an initial recovery from the crisis and steadily rebounded. And on the other hand, the interest spread for commercial banks has been further squeezed.

To reverse the continuous fall in net interest margin, the Group has strengthened its asset and liability management and promoted structural optimization. Through dynamic interest rate management mechanisms, the Group rationally controlled the sources of high-cost funding such as negotiated deposits and acceptance margin deposit, and strove to improve its capability of asset pricing. Thanks to the above measures, the Bank's net interest margin stopped falling in June 2009, began to rebound and achieved stable month-by-month recovery in the second half of the year. In December, net interest margin rose to 2.65%, up by 0.24 percentage point from its lowest point in May and by 0.07 percentage point from January.

Interest Income

In 2009, the Group realized an interest income of RMB56.131 billion, down by RMB6.395 billion or 10.23% compared with the previous year. The drop of interest income was primarily due to the insufficient expansion of interest-earning assets (particularly the loans and advances to customers) which did not offset the decrease of the average yield of interest-earning assets. The Group's average balance of interest-earning assets increased to RMB1,433.377 billion in 2009 from RMB1,183.632 billion in 2008, up by RMB249.745 billion or 21.10%. The average yield of interest-earning assets fell from 5.28% in 2008 to 3.92% in 2009, down by 1.36 percentage points.

Management Discussion and Analysis

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 2009 and 2008, the interest income from loans and advances to customers accounted for 83.05% and 77.14% of the Group's total interest income, respectively.

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

Table 1 Classification by Term Structure

Unit: RMB million

	2009		
	Average balance	**Interest income**	**Average yield (%)**
Short-term loans	**581,948**	**27,097**	**4.66**
Including: discounted bills	**129,759**	**2,757**	**2.12**
Long and medium-term loans	**320,902**	**17,198**	**5.36**
Loans overdue	**8,423**	**316**	**3.75**
Overseas businesses	**63,063**	**2,006**	**3.18**
Total	**974,336**	**46,617**	**4.78**

Table 2 Classification by Business Category

Unit: RMB million

	2009			2008		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**679,588**	**36,554**	**5.38**	509,776	36,172	7.10
Discounted bills	**129,759**	**2,757**	**2.12**	46,839	3,586	7.66
Personal loans	**101,926**	**5,300**	**5.20**	81,280	5,685	6.99
Overseas businesses	**63,063**	**2,006**	**3.18**	67,287	2,792	4.15
Total loans to customers	**974,336**	**46,617**	**4.78**	705,182	48,235	6.84

In 2009, the Group's interest income from loans and advances to customers stood at RMB46.617 billion, down by RMB1.618 billion or 3.35% compared with the previous year. This was mainly due to the fact that the impact of the increase in the average balance of the loans and advances to customers fell short of offsetting the fall in the average yield of the loans and advances to customers (which dropped from 6.84% in 2008 to 4.78% in 2009).

Average yield of loans fell mainly because: (1) the Central Bank lowered the benchmark interest rate on loans to customers for 5 consecutive times since September 2008 and the cumulative impact was reflected in the reporting period; and (2) due to market reasons, the bill discount rate fell significantly.

Interest Income from Investment in Debt Securities

In 2009, the Group's interest income from investment in debt securities stood at RMB6.239 billion, down by RMB2.557 billion or 29.07% compared with the previous year. This was primarily because: (1) the Bank's average balance of investment in debt securities fell by RMB29.172 billion or 12.42% from 2008; and (2) the average yield dropped from 3.74% in 2008 to 3.03% in 2009.

The decrease in the average balance of investment in debt securities was mainly due to the scaling down of the debt securities related to wealth management business by the Bank.

Interest Income from Deposits with Central Bank

In 2009, the Bank's interest income from deposits with Central Bank amounted to RMB2.179 billion, representing a decrease of RMB67 million or 2.98% compared with the previous year. This was mainly because the increase in the Group's average balance of deposits with Central Bank was not enough to offset the impact of the fall in the average yield.

During the year, the Group's average balance of deposits with Central Bank increased by RMB22.687 billion or 16.77% from 2008, mainly because the balance of statutory deposit reserve funds increased with the increase of deposits from customers; the average yield fell from 1.66% in 2008 to 1.38% in 2009, because the Central Bank successively lowered the statutory deposit reserve ratio for four consecutive times since September 2008 and there was a year-on-year increase in the proportion of the average balance of the surplus reserves to the Group's average balance of deposits with the Central Bank.

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

In 2009, the Group's interest income from deposits and placement with banks and non-bank financial institutions was RMB377 million, down by RMB487 million or 56.37% compared with the previous year, which mainly because the impact of the increase in the average balance of deposits and placement with banks and non-bank financial institutions was not enough to offset the influence of the drop in the average yield (which fell from 1.94% in 2008 to 0.70% in 2009). The drop in the average yield from deposits and placement with banks and non-bank financial institutions mainly resulted from the fall of interest rate in the money market.

Interest Income from Amounts under Resale Agreements

In 2009, the Group's interest income from amounts under resale agreements stood at RMB687 million, down by RMB1.624 billion or 70.27% compared with the previous year, which mainly because the average balance of amounts under resale agreements fell by RMB25.756 billion and the average yield dropped from 3.86% in 2008 to 2.01% in 2009. The fall in the average balance of amounts under resale agreements was mainly a result of liquidity management needs.

Interest Expense

In 2009, the Group's interest expense was RMB20.147 billion, down by RMB5.028 billion or 19.97% compared with the previous year. This was primarily because that the fall in the average cost rate of interest-bearing liabilities offset the impact of an increase in the scale of the Group's interest-bearing liabilities. The average balance of the Bank's interest-bearing liabilities increased from RMB1,076.161 billion in 2008 to RMB1,312.864 billion in 2009, up by RMB236.703 billion or 22.00%, while the average cost rate of its interest-bearing liabilities fell from 2.34% in 2008 to 1.53% in 2009.

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 2009 and 2008 accounted for 88.19% and 81.48% of the Group's total interest expense, respectively.

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

Unit: RMB million

	2009			2008		
	Average balance	**Interest Expense**	**Average cost rate (%)**	Average balance	Interest Expense	Average cost rate (%)
Corporate deposits						
Time deposits	**483,214**	**11,190**	**2.32**	367,979	13,011	3.54
Demand deposits	**438,681**	**2,785**	**0.63**	335,619	3,346	1.00
Subtotal	**921,895**	**13,975**	**1.52**	703,598	16,357	2.32
Personal deposits						
Time deposits	**145,891**	**3,129**	**2.14**	77,711	2,320	2.99
Demand deposits	**33,575**	**116**	**0.35**	29,270	189	0.65
Subtotal	**179,466**	**3,245**	**1.81**	106,981	2,509	2.35
Overseas businesses	**82,461**	**547**	**0.66**	74,922	1,646	2.20
Total deposits from customers	**1,183,822**	**17,767**	**1.50**	885,501	20,512	2.32

Management Discussion and Analysis

In 2009, the Group's interest expense on deposits from customers stood at RMB17.767 billion, down by RMB2.745 billion or 13.38% compared with the previous year, which was mainly due to a fall of 0.82 percentage point in the average cost rate of deposits from customers offsetting an increase of RMB298.321 billion in the Group's average balance of deposits from customers.

The 0.82 percentage point fall in the average cost rate of deposits from customers was mainly due to the following reasons: (1) the Central Bank successively lowered the benchmark interest rate for deposits from customers for four consecutive times since October 2008 and its cumulative effect was manifested during the reporting period; and (2) the Group, through effective liability management, scaled down of time deposits and negotiated deposits.

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

In 2009, the Group's interest expense on deposits and placement from banks and non-bank financial institutions was RMB1.466 billion, down by RMB1.862 billion or 55.95% compared with the previous year, which was largely due to a fall of RMB58.818 billion or 36.87% in the average balance of deposits and placement from banks and non-bank financial institutions and the drop in the average cost rate from 2.09% to 1.46%. The fall in the average balance was attributable to a large year-on-year drop in the deposits of securities company customers transaction settlement funds as a result of the economic crisis, and the reduction in the absorption of high-cost inter-bank deposits resulting from the Bank's adjustments to the structure of assets and liabilities, while the drop in average cost rate was largely due to a fall in the inter-bank market offered rate for RMB deposit.

Interest Expense on Other Borrowed Funds

In 2009, the Group's other interest expense including that on bonds issued stood at RMB868 million, down by RMB290 million or 25.04% compared with the previous year, which was primarily due to the fall in average cost rate from 4.54% in 2008 to 3.66% in 2009, a drop mainly attributed to the floating interest rate of the subordinated debts issued by the Bank in 2004.

Net Non-Interest Income

In 2009, the Group realized a net non-interest income of RMB4.999 billion, up by RMB387 million compared with the previous year. The proportion of the Group's net non-interest income to its operating income was 12.20% in 2009 and 10.99% in 2008.

Unit: RMB million

	2009	2008	Increase/ Decrease	Growth Rate (%)
Net fee and commission income	**4,220**	3,720	500	13.44
Net gain from trading debt securities	**383**	688	(305)	(44.33)
Net gain/(loss) from investments debt securities	**—**	(244)	244	—
Net (loss)/gain from arbitrage	**(3)**	3	(6)	—
Operating income from other businesses	**399**	445	(46)	(10.34)
Total net non-interest income	**4,999**	4,612	387	8.39

Net Fee and Commission Income

In 2009, the Group realized a net fee and commission income of RMB4.22 billion, representing an increase of RMB500 million or 13.44% compared with the previous year, of which the fee and commission income amounted to RMB4.718 billion, registering a growth of 13.85% compared with the previous year. This growth was primarily due to the Group's vigorous development of intermediary businesses and the growth in items such as consultancy and advisory fees, bank card fees, agency fees and guarantee fees.

Unit: RMB million

	2009	2008	Increase/Decrease	Growth Rate (%)
Consultancy and advisory fees	**1,398**	1,099	299	27.21
Bank card fees	**1,159**	896	263	29.35
Agency fees	**690**	455	235	51.65
Guarantee fees	**649**	395	254	64.30
Wealth management fees	**376**	574	(198)	(34.49)
Settlement fees	**317**	459	(142)	(30.94)
Custody and other trusted service commissions	**113**	187	(74)	(39.57)
Others	**16**	79	(63)	(79.75)
Subtotal	**4,718**	4,144	574	13.85
Fees and commission expenses	**(498)**	(424)	74	17.45
Net fee and commission income	**4,220**	3,720	500	13.44

Net Gain/(Loss) from Trading

Unit: RMB million

	2009	2008	Increase/Decrease	Growth Rate (%)
Net gain/(loss) from foreign exchange	**792**	389	403	103.60
Debt securities	**(57)**	(418)	361	—
Derivatives	**(363)**	820	(1,183)	—
Equity investment	**—**	(3)	3	—
Investment fund	**(2)**	(43)	41	—
Financial liabilities measured at fair value through profit or loss	**13**	(57)	70	—
Net gain/(loss) from trading	**383**	688	(305)	(44.33)

The Group's net gain from trading was RMB383 million in 2009, down by RMB305 million compared with the previous year, which was mainly resulted from the devaluation of derivatives revaluated.

Loss on Asset Impairment

Unit: RMB million

	2009	2008	Increase/Decrease	Growth Rate (%)
Loans and advances to customers	**2,446**	5,727	(3,281)	(57.29)
Off-balance sheet credit assets	**30**	82	(52)	(63.41)
Investments	**63**	739	(676)	(91.47)
Others[(1)]	**80**	245	(165)	(67.35)
Total asset impairment losses	**2,619**	6,793	(4,174)	(61.45)

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

Management Discussion and Analysis

Business and Administrative Expenses

Unit: RMB million

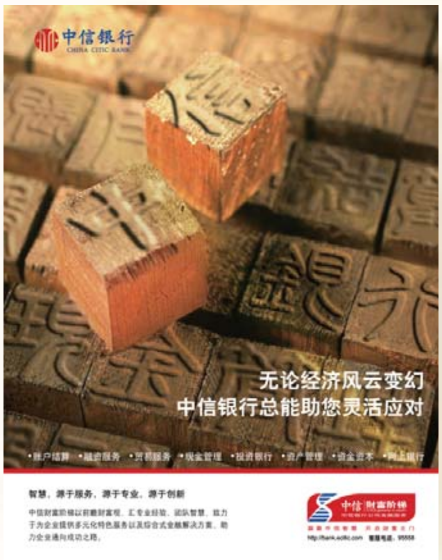
	2009	2008	Increase/Decrease	Growth Rate (%)
Staff cost	**8,921**	8,113	808	9.96
Property and equipment expenses and amortization	**2,827**	2,336	491	21.02
Others	**4,623**	4,122	501	12.15
Subtotal	**16,371**	14,571	1,800	12.35
Business tax and sur-charges	**2,761**	2,864	(103)	(3.60)
Total business and administrative expenses	**19,132**	17,435	1,697	9.73
Cost-to-income ratio	**46.68**	41.55	Up by 5.13 percentage points	
Cost-to-income ratio (excluding business tax and sur-charges)	**39.95**	34.72	Up by 5.23 percentage points	

In 2009, the Group's business and administrative expenses reached RMB19.132 billion, up by RMB1.697 billion or 9.73% compared to the previous year, which was mainly because the Group's staff cost and property and equipment expenses and amortization rose accordingly alongside the rapid development of business, the expansion of the institutions and the opening of new branch outlets.

In 2009, the Group's cost-to-income ratio reached 39.95%, representing an increase of 5.23 percentage points. The increase of the cost-to-income ratio is mainly due to: (1) the increase of business expense resulted from business expanding; (2) the decrease of operating income resulted from narrowing net interest margin.

Income Tax Analysis

In 2009, the Group's income tax expense was RMB4.705 billion, up by RMB246 million or 5.52% compared with the previous year. The Group's effective tax rate stood at 24.42%, down by 0.75 percentage point compared with the previous year.



Balance Sheet Analysis

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**1,065,649**	**—**	730,386	—
Including:				
Corporate loans	**822,635**	**—**	583,979	—
Discounted bills	**94,774**	**—**	44,621	—
Personal loans	**148,240**	**—**	101,786	—
Provisions for impairment losses	**(15,170)**	**—**	(14,000)	—
Net loans and advances to customers	**1,050,479**	**59.1**	716,386	54.3
Investments(1)	**208,400**	**11.7**	219,317	16.6
Cash and deposit with Central Bank	**224,003**	**12.6**	207,357	15.7
Net value of deposits and placement with banks and non-bank financial institutions	**81,808**	**4.6**	68,607	5.2
Amounts under resale agreements	**185,203**	**10.4**	57,698	4.4
Others(2)	**26,383**	**1.6**	50,205	3.8
Total assets	**1,776,276**	**100.0**	1,319,570	100.0
Deposits from customers	**1,341,927**	**80.5**	1,027,325	86.3
Including:				
Corporate deposits	**1,097,852**	**65.8**	822,850	69.1
Personal deposits	**244,075**	**14.7**	204,475	17.2
Deposits and placement from banks and non-bank financial institutions	**279,602**	**16.8**	110,327	9.3
Amounts under repurchase agreements	**4,100**	**0.2**	957	0.1
Debt securities payable	**18,422**	**1.1**	20,375	1.7
Others(3)	**23,972**	**1.4**	31,212	2.6
Total liabilities	**1,668,023**	**100.0**	1,190,196	100.0

Notes: (1) Including trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in joint-ventures.

(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 payable, interest payables, estimated liabilities, deferred income tax liabilities and other liabilities.

Most of the Group's assets are loans and advances to customers. As of the end of 2009, loans and advances to customers after deducting provisions for impairment losses accounted for 59.1% of the total assets of the Group.

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

Investment Businesses

Investment Portfolio Analysis

Unit: RMB million

	31 December 2009		31 December 2008	
	Value	**Proportion (%)**	Value	Proportion (%)
Held-to-maturity debt securities	**107,466**	**51.6**	104,810	47.8
Available-for-sale debt securities	**88,380**	**42.4**	103,060	47.0
Debt securities measured at fair value through profit or loss	**4,444**	**2.1**	8,762	4.0
Total debt securities	**200,290**	**96.1**	216,632	98.8
Available-for-sale investment funds	**5,487**	**2.6**	50	—
Investment funds measured at fair value through profit or loss	**3**	**—**	5	—
Total investment funds	**5,490**	**2.6**	55	—
Available-for-sale equity investments	**478**	**0.2**	445	0.2
Equity investments for trading purposes	**2**	**—**	2	—
Equity investments in joint-ventures	**2,140**	**1.1**	2,183	1.0
Total equity investments	**2,620**	**1.3**	2,630	1.2
Total investments	**208,400**	**100.0**	219,317	100.0
Market value of listed securities in held-to-maturity debt securities	**1,941**		2,887	

Classification of Debt Securities Investment

As of the end of 2009, the Group's investment in debt securities reached RMB200.29 billion, representing a fall of RMB16.342 billion or 7.54% from the end of the previous year. This was primarily due to the fall in the Central Bank bills held by the Group.

Unit: RMB million

	31 December 2009		31 December 2008	
	Value	**Proportion (%)**	Value	Proportion (%)
Government	**46,802**	**23.4**	43,895	20.3
PBOC	**48,214**	**24.1**	78,042	36.0
Policy banks	**29,780**	**14.9**	32,627	15.1
Banks and non-bank financial institutions	**28,598**	**14.3**	25,057	11.6
Public entities	**5,730**	**2.8**	8,281	3.8
Others(1)	**41,166**	**20.5**	28,730	13.2
Total debt securities	**200,290**	**100.0**	216,632	100.0

Note: (1) Mainly corporate bonds.

Unit: RMB million

	31 December 2009		31 December 2008		31 December 2007	
	Value	**Proportion (%)**	Value	Proportion (%)	Value	Proportion (%)
Domestic	**169,065**	**84.4**	167,862	77.5	121,845	76.4
Overseas	**31,225**	**15.6**	48,770	22.5	37,548	23.6
Total debt securities	**200,290**	**100.0**	216,632	100.0	159,393	100.0

Note: The figures for 2007 are before retrospective adjustment and exclude the influence of the consolidation with CIFH in 2009.

Breakdown of Significant Financial Debt Securities Investments

The table below shows the breakdown of significant investments in financial debt securities with book value held by the Group as of 31 December 2009.

Unit: RMB million

Debt Securities	Book value	Maturity	Annual interest rate (%)
Debt Securities 1	2,650	20 February 2015	3.01%
Debt Securities 2	1,050	8 April 2013	2.74%
Debt Securities 3	1,000	15 February 2011	2.63%
Debt Securities 4	1,000	21 May 2014	2.74%
Debt Securities 5	920	16 June 2016	2.60%
Debt Securities 6	890	6 May 2010	2.98%
Debt Securities 7	756	23 September 2011	2.31%
Debt Securities 8	660	4 April 2010	3.11%
Debt Securities 9	552	13 November 2013	3.30%
Debt Securities 10	524	4 July 2011	3.19%
Total debt securities	**10,002**		

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Loss

Unit: RMB million

	As of 31 December 2009	As of 31 December 2008
Beginning balance	**799**	77
Accruals of the year(1)	**63**	739
Write-offs	**(79)**	(13)
Transfer out(2)	**(197)**	(4)
Ending balance	**586**	799

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

(2) Transfer-out in 2009 includes provisions for impairment loss of investment in overdue debt securities transferred into provisions for bad debt.

Unit: RMB million

	As of 31 December 2009	As of 31 December 2008
Provisions for available-for-sale investment impairment	**371**	576
Provisions for held-to-maturity investment impairment	**215**	223
Provisions for joint-ventures investment impairment	**—**	—
Total	**586**	799

As of the end of 2009, foreign currency-denominated debt securities held by the Group totalled USD6.065 billion (RMB equivalent 41.415 billion), of which the Bank held USD3.489 billion and overseas subsidiaries held USD2.576 billion.

As of the end of 2009, the Group held foreign currency-denominated residential mortgage-backed securities (MBS) of USD634 million (RMB equivalent 4.33 billion), accounting for 2.16% of its investment in domestic and foreign currency-denominated debt securities, of which 97% were prime residential MBS. The Group held ALT-A residential MBS of USD20 million (RMB equivalent 137 million), for which the accumulated provisions for impairment loss totalled USD14 million (RMB equivalent 99 million. The Group held no US sub-prime residential MBS.

As of the end of 2009, the Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of USD572 million (RMB equivalent 3,908 million), as well as agency debts issued by Fannie Mae and Freddie Mac of USD10 million (RMB equivalent 68 million). The debt securities related to Lehman Brothers held by the Group had a book value of USD80 million (RMB equivalent 543 million), for which provisions for impairment loss had been charged in full.

As of the end of 2009, the Group had made an impairment provision for its foreign currency-denominated debt securities investment with an accumulated total of USD77 mllion (RMB equivalent 526 million), of which the Bank's provision for impairment losses was USD75 million and overseas subsidiaries' provision for impairment losses was USD2 million.

Derivatives Classification and Fair Value Analysis

Unit: RMB million

	31 December 2009			31 December 2008		
		Fair value			Fair value	
	Nominal principal	**Assets**	**Liabilities**	Nominal principal	Assets	Liabilities
Interest rate derivatives	**174,179**	**1,762**	**2,203**	227,910	3,798	4,326
Currency derivatives	**271,623**	**1,405**	**1,404**	166,058	2,807	2,406
Credit derivatives	**956**	**14**	**20**	1,089	13	62
Equity derivatives	**126**	**1**	**1**	37	7	7
Total	**446,884**	**3,182**	**3,628**	395,094	6,625	6,801

On-balance Sheet Interest Receivables

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

Unit: RMB million

	31 December 2008	Increase during the current period	Collected during the current period	**31 December 2009**
Loan interest receivables	1,741	46,617	(46,570)	**1,788**
Interest receivables from debt securities	2,596	6,239	(6,661)	**2,174**
Other interest receivables	95	3,275	(3,197)	**173**
Total	4,432	56,131	(56,428)	**4,135**

Deposits from Customers

Unit: RMB million

	31 December 2009		31 December 2008		31 December 2007	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits						
Demand deposits	**581,483**	**43.3**	392,619	38.2	338,074	43.3
Time deposits	**516,369**	**38.5**	430,231	41.9	298,674	38.3
Negotiated	**7,810**	**0.6**	7,970	0.8	28,770	3.7
Non-negotiated	**508,559**	**37.9**	422,261	41.1	269,904	34.6
Subtotal	**1,097,852**	**81.8**	822,850	80.1	636,748	81.6
Personal deposits						
Demand deposits	**66,908**	**5.0**	50,470	4.9	66,900	8.6
Time deposits	**177,167**	**13.2**	154,005	15.0	76,351	9.8
Subtotal	**244,075**	**18.2**	204,475	19.9	143,251	18.4
Total deposits from customers	**1,341,927**	**100.0**	1,027,325	100.0	779,999	100.0

Note: The figures for 2007 are before retrospective adjustment and exclude the influence of the consolidation with CIFH in 2009.

As of the end of 2009, deposits from customers of the Group totalled RMB1,341.927 billion, an increase of RMB314.602 billion or 30.62% from the end of the previous year, of which the corporate demand deposits grew rather fast, up by 48.10% from the end of the previous year.

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
RMB	**1,214,773**	**90.5**	907,735	88.4
Foreign currencies	**127,154**	**9.5**	119,590	11.6
Total	**1,341,927**	**100.0**	1,027,325	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	31 December 2009		31 December 2008	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Bohai Rim[(1)]	**408,341**	**30.4**	333,107	32.4
Yangtze River Delta	**346,036**	**25.8**	266,905	26.0
Pearl River Delta and West Strait	**176,916**	**13.2**	131,051	12.8
Central Region	**158,463**	**11.8**	100,026	9.7
Western Region	**127,974**	**9.5**	81,001	7.9
North-eastern Region	**41,220**	**3.1**	31,164	3.0
Overseas	**82,977**	**6.2**	84,071	8.2
Total deposits from customers	**1,341,927**	**100.0**	1,027,325	100.0

Note: (1) Including the headquarters.

Breakdown of Deposits by Remaining Maturity

The table below sets forth the deposits from customers based on the remaining maturity as of the end of 2009.

Unit: RMB million

	Overdue/Undated		Within 3 months		Within 3–12 months		Within 1–5 years		After 5 years		Total	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Corporate deposits	645,690	48.1	212,320	15.8	209,093	15.6	26,237	2.0	4,512	0.3	1,097,852	81.8
Personal deposits	111,222	8.3	64,584	4.8	55,824	4.2	12,430	0.9	15	—	244,075	18.2
Total	756,912	56.4	276,904	20.6	264,917	19.8	38,667	2.9	4,527	0.3	1,341,927	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 2009	31 December 2008
Credit commitments		
— Acceptance	**305,363**	222,575
— Guarantees	**62,901**	47,588
— Letter of credit issued	**52,585**	32,251
— Irrevocable loan commitments	**41,229**	24,614
— Credit card commitments	**40,597**	38,741
Subtotal	**502,675**	365,769
Operating leasing commitments	**4,585**	3,835
Capital commitments	**695**	335
Pledged assets	**5,241**	1,037
Total	**513,196**	370,976

Supplementary Financial Indicators

		Data of the Bank (%)		
Major Indicators[1]	**Standard (%)**	**31 December 2009**	31 December 2008	31 December 2007
Liquidity ratio				
Including: RMB	≥25	**48.12**	51.37	38.90
foreign currency	≥25	**104.47**	83.24	110.01
Loan-to-deposit ratio[2]	≤75	**79.62**	72.14	73.50

Notes: (1) The figures are calculated based on the method of Chinese banking regulatory requirements.

(2) Discounted bills are included in loans. In the beginning of 2009, the CBRC made adjustment to part of the credit regulatory requirements allowing loan-to-deposit ratio of those small and medium-sized banks with relatively high capital adequacy ratio and coverage ratio conditionally and moderately exceed the regulatory standard.

Capital Management

The Bank's objective of capital management includes: to ensure the capital adequacy ratio up to the regulators' requirement, 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, to maximize shareholders' value with controllable risks.

To that end, the Bank executed the following strategies to manage capital: (1) the Bank sets up a targeted range of capital adequacy ratio. Meanwhile, the Bank sets up a capital warning line and regularly monitored capital adequacy ratio of the whole bank. If the capital adequacy ratio or core capital adequacy ratio is below the warning line, a series of measures, such as replenishing capital and adjusting asset structure, shall be taken immediately and effectively to ensure that the capital adequacy ratio returns to the targeted range; (2) the Bank improves capital management mechanism, establishes a scientific capital management system, improves the awareness of making effective use of capital so as to make it more efficient. Performance-based employee evaluation system emphasizing "profits" and "return on risk capital" are promulgated throughout the Bank. By leveraging on the internal capital allocation system, the Bank realizes a optimized allocation of economic capital among all business units, products, industries and clients to ensure a consistent, stable and maximized return on capital. (3) The Bank reasonably uses all sorts of capital instruments to optimize structure of aggregate capital and to reduce the costs of financing.

In the meantime, to ensure the aforementioned strategies are enforceable, the Bank is expediting the application of risk measurement techniques and steadily expanding the application of capital management in fields of product pricing, performance evaluation, operation plans, etc so that the economic capital acting as an instructing baton to the Bank's business operation.

The Group calculated and discloses 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 the relevant provisions subsequently revised. Since 2005, the Bank has calculated the market risk capital in accordance with the *Circular of China Banking Regulatory Commission Office on the Calculator and Calculation of the Market Risk Capitals of Commercial Banks* (Yin Jian Fa [2004] No. 374) promulgated by the CBRC.

Unit: RMB million

	31 December 2009	31 December 2008	31 December 2007
Total capital basis before deduction	**114,970**	106,969	95,261
In which: Total core capital	**99,188**	92,042	81,939
Total supplementary capital	**15,782**	14,927	13,322
Deduction: Unconsolidated equity investments and others	**10,844**	99	90
Net capital	**104,126**	106,870	95,171
Net core capital	**94,237**	91,993	81,894
Risk-weighted assets	**1,027,122**	746,547	623,300
Core capital adequacy ratio	**9.17%**	12.32%	13.14%
Capital adequacy ratio	**10.14%**	14.32%	15.27%

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 for 2009 were calculated based on relevant information of the Bank.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the Accounting Standards for Business Enterprises requires the Bank to make certain accounting estimates and assumptions when the Group's accounting polices are applied to determine the amounts of assets and liabilities, 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 judgements include: financial instruments confirmation and measurement (provisions for loan impairment losses and loan write-offs, classifications of debt securities and equity investments, investments for trading purpose and measurement of the fair value of financial instruments designated at fair value through profit or loss, measurement of available-for-sale investments at fair value, measurement of derivatives at fair value), affirmation of actuarial obligations for pension and welfare, recognition of deferred income tax and income tax expense.

Measurement 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 determination methods of the fair value include financial media quotes, open or individual valuation techniques, and trading counterparty or third-party price inquiry. In principle, it is the Bank's priority to use the quotes of active markets to measure fair values. For the financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly 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 obtaining method and source for the fair values of financial instruments based on the business needs. The accounting department conducts an independent evaluation of 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 were approved by the Market Risk Management Committee of the Bank.

Items Measured at Fair Value Held

Unit: RMB million

Item	Beginning balance	Gains/Losses from changes in fair value for the year	Accumulated changes in fair value recognized in equity	Impairment for the year	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss	**8,769**	(116)	—	—	4,449
2. Financial derivative assets	**6,625**	(2,638)	—	—	3,182
3. Available-for-sale financial assets	**103,555**	—	(361)	(56)	94,345
Subtotal of financial assets	**118,949**	(2,754)	(361)	(56)	101,976
Investment property	**131**	32	—	—	161
Others	**—**	(3)	—	—	—
Total	**119,080**	(2,725)	(361)	(56)	102,137
Financial liabilities					
1. Trading financial liabilities	**(3,078)**	32	—	—	(2,755)
2. Derivative financial liabilities	**(6,801)**	2,156	—	—	(3,628)
Total financial liabilities	**(9,879)**	2,188	—	—	(6,383)

Financial Assets and Liabilities in Foreign Currencies Held

Unit: RMB million

Item	Beginning balance	Gains/Losses from changes in fair value for the year	Accumulated changes in fair value recognized in equity	Impairment for the year	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss	**1,064**	(19)	—	—	839
2. Financial derivative assets	**2,791**	(908)	—	—	2,173
3. Available-for-sale financial assets	**39,479**	—	(280)	(56)	39,199
4. Loans and receivables	**80,922**	—	—	(655)	96,150
5. Held-to-maturity investments	**11,485**	—	—	(7)	7,133
Sub-total of financial assets	**135,741**	(927)	(280)	(718)	145,494
Investment properties	**131**	32	—	—	161
Others	**—**	(3)	—	—	—
Total	**135,872**	(898)	(280)	(718)	145,655
Financial liabilities					
1. Trading financial liabilities	**(2,939)**	39	—	—	(2,027)
2. Derivatives	**(3,420)**	(60)	—	—	(2,322)
Total of financial liabilities	**(6,359)**	(21)	—	—	(4,349)

Discrepancies between Domestic and International Accounting Standards

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

Unit: RMB million

	Net asset		Net profit	
Item	**End of 2009**	End of 2008	**2009**	2008
Amount in the financial report compiled according to the Accounting Standards for Business Enterprises of China	**102,798**	119,051	**14,320**	13,262
Difference arising from buildings and property on revaluation	**1,412**	492	**(11)**	10
Difference arising from equipment and other assets as calculated by historical cost	**(167)**	(177)	**10**	24
Amount in the financial report compiled according to the IFRS	**104,043**	119,366	**14,319**	13,296

Please see the section on "Unaudited Supplementary Financial Information" in this annual report for details.

Management Discussion and Analysis

Segment Report

Business Segment

Unit: RMB million

	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**
Cost and expenses	**(11,264)**	**(5,709)**	**(601)**	**(1,442)**	**(116)**	**(19,132)**
Provision for impairment losses	**(1,235)**	**(661)**	**(10)**	**(492)**	**(221)**	**(2,619)**
Operating profit/(loss)	**18,000**	**(354)**	**994**	**922**	**(1,038)**	**19,232**

	31 December 2009					
	Corporate Banking	**Personal Banking**	**Treasury Business**	**CIFH**	**Others and Unallocated**	**Total**
Segment assets	**1,019,172**	**161,642**	**437,851**	**105,835**	**47,541**	**1,772,041**
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**

	2008					
	Corporate Banking	Personal Banking	Treasury Business	CIFH	Others and Unallocated	Total
Operating income	31,553	6,595	3,212	1,591	(988)	41,963
Cost and expenses	(9,357)	(5,542)	(772)	(1,287)	(477)	(17,435)
Provisions for impairment losses	(5,059)	(424)	(736)	(348)	(226)	(6,793)
Operating profit/(loss)	17,137	629	1,704	(44)	(1,691)	17,735

	31 December 2008					
	Corporate Banking	Personal Banking	Treasury Business	CIFH	Others and Unallocated	Total
Segment assets	683,251	106,241	391,104	129,531	5,085	1,315,212
Segment liabilities	779,701	175,529	128,492	97,786	8,688	1,190,196
Off-balance sheet credit commitments	303,829	32,608	—	29,332	—	365,769

The Group has been able to maintain a leading position in corporate banking business. In 2009, the corporate banking business contributed an operating profit of RMB18 billion to the Group. The proportion of the operating profit of corporate banking business is 93.03% (excluding CIFH, other businesses and unallocated items).

Geographical Segment

Unit: RMB million

	2009									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central Region	Western Region	North-eastern Region	Headquarters	Hong Kong	Elimination	Total
Operating income	**10,106**	**5,010**	**8,672**	**4,432**	**3,918**	**1,099**	**4,798**	**2,948**	**—**	**40,983**
Cost and expenses	**(4,382)**	**(2,424)**	**(3,696)**	**(1,788)**	**(1,570)**	**(474)**	**(3,283)**	**(1,515)**	**—**	**(19,132)**
Provision for impairment losses	**(538)**	**(194)**	**75**	**(314)**	**(302)**	**(220)**	**(624)**	**(502)**	**—**	**(2,619)**
Operating profit/(loss)	**5,186**	**2,392**	**5,051**	**2,330**	**2,046**	**405**	**891**	**931**	**—**	**19,232**

	31 December 2009									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central Region	Western Region	North-eastern Region	Headquarters	Hong Kong	Elimination	Total
Segment assets	**425,373**	**247,271**	**494,580**	**205,709**	**162,463**	**54,656**	**784,229**	**107,089**	**(709,329)**	**1,772,041**
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**

	2008									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central Region	Western Region	North-eastern Region	Headquarters	Hong Kong	Elimination	Total
Operating income	10,760	5,677	10,624	3,958	3,312	1,097	4,867	1,668	—	41,963
Cost and expenses	(4,227)	(2,282)	(3,518)	(1,536)	(1,236)	400	(2,883)	(1,353)	—	(17,435)
Provision for impairment losses	(2,118)	(635)	(1,239)	(472)	(801)	(114)	(1,061)	(353)	—	(6,793)
Operating profit/(loss)	4,415	2,760	5,867	1,950	1,275	583	923	(38)	—	17,735

	31 December 2008									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central Region	Western Region	North-eastern Region	Headquarters	Hong Kong	Elimination	Total
Segment assets	345,497	174,413	464,136	131,551	110,020	40,803	437,123	130,500	(518,831)	1,315,212
Segment liabilities	311,164	154,564	413,508	119,886	99,986	37,565	473,332	99,022	(518,831)	1,190,196
Off-balance sheet credit commitments	102,930	36,891	81,338	49,359	20,801	12,510	32,608	29,332	—	365,769

The Yangtze River Delta, the Pearl River Delta and the West Straits, and the Bohai Rim have always been the most important contributors to the Group's revenue and profit growth, contributing a total operating profit of RMB12.629 billion to the Group in 2009, accounting for 65.67% of the Group's total operating profit. Businesses of the Group in Central, Western and North-eastern regions as well as Hong Kong have been rapidly developing in recent years. In 2009, operating profits from these regions amounted to RMB5.307 billion, accounting for 27.59% of the Group's total operating profit, representing a growth of 9.62 percentage points compared with the previous year.

Management Discussion and Analysis

Business overview

Corporate Banking

Business Strategies

2009 was a year full of both challenges and opportunities. The Bank actively adapted itself to the situation by optimizing the development model of corporate banking business, building a professional marketing and service system, establishing the Small Business Finacial Center, 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 markeing, continued to enhance the coordination among the Bank's headquarters, branches and financial subsidiaries under CITIC Group. In particular, the Bank made effort to make research on corporate cross-border cooperation model and product with CKWB and BBVA in the hope of providing quality customers with more convenient comprehensive financial services. Meanwhile, the Bank made constant efforts to diversify and expand product series, promote a diversified business operation. Thanks to the Bank's effort, the corporate banking business realized a sustained, rapid and sound development when coping with challenges.

Business Overview

In 2009, the Bank encountered an operational environment full of uncertainties and changes. While consolidating its traditional advantages in corporate banking business, efforts were made to developing emerging businesses such as supply-chain financing, small business financing, investment banking, asset custody etc. Diversification of the Bank's corporate business has been consolidated and strengthened. As of the end of the reporting period, the balance of corporate deposits grew by 35.79% compared with the end of the previous year, the balance for corporate general loans increased by 45.07% compared with the previous year and the operating income increased by 5.04% compared with the previous year.

- Contribution by strategic clients increased. The deposit balance from 2,820 strategic clients was RMB503.612 billion, increased by 63.58% compared with the end of the previous year, accounting for 47.99% of total corporate deposits balance with the Bank. The loan balance to strategic clients stood at RMB345.559 billion, up by 46.26% compared with the end of the previous year, accounting for 39.86% of total corporate loan balance.
- The Bank kept cooperative relations with 124 auto financing and iron & steel producers and 2,388 distributors, an increase of 24.76% compared with the end of the previous year.
- The Bank has 8,169 small enterprise clients with a total credit balance of RMB69.17 billion, an increase of 31.39% compared with the end of the previous year. The NPL ratio was only 0.45%, 0.34 percentage point lower than the end of the previous year.
- The sales volume of corporate financial businesses reached RMB28.358 billion, 58.18% higher than the previous year. The income from bond underwriting and the commission income from structural financing grew by 253.91% and 45.14% respectively compared with the previous year.
- Assets under custody totalled RMB112.153 billion, up by 134% compared with the end of the previous year.

During the reporting period, the Bank's financial service products such as "Gateway to Wealth" and its sub-brands received more than 20 annual awards for 2009 including "Best Corporate Financial Brand", "Best Cash Management Bank", "Best Investment Bank", "Best Internet Banking", "Best Supply-Chain Financing Innovation", and "Best Financing Partner for SMEs" etc sponsored by *CFO World, Economic Observer, Secutimes* and other mainstream media entities.

Corporate Deposits and Loans

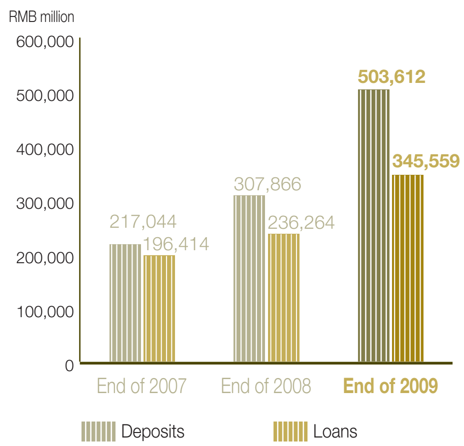
The Bank continued to optimize its growth model for corporate deposits. Focusing on attracting institutional customer deposits and corporate deposits for settlement purposes, the Bank continuously improved growth mechanism for corporate deposits. During the reporting period, corporate deposits with the Bank exceeded RMB1 trillion. As of the end of the reporting period, the Bank's corporate deposit balance was RMB1,049.385 billion, up by 35.79% compared with the end of the previous year, accounting for 83.35% of total deposit The balance of deposits from institutional customers including fiscal and tax entities registered at RMB277.453 billion, up by 34.38% compared with the end of the previous year, accounting for 26.44% of corporate deposits of the Bank. The balance of negotiated deposits stood at RMB7.81 billion, accounting for 0.74% of the total corporate deposits, down by 0.29 percentage point compared with the previous year.

Under the guidance of the principle of "ensuring quality, increasing profit, optimizing structure and maintaining steady growth", the Bank realized a steady, sound and fast development of corporate loans business by seizing opportunities in market and making effort to overcome difficulties. The Bank adjusted corporate loans marketing strategy according to market changes in the second half of 2009. Discount bills were scaled down appropriately, and a fast growth of general loans was guaranteed. Therefore, the corporate lending structure was effectively optimized. As of the end of the reporting period, corporate loan balance registered at RMB866.837 billion (including discounted bills), up by 50.30% compared with the end of the previous year, of which the balance for general loans was RMB773.557 billion, up by 45.07% compared with the end of the previous year.

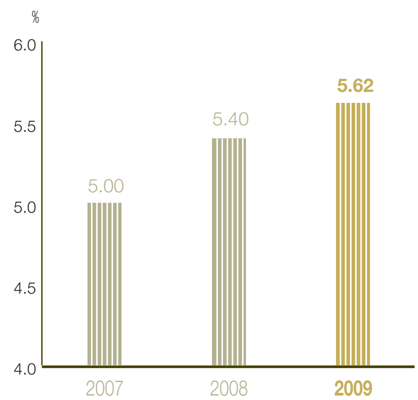
Financial Institution Business

The Bank continued to build platforms with peers and put forward bank-bank, bank-securities financial service solutions. The Bank also initiated the mass credit granting for other banks and non-bank financial institutions and strengthened its marketing activities towards brokers and institutional clients such as securities investment companies, which continues to deepen the Bank's cooperation with these entities. As of the end of the reporting period, the Bank launched cooperation with nearly 100 local banks and nation-wide banks in credit granting business and signed the third-party depository agreements with 78 brokers opening 8,923 accounts. The Bank adjusted financial institution deposits pricing and authorization mechanisms realizing a reasonable growth of financial institution deposits and an effective cost control. As of the end of the reporting period, the daily balance of financial

Deposits and Loans with Strategic Customers



Market Share for International Settlement



Management Discussion and Analysis

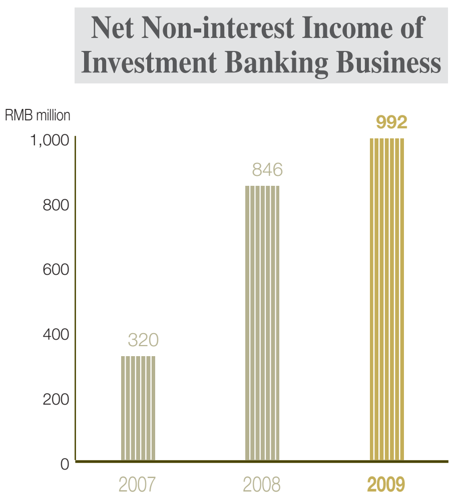
institution deposits registered RMB91.241 billion, down by RMB55.496 billion compared with the end of the previous year, of which deposits from banks were RMB29.229 billion, accounting for 32.03% of the Bank's daily financial institution deposits and deposits due from the third-party depositary business were RMB13.819 billion, accounting for 15.15% of Bank's daily financial institution deposits. The average cost of financial institution deposits dropped from 1.97% at the end of the previous year to 1.44%.

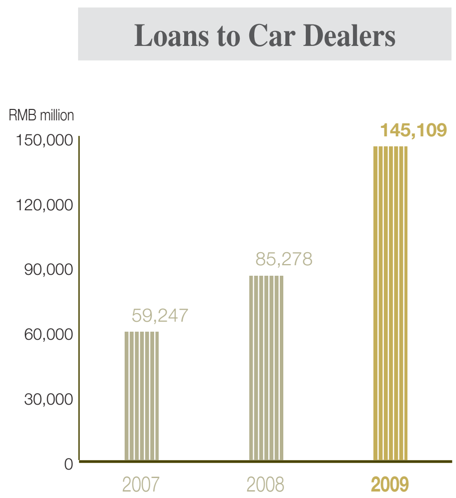
International Businesses

In 2009, the international businesses of the Bank withstood the test of the global financial crisis with its service philosophy of "professional, convenient and flexible service" providing a complete foreign exchange services to customers and actively serving strategic customers. Meanwhile, the Bank cooperated with the customs, the SAFE and SINOSURE, jointly establish marketing platform to provide small and medium-sized enterprises with standardized products and realize an effective marketing. Therefore the Bank consolidated the market position of its international business, increased its profitability and expanded the customer base. As of the end of 2009, the Bank's foreign exchange transitions reached USD116.117 billion, a decrease of 11.30% year on year, which is lower than the average amount of foreign trade by 13.90% and outperformed the market by 2.60 percentage points. Lending for trade financing for the whole year registered USD9.763 billion and the year-end balance was USD2.17 billion. The total income from international business was RMB1.451 billion. The Bank's international settlement maintained a leading position among small and medium-sized joint stock banks with a market share of 5.62%(1) among all national commercial banks, 0.22 percentage point higher than that of the previous year. The Bank was among the first group to be authorized to conduct pilot cross-border trade settlement business in RMB. In response to customer needs, the Bank launched other products such as letter of guarantee, domestic letter of credit, factoring, financing under export credit insurance etc. The Bank tried to offer premium services to its clients by optimizing product mix and executing more flexible R&D mechanisms. In 2009, the Bank issued RMB13.1 billion worth of domestic letter of credit, four times as much as that of the previous year.

Investment Banking Business

In 2009, amidst complicated and changing economic situation, the Bank leveraged on the opportunities brought by the State's economic stimulus package and expanded business such as bond underwriting, syndicated loans, export credit, domestic factoring, asset management and financial advisory etc. Therefore, the investment banking business maintained a sound and balanced growth. As of the end of the reporting period, the net non-interest income from investment banking business reached RMB992 million, up by 17.24% compared with the previous year, accounting for 35.26% of the net non-interest income of corporate banking business, of which, the income from bond underwriting and commission income of structural financing grew by 253.91% and 45.14% respectively compared with the previous year. As of the end of 2009, the balance for asset scale of structural financing business reached 58.678 billion, up by 128.43% compared with the end of the previous year. Bonds





Note: (1) In 2009, in order to ensure data accuracy and efficacy, the Bank calculated figures based on monthly reports of SAFE forex buy/sell volume and trans-national capital flow statistics. According to this new method, the Bank's market share in 2008 was 5.4%.

underwritten reached 35.575 billion, up by 18.03% compared with the previous year. Sales of corporate wealth management products reached 28.358 billion, up by 58.18% compared with the previous year.

In 2009, the Bank ranked among top ones among all Chinese commercial banks in terms of accumulative balance of export credit and the fourth in terms of syndicated loans arranged by foreign and domestic banks in Chinese mainland. In 2009, the Bank received many awards from *Economic Observer*, *Secutimes*, *CFO World* and China Banking Association, such as "Best Investment Bank in China for the Year of 2008", "Best Investment Bank of China Region in 2009" and "Best Investment Bank Award" for its outstanding performance in investment banking business.

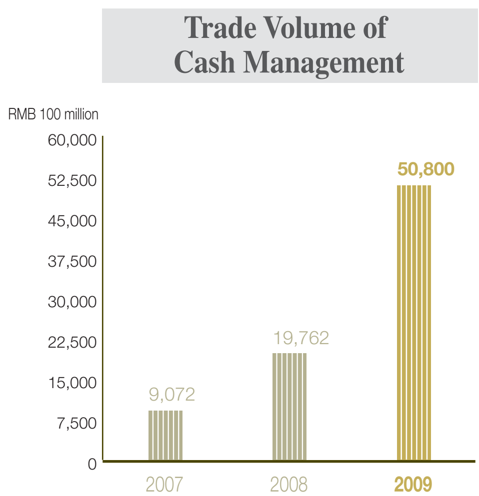
Supply Chain Financing Business

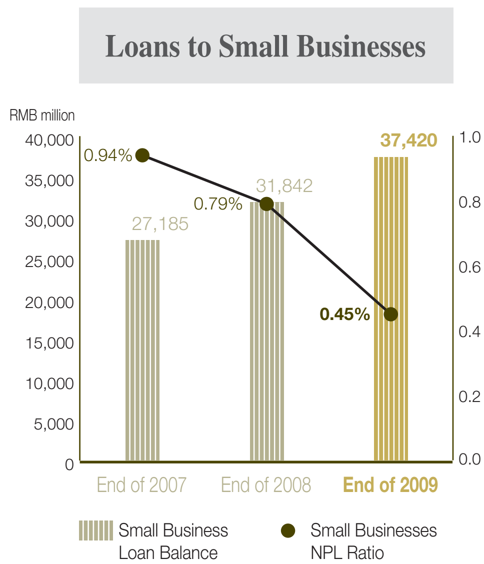
The Bank entered the market of auto, iron & steel, petrochemical, telecommunications, home appliance, coal and companies in other core sector as an enterprise financing provider, in order to let more customers know the Bank's supply chain financing service. As of the end of the reporting period, the Bank had cooperated with 124 auto and iron & steel producers and 2,388 distributors, a growth of 24.76% compared with the previous year. The Bank provided an accumulative credit of RMB205.6 billion to these distributors, up by 51.51% compared with the previous year-end.

In 2009, the Bank's loans to car dealers exceeded RMB100 billion reaching RMB145.109 billion, which is a new record and an increase of 70% compared with the previous year. The Bank established the cooperative partnership with 39 car producers covering most of the key auto enterprises and cooperated with 1,878 car dealers. In July 2009, the Bank began to be engaged in consumer credit area cooperating with over 80 car dealers, realizing a total loans issued of RMB223 million without NPLs.

Cash Management Business

The Bank launched transaction supporting systems such as "corporate e-banking 6.0", "cash management 4.0", "multi-bank capital management system (MBS)" and "bank-business direct channel 3.0", and other auxiliary supporting systems such as corporate mobile banking, telephone banking and corporate Internet banking, set up a "new generation of cash management platform- corporate financial expert" product series and the cash management capabilities of the Bank improved considerably. As of the end of the reporting period, the number of cash management projects and corresponding clients reached 1,139 and 6,632 respectively, up by 55.60% and 49.50% compared with the end of the previous year. The total transaction volume reached RMB5.08 trillion, which is 2.57 times of that of the previous year.





Management Discussion and Analysis

Small Business Financing

In 2009 the Bank set up a Small Business Financing Center, which is in charge of business promotion and management and control risks effectively. As a result, the small enterprise credit of the Bank maintained a healthy and rapid growth. The Bank launched innovative and small enterprise-oriented products such as credit granting with joint guarantee and loans backed by commercial property operation rights pledge etc. The Bank signed headquarter-to-headquarter cooperative agreement with Fullerton Financial under Temasek Holdings and strengthened cooperation with high-quality guarantee companies in order to effectively resolve difficulties in SME financing and guarantee. As of the end of the reporting period, the Bank had 8,169 small business clients, increased by 22.33% compared with the previous year end. The total credit balance for those small business clients reached RMB69.17 billion, increased by 31.39% compared with the previous year-end, of which loan balance reached RMB37.42 billion, increased by 17.52% compared with the previous year end. The NPL ratio was only 0.45%, which is 0.34 percentage point lower than that of the previous year.

Asset Custody

The Bank aims at providing premium custody services to clients. In 2009, the Bank continued to consolidate the traditional custody business and explored new areas, and the business structure improved continuously and the market competitiveness was further enhanced. Both the scale of assets under custody and the income exceeded RMB100 million respectively for the first time, i.e. the scale exceeded RMB100 billion and the income exceeded RMB100 million. As of the end of the reporting period, the scale of assets under custody reached RMB112.153 billion, up by 134% compared with the previous year-end, of which annuity and pension fund reached RMB5.145 billion accumulatively, up by 127% compared with the previous year-end. The total custody fee reached RMB113 million.

With the effective internal control in custody business, the Bank is the second joint-stock bank in China which obtained auditor's report with unqualified opinion from accounting firm according to AICPA's *SAS70: Service Organizations*. The Bank's assets custody business was awarded "Best Assets Custody in China" by *CFO* for the second consecutive year. The Bank's "Xinfu Annuity" brand was awarded "Best Financial Brand Marketing Campaign" by *The Chinese Banker* for the second consecutive year.

Retail Banking

Business Strategy

In 2009, amidst complicated domestic and international macro-economic environment, the Bank continued to develop a universal retail banking through the following five aspects: payroll agency business, wealth management, bank card business, personal loan business and service quality. The overall strength of the Bank's retail banking business was enhanced. The Bank registered a rapid growth by adapting to the market changes and improved its capability in acquiring customers and marketing. Meanwhile, the asset business realized a fast development in the context of relatively loosened credit policy. Furthermore, the intermediary business with wealth management business as the core maintained a rapid growth momentum. On the whole, the retail banking business is developing rationally.

Business Overview

In 2009, the operating income of retail banking business registered RMB6.724 billion, up by 1.96% compared with the previous year and accounting for 17.65% of the Bank's operating income. The net non-interest income of the retail banking business registered RMB1.377 billion, up by 6.50% compared with the previous year, accounting for 35.69% of the Bank's total net non-interest income. The Bank's customer base of the retail banking business continued to grow and reached 17.68 million retail customers as of the end of the reporting period, an increase of 21.01% compared with the previous year.

- Steady growth of the three profit drivers: personal wealth management, consumer credit and credit card businesses.
  - The Bank sold RMB79.605 billion worth of wealth management products, which indicated again a large sales scale.
  - Balance of personal loans registered RMB133.637 billion, up by 52.27% compared with the previous year-end, accounting for 13.36% of the total loan balance.
  - The accumulative credit card issuance was 9.3379 million and the total credit card transaction volume for the whole year registered RMB78.846 billion, realizing RMB306 million of pre-tax profits.
- E-banking developed fast. The number of Internet banking certified clients, the number of transactions through personal Internet banking and the transaction volume of personal Internet banking grew by 79.17%, 59.40% and 313.66% respectively compared with the previous year.
- Marketing and management system of private banking began to take shape. Products and service R&D system improved and the number of private banking client reached 5,223.

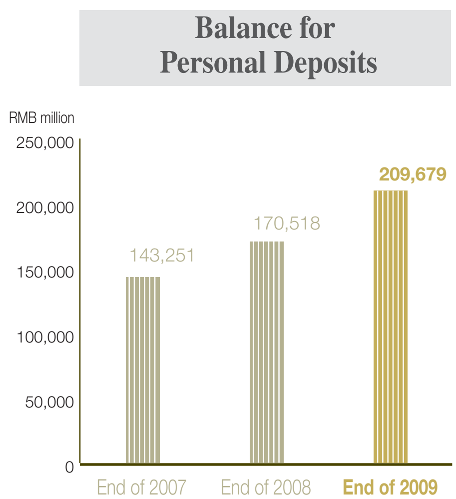
In 2009, the retail banking business of the Bank won many awards including "Excellent Bank Card and Retail Payment" by *Asian Banker* and "Best Call-Center of Asia-Pacific 2009" by the CCAM (Customer Relationship Management and Contact Center Association of Malaysia).

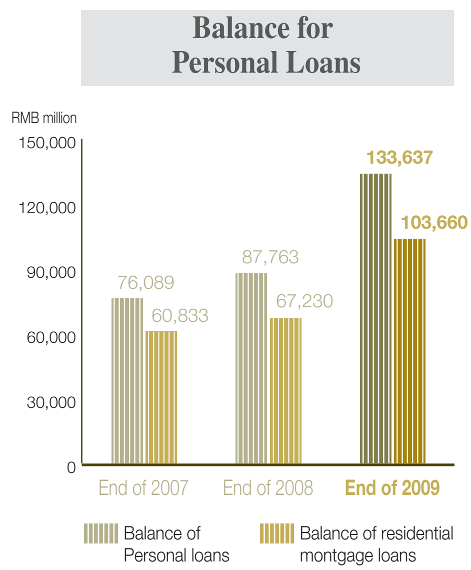
Retail Assets under Management(1)

With a view to provide comprehensive financial services, the Bank continued to focus on payroll agency business, bank card business and third-party depositary business, etc., by strengthening deposit-related products marketing and leveraging on our competence in wealth management market. As of the end of the reporting period, the balance for personal retail assets under management was RMB301.239 billion, up by 26.97% compared with the end of the previous year, of which the balance of personal deposits reached RMB209.679 billion, up by 22.97% over the end of the previous year.

Retail Credit(2)

In 2009, the Bank paid highly attention to the personal loans business, and seized the trend where the state encouraged personal consumption and domestic demand and took the favorable opportunity thanks to the recovering real estate sector. The Bank accelerated the development of the business through various measures and took personal residential mortgage loans as focus. The Bank adjusted its loan policies timely and new products were launched such as "easy home loans", direct auto financing, personal credit for people working in premium companies etc. Existing personal loans products were optimized. The Bank adjusted its policies for home mortgage and comprehensive consumer loan in order to improve the Bank's competitiveness. Specialized





Note: (1) Retail assets under management: total amount of personal savings deposit and wealth management assets under the bank's management.

(2) Retail credit: personal loans excluding credit card loans.

promotions were organized such as "excellent personal lending performance branches", "100 and 1,000 personal lending competition", "star residential complexes", "special platinum VIP offering", "easy debt service" etc., which promoted the credit scale enlargement effectively. As of the end of the reporting period, the balance for the Bank's retail credit was RMB119.719 billion, up by 56.25% compared with the end of the previous year, of which the balance for residential mortgage loans was RMB103.66 billion, an increase of 54.19% compared with the end of the previous year, accounting for 77.57% of the total personal loans, and this proportion was up by 0.97 percentage point compared with the previous year. In 2009, the Bank further set clear the risk management mechanism of retail loans and identified the management structure Personal Loans Center as the NPL management workforce so that the risk management was further strengthened. The NPL ratio for retail credit was 0.32%, down by 0.23 percentage point, of which the NPL ratio for personal mortgage loans was 0.17%, down by 0.11 percentage point compared with the previous year.

Wealth Management

In 2009, in response to the changing requirements of the investment and wealth management market and customer demands, the Bank worked with other financial subsidiaries of CITIC Group launching a series of new wealth management products by leveraging on their specialized expertise. Launching "Steady Wealth Growth Plan" with the high-returns loan assets as the principle investment targets, the Bank created steady returns for clients through reasonablely managing the investment portfolio among bond and other various low-risk investment products. "Super-express" product line with the financial market instruments of high-credit and good liquidity as the main investment targets was able to accommodate to the liquidity arrangements of different maturities and create steady returns for clients. "Premium bonds" product line offered the clients chances to share steady returns from bonds. In 2009, the Bank offered 884 wealth management products and the sales volume was RMB79.605 billion. The met non-interest income from wealth management products was RMB280 million, accounting for 20.33% of the total net non-interest income from retail banking businesses. While increasing investment in R&D of new products, the Bank established the overall product monitoring and control system and strengthened the supervision on investment strategies of asset management products by checking positions of related investment and organizing monthly meetings with investment consultants. At the same time, the Bank accelerated training and certifying for related staff. As of the end of the reporting period, 3,730 employees of the Bank passed the wealth management marketing qualification tests.

In 2009, the Bank made its efforts on product development and marketing for agency sales business. The Bank set up sales agency cooperation with 60 fund management companies and sold 630 fund products on agency basis, realizing the sales volume of RMB7.596 billion. The Bank also sold 4 collective wealth management products as an agent for 3 securities companies, realizing the sales volume totalling RMB4.339 billion. The Bank sold RMB837 million worth of insurance products as an agent.

As of the end of the reporting period, the number of the Bank's VIP customers with above RMB500,000 worth of assets under management was 120,690, up by 37.72% compared with the previous year. The balance for RMB and foreign currency denominated savings deposit equaled to RMB124.216 billion, accounting for 59.24% of the total personal deposits. The balance for assets under management was RMB178.651 billion, accounting for 59.31% of the total retail assets under management.

Private Banking

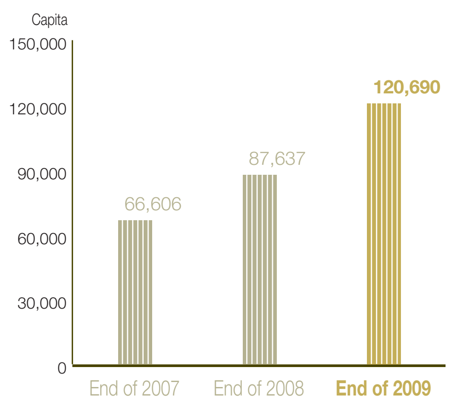
The Bank provides private banking services to individual customers with net assets over RMB8 million and the companies they controlled or held. As of the end of the reporting period, the number of the Bank's private banking customers was 5,223. In 2009, the private banking marketing management system was established. The private banking business is conducted by 26 branches of the Bank. A branch marketing service channel consisting of Beijing and Shenzhen sub-centers and Shanghai team as the core covering Northern, Southern, Eastern, North-western, South-western and North-eastern regions of China. The Bank arranged some value-added services and marketing activities such as "Health Keeping" so that the customer loyalty and satisfaction were secured. In 2009, the Bank improved its product research and development (R&D) system and established a dynamic wealth management service system according to market features and customer demands. During the reporting period, the Bank's private banking business operation support and customer service system was further optimized. Meanwhile, the Bank also achieved significant progress in strategic cooperation with BBVA and the establishment of overseas platform. Based on the good performance of private banking business, the Bank won many awards such as "Best Private Banking in China", "Most Innovative Private Banking in China" and "Private Banking with Best Risk-control in China" sponsored by *China Times, Money Talks* and *Money Week*.

Credit Card

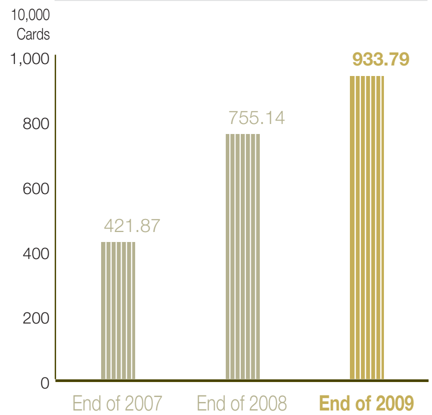
In 2009, the Credit Card Center executed the strategy of "active defence" by adhering to the philosophy of "consolidating existing advantages, controlling risks, good-pacing and developing scientifically" to promote the steady development of credit card business. As of the end of the reporting period, the Bank issued an aggregate of 9.3379 million cards, an increase of 23.68% compared with the end of the previous year, the transaction volume was RMB78.846 billion, up by 33.53% compared with the previous year, the balance for NPLs not recovered was RMB13.918 billion, up by 24.93% compared with the end of the previous year, the total credit card income reached RMB2.056 billion, up by 49.31% compared with the previous year. The Bank earned a pre-tax profit from credit card businesses of RMB306 million for the full year, an increase of 235.86% compared with the previous year.

In 2009, due to the impact of the international and domestic macro-economic situation, the repayment capability of credit card holders began to decline and the credibility risk, cash-out risk and fraudulent acts began to emerge. The Credit Card Center took the enhancement of the risk control during whole process as the core, customer and credit structure optimization as the most important and adjusted the access and credit limit policy to conduct marketing. As a result, the proportion of new issued golden card or higher value card account was 49.30% in 2009.

Number of VIP Customers



Accumulative Issuance of Credit Card



The core competitiveness of the Bank's credit card service continued to grow. "36+1" golf service was upgraded once again, strengthening the protection of customer rights and interests, which helped to expand brand influence of CITIC Bank credit card in high-end market. A new version of credit card Internet portal was successfully put online, featuring customer-friendly interface and more self-explained instructions for users. The Credit Card Center was awarded "Best Call-center Asia-Pacific in 2009" by CCAM (Customer Relationship Management and Contact Center Association of Malaysia). Its performance was also noted and recognized by many other financial organizations and industry authorities, such as CCCS (Customer Contact Center Standard Committee), Ministry of Industry and Information, China Alliance for Promotion of Information Industry, CCMWORLD, review panel of Best Call-Center in Financial Sector etc. The Center was awarded "The Best Call-center in China" for the fourth consecutive year. The Bank's credit card service was well-received and widely recognized in Asia-pacific region.

Channel Building and Service Quality Management

In 2009, the Bank continued to enhance E-banking service in retail banking businesses. (Please refer to "*Management Discussion and Analysis — Domestic Distribution Channel*" in this chaper for details)

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

Treasury and Capital Market Business

Business Strategy

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 include individuals, corporates and financial institutions. Asset management mainly refers to securities investment and trading.

In 2009, in spite of the impact of the shrinking international financial market and the slump in the foreign trade on the business, the Bank exerted control over risks, made prudential investments, adjusted the structure actively and provided the clients with diversified financial services. Meanwhile, the Bank enhanced its research on investment, strengthened risk control, made prudential investments in the fluctuating domestic and overseas market and built reasonable risk and income portfolios. In the face of adverse market environment of the foreign exchange business and RMB interest rate market-making business, the Bank timely adjusted the trading strategy and maintained a leading position in the market. The Bank further implemented the business development strategy of "simple products, highly efficient marketing" and promoted a sustainable development of the intermediary business.

Business Overview

In 2009, the Bank achieved outstanding performance in treasury and capital market business by continuing to increase profit with asset management, enhancing the brand building through promoting the foreign exchange and interest rate market-making business and effectively ensured the customer growth with simple product sales promotion. As of the end of the reporting period, the operating income of treasury and capital market business of the Bank reached RMB1,605 million, accounting for 4.21% of the total operating income of the Bank.

In 2009, the Bank continued to implement the business development strategy of highly efficient marketing, further enriched the product line and optimized the client structure. In the meantime, in accordance with the business strategy of active market making in domestic market, the Bank conducted foreign exchange trading and RMB related bond trading actively and made effort to develop wealth management business. Moreover, the Bank strengthened the business model of "trading-sales" and allowed the trading and sales to complement with each other and develop together, consolidated the client base effectively and ensured the sustainable development of the intermediary business.

Foreign Exchange Business

In 2009, in the severe and complicated market environment where the international trade shrank and the international foreign exchange market underwent mounting uncertainties, the Bank strengthened its risk control on the foreign exchange business, acquiring 3.81% market share of the counter foreign exchange settlement and sales. The Bank maintained its leading advantages in foreign exchange market making in the inter-bank foreign exchange market, and was named "Best Market Maker of the Year", "Most Influential Market Maker of the Year" by China Foreign Exchange Trading Center for the second consecutive year and was awarded several major prizes including "Best Derivative Market Maker of the Year" and "Mostly Welcomed Market Maker of the Year" by the inter-bank" foreign exchange market.

RMB Bond and Interest Rate Market Making Business

With the advancement of the interest rate reform in China, the Bank further strengthened the RMB bond market making and interest rate derivative market making business, provided the market with trading liquidity actively, jumped to the forefront of market making in bond market making business, maintained a relatively large market share in interest rate derivative market making business, therefore enhancing the status of the Bank as a RMB market maker.

Stimulated by the proactive fiscal policy and moderately loosened monetary policy, the macro economy of China recovered rapidly in 2009, the yield of RMB interest rate market surged and the bond price decreased. In view of severe market conditions, the Bank, while strengthening risk control, timely adjusted the trading strategy of the RMB bond and derivative business, generating the better return on trading than peers and creating decent trading business income.

Wealth Management and Derivative Trading Business

In 2009, the Bank developed and launched the fixed income bond related wealth management products to meet the demands of clients for stable income and liquidity management and appropriately delivered the structural wealth management products linked to commodities and exchange rate to further enrich the product line.

In 2009, the Bank prudentially pushed forward the derivative business and provided the clients with professional value keeping and risk avoiding services through standardized simple products. In the meantime, the Bank exerted strict risk control over the customer-driven derivative business, safeguarding the interests of clients and the Bank effectively.

Asset Management

In 2009, governments around the world adjusted their monetary and fiscal policy actively and the global economy showed signs of recovery. Meanwhile, China's economy also showed the V-shaped recovery. In such a market environment, the Bank maintained a balance among safety, liquidity and profitability and increased the efficiency of asset management based on scientific decision-making. The Bank made reasonable adjustment to the foreign currency asset structure and improved the overall asset income stability and risk resistance capability. In 2009, the Bank's investment scale of RMB bonds increased and the yield grew significantly compared with the previous year.

Management Discussion and Analysis

Service Quality Management

In 2009, the Bank adhered to the "customer first" business philosophy and adopted a series of measures to strengthen service quality management, further promoted the building of the service quality system, developed the assessment scheme of the building of service quality system of branches, strengthened the work such as tellers' remuneration linking with service assessment, lobby manager allocation and assessment, customer complaint processing and handling, etc. The Bank also continued to strengthen the training of lobby managers to improve service skills and quality, developed the methods for assessing lobby managers, carried out third-party satisfaction survey and secret client monitoring, as a result of which the overall service quality was significantly improved. In the selection of "Top 100 Model Units of Civilized and Standardized Services of China's Banking Sector 2009" organized by China Banking Association, six branches of the Bank were listed among the top 100 and the head office of the Bank was awarded the "Prize for Outstanding Contribution to Civilized and Standardized Services of China's Banking Sector".

Advantages of the Integrated Financial Service Platform of CITIC Group

The umbrella of CITIC Group consists of financial subsidiaries engaged in banking, securities, fund, trust, insurance and future 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. The acquisition of CIFH contributed to building an internationalized business platform for the development of the Bank.

Providing Integrated Financial Solutions

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

— Underwriting short-term financing bonds, mid-term notes and the SME collection notes. The Bank, together with CITIC Securities, underwrote and issued RMB1.4 billion short-term financing bonds as lead under-writers and RMB7.8 billion mid-term notes as well as RMB500 million SME collection notes.

— Issuing corporate wealth management products. The Bank, together with CITIC Trust, issued multiple corporate wealth management schemes that invest in prime quality bonds and trust equities, raising RMB1.456 billion funds and providing the high-profile strategic customers of the Bank with comprehensive investment and financing service solutions.

Promoting Extensive Sharing of Customer Base

The Bank cooperated with four subsidiaries under CITIC Group, including CITIC Securities, China Securities, CITIC Kingtong Securities and CITIC Wantong Securities under CITIC Group in third-party depositary business, bringing in plenty of institutional and individual customers.

— Institutional customers. During the reporting period, the Bank has 5,147 institutional customers from the securities companies under CITIC Group, bringing the daily average balance for the customer transaction funds settlement summary accounts of RMB6.421 billion and the handling charges of the third-party depositary service of the Bank reached RMB8.2632 million.
— 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 companies under CITIC Group reached 45,100.

Conducting cross-design and cross-selling

— Cooperating to develop and sell wealth management products. The Bank continued to strengthen the cooperation with CITIC Trust, China AMC, CITIC-Prudential Fund Management, CITIC Securities, China Securities and CITIC-Prudential Life Insurance in product R&D. In 2009, the Bank cooperated with the above financial companies to issue 151 wealth management products and realized the sales volume of RMB39.553 billion.
— Giving play to the advantages of the custody business platform. The Bank carried out all-round cooperation with the 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 in RMB and foreign currencies launched with CITIC Capital reached RMB135 million, the custody scale of collective/targeted asset management programs launched with CITIC Securities reached RMB6.842 billion and the scale of the collective fund trust scheme launched with CITIC Trust reached RMB13.871 billion.
— Cooperating to development the annuity business. The Bank jointly established some working groups with CITIC Trust and CITIC Securities to carry out customer bidding activities and customer services. During the reporting period, the scale of the "CITIC Xinrui" corporate annuity product designed and launched by the Bank together with other subsidiaries of CITIC Group reached RMB39.975 million; the scale of the "Xiangrui Xintai" corporate annuity scheme launched by the Bank together with CITIC Trust reached RMB23.7088 million; the scale of the "Jinxiu Rensheng" corporate annuity scheme launched by the Bank together with CITIC Securities reached RMB196 million; the scale of the "Jinse Rensheng No. 1" corporate annuity scheme launched by the Bank together with China AMC reached RMB69.7531 million.
— Initiating cooperation in the private banking business. The Bank issued China's first agriculture sector equity investment trust fund through cooperation with CITIC Trust, achieving good sales results and positive market response.

Cooperation with Strategic Investor

In 2009, the Bank further pushed forward the strategic cooperation with BBVA in cash management business, international business, small business financing, investment banking business, treasury and capital market business, private banking business, auto financing business and training, etc. Senior managers from both sides met regularly through the Strategic Cooperation Committee, maintained a smooth communication mechanism and worked together to push forward the cooperation in all related business areas.

With the confidence in the Bank's future development and the prospect of cooperation between the two parties, BBVA further increased its shareholding in the Bank to 10.07% on 10 February 2009, making it the second largest shareholder of the Bank. In 2009, BBVA increased its shareholding in the Bank to 15% by exercising the share option[1]. The transaction was closed on 1 April 2010.

In cash management business, the Bank conducted the cooperation with BBVA actively in product design, business exchange, joint brand promotion and customer sharing, enhancing the capability of the Bank to provide the customers with global cash management service.

Note: (1) BBVA owns the share option to increase its shareholding in the Bank to 15% according to the *Share and Option Purchase Agreement* (revised) entered into with CITIC Group on 22 November 2006, and shall exercise it before 4 December 2010 according to the Framework Agreement entered into with CITIC Group and GIL on 30 June 2008..

In international business, the Bank refined related agreements regarding the on-lending loan business with BBVA, completed import L/C business with a worth of USD5.916 million, import collection agency business with a worth of USD4.085 million and export L/C business with a worth of USD9.861 million through cooperation with BBVA.

In small business financing, the Bank participated in the 6th China International SME Expo jointly with BBVA to carry out extensive publicity on the featured products and services of the small business financing business, which was well received in the society.

In investment banking business, both parties explored business opportunities actively in export credit, on-lending and merger & acquisition loans and provided the strategic customers of the Bank with integrated financial service solutions in cross-border investment and financing. The amount of on-lending loans and bridge financing arrangement of the Spanish government jointly facilitated by the Bank and BBVA for China's railway construction projects reached EUR80 million.

In treasury and capital market business, both parties communicated with each other in product R&D and risk control and carried out close cooperation in derivative trading with the total annual trade volume exceeding RMB24.391 billion. In the meantime, both sides cooperated to develop structural wealth management products with different maturities, which were sold by the Bank domestically.

In auto financing business, both parties have basically completed negotiations on the business cooperation model and conducted exchanges in business processes, risk management and IT system, etc, laying a solid foundation for further cooperation in the future, which will be subject to the regulatory approval.

In training, 20 training programs at the headquarters of BBVA were arranged throughout 2009, covering about 345 management personnel and outstanding staff of the Bank.

Information Technology

In 2009, to enable IT supporting business development continuously, the Bank developed the medium-to-long term IT plan and information security plan, continued to promote a sophisticated and professional management system and improve the capability to control IT risks, strengthened the construction of the application system and effectively promoted business development and management skills.

— The Bank developed the medium-to-long term IT plan, determined the main business demand for now and in the following three to five years, designed the IT architecture blueprint and implementation road map and established the working principle of guiding IT construction with the IT plan. Moreover, the Bank completed the information security planning work and established the information security management system architecture of the entire Bank, paving the way for increasing the information security management level in an all-round way.

— By perfecting the IT project approval and process management policy, the Bank introduced the cost sharing mechanism, therefore bringing the management level of projects with science and technology to a new height. Under the guidance of fine and professional management, the IT application and development, quality guarantee and operation guarantee system of the Bank was gradually perfected and the capability of IT supporting and ensuring the sound operation of business and management was enhanced significantly.

— The Bank continued to strengthen the information system security safeguarding by means of establishing centers in alternate locality for disaster backup for branches, building a complete "two localities with three centers" disaster backup system, continuing to perfect the information system infrastructure, implementing automatic monitoring of system operation of the entire Bank; perfecting the emergency responding plan and carrying out emergency reaction rehearsals throughout the Bank, etc. The operation and management capability of the information system of the entire Bank continued to improve, which is up to the regulatory standards.

— The Bank continued to increase its investment in the construction of the information system. The Bank effectively addressing the needs of customers, supporting business development and increasing the business operation efficiency and scientific decision-making capability by using centralized account processing system, unifying data platform (ODS), integrating wealth management platform, optimizing retail counter operation, realizing group cash management and providing corporate Internet banking V6.0, personal Internet banking V5.3, mobile banking, electronic commercial draft, domestic payment with foreign currencies and bank-enterprise direct connection V3.0, etc.

Domestic distribution Channels

Branches

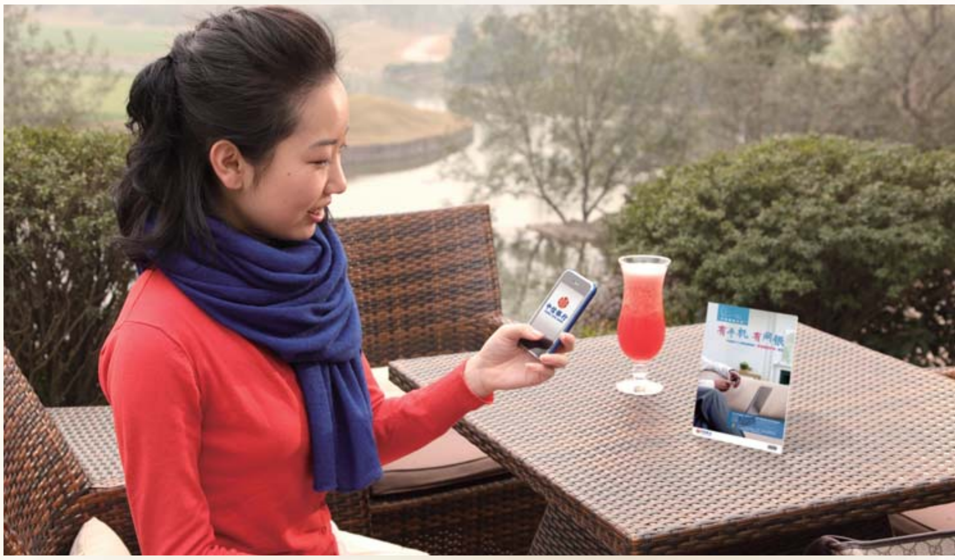
In 2009, while continuing to rationalize the outlet landscape in economic centers and costal areas, the Bank seized the opportunity of development of the central and western regions and strengthened the outlets establishment in capital cities and developed prefecture-level cities in central and western areas properly. Eight branches were opened in Changchun, Xiangfan, Guiyang, Lanzhou, Wuhu, Jiaozuo, Baotou and Taizhou, Binhai New Area sub-branch was upgraded to a tier-two branch and 65 sub-branches were opened. As of the end of the reporting period, the Bank has set up 616 outlets in 67 medium and large-sized cities in China, including 31 tier-one branches, 29 tier-two branches and 555 sub-branches.

Self-Service Outlets and Self-Service Terminals

In 2009, while strengthening safety and risk prevention of self-service banking transactions, the Bank continued to launch new self-service outlets and self-service terminal distribution network to increase the self-service terminal replacement rate for transactions. As of the end of the reporting period, the Bank had 983 self-service banking centers and 3,514 self-service terminals (ATM, CDM and CRS), increased by 19.01% and 26.08% respectively compared with the end of the previous year.

Mobile Banking

To expand the retail banking business channels and provide customers with more convenient services, the Bank, following the successful launch of the mobile banking V1.0 in early 2009, released the mobile banking V2.0 officially in December 2009, which realized functions of account management, transfer and remittance, credit card, fee payment, third-party depositary, fund, loan and Visa query, etc. In 2009, the number of mobile banking accounts opened with the Bank reached about 5,000 and the mobile banking trade volume reached about RMB8 million.



Management Discussion and Analysis

Internet Banking

In personal Internet banking, the Bank adhered to the development strategy of "increasing the technological replacement rate", launched the Internet banking V5.3, successfully released "CITIC E-payment", which was the new generation of one-stop payment platform, and released new Internet banking security measures like mobile dynamic password, etc. The relevant products became more intelligent, secure and customer-friendly. The online consumption environment was improved significantly, and the air ticket booking channel, mobile value-added products and fund channel were opened. The Bank signed cooperation agreements with 52 Internet payment platforms and dealers, the number of Internet banking agency payment items reached 99, and the customer activity and the trade volume grew significantly. As of the end of 2009, the number of certified personal Internet banking accounts reached 1.9283 million, up by 79.17% compared with the end of the previous year; the trade volume of personal Internet banking reached RMB282.717 billion, 4.14 times of that of the previous year.

In corporate Internet banking, the Bank launched the trading service systems including corporate Internet banking V6.0, cash management V4.0, multi-bank fund management system (MBS), bank-enterprise V3.0, and the supporting service system including corporate mobile banking, telephone banking and corporate Internet banking community. In addition, the Bank integrated relevant systems into a "new generation of cash management service platform-enterprise funding expert" product series so that the comprehensive service capability was improved significantly. As of the end of the reporting period, the Bank got 24,400 new corporate Internet customers and 29,800 new corporate Internet banking accounts, the total trade volume exceeded RMB6.8 trillion, and the account replacement rate and transaction number replacement rate reached 23.9% and 18.03% respectively, up by 7.3 percentage points and 7.5 percentage points compared with the previous year respectively.

Telephone Banking

The Bank provides customers with 7 days per week and 24 hours per day services through the unified telephone bank service hotline 95558 in China. In 2009, the telephone banking system further expanded to include the online trading function, tele-marketing function and internal management function. Through integration with businesses including VIP wealth management, Internet banking, personal loans business and debit card business, etc, the Bank built a platform for concentrated customers marketing. The Bank also provided VIP customers whose total assets under management in the Bank were more than RMB500,000 with customized services and active care through the 10105558 VIP service hotline, including VIP flight boarding, car rescue, golf booking, medicare green channel, etc. Moreover, the Bank enriched the centralized operation function and carried out such businesses as Moneygram authorization and collective approval of photos for printing on the personalized credit card. The telephone Banking Center of the Bank was awarded the title of "Best Call Center in China" for two consecutive years in the selection of "Best Call Center and Best Managers of China 2009" sponsored by China Informatization Promotion Alliance CRM Subcommittee.

Overseas Networks

CITIC International Financial Holdings Limited

CITIC International Financial Holdings Limited., a controlled subsidiary of the Bank, is an investment and holding company registered in Hong Kong, engaging in commercial banking business and non-banking financial services. As of the end of 2009, CIFH had total assets equivalent to RMB108.328 billion, net assets equivalent to RMB14.182 billion and net profit equivalent to RMB807 million. CIFH wholly-owns CKWB, holds 40% equity of CIAM, and 27.5% equity of CITIC Capital.

— **CKWB** CKWB has 27 branches in Hong Kong, two in America, one in Macao and one in Shanghai and one subsidiary registered in Chinese Mainland, CITIC Ka Wah Bank (China) Limited. As of the end of 2009, CKWB had a total assets equivalent to HKD105.766 billion, deposit balance equivalent to RMB86.229 billion, loan balance equivalent to RMB64.496 billion and net profit equivalent to RMB839 million, with the capital adequacy ratio of 16.44%, the core capital adequacy ratio of 11.9%, and the provision coverage ratio of 47.32%.

— **CIAM** CIAM specializes in assets management and direct investment business. Under the uncertainties in the global economy in 2009, the company sought after stability and seized opportunities to further integrate and optimize resources of shareholders and partners.

— **CITIC Capital** CITIC Capital specializes in investment management and consulting business in China. In 2009, CITIC Capital introduced a strategic investor, China Investment Corporation, which has a strong capital base and purchased 40% equity of CITIC Capital. Therefore, China Investment Corporation holds the largest proportion in CITIC Capital and CIFH holds the second largest proportion. As of the end of 2009, the total asset managed by CITIC Capital was USD2.8 billion which is 1.7 times of the previous year.

— **Risk Management** To improve risk management and relevant system, CIFH launched a comprehensive risk management plan in 2009, covering a series of innovative projects and continuous improvement programs, particularly in credit risk and market risk. In the mean time, CIFH actively collaborated with its strategic shareholder, BBVA, to create a synergy effect and accelerate the development of CKWB in risk management.

With the optimized equity structure, the cooperation among CIFH, CKWB and CITIC Bank will be enhanced and deepened in order to give full play to the comprehensive advantages of the Group.

China Investment and Finance Limited

China Investment and Finance Limited is a controlled subsidiary of the Bank established and located in Hong Kong with a registered capital of HKD25 million, in which the Bank holds 95% and CKWB holds 5%. The business scale includes loan business (CIFL holds the creditor license) and investment business (including fund investment, bond investment and stock investment, etc).

— Business development. In 2009, CIFL further strengthened the cooperation with the Bank to complement with each other with respective advantages. As of the end of the reporting period, the total assets of CIFL equaled to RMB1.001 billion, up by 11.56% compared with the previous year; the net profit equalled to RMB11 million, up by 170.27% compared with the previous year.

— Risk management. CIFL presently adopts the two-level approval system, namely the Risk Management Committee and the Board of Directors. And CIFL has formulated a series of measures to control risks, including *Administrative Measures for Authorization of Credit Extension Business of China Investment and Finance Limited, Administrative Measures for Trading Authorization of China Investment and Finance Limited, and Regulations of the Risk Management Committee of China Investment and Finance Limited*. Thanks to its strict risk management, CIFL has no NPLs, and its investment business withstood the financial tsunami. CIFL has not been involved in sub-prime loans, Lehman related bonds and structured products, etc.

Professionalized Risk Management

the Bank achieved a result of "double-decrease" of NPL ratio and NPL balance. The bank maintained a good assets quality in the severe market environment.

In 2009 facing the challenging situation of sharp narrowing in interest spreads and decreases in credit demands from real economy, in the principle of "maintaining profitability, risk control, promote development", the Group has promptly introduced credit policy and made timely adjustment to it, and specified its direction of loans in advance. Meanwhile, in order to "control risk", the Group continued enhancing the risk early-warning and risk mitigation work, actively promoted structure adjustment, and proactively withdrew loans from high-risk customers.

As of the end of 2009, the loan quality of the Group continued keeping in good shape. both of the balance and ratio of NPLs recorded a decrease. The NPL ratio decreased to 0.95%, recording its best performance in history. The balance for provision for loan impairment and provision coverage ratio realized a "double-increase" with the provision coverage ratio rising to 149.36%, increased by 13.25 percentage points compared with the end of previous year. The Group's risk resistance capability has been furthered improved.

Non-performing Loan Ratio

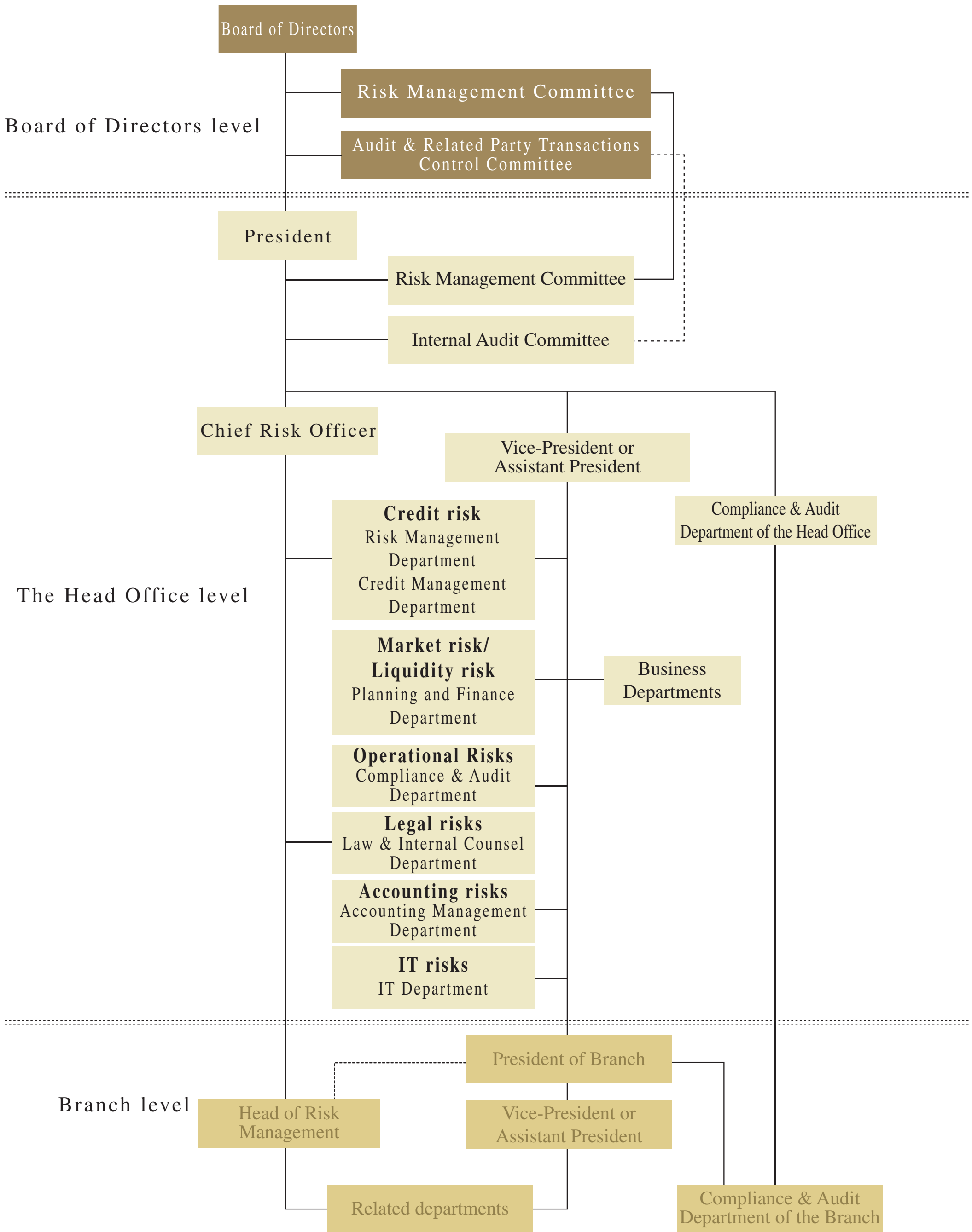
0.95%

To overcome the adverse impact of the external environment, the asset quality continued keeping in good shape, achieving a steady and fast growth.

Management Discussion and Analysis

Risk Management

Risk Management Structure



Risk Management System and Techniques

In 2009, the Bank remained committed to build an independent, comprehensive, vertical and professional risk management system, cultivated risk management culture of "pursuing risk-adjusted returns", implemented the risk development strategy of "quality industry, quality enterprises, mainstream market and mainstream customers", and actively managed the credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

Risk Management Techniques

In 2009, the Bank has completed developing the risk measurement model for corporate debt rating and exposure at default and retail rating programs, promoted the IT implementation and development work of the two rating programs step by step, which have been put in operation in some branches.

The operation of the corporate debt rating program will allow the Bank to basically complete the credit risk measurement on single customer and single item transaction in terms of corporate banking business, therefore laying a foundation for realizing the advanced internal ratings-based approach. The operation of the retail rating program signifies that it is the first time for the Bank's retail banking business to realize risk quantification required by the New Basel Capital Accord.

Credit Risk

Credit risk refers to the risk that the Bank's borrower or counter-party does not fulfill the obligations specified in agreement. The Bank's credit risk mainly exists in the Bank's loan portfolio, investment portfolio, guarantees, commitments, and other on-and-off balance sheet risk exposure, etc.

Credit Risk Management

Risk Management on Corporate Loans

In 2009, the Bank's loans were mainly issued to the following areas: (1) basic sectors such as transportation and energy, which were less hit by the global financial crisis; (2) entities of real economy which is recovering gradually, for instance, manufacturing, wholesale and retail enterprises; (3) infrastructure construction projects funded by the government financing platforms; 4) personal housing mortgage loans. The Bank exerted strict control over the loans to real estate sector, sectors with high consumption and high pollution as well as those less competitive export-oriented enterprises.

— Government financing platform. With the delivery of the Chinese government's four trillion stimulus package to expand domestic demand, loans to projects funded by the government financing platform have become the lending focus of Chinese banks in 2009. The Bank carried out the credit granting to the government platform funded projects in accordance with the principle of "controlling the total amount and exercising differentiated treatment" in the following manners: (1) actively supporting the commercially sustainable government platform projects with stable future cash flow. For instance, water, gas and other public utilities; (2) prudentially supporting government platforms such as land reserve centers holding land as collateral, investment/construction companies and economic zones of economically developed cities; (3) strictly controlling projects funded by government comprehensive platforms and other types of government platforms (for such projects, the Bank mainly supported the provincial level in economically developed provinces).

— Real estate development loans. The Bank paid close attention to the risk in the real estate market, and all real estate development loans are subject to the professionalized examination and approval of the Industry Loan Approval Team of the Head Office. In 2009, in accordance with the principle of "controlling the total amount", the Bank continued to control lendings to the real estate sector in a strict manner. The real estate projects supported by the Bank were mostly advantageously located with lower land costs. The Bank strengthened the management of real estate development loans and principly required a close-end fund management and project with collaterals.

— Loans to the sectors with high consumption and high pollution ("two high" sectors). The Bank carefully implemented the policies of the State concerning energy conservation, emission reduction and restriction of the sectors with high consumption and pollution. In accordance with the principles of "controlling total amount and some loans shall be ensured, some loans shall be restricted", the Bank exerted strict control over the issuance of loans to the major "two high" sectors such as iron, steel, non-ferrous metal, cement and coke. The new loans of the above sectors are subject to the approval of the Head Office before issuance. The Bank principly does not support new construction projects of the "two high" sectors.

Risk Management on Small Business Loans

In May 2009, the Bank set up the Small Business Financing Center of the Head Office, established specialized agencies in Hangzhou, Ningbo, Suzhou and Nanjing branches and established professional teams to improve the risk control capabilities by carrying out specialized operation.

— The Bank controlled the lending geographically. Loans to small business were primarily issued to the Yangtze River Delta and Pearl River Delta regions, where the economy is relatively developed, small businesses are active, social credibility is high and the branches have strong risk control capabilities.

— The Bank controlled the access of enterprises. The small business customers of the Bank are mostly fast growing small businesses with prime quality. For instance, small business with strong self-compensating cash flow in internal/external trade, small business that provide supplementary products or services for leading enterprises and prudent small business with core technology advantages.

— The Bank strengthened loan guarantees. The Bank generally requires collaterals, pledges or strong guarantees (refers to property collateral with full value, guarantee offered by BBB+ enterprises and guarantee offered by guarantee company that signed contract with the headquarters) for loans to the small business, attaches importance to cooperation with the local guarantee companies and controls the risks by means of joint guarantee of the enterprises.

— The Bank paid attention to non-financial indicators and face-to-face talk principle. The Bank kept up with the overall operations of enterprises by grasping non-financial information such as tax payment, power consumption and water consumption, etc. Meanwhile, for enterprises that apply for loans for the first time, the Bank's responsible person of marketing department shall talk face to face with the responsible person of the enterprises so as to grasp adequate enterprise information.

— The Bank strengthened its post-lending examination. The Bank conducted post-lending examination more frequently on small business loans and initiated the early-warning procedures for enterprises with signs of risk.

— The Bank emphasized the dynamic adjustment of customers. The branches assess the small business each year, specify the list of customers from which they should withdraw, make the withdrawal plan to constantly optimize the customer structure by dynamic adjustment.

Risk Management on Retail Credit

In 2009, in view of the development of the macro economic environment, while expanding the scale of the retail credit business, the Bank paid close attention to risk management of retail credit and managed to improve the asset quality remarkably.

— The Bank perfected the retail credit risk management system, established the operation management organization structure with the Retail Banking Department of the headquarters acting as the policy implementation and operation management department and the personal loan center of branches as the core. The Bank pushed forward the construction of the personal loan center of branches, unified the position design and business process, laying a foundation for a centralized risk management.

— The Bank strengthened its loan monitoring. The Bank identified problems, made early warnings and resolved risks at an early stage. In addition, the Bank notified the quality of the retail credit assets to the entire bank regularly and urged branches to pay attention to the quality of retail credit assets.

— The Bank enhanced its effort in NPL recovery. The Bank established the joint NPL recovery mechanism between the head office and branches, focused on the branches with large amount of NPL growth and stock, urged and instructed branches to recover NPLs timely.

Risk Management on Credit Cards

In 2009, under the guidance of the concept of "pursuing risk-adjusted returns" in credit card business, the Bank strengthened its entire risk control process, fully implemented the "two high-ends, two mainstreams" (high-end products, high-end customers, mainstream market, mainstream customers) strategic objective by controlling risks actively, put emphasis on adjustment of customer structure and credit structure, thus ensured a remarkable improvement in yields from loans and an effective control on the increase of NPL balance and ratio by exercising a series of effective measures such as adjusting structure, cracking down on counterfeiting and expanding channels.

— The Bank accelerated the customer structure adjustment. Centering on the adjustment of access policy and credit limit policy, the Bank actively introduced prime quality customers and increased the proportion of the medium-to-high end customers. Moreover, the Bank imposed strict restrictions on the access of high-risk customers and further reduced the proportion of high-risk customers.

— The Bank increased the post-lending management on credit cards. In accordance with the risk management principle of "steady advancement and steady adjustment", the Bank further met the credit limit needs of high value customers, increased customer satisfaction and attracted the prime quality customers to use cards actively by adjusting credit limit temporarily. Through providing the credit portfolio products, the Bank continued to boost the activity of credit card trading of the prime quality customers and increased the comprehensive returns of customers.

— The Bank carried out the control on credit card cash-out. The Bank adopted the control strategy of "providing customers with convenience in purchasing and blocking suspected dealers" and cracked down on cash-out transactions. In 2009, the proportion of cashing-out customers has kept decreasing gradually and the proportion of normal installment and transaction loans has been growing steadily.

— The Bank enhanced its capability in NPL collection. The Bank established the asset management center, whose subcenters are responsible for collecting local NPLs. The subcenters perfected their local risk management system covering loan examination, anti-fraud and NPL collection, and optimized the collection strategy targeting difficulties during collecting, therefore recovered NPLs effectively.

— The Bank increased the fraudulent risk prevention capability. The Bank further perfected the fraudulent risk prevention system by means of implementing the business concept of "entire process risk management" and focusing on cracking down on false application and false card transactions, and enhanced the fraudulent risk prevention capability effectively.

Risk Management on Treasury Business

In 2009, the Bank prudentially conducted debt investment and customer-driven derivative business.

— Regarding RMB bond investment business, the market has seen a rapid growth in 2009, with a surge in the issuance of credits such as medium-term notes and short-term financing bills. The Bank regarded high quality enterprises as major investment objectives according to the Bank's credit policy of the year.

— Regarding foreign currency bond investment, the credit market has been restored gradually thanks to the stimulating efforts of the governments of major Western countries and central banks in 2009, while individual risks still exist. The Bank has adopted further measures to optimize its asset structure and increased its holdings of low-risk bonds.

— Regarding the customer-driven derivative business, the Bank adhered to the strict risk control principle, enhanced its analysis on customer adaptability and served the Bank's quality customers with simple products and services.

Loan Monitoring and Post-Lending Management

In 2009, the Credit Management Department of the Bank, based on the goal of "perfecting policy, standardizing management, mitigating risks and safeguarding operation", enhanced the credit risk management by making effort in consolidating foundation, improving management and supporting business development:

— The Bank's objective and focus of credit management has been clearer. The Bank organized investigations into corporate customers, SMEs, private enterprises, shipping sector, Taiwan invested enterprises, Korea invested enterprises and highway toll loans to provide information and relevant suggestions for decision-making to strengthen credit management.

— The Bank improved its management on lending centers and the management on operational risks has improved evidently. The Bank issued the Notice on Further Standardizing the Construction of Lending Center, and made explicit requirements for the unified management, discussed to draft approval and authorization administrative measures such as collateral management policy and further improved the management of lending centers.

— The Bank's capability in identifying and resolving risks has improved notably. The Bank organized branches to conduct specialized inspection on companies such as group customers, private enterprises, Taiwan invested enterprises, guarantee companies and businesses such as auto financing, iron and steel financing, real estate loans and ship-building financing, etc. The Bank continued strengthening risk monitoring on key customers and large amount of credit and identifying, reacting and mitigating risks effectively at the earliest stage. The Bank gradually strengthened its risk monitoring and analysis on businesses including retail loans, trade financing, credit card and treasury market. Therefore, the risk early-warning related work has improved comprehensively.

— The Bank's methods of asset quality control became more effective. The Bank analyzed and notified branches' accomplishment of loan asset quality control plans, promoted branches to strengthen their control on new NPLs, accelerated NPLs recovery and directed branches to strengthen their management plan for new NPLs.

— The Bank's loan management system and its applicability have been improved. The Bank issued 12 basic policies, including *Post Duties of the Credit Management Department of China CITIC Bank, Administrative Measures for Classified Management of Loan Asset Risks of China CITIC Bank 2009 edition, Administrative Measures for Credit Risks of Group Client of China CITIC Bank, Administrative Measures of Credit Management System of China CITIC Bank, Administrative Measures for Loan Collaterals of China CITIC Bank, Implementation Rules for the Management of Fixed Asset Loans of CITIC Bank (Trial),* etc in order to further enhance the foundation for loan management.

— The Bank's technique in supporting credit management improved remarkably. Nine functions were added to the credit management system, namely group customer management, examination and approval timely statistics, real-time credit limit query, post-lending examination management, 11-class loan classification management, provision management, overdue principal and interest monitoring and suspension of withdrawal in order to strengthen the loan supervision and inspection.

— The Bank made improvement in compliance. The Bank organized inspection of the asset quality of the 11-class loan classification of the Bank and conducted self-check of the issuance to promote relevant work of examination and rectification.

— The Bank's working intensity has been enhanced. The Bank adjusted the structure in advance and withdrew from the high-risk loan businesses. The Bank withdrew from 1,299 high-risk customers, accounting for 9% of the whole customer base. The structure adjustment yield good effects.

In order to facilitate a better understanding and assessment of the credit risks of the Group, the Group's loan distribution, loan quality and provisions for impairment loss on loans are set out as followings. (As the Bank had accomplished the acquisition of CIFH on 23 October 2009, the Bank's loan assets quality and loan loss impairment provisions are the focus of this following section.)

Credit Risk Analysis

Distribution of Loans

As of the end of 2009, total loans granted by the Group increased by RMB335.263 billion or 45.90% to RMB1,065.649 billion.

The Group continued to optimize the regional structure of its credit assets, with loans growing at a coordinated manner in different regions. The Group placed emphasis on the Eastern coastal region where the economy is the most developed, such as the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As of the end of 2009, the balance of aggregate loans granted by the Bank to the above three regions accounted for 67.87% of the total loans to customers. Regions with a relatively rapid loan growth in 2009 include the Bohai Rim and the Yangtze River Delta, which recorded an increase of RMB104.693 billion and RMB76.187 billion, respectively. In 2009, the Group endeavored to implement the national policy of expanding domestic demand by moderately increasing its credit support to quality projects in the mid-west region, and the proportion of loans to this region therefore increased.

Concentration of Loans by Geographic Region

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim[1]	**293,907**	**27.58**	189,214	25.90
Yangtze River Delta	**284,055**	**26.66**	207,868	28.46
Pearl River Delta and West Strait	**145,222**	**13.63**	101,782	13.94
Central region	**133,009**	**12.48**	74,566	10.21
Western region	**113,499**	**10.65**	72,068	9.87
Northeastern region	**34,965**	**3.28**	23,536	3.22
Overseas	**60,992**	**5.72**	61,352	8.40
Total loans to customers	**1,065,649**	**100.00**	730,386	100.00

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim[1]	**293,056**	**29.29**	188,308	28.34
Yangtze River Delta	**282,138**	**28.20**	205,670	30.95
Pearl River Delta and West Strait	**143,807**	**14.37**	100,366	15.10
Central region	**133,009**	**13.30**	74,566	11.22
Western region	**113,499**	**11.35**	72,068	10.85
Northeastern region	**34,965**	**3.49**	23,536	3.54
Overseas	**1,000,474**	**100.00**	664,514	100.00

Note: (1) Including the headquarters.

Concentration of Loans by Product

As of 31 December 2009, the balance for corporate loans (excluding discounted bills) granted by the Group amounted to RMB822.635 billion, representing an increase of RMB238.656 billion or 40.87% as compared with the end of the previous year. The balance for personal loans amounted to RMB148.24 billion, representing an increase of RMB46.454 billion or 45.64% as compared with the end of previous year; and the discounted bills were RMB94.774 billion, representing an increase of RMB50.153 billion or 112.40% as compared with the end of previous year.

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**822,635**	**77.20**	583,979	79.95
Personal loans	**148,240**	**13.91**	101,786	13.94
Discounted bills	**94,774**	**8.89**	44,621	6.11
Total loans and advances to customers	**1,065,649**	**100.00**	730,386	100.00

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**773,557**	**77.32**	533,212	80.24
Personal loans	**133,637**	**13.36**	87,763	13.21
Discounted bills	**93,280**	**9.32**	43,539	6.55
Total loans and advances to customers	**1,000,474**	**100.00**	664,514	100.00

Structure of Personal Loans

In 2009, the Group actively developed housing mortgage loans business and steadily developed credit card business, with housing mortgage loans and credit card loans increased by 46.13% and 23.65% respectively as compared with the end of the previous year.

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Housing mortgage loans	**114,156**	**77.01**	78,117	76.45
Credit card loans	**14,191**	**9.57**	11,477	11.27
Others	**19,893**	**13.42**	12,192	11.98
Total personal loans	**148,240**	**100.00**	101,786	100.00

Management Discussion and Analysis

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Housing mortgage loans	**103,660**	**77.57**	67,230	76.60
Credit card loans	**13,918**	**10.41**	11,141	12.70
Others	**16,059**	**12.02**	9,392	10.70
Total personal loans	**133,637**	**100.00**	87,763	100.00

Concentration of Loans by Sector

In 2009, the Group gave top priority to providing credit support for energy and transportation sectors, and strictly controlled the loans granted to real estate industry. Meanwhile, in response to the challenges of global financial crisis, the Group strengthened the segmentation and management of manufacturing industry, enhanced the monitoring of risks on the industries with excessive or potentially excessive production capacity or more vulnerable to the influence of macroeconomic control, and effectively controlled the risks in these industries. As of the end of 2009, the aggregate corporate loans granted by the Group to the top five industries accounted for 68.21% of the total loans to corporate customers. In view of increment structure, the top five industries during the reporting period were manufacturing, water conservancy, environment and public utilities, transportation, warehousing and postal services, wholesale and retail, and public and social organizations, which recorded an increase of RMB40.069 billion, RMB38.012 billion, RMB36.942 billion, RMB33.659 billion and RMB27.556 billion, respectively compared with the end of the previous year. The balance of loans granted to real estates industry decreased by RMB4.611 billion as compared to the end of the previous year.

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**210,446**	**25.58**	170,377	29.18
Transportation, warehousing and postal services	**102,557**	**12.47**	65,615	11.24
Production and supply of electricity, gas and water	**85,106**	**10.34**	57,778	9.89
Wholesale and retail	**85,872**	**10.44**	52,213	8.94
Property development	**46,312**	**5.63**	50,923	8.72
Water conservancy, environment and public utilities	**74,604**	**9.07**	36,592	6.27
Leasing and commercial services	**49,900**	**6.07**	31,567	5.40
Construction	**34,554**	**4.20**	23,917	4.09
Public and social organizations	**49,560**	**6.02**	22,004	3.77
Financial industry	**6,551**	**0.80**	6,291	1.08
Other customers	**77,173**	**9.38**	66,702	11.42
Total corporate loans	**822,635**	**100.00**	583,979	100.00

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**204,706**	**26.46**	163,164	30.60
Transportation, warehousing and postal services	**99,823**	**12.91**	62,938	11.80
Production and supply of electricity, gas and water	**84,819**	**10.96**	57,057	10.70
Wholesale and retail	**82,159**	**10.62**	48,855	9.16
Property development	**37,320**	**4.82**	42,001	7.88
Water conservancy, environment and public utilities	**74,604**	**9.64**	36,592	6.86
Leasing and commercial services	**49,800**	**6.44**	31,396	5.89
Construction	**34,381**	**4.45**	23,721	4.45
Public and social organizations	**49,560**	**6.41**	22,004	4.13
Financial industry	**2,583**	**0.33**	2,328	0.44
Other customers	**53,802**	**6.96**	43,156	8.09
Total corporate loans	**773,557**	**100.00**	533,212	100.00

Breakdown of Loans by Types of Currency

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
RMB	**968,118**	**90.85**	648,255	88.76
Foreign currencies	**97,531**	**9.15**	82,131	11.24
Total	**1,065,649**	**100.00**	730,386	100.00

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
RMB	**966,953**	**96.65**	647,279	97.41
Foreign currencies	**33,521**	**3.35**	17,235	2.59
Total	**1,000,474**	**100.00**	664,514	100.00

Breakdown of Loans by Types of Guarantee

In response to the challenge of global financial crisis, the Group continued to adhere to the corporate customer strategy of "quality industry, quality enterprises, mainstream market, mainstream customers" in 2009 and enhanced the credit support to high-quality customers, while focusing on alleviating the risks by means of secured and pledged loans, which led to an increase of the percentage of secured and pledged loans.

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
Types of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**293,974**	**27.59**	199,555	27.32
Guaranteed loans	**233,099**	**21.87**	209,427	28.67
Collateral loans	**335,343**	**31.47**	212,359	29.08
Pledged loans	**108,459**	**10.18**	64,424	8.82
Subtotal	**970,875**	**91.11**	685,765	93.89
Discounted bills	**94,774**	**8.89**	44,621	6.11
Total	**1,065,649**	**100.00**	730,386	100.00

Management Discussion and Analysis

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
Types of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**283,394**	**28.33**	190,835	28.72
Guaranteed loans	**216,312**	**21.62**	191,028	28.75
Collateral loans	**301,493**	**30.14**	177,961	26.78
Pledged loans	**105,995**	**10.59**	61,151	9.20
Subtotal	**907,194**	**90.68**	620,975	93.45
Discounted bills	**93,280**	**9.32**	43,539	6.55
Total	**1,000,474**	**100.00**	664,514	100.00

Maturity Profile of Loans

The table below sets out the loan products of the Group as of the end of 2009 by the remaining maturities.

The Group

Unit: RMB million

	Less than 1 year	**1 year to 5 years**	**More than 5 years**	**Repayable on demand(1)**	**Undated(2)**	**Total**
Corporate loans	501,973	219,680	91,494	390	9,098	822,635
Discounted bills	94,729	—	—	4	41	94,774
Personal loans	33,495	35,783	75,406	1,508	2,048	148,240
Total customer loans	630,197	255,463	166,900	1,902	11,187	1,065,649

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

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

The Bank

Unit: RMB million

	Less than 1 year	**1 year to 5 years**	**More than 5 years**	**Repayable on demand(1)**	**Undated(2)**	**Total**
Corporate loans	489,644	197,885	78,076	39	7,913	773,557
Discounted bills	93,235	—	—	4	41	93,280
Personal loans	29,821	29,224	71,499	1,402	1,691	133,637
Total customer loans	612,700	227,109	149,575	1,445	9,645	1,000,474

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

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

Concentration of Borrowers of Corporate Loans

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

The Group

		As of 31 December		
Major regulatory indicators	**Standard**	**2009**	2008	2007
Percentage of loans to the largest single customer (%)	≤10	**5.76**	2.92	4.21
Percentage of loans to the top 10 customers (%)	≤50	**39.52**	21.93	23.95

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

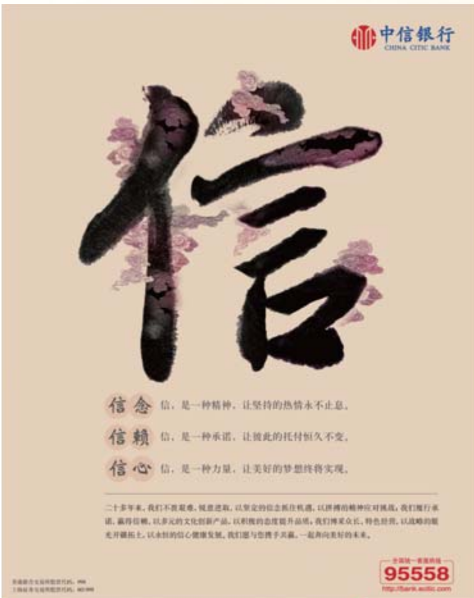
Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital

The Group

Unit: RMB million

		31 December 2009		
	Industry	**Amount**	**Percentage in total loans (%)**	**Percentage in regulatory capital (%)**
Borrower A	Public and social organizations	**6,000**	**0.56**	**5.76**
Borrower B	Production and supply of power, gas and water	**5,500**	**0.52**	**5.28**
Borrower C	Public and social organizations	**5,000**	**0.47**	**4.80**
Borrower D	Production and supply of power, gas and water	**4,700**	**0.44**	**4.51**
Borrower E	Production and supply of power, gas and water	**4,500**	**0.42**	**4.32**
Borrower F	Transportation, warehousing and postal service	**3,494**	**0.33**	**3.36**
Borrower G	Transportation, warehousing and postal service	**3,141**	**0.29**	**3.02**
Borrower H	Production and supply of power, gas and water	**3,000**	**0.28**	**2.88**
Borrower I	Production and supply of power, gas and water	**2,940**	**0.28**	**2.82**
Borrower J	Public and social organizations	**2,874**	**0.27**	**2.77**
Total		**41,149**	**3.86**	**39.52**

The Group, while strictly embodying the corporate customer strategy of "quality industry, quality enterprise, mainstream market, mainstream customers", has focused on expanding domestic demand and put greater efforts to support large quality infrastructure projects and large quality customers. The loan balance of the top 10 customers was RMB41.149 million, accounting for 3.86% of total loan balance.



Management Discussion and Analysis

Loan Quality Analysis

The following part analyzes the quality of credit assets of the Group in detail.

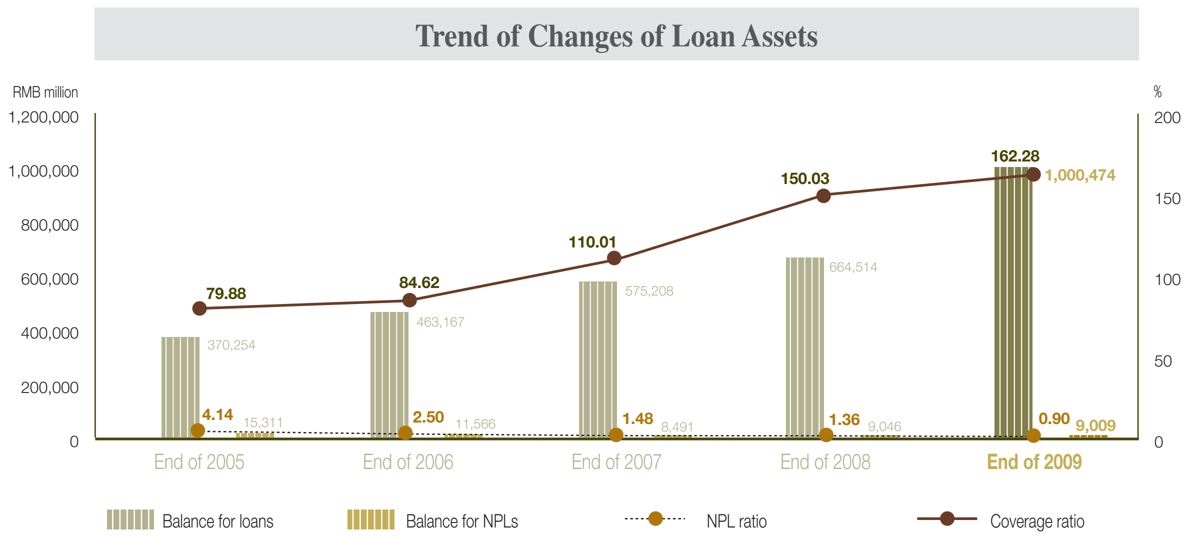
Five-Class Loan Classifications

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

In 2009, the Bank continued to implement a centralized management system over the risk classification of credit assets, constantly improved the credit assets risk classification system, revised and circulated *the Management Measures on Credit Assets Risk Classification of China CITIC Bank (2009 edition), the Management Measures on Credit Assets Risk Classification Examination of China CITIC Bank (2009 edition), Management Measures on Provisions for Loan Loss Impairment (2009 edition) and the Detailed Implementation Measures on Special Mention Loans (2009 edition).* Insisting on the principle of "Loan recovery safety" and considering all the factors that may influence the quality of credit assets, the Group made a further detailed classification based on the statutory five-class loan classification into 11 classes (refer to the following table), and exercised corresponding measures to loans of different classes. For instance, instead of only recovering non-performing loans, the Bank made effort to mitigate risks in earlier stage and required the Law and Internal Counsel Department of headquarters and branch levels to directly manage or participate in the management of special-mention loans to mitigate risks earlier and effectively controlled the increase of NPLs at source.

The Bank's 11-class of loan classification based on five-class loan classification is set out in the following table:

Risk classification	Five-class	Eleven-class
Performing Loans	Normal	Normal
		Normal⁻
	Special metion	Special metion⁺
		Special metion
		Special metion⁻
Non-performing Loans	Substandard	Substandard⁺
		Substandard
		Substandard⁻
	Doubtful	Doubtful
		Doubtful⁻
	Loss	Loss



The Group's credit assets risk classifying process is that the business departments first execute post-lending examination and then branches provide preliminary opinions based on examination results, credit management department of branches make initial judgement, risk manager of branches review the judgement and the headquarters make final decision. The Group carried out a dynamic adjustment on credit assets with significant changes of risks.

In 2009, the Bank cooperated with the external audit agency for the first time and jointly finished the loan risk classification sampling, thus further ensured the accuracy and truthfulness of relevant classifications.

The following data of the credit assets quality are set out based on five-class loan classification.

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,047,265**	**98.28**	704,505	96.46
Special mention	**8,227**	**0.77**	15,595	2.13
Substandard	**3,235**	**0.30**	1,613	0.22
Doubtful	**5,201**	**0.49**	7,500	1.03
Loss	**1,721**	**0.16**	1,173	0.16
Total customer loans	**1,065,649**	**100.00**	730,386	100.00
Performing loans	**1,055,492**	**99.05**	720,100	98.59
Non-performing loans	**10,157**	**0.95**	10,286	1.41

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

As of the end of 2009, both of the balance and ratio of NPLs decreased from that of the end of the previous year. The balance of NPLs of the Group confirmed under the statutory classification standard amounted to RMB10.157 billion, a decrease of RMB129 million, and the NPL ratio was 0.95%, representing a decrease of 0.46 percentage point from that of the end of the previous year.

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**983,978**	**98.35**	641,053	96.47
Special mention	**7,487**	**0.75**	14,415	2.17
Substandard	**2,484**	**0.25**	1,001	0.15
Doubtful	**4,869**	**0.49**	6,948	1.05
Loss	**1,656**	**0.16**	1,097	0.16
Total customer loans	**1,000,474**	**100.00**	664,514	100.00
Performing loans	**991,465**	**99.10**	655,468	98.64
Non-performing loans	**9,009**	**0.90**	9,046	1.36

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

Under the complicated economic and financial conditions in 2009, the Bank kept the stability of the asset quality through adjusting credit structure, strengthening loan monitoring and post-lending management, realizing the growth of loan scale of 50.56%. As of the end of 2009, the balance for normal loans increased by RMB342.925 billion or 53.49% from that of the end of the previous year, whose proportion increased to 98.35%. The balance for special mention loans decreased by RMB6.928 billion and its proportion decreased by 1.42 percentage points, which was mainly due to the fact that the Bank speeded up withdrawing from loans with potential risks so as to lower the potential risks in lending . The NPL ratio hit the best record in history and was 0.90%, lower than 1% for the first time ever and a decrease of 0.46 percentage point compared with the beginning of the year. The balance of NPLs was RMB9.009 billion, a decrease of RMB37 million compared with the beginning of the year, signifying the good risk control capability of the Bank.

In 2009, the Group principally made use of conventional means such as collection, legal proceedings, arbitration and restructuring to collect and disposed the non-performing assets with a total amount of RMB3.317 billion.

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 2009	31 December 2008	31 December 2007
Migration ratio of normal (%)	**0.53**	1.42	1.20
Migration ratio of special mention (%)	**6.71**	6.94	6.12
Migration ratio of substandard (%)	**18.16**	39.03	54.04
Migration ratio of doubtful (%)	**5.35**	19.28	5.86
Migration ratio of performing loans to non-performing loans (%)	**0.32**	0.36	0.28

In 2009, the migration ratio of loans of each class decreased respectively to different extent, which was mainly due to the Bank's effective measures including enhancing credit restructuring, carrying out withdrawal mechanism, intensifying loan collection management, mitigating risks at earlier stage in the external environment with moderately loosened monetary policy. Therefore, the Bank effectively controlled the deterioration of assets quality and reduced the possibility of downward migration.

Loans Overdue

The Group

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,054,844**	**98.99**	714,765	97.86
Loans overdue(1):				
1–90 days	**2,844**	**0.26**	7,149	0.98
91–180 days	**598**	**0.06**	1,450	0.20
181 days or above	**7,363**	**0.69**	7,022	0.96
Sub-total	**10,805**	**1.01**	15,621	2.14
Total customer loans	**1,065,649**	**100.00**	730,386	100.00
Loans overdue for 91 days or above	**7,961**	**0.75**	8,472	1.16
Restructured loans(2)	**4,146**	**0.39**	5,792	0.79

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

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

The Bank

Unit: RMB million

	31 December 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**990,875**	**99.04**	651,326	98.02
Loans overdue(1):				
1–90 days	**2,140**	**0.21**	5,628	0.84
91–180 days	**577**	**0.06**	1,238	0.19
181 days or above	**6,882**	**0.69**	6,322	0.95
Sub-total	**9,599**	**0.96**	13,188	1.98
Total customer loans	**1,000,474**	**100.00**	664,514	100.00
Loans overdue for 91 days or above	**7,459**	**0.75**	7,560	1.14
Restructured loans(2)	**3,577**	**0.36**	5,092	0.77

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

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

In 2009, the Bank implemented the risk mitigation by "early identifying, early reacting and early mitigating", enhanced its monitoring on principal and interest overdue using management system and monthly supervised branches to accelerate the collection of loans overdue, which method yield good results. As of the end of 2009, balance of loans overdue and proportion dropped remarkably compared with 2008, of which the balance of loans overdue for 1 to 90 days decreased by RMB3.488 billion and the balance of loans overdue for 91 days or above decreased by RMB101 million compared to the end of the previous year.

Breakdown of Non-performing Loans by Types of Customer

The Group

Unit: RMB million

	31 December 2009			31 December 2008		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**9,000**	**88.61**	**1.09**	9,556	92.90	1.64
Personal loans	**1,119**	**11.02**	**0.75**	730	7.10	0.72
Discounted bills	**38**	**0.37**	**0.04**	0	0	0
Total	**10,157**	**100.00**	**0.95**	10,286	100.00	1.41

The Bank

Unit: RMB million

	31 December 2009			31 December 2008		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**7,904**	**87.73**	**1.02**	8,326	92.04	1.56
Personal loans	**1,067**	**11.84**	**0.80**	720	7.96	0.82
Discounted bills	**38**	**0.42**	**0.04**	—	—	—
Total	**9,009**	**100.00**	**0.90**	9,046	100.00	1.36

As of the end of 2009, with the prerequisite of a stable credit assets quality, the Bank's scale expanded rapidly. The NPL balance reduced by RMB422 million and the NPL ratio decreased by 0.54 percentage point. The increase in personal NPLs was mainly due to the increase in credit card NPLs.

Management Discussion and Analysis

Distribution of Personal Non-performing Loans

The Group

Unit: RMB million

	31 December 2009			31 December 2008		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	**682**	**66.95**	**4.81**	300	41.10	2.61
Housing mortgage loans	**178**	**15.91**	**0.16**	191	26.16	0.24
Others	**259**	**23.14**	**1.30**	239	32.74	1.96
Total personal loans	**1,119**	**100.00**	**0.75**	730	100.00	0.72

The Bank

Unit: RMB million

	31 December 2009			31 December 2008		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	**679**	**63.64**	**4.88**	298	41.39	2.67
Housing mortgage loans	**177**	**16.59**	**0.17**	187	25.97	0.28
Others	**211**	**19.77**	**1.31**	235	32.64	2.50
Total personal loans	**1,067**	**100.00**	**0.80**	720	100.00	0.82

As of the end of 2009, affected by the macro-economic conditions, the balance of the Bank's credit card NPLs increased by RMB381 million from that of the end of the previous year, which is consistent with the industrial characteristics of high risk and high returns. The Bank managed to control the increase of credit card NPLs through a series of measures such as tightening credit policy, strengthening the capability of risk control of sales channels and improving approval process. As of the end of 2009, the momentum of rising credit card NPLs was eased, with monthly new non-performing loans decreased by a large margin month on month. The housing mortgage loans and other credit assets quality continued keeping in good shape and saw a decrease in NPL balance and ratio compared with that of the end of the previous year.

Breakdown of Non-performing Loans by Geographic Region

The Group

Unit: RMB million

	31 December 2009			31 December 2008		
	Amount	**Proportion (%)**	**NPL ratio (%)**	Amount	Proportion (%)	NPL ratio (%)
Bohai Rim[1]	**3,237**	**31.87**	**1.10**	3,519	34.21	1.86
Yangtze River Delta	**2,264**	**22.29**	**0.80**	2,254	21.91	1.08
Pearl River Delta and West Strait	**1,331**	**13.10**	**0.92**	1,419	13.80	1.39
Central region	**703**	**6.93**	**0.53**	624	6.07	0.84
Western region	**715**	**7.04**	**0.63**	870	8.46	1.21
Northeastern region	**833**	**8.20**	**2.38**	434	4.22	1.84
Overseas	**1,074**	**10.57**	**1.76**	1,166	11.33	1.90
Total	**10,157**	**100.00**	**0.95**	10,286	100.00	1.41

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	31 December 2009			31 December 2008		
	Amount	**Proportion (%)**	**NPL ratio (%)**	Amount	Proportion (%)	NPL ratio (%)
Bohai Rim[1]	**3,237**	**35.93**	**1.10**	3,179	38.90	1.87
Yangtze River Delta	**2,237**	**24.83**	**0.79**	2,227	24.62	1.08
Pearl River Delta and West Strait	**1,284**	**14.25**	**0.89**	1,372	15.17	1.37
Central region	**703**	**7.80**	**0.53**	624	6.90	0.84
Western region	**715**	**7.94**	**0.63**	870	9.61	1.21
Northeastern region	**833**	**9.25**	**2.38**	434	4.80	1.84
Total	**9,009**	**100.00**	**0.90**	9,046	100.00	1.36

Note: (1) Including the headquarters.

The overall quality of assets remained stable, in particular, the quality of credit asset to export-oriented and private enterprises concentrated in the Yangtze River Delta has not been seriously influenced by the macroeconomic environment. The NPL balance in that region increased slightly by RMB9 million compared with that of the end of the previous year, the NPL ratio of this region was 0.79%, a decrease of 0.29 percentage point compared with the end of the previous year still lower than the Bank's average level. The NPL balance in the Bohai Rim, Western region, the Pearl River Delta and West Strait decreased by RMB281million, RMB155 million and 88 million respectively compared with that of the end of the previous year, which indicates the Bank's capability to effectively respond to complicated economic and financial environment.

Breakdown of Corporate Non-performing Loans by Sector

The Group

Unit: RMB million

	31 December 2009			31 December 2008		
	Amount	**Proportion (%)**	**NPL ratio (%)**	Amount	Proportion (%)	NPL ratio (%)
Manufacturing	**3,952**	**43.91**	**1.88**	4,374	45.77	2.56
Transportation, warehousing and postal services	**100**	**1.11**	**0.10**	122	1.28	0.19
Production and supply of electricity, gas and water	**347**	**3.86**	**0.41**	307	3.21	0.53
Wholesale and retail	**1,275**	**14.17**	**1.48**	1,305	13.66	2.50
Property development	**1,114**	**12.38**	**2.41**	777	8.13	1.53
Leasing and commercial services	**345**	**3.83**	**0.69**	372	3.89	1.18
Water, environment and public utilities management	**43**	**0.48**	**0.06**	18	0.19	0.05
Construction	**164**	**1.82**	**0.47**	93	0.97	0.39
Finance	**138**	**1.53**	**2.11**	257	2.69	4.09
Public and social organizations	**—**	**—**	**—**	—	—	—
Other customers	**1,522**	**16.91**	**1.97**	1,931	20.21	2.89
Total non-performing loans	**9,000**	**100.00**	**1.09**	9,556	100.00	1.64

Management Discussion and Analysis

The Bank

Unit: RMB million

	31 December 2009			31 December 2008		
	Amount	**Proportion (%)**	**NPL ratio (%)**	Amount	Proportion (%)	NPL ratio (%)
Manufacturing	**3,866**	**48.91**	**1.89**	4,300	51.64	2.64
Transportation, warehousing and postal services	**100**	**1.27**	**0.10**	122	1.47	0.19
Production and supply of electricity, gas and water	**337**	**4.26**	**0.40**	279	3.35	0.49
Wholesale and retail	**1,195**	**15.12**	**1.46**	1,266	15.20	2.59
Property development	**1,024**	**12.96**	**2.74**	721	8.66	1.72
Leasing and commercial services	**345**	**4.36**	**0.69**	372	4.47	1.18
Water, environment and public utilities management	**43**	**0.54**	**0.06**	18	0.22	0.05
Construction	**164**	**2.07**	**0.48**	93	1.12	0.39
Finance	**138**	**1.75**	**5.34**	257	3.09	11.04
Public and social organizations	**—**	**—**	**—**	—	—	—
Other customers	**692**	**8.76**	**1.29**	898	10.78	2.08
Total non-performing loans	**7,904**	**100.00**	**1.02**	8,326	100.00	1.56

The Bank, while strictly embodying the credit policy of "quality industry, quality enterprises, mainstream market, mainstream customers", has put greater efforts to adjust the credit structure. The quality of loans for in each sector remained stable. In particular, the amount of NPLs in manufacturing, wholesale and retail decreased by RMB434 million and RMB71 million respectively compared with that of the end of the previous year and the NPL ratio decreased by 0.75 percentage point and 1.13 percentage points respectively compared with the end of the previous year. And the balance and ratio of NPLs for financial sector decreased by RMB119 million and 5.70 percentage points from that of the end of the previous year. The NPL balance for production and supply of power, gas and water, water conservancy, environment and public utilities and construction increased compared with that of the end of the previous year due to new NPLs resulted from certain individual customers. But the overall asset quality of these sectors maintained in good shape and the NPL ratio was far less than the average ratio of the Bank.

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 prudence and conformity to reality. The provision for loan impairment includes provision evaluated based on single item and on portfolio.

The Group

Unit: RMB million

	As of 31 December 2009	As of 31 December 2008
Beginning balance	**14,000**	9,617
Accruals of the year[1]	**2,446**	5,727
Reversal of impairment allowances[2]	**(126)**	(162)
Transfer out[3]	**(2)**	(98)
Write-offs	**(1,326)**	(1,150)
Recoveries of loans and advances written off in previous years	**178**	66
Ending balance	**15,170**	14,000

Notes: (1) Equivalent to the net impairment recognized in the consolidated income statement of the Group.

(2) Equivalent to the increment of the present value of impaired loans after a period of time. The Group recognized it as interest income.

(3) Including the impairment allowance released after the loan assets are converted to repossessed assets.

As of the end of 2009, the Group's balance of provision for loan impairment increased by RMB1.17 billion from RMB14 billion of the end of the previous year to RMB15.17 billion, of which the provision for the whole year was RMB2.446 billion. That was mainly due to the increase of lending. As of 31 December 2009, the ratio of the balance of the Group's provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, balance for provision for loan impairment and the provision balance to total loans were 149.36% and 1.41%, respectively. The Group's provision coverage ratio was lower than 150%, which is due to the difference in policy and calculation method between Hong Kong and Chinese Mainland.

The Bank

Unit: RMB million

	As of 31 December 2009	As of 31 December 2008
Beginning balance	**13,572**	9,341
Accruals of the year[1]	**1,955**	5,379
Reversal of impairment allowances[2]	**(125)**	(160)
Transfer out[3]	**—**	(71)
Write-offs	**(884)**	(931)
Recoveries of loans and advances written off in previous years	**102**	14
Ending balance	**14,620**	13,572

Notes: (1) Equivalent to the net impairment recognized in the consolidated income statement of the Bank.

(2) Equivalent to the increment of the present value of impaired loans after a period of time. The Bank 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 2009, the Bank's balance of provision for loan impairment increased by RMB1.05 billion to RMB14.62 billion compared with that of the end of the previous year, of which the provision accrued in the whole year was RMB1.955 billion. The ratio of the balance of the Group's provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, balance for provision for loan impairment to total loans were 162.28% and 1.44%, the provision coverage ratio increased by 12.25 percentage points compared with the end of the previous year. The Bank's NPL balance continued to decrease, which led to the significant increase of provision coverage ratio compared with the year beginning. And the Bank's risk offsetting capability was further improved.

Management Discussion and Analysis

Management on Market Risk

The market risk of the Bank mainly arised from unfavorable changes of market prices of interest rate and exchange rate, etc. 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 Committee of the Bank, 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 market risk management. As the department bearing market risk, the Treasury and Capital Market Department is responsible for enforcing various policies and procedures to ensure that the market risk is limited to the quota set by the Market Risk Committee.

Management on Interest Rate Risk

The interest rate risk of the Bank mainly arised from the influence on proceeds due to the mismatch of asset and liability interest rate reprising maturity and changes of market interest rate which influenced fair value of financial instruments.

As for the interest rate risk of balance sheet, the Bank carried out gap analysis to assess risks so as to accordingly adjust the frequency of reprising and set corresponding maturities for corporate deposits to reduce the mismatch of repricing maturity.

The Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation to measure and 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 platform.

The Bank carried out effective control on interest rate risks in the Bank's balance sheet and the portfolios of treasury and capital market business by conducting derivative transactions such as forward and swap.

Analysis of Interest Rate Risks

In 2009, RMB market interest rate underwent a transition from sustained low to steady rise. As a result of the impact of moderately loosened monetary policy, the overall market liquidity maintained sufficient since year beginning of 2009 and the RMB market interest rate hit the historic low and remained low. In the second half of 2009, the market's projection of future inflation was more or less on the rise due to the rapid increase of RMB loans and the Central Bank made fine-tuning to monetary policy. As a result, the RMB interest rate began to return upward steadily.

With the rising RMB interest rate increase expectation and considering the influence of interest rate changes on proceeds, the Bank took active measures in advance by focusing on shortening the repricing cycle of credit assets and the duration of bond investment. The Bank spared no efforts to maximize its benefits on the basis of effectively controlling risks due to the mismatch of asset and liability. As of the end of the reporting period, the information of interest rate gaps is set out as follows:

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Total assets	34,321	1,156,550	487,062	79,558	18,785
Total liabilities	31,432	1,324,741	264,557	37,584	9,709
Interest rate gap	2,889	(168,191)	222,505	41,974	9,076

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years
Total assets	36,423	1,072,081	477,409	73,713	18,768
Total liabilities	26,612	1,245,646	256,690	35,528	10,050
Interest rate gap	9,811	(173,565)	220,719	38,185	8,718

Exchange Rate Risk Management

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

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

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

Analysis of Exchange Rate Risk

The Bank's foreign exchange rate risk is subject to the fluctuations of RMB exchange rate against USD. In 2009, the exchange rate of RMB basically maintained at a stable level. The exchange rate of USD against RMB fluctuated within a narrow range of 6.82–6.83 with the annual average rate at 6.8315 and closing at 6.8282 at the year-end, on par with the beginning of 2009. In 2010, policy for keeping RMB exchange rate at a stable level is expected to continue. But with a strong recovery of Chinese economy and the adjustment of the monetary policy, pressure for RMB to appreciate against USD is expected to rise. There is a possibility of RMB revaluation or wider range of fluctuation. The appreciation of RMB against USD will lead to foreign currency denominated assets contraction and exchange loss in book value. Severe fluctuations might magnify the exchange rate risk.

In terms of foreign exchange rate risk arising from foreign currency denominated capital, in 2009, the exposure was greatly reduced compared with that of the end of the previous year after the equity purchase of CIFH. But with the mounting pressure of RMB appreciation, the Bank still faces risks of devaluation of foreign currency denominated capital.

To counter foreign exchange risks in foreign exchange transactions, the Bank kept prudential in conducting foreign exchange transactions and rigorously controlled risk exposure. In 2010, the Bank shall continue to monitor the impact of RMB exchange rate changes on foreign exchange transactions and rationally control the foreign exchange transaction exposure position. The Bank will vigorously prevent the potential exchange rate risk and liquidity risk by using multiple measures. As of the end of the reporting period, the foreign exchange exposure is set out as following:

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	TotalTotal
Net positions on balance sheet	35,125	1,894	(4,304)	32,670
Net positions off balance sheet	(35,063)	11,230	4,729	(19,104)
Total	62	13,079	425	13,566

The Bank

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net positions on balance sheet	31,827	(1,700)	(1,529)	28,598
Net positions off balance sheet	(22,687)	1,635	1,872	(19,180)
Total	9,140	(65)	343	9,418

Management Discussion and Analysis

Liquidity Risks

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

Liquidity Risk Management

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

Liquidity Risk Analysis

In 2009, the Central Bank implemented moderately loosened monetary policy with varying focus, intensity and rhythm in different phases. In the first half of 2009, the market was flushing with liquidity. In the second half of the year, the Central Bank restored issuing of one-year Central Bank bills and directed commercial banks to optimize credit structure. In the meantime, impacted by the reopening of IPO in the capital market in the second half of the year, flow of deposits at financial institutions changed, which, to some extent, altered the balance sheet of commercial banks and urged commercial banks to adjust their responding measures accordingly and adopt applicable liquidity management measures.

In 2009, the Bank continuously improved its liquidity risk management capability by perfecting and implementing three-tier provision system and early-warning mechanism of liquid assets. The Bank kept a dynamic management on liquid assets, reasonably arranged asset instruments and maturity structure and make full use of open market and money market. The Bank continued to conduct scenario analysis and stress test and improve contingent plan for liquidity management and adjusted liquidity portfolio so that the capability of preventing risks was improved steadily.

Although the Bank experienced intermittent fluctuations in liquidity in 2009, yet risks were put under effective control and all the businesses, credit service in particular, were operating orderly. In the first half of 2009, the Bank put in place a set of macro policies by increasing the supply of credit to drive profit growth with a controllable liquidity risk. In the second half of the year, the Bank, in respond to government policies, optimized the credit structure and gradually transferred notes related assets to credit assets without incurring pressure on liquidity.

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 of less than 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–1 year	1–5 years	Over 5 years	No time limit	Total
(636,789)	(100,966)	220,662	282,855	188,667	153,824	108,253

The Bank

Unit: RMB million

Payable on demand	Within 3 months	3 months–1 year	1–5 years	Over 5 years	No time limit	Total
(618,240)	31,636	215,837	250,161	169,382	55,092	103,868

Operational Risk Management and Anti-money Laundering

Operational Risk Management

In 2009, 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.

— The Bank actively reviewed the operational risk. Based on implementing the *Basic Standard for Enterprise Internal Control*, the Bank evaluated the overall operational risk situation, operational risk management and its development trend and the comparison with peers. The evaluation result was relatively satisfying. The Bank reviewed the main risk points and made analysis on its possibility of occurrences, its influence and the effectiveness of current management measures so as to propose responding measures for the next step.

— The Bank optimized the operating system. The Bank launched several supporting systems such as centralized accounting system and organized departments and branches to conduct emergency responding rehearsals to effectively boost its capability in intensive management and operational risk prevention.

— The Bank collected data from operational risk cases. The Bank calculated, classified and summarized the data for operational risk losses for the whole bank, in order to lay a solid foundation for applying three major instruments for operational risk management.

Anti-Money Laundering

In 2009, in line with the *Anti-Money Laundering Law* and relevant rules of the PBOC, the Bank rigorously fulfilled its duty in cracking down on money laundering by ensuring the effectiveness and the strict implementation of the internal control policies including anti-money laundering.

— The Bank optimized the anti-money laundering system, put in place information filing and reporting system for transfer between different currencies and for the basic information of counterparty. Meanwhile, the Bank regularly assessed the system function to improve its stability and operation efficiency.

— The Bank followed regulators' requirements to grade clients based on their exposure to money laundering risks. The Bank formulated related risk management policies and graded clients according to the factors such as their account types, locations, industries they are involved in and whether they are foreign dignitaries. With consistent attention to anti-money laundering, the Bank timely adjusted the risk grading of clients accordingly.

— The Bank provided rigorous trainings for employees in anti-money laundering. The headquarters and branches organized various activities in order to provide trainings for employees in internal control, customers' identity identification system and regulations of authorities to enhance employees' awareness of anti-money laundering on the one hand and improve relevant skills on the other hand.

— The Bank implemented surveillance, screening, recording, analyzing and reporting system. The Bank arranged the transaction funds from information reporting of the large-sum and suspicious payment. In addition, the Bank monitored closely the flow and use of suspicious transactions of money-laundering and terrorism financing.

Outlook

Outlook for Operating Environment

Domestic and international macroeconomic environment trend

It is estimated that the developed economies will gradually withdraw the economic stimulus packages in 2010. But the timing for such exit depends on the process of economic recovery and changes of inflation expectation. The path and timing for appropriate exit will be a key factor affecting the world economic prospect in future.

It is estimated that the basic tone of domestic macro policies will not change in 2010. The Chinese government will continue to exercise the proactive fiscal policy and moderately loosened monetary policy to enhance and perfect macro economic control. In terms of fiscal policy, China will strengthen its support for "improving people's livelihood" and "adjusting the economic structure". The monetary policy will continue to be moderately loosened. On that basis, the government guide the credit scale to grow moderately and optimize credit structure by utilizing market means.

Changes in the Competition Environment

Backed by policy support and capital strength, large-sized state-owned banks are squeezing the credit market share of small and medium-sized banks. The competition between joint stock commercial banks is increasingly intensified. Other financial institutions are also stepping into the traditional banking market during the process of financial reform.

Changes in Market Demand

Firstly, with shrinking demands from offshore, domestic industrial landscape will be reshuffled. Effective credit demands from the export-oriented traditional industries in Eastern China with competitiveness in production will be on the downside, while the credit demands from central and Western regions with advantages of adequate resources and robust domestic demand will be on the upside. As such, the structural change requires banks to expand outlet network to adapt to the new market for credit granting.

Secondly, with the restructuring of traditional industries, the main industry sectors in the secondary industry will face overcapacity, hence the credit demand will be less urgent while the primary and tertiary industries, as well as emerging industries such as new energy and low carbon/green economies will have an increasing demand for credit. As such, the business structure of banking industry also needs to readjust accordingly.

Thirdly, with the development of the capital market and the accelerated financial disintermediation, the credit demands of large-scale quality enterprises will be less robust. However, their demand for direct funding and financial innovation becomes urgent. Financial products with high technique will show their advantages in capturing large-scale customers. And the small and medium-sized business will become one of the new competing targets for banks. Such trend will definitely have profound influence on Chinese banking industry.

Fourthly, with the proceeding of the national strategy of "Going Out" and the advancement of RMB internationalization, the trend of cross-border investment and M&A is on the rise, requiring banks to provide more comprehensive financial services such as onshore and offshore financing, payment and risk management.

Fifthly, with the increase of per capita income and consumption demands in China, consumer related sectors will see fast growth, including car, house, culture and tourism, etc. The increasing consumer demand and changes in income structure provide banks with new development path in adjusting operation structure and service model and speeding up the development of new retail banking services, such as credit card, internet banking, wealth management and private banking.

Management Discussion and Analysis

Operation and Development Plan for 2010

Operating Plan

In 2010, the Bank's RMB deposits from customers are aimed to exceed RMB230 billion and the RMB loans are aimed to increase by about RMB210 billion.

Development Plan

The aftermath of the global financial crisis still remains and the operating environment of banks is experiencing changes in 2010. The Bank will adapt to such changes by following the principles of "optimizing structure, strengthening management and stimulating development", and speeding up strategic restructuring, so as to secure the Bank's leading position amid competition and maximizing shareholders' value.

— The Bank will optimize its structure. Firstly, as to the purpose of restructuring, the Bank shall enrich the sources of liabilities, reduce the loan-to-deposit ratio, and in particular, increase the deposit of non-lending accounts, settlement deposits and savings deposits. Secondly, as to the lending structure, the Bank shall increase general loans with high returns, especially SME loans, housing mortgage loans, car loans and credit card revolving loans. Thirdly, as to the income structure, the Bank shall focus on increasing non-interest income, especially fee-based income from corporate and private wealth management business, investment banking consulting business and bank card business. Fourthly, as to the client structure, the Bank shall increase the weight of high-value clients, especially corporate strategic clients, SME clients, private VIP clients and private banking clients.

— The Bank will strengthen its management. Firstly, the Bank shall have more sophisticated management on finance and budget by implementing internal fund transfer pricing (FTP) management and further making capital management cover more details. Secondly, the Bank shall adopt more rational means in risk management by using advanced risk measurement approaches and electronic means for credit approval and management. Thirdly, the Bank shall enhance the informatization of client information collection and market segmentation and encourage the Bank's active participation in client relationship management. Fourthly, the Bank shall improve the efficiency of business line management and emphasize a systematic business including management, assessment, finance, and human resource allocation.

— The Bank will promote its development. The Bank shall strike a balance among efficiency, quality and scale, and will achieve good and fast development in the long run only if the scale grows reasonably. Therefore, the Bank shall expand the market by driving the growth of deposits and loans to be moderately higher than the industry's average and increase the total assets to a new height. Within the context where the macro policies maintain stable, the Bank shall strictly control risks, improve asset quality to be better than the industry's average level and achieve a new round of fast profit growth.

Social Responsibility Management

In 2009, based on the overall objectives of "fulfilling the social responsibility and forging itself into a most respected enterprise", the Bank implemented the scientific outlook on development and the national industrial and environment-friendly policies, and fulfilled the economic, social, environmental responsibilities as a banking financial institution to contribute to the harmonious and sustainable development among economy, society and environment according to *Guidelines on Corporate Social Responsibilities of Banking Financial Institutions in China (2009)* issued by the CBRC, thus dedicating to building a long-term mechanism for performing social responsibility and strengthening the social responsibility system with institutionalized management.

The Bank's development strategy is to "boost the overall business development with scientific outlook, insist on the operation, management, reform and competition philosophy with CITIC Bank characteristics and make effort to build a modernized commercial bank which takes the lead in the competition among domestic and foreign banks". The Bank will take the responsibility to "promote the sustainable development of society, environment and ecosystem and economy" and adhere to the value of "pursuing economic returns, contributing to social development, building public image and embodying social responsibility". The Bank is also determined, firstly, to persist to coordinating the development of efficiency, quality and scale, pursuing risk-adjusted returns and stable market capitalization, and seeking to take the lead in the competition among domestic and foreign bank; secondly, to persist to "customer first" concept and market demand as orientation; thirdly, to persist to a balanced development between short-term and long-term returns and constantly optimize management model and operation system; fourthly, to persist in the advantage of CITIC integrated financial platform and the guarantee of advanced incentive mechanism and risk management mechanism.

The Bank has gradually established and improved the corporate governance structure composed of Shareholders' General Meeting Board of Directors and Board of Supervisors, as well as senior management after three-year's practice. All works related to corporate governance are proceeding steadily.

The Bank has always fulfilled corporate social responsibility and played an important role in fulfilling legal, economic, moral, and voluntary responsibilities. Meanwhile, the Bank maintained good communications with major interests parties including governmental institutions, industrial organizations and financial institutions as shareholders, clients, employees, suppliers and cooperative partners and communities, and jointly established a favorable situation for the healthy and sustainable development.

Environmental Protection

Green credit: In 2009, in accordance with its credit policy, the Bank take strict measures on controlling credit granting to industries with "high energy consumption and high pollution". For such industries, the Bank, adhering to the credit policies of "controlling total amount, ensuring some loans and reducing some loans, selecting optimal projects or industries with entry and withdrawal strategy", gave the key credit support to leading enterprises in industry with the loan varieties focusing on short-term working capital loans and loans for international trade financing business, etc. The Bank paid more attention to assess environmental protection risks of enterprises and projects to be credited. To those enterprises and projects which have not passed the assessment on environmental protection, the Bank carried out the "vote system for environmental protection". To those enterprises and projects with high pollution, the Bank does not provide credit support in principle even though they could be approved by environmental protection authorities. As of the end of 2009, the Bank had 208 clients for energy conservation projects, up by 28.40% compared with the previous year and the loan balance was RMB12.521 million, up by 35.14% compared with the end of the previous year. The proportion of loans granted to high energy-consumption and high-pollution industries was reduced in general, with a growth rate of 19.8%, and the growth of the proportion is far lower than that of the Bank's corporate loans.

Equator Principles: Paying close attention to possible involvement in the "Equator Principles", the Bank conducted in-depth research on the proper time for Chinese commercial bank's participation in the "Equator Principles", and edited and printed the *Shape the Future of Sustainable Finance — To Understand the "Equator Principles*" for internal study and communications.

E-banking: The Bank made great efforts in developing E-banking business, which on the one hand, serves as a supplement for physical network, enriching channels for customer service and reducing the pressure of counter. And on the other hand, it facilitates the banking business to develop more environmental-friendly, energy-saving and sustainable. Refer to “Management Discussion and Analysis — Business Overview” in this annual report for details.

In 2009, the Bank accelerated the development of E-banking products by launching electronic platforms including a new generation of cash management system, multi-bank capital management system, corporate Internet banking and mobile banking, etc., thus promoting the development of E-banking business. As of the end of 2009, the Bank’s corporate Internet banking replacement rate was 33.70%, up by 11.97 percentage points compared with the previous year. The number of corporate Internet banking clients increased by over 24,000, with the growth rate of 59% compared with the previous year and the number of the accounts increased by almost 30,000, with the growth rate of 57% compared with the previous year. The number of cash management clients contracted amounted to 6,632, an increase of 49.50% compared with the previous year, and the transaction volume was 2.5 times of that of the previous year.

In 2009, in terms of personal Internet banking business, the Bank launched personal Internet banking V5.3 and a new generation of payment platform “CITIC E-payment”, upgraded telephone banking system, increased the functions of self-service banking facilities and developed mobile banking V2.0. As of the end of 2009, the Bank’s personal E-banking replacement rate reached 61%, up by 23 percentage points compared with the previous year. The number of personal Internet banking certified clients reached 1,928,300 with the transaction volume amounting to almost RMB282,717 billion, 3.14 times more than that of the previous year. The Call Center was able to deal with 10,000 incoming calls and 30,000 outgoing calls every day, up by more than once over that of the previous year. The transaction volume of self-service banking terminals reached RMB113.122 billion, up by 187% compared with the previous year.

Activities for Public Welfare

Activities for Public Good

“Beijing with Credit”: The campaign is jointly held by the Bank’s Beijing branch, Beijing Credit Reference Center of the PBOC and CITIC-Prudential Life Insurance. Since the commencement in April 2008, 21 activities have been held consecutively for two years in 21 large communities in Beijing. The campaign aims to allow citizens inquire individual credit report free of charge and publicize individual credit knowledge.

The PBOC had only set one reference center in Beijing before the “Beijing with Credit” campaign was carried out. The activity organized by the Bank and the PBOC allows citizens inquire individual credit report in their own community. More than 97% interviewees believed the campaign is helpful for understating credit information and individual credit report. The campaign improved the sense of confidentiality of individual credit report and also increased the proportion and total quantity of citizens voluntarily inquiring individual credit report. As of the end of 2009, the inquiry number of individual credit in PBOC reached 28,994, an increase of 809.28% and 102.94% in comparison with that of 2007 and 2008 respectively.

“Deep Affection of Zhechuan” New Year’s Eve: On the occasion of Chinese lunar drawing near, the Bank’s Hangzhou branch, together with Zhejiang Charity Federation and other units, arranged a banquet with 20 tables and invited about 200 people, including students from Qingchuan of Sichuan Province, lonely people, the disabled and farmer worker representatives, to celebrate the festival in advance and have a merry and warm New Year’s Eve dinner. Ms. Tan Ljuan, the famous vocalist, together with the artists and teachers from Zhejiang Opera and Dance Drama Theater, Hangzhou Normal University, and Zhejiang Old Cadre Art Ensemble made performance during the dinner. Before the coming of the new year of 2009, the Bank’s Hangzhou branch showed its warmest care for the weak group and students who’s hometown are not in Hangzhou.

“Hand-in-hand with Five Groups” Series Charitable Activity: On the 60th anniversary of the founding of the People’s Republic of China, the Bank’s Suzhou branch, with its 500 sincere hearts and 500 pairs of merciful hands, assisted 60 old lonely senior citizens, 60 families in extreme poverty, 60 poverty-stricken students, 60 challenged children and 60 patients to overcome family difficulties, relieve their pains, save lives or help students to finish studies. During the charity campaign, the Bank’s Suzhou branch acquired information of donation receivers through civil administrations, media, schools, welfare houses and charity institutes and organized volunteers and staff to visit these needy families and groups to offer helping hands to improve their living conditions, alleviate economic hardships or carry on their studies.

Helping with Sincerity in North Jiangsu Provision: Since Jiangsu Provincial Party Committee and People's Government allocated Funing County and Binhai County as help-receiving counties of the Bank's Nanjing branch in 1991, the Bank has donated RMB3.6 million, built one Project Hope primary school and one Project Hope middle school and participated in "Spring Buds Program" organized by Jiangsu Province, subsidizing about 60 poverty-stricken students for three years in succession, which helped the two counties get rid of poverty and became better off. Moreover, the Bank's Nanjing branch contributed to the infrastructure construction of the two counties by building bridges, digging wells and paving roads, etc. As a result, with the support of the Bank, many peasant households got adequate initial fund and working fund for crop farming and livestock breeding, which is positive for adjusting rural industrial structure and developing the economy with local characteristics of the two counties.

Caring Senior Citizens Activity: The Bank's Qingdao branch held the activity of "giving love by donation to lonely elderly persons". The branch joined the "knocking on the door to give love" volunteer team to offer love and warmth to lonely senior citizens in Qingdao City, and encouraged more enterprises to join the team. The branch's conduct of giving love to lonely senior citizens with the confidence and idea of "every one and the whole society are bathed in love and care" was well received in society.

Robust Business Development

Despite uncertainties in macro economic environment, the Group managed to maintain the rapid development of main business lines including corporate banking, retail banking, international banking and treasury and capital market.

In corporate banking business, the Group's balance for corporate deposits reached RMB1,097.852 billion, increasing by 33.42% compared with the end of the previous year and the balance for corporate loans amounted to RMB917.409 billion, increasing by 45.94% compared with the end of the previous year. The market share of the international settlement volume maintained the top one among all small and medium-sized banks. The foreign exchange and RMB market making maintained a leading position amongst all competing banks.

In private banking business, the Group recorded its best performance in history. The balance for savings deposit recorded RMB244.075 billion, increasing by 19.37% compared with the end of the previous year, the assets under management reached RMB301.239 billion, up by 26.97% compared with the end of the previous year, the balance for personal consumer credit reached RMB148.24 billion, increasing by 45.64% compared with the end of the previous year, the profit from credit cards reached above RMB300 million, an increase of 2.4 times over that of the end of the previous year, and the number of Private Banking Diamond Card holders recorded 5,223, increasing by 157.42% compared with the previous year.

Total assets

RMB**1,776.276**

billion

The Bank rose to the 67th in terms of tier-one capital and the 94th in terms of total assets among "Top 1000 Banks in the World" list by *The Banker* magazine of the United Kingdom, ranking itself among the top 100 world banks.

Changes in Share Capital and Shareholding of the Substantial Shareholders

Changes in shares

Information of changes in shares

Unit: Share

	Before the change			After the change	
	Number of shares	Percentage (%)	Change	Number of shares	Percentage (%)
Shares subject to restrictions on sale:	25,939,515,095	66.45	-107,142,895	25,832,372,200	66.18
1. Shares held by the state	0			0	0
2. Shares held by state-owned legal persons	24,329,608,919	62.33		24,329,608,919	62.33
3. Shares held by other domestic investors	0			0	
Including: Shares held by domestic non-state-owned legal persons	0			0	
Shares held by domestic natural persons	0			0	
4. Shares held by foreign investors	1,609,906,176	4.12	-107,142,895	1,502,763,281	3.85
Including: Shares held by foreign legal persons	1,609,906,176	4.12	-107,142,895	1,502,763,281	3.85
Shares held by foreign natural persons	0			0	0
Shares not subject to restrictions on sale	13,093,828,959	33.55	107,142,895	13,200,971,854	33.82
1. RMB-denominated ordinary shares	2,301,932,654	5.90	0	2,301,932,654	5.90
2. Domestically-listed foreign shares	0			0	
3. Overseas listed foreign shares	10,791,896,305	27.65	107,142,895	10,899,039,200	27.92
4. Others	0			0	
Total	39,033,344,054	100.00		39,033,344,054	100.00

Changes in Shares Subject to Restrictions on Sale

Name of shareholders	Number of shares subject to restrictions on sale at the year beginning	Number of shares relieved from restriction in this year	Increase of shares subject to restrictions on sale in this year	Number of shares subject to restrictions on sale at the year-end	Reason of restriction	Date of relief
CITIC Group	24,329,608,919	—	-213,835,341	24,115,773,578	Shareholder Undertaking[1]	28 April 2010
BBVA	1,502,763,281	—	0	1,502,763,281	Shareholder Undertaking[2]	2 March 2010
	107,142,895	2,045,346,465	1,938,203,570	0	[3]	4 December 2009[4]
National Council for Social Security Fund	0	—	213,835,341	213,835,341	[5]	28 April 2013
Total	25,939,515,095	2,045,346,465	1,938,203,570	25,832,372,200	—	—

Note: (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, it 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 repurchase the Bank's A shares held by CITIC Group. If CITIC Group obtains the consent of the CSRC or other securities regulatory agency 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.

(2) On 1 March 2007, CITIC Group transferred 1,502,763,281 shares in the Bank to BBVA. BBVA undertook not to transfer the shares it purchased from the initial close (completed on 1 March 2007) and the shares purchased by exercising the call option prior to the third anniversary of the date of the relevant closing date.

(3) According to the Framework Agreement entered into among CITIC Group, GIL and BBVA on 3 June 2008, BBVA increased its shareholding in the Bank. As of the end of 2009, BBVA's shareholding in the Bank was 10.07% of the issued and outstanding shares of the Bank. According to the Agreement, the shares acquired by BBVA are subject to lock-up period.

(4) The lock-up period will terminate on the earlier of: a) the actual date when BBVA exercises the call option to increase an additional 4.93% shareholding in the Bank (such date shall fall into the period for the exercise of the call option); b) the expiry date for exercise of the call option, i.e. 4 December 2010 (On 3 June 2008, CITIC Group, GIL and BBVA signed an agreement whereby the call option exercise period was modified to be the period from the day when the issue of public float is addressed to its second anniversary date, i.e. from 4 December 2008 to 4 December 2010). Given that BBVA notified CITIC Group and our Bank on 3 December 2009 of its decision to exercise the call option, the lock-up period ended on 4 December 2009.

(5) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the domestic stock exchange to enrich the National Social Security Funds (Cai Qi [2009] No.94) jointly issued by MOF, SASAC, CSRC and the National Council for Social Security Fund, CITIC Group transferred 213,835,341 shares to National Council for Social Security Fund, accounting for 0.55% of the issued and outstanding shares of the Bank. The transfer was completed as of the end of the reporting period. According to those Implementation Rules, the lock-up period for those transferred shares should be extended for an additional of three years in addition to the original statutory lock-up period applicable to the state-owned shareholders. As such, the lock-up period for the above mentioned shares will 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	Number of remaining shares subject to restrictions on sale	Number of remaining shares not subject to restrictions on sale	Notes
2 March 2010	1,502,763,281	24,543,444,260	14,489,899,794	Unlocked from H shares held by BBVA
28 April 2010	24,329,608,919	213,835,341	38,819,508,713	Unlocked from A shares held by CITIC Group
28 April 2013	213,835,341	0	39,033,344,054	Unlocked from A shares held by National Council for Social Security Fund

Shareholders Holding Shares Subject to Restrictions on Sale

No.	Name of Shareholders	Type of shares	Number of shares subject to restrictions on sale	Eligible for trading	Increased number of tradable shares
	BBVA	H share	1,502,763,281	2 March 2010	1,502,763,281
	CITIC Group	A share	24,329,608,919	28 April 2010	24,329,608,919
	National Council for Social Security Fund	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 price-fixing reference date for the transfer of shares. CITIC Group transferred 19.9% equity interests in the Bank to CIFH. The transfer price was based on the audited value of net assets of the Bank as of 31 December 2005 according to the International Accounting Standards, with a premium of 15.3%, and was not lower than the assets appraisal result as approved by the MOF. The total consideration price was approximately HK$5.3008 billion, equivalent of HK$1.12 per share. As a consideration, CIFH issued new shares to CITIC Group. On 16 November 2006, CITIC Group and CIFH entered into a Promoters' Agreement, pursuant to which both parties agreed to establish China CITIC Bank Corporation Limited as promoters.

On 31 December 2006, CITIC Group and CIFH established China CITIC Bank Corporation Limited as promoters by the reorganization. Upon 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 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 public offering.

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

On 27 April 2007, the Bank successfully listed its shares in Shanghai and Hong Kong concurrently. During this public offering, 2,301,932,654 A shares and 5,618,300,000 H shares were issued (including the state-owned shares transferred by CITIC Group to National Council for Social Security Fund, and the shares issued pursuant to the anti-dilution right and top up right exercised by BBVA and CIFH, respectively). After the 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.

Subordinated Debts

In accordance with the approval by the PBOC and the CBRC, the Bank issued a 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.

Changes in Share Capital and Shareholding of the Substantial Shareholders

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

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

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

As of the end of the reporting period, the total number of shareholders of the Bank was 477,580, including 432,917 A-share accounts and 44,663 H-share accounts (The shareholdings of the H shareholders are calculated with reference to the number of shares listed in the Bank's share register maintained at the H share registrar).

Shareholdings of the Top 10 Shareholders

No.	Name of Shareholder	Nature of Shareholder	Type 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	24,115,773,578	-213,835,341	16,357,924[(1)]
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign	H-share	6,119,890,184	15.68	0	8,684,329	Unknown
3	BBVA	Foreign	H-share	3,930,657,746	10.07	1,502,763,281	1,938,203,570	0
4	GIL	Foreign	H-share	1,924,344,454	4.93	0	-1,938,203,570	0
5	National Council for Social Security Fund	State-owned	A-share H-share[(2)]	282,094,341	0.72	213,835,341	213,835,341	Unknown
6	China Construction Bank	State-owned	H-share	168,599,268	0.43	0	0	Unknown
7	Mizuho Corporate Bank	Foreign	H-share	68,259,000	0.17	0	0	Unknown
8	PICC Property and Casualty Company Limited	State-owned	H-share	68,259,000	0.17	0	0	Unknown
9	Agricultural Bank of China — FullGoal Tianrui Favorable Regions Selected Hybrid Open-ended Securities Investment Fund	other	A-share	35,115,594	0.09	0	35,115,594	Unknown
10	China Life Insurance (Group) Company	State-owned	H-share	34,129,000	0.09	0	0	Unknown
10	China Life Insurance Co., Ltd.	State-owned	H-share	34,129,000	0.09	0	0	Unknown

Note: (1) In accordance with relevant rules including the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Social Security Funds (Cai Qi [2009] No.94) jointly issued by four ministries including the MOF, China Securities Depositary and Clearing Corporation Limited froze a total of 230,193,265 shares in the Bank held by CITIC Group during the reporting period. In accordance with the relevant transfer notice issued by the MOF, the registration formalities for the transfer of a total of 213,835,341 shares were accomplished during the reporting period, and the other 16,357,924 shares were frozen as of the end of the reporting period. Such forzen shares were released on 3 March 2010.

(2) The National Council for Social Security Fund holds both A shares and H shares totalling 282,094,341 in our Bank, out of which 213,835,341 shares are A shares transferred from CITIC Group during the reporting period, and 68,259,000 are H shares held as cornerstone investor during our Bank's initial public offering.

Notes on the connected relations or concerted actions of the above shareholders: As of the end of 2009, GIL is a wholly-owned subsidiary of CITIC Group; China Life Insurance Co., Ltd. is a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank is not aware of any other connected relations or concerted actions between other shareholders.

The five H-share cornerstone investors, i.e. Mizuho Corporate Bank, National Council for Social Security Fund, PICC Property&Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook not to sell any H shares purchased pursuant to the placing agreement directly or indirectly within 12 months after the listing date or the lock-up period without the prior written consent of the Bank and all the joint global coordinators.

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

No.	Name of Shareholder	Number of shares not subject to restrictions on sale	Type of shares
1	Hong Kong Securities Clearing Company Nominees Limited	6,119,890,184	H share
2	BBVA	2,427,894,465	H share
3	GIL	1,924,344,454	H share
4	China Construction Bank	168,599,268	H share
5	Mizuho Corporate Bank	68,259,000	A share
6	National Council for Social Security Fund	68,259,000	A share
7	PICC Property and Casualty Company Limited	68,259,000	H share
8	Agricultural Bank of China — FullGoal Tianrui Favorable Regions Selected Hybrid Open-ended Securities Investment Fund	35,115,594	A share
9	China Life Insurance (Group) Company	34,129,000	H share
10	China Life Insurance Co., Ltd.	34,129,000	H share

Notes on the connected relations or concerted actions of the above shareholders: As of the end of 2009, GIL is a wholly-owned subsidiary of CITIC Group; China Life Insurance Co., Ltd. is a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank is not aware of any other connected relations or concerted actions between other shareholders.

Changes in Share Capital and Shareholding of the Substantial Shareholders

Interests and Short Positions held by Substantial Shareholders and Other Persons

According to the register records maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance, as of the end of 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 (%)	Type of shares
BBVA	11,684,049,296 (L) 5,733,999,597 (S)	94.21 (L) 46.24 (S)	H share
BBVA	24,329,608,919 (L)	91.36 (L)	A share
CITIC Group	5,733,999,597 (L) 3,848,688,316 (S)	46.24 (L) 31.03 (S)	H share
CITIC Group	24,402,891,019 (L)	91.38 (L)	A share
Lehman Brothers Asia Holdings Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H share
Lehman Brothers Asia Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H share
Blackrock, Inc	712,000,563 (L)	5.74 (L)	H share

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

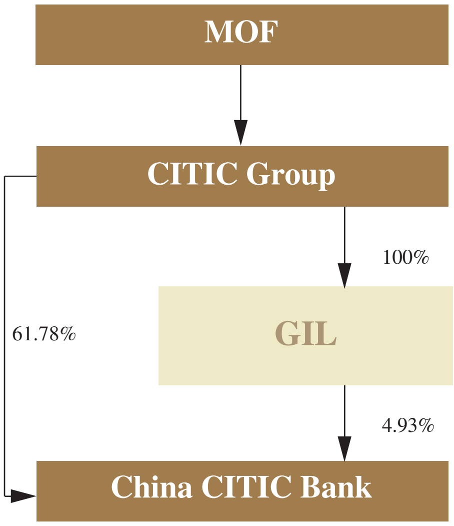
Save as disclosed above, as of the end of the reporting period, no other interests or short positions of any person or company in the shares or underlying shares of the Bank were required to be recorded in the register maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance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

Controlling Shareholder and De Facto Controller of the Bank

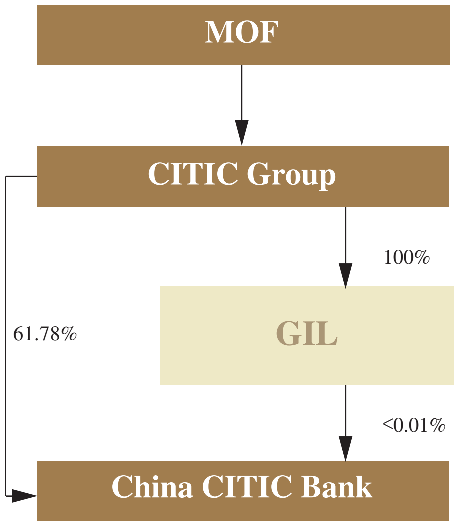
CITIC Group is the controlling shareholder and de facto controller of the Bank. There was no change in controlling shareholder and de facto controller of the Bank within the reporting period. As of the end of the reporting period, CITIC Group directly held 24,115,773,578 A shares which represented 61.78% of the total share capital of the Bank and held 1,924,344,454 H shares in the Bank through GIL, representing 4.93% of the total share capital of the Bank. In total, CITIC Group held 66.71% of the issued and outstanding shares of the Bank. As of 1 April 2010, CITIC Group's shareholding in the Bank was 61.78% after transferring 1,924,343,862 H shares held through GIL to BBVA.

The registered office and place of business of CITIC Group are located in Beijing. With the initiation by Deng Xiaoping (the chief architect of China's reform and opening-up) and approval by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former vice-chairman of the PRC, as the first window corporation during China's reform and opening up. After numerous changes in capital, the registered capital of CITIC Group as of the end of 2009 was RMB30 billion, and its legal representative was Mr. Kong Dan. CITIC Group is a large-scale leading multinational state-owned enterprise in China with investment focuses on industries such as financial services, information technology, energy and heavy industry. At present, it has business presence in Hong Kong, America, Canada and Australia.

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



The following chart illustrates the shareholding structure and controlling relationship between the Bank and its de facto controller as of 1 April 2010:



Other Legal Person Shareholder Holding 10% Shares or More

BBVA is a global financial group registered and incorporated in Bilbao (Spain) in 1857. BBVA's chairman is Mr. Francisco González. As of the end of 2009, BBVA's registered capital was EUR1,836,504,869 and market capitalization was EUR47,712 million. BBVA has 7,466 branches around the world, of which over 50% are located outside the territory of Spain, and BBVA is the largest financial group in the Latin American Region. The financial services of BBVA include retail banking, corporate banking, international trade financing, global market, consumer credit, asset management, private banking, pensions and insurance etc., and it is a leading financial institution in Spain and the Latin American Region.

As of the end of the reporting period, BBVA's shareholding in the Bank was 10.07%. On 3 December 2009, BBVA exercised call option according to Share and Option Purchase Agreement (revised) to purchase 1,924,343,862 H shares from CITIC Group, and completed the transaction on 1 April 2010. Therefore, BBVA holds 5,855,001,608 H shares, accounting for 15.00% of the issued and outstanding shares of the Bank.

Directors, Supervisors, Senior Management and Staff

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

The Board of Directors

Name	Title	Gender	Date of birth	Tenure of office	Number of shareholdings at the beginning of the year	Number of shareholdings at the end of the year	Whether it is received from shareholders' units orother related 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
Wu Beiying	Executive director, Executive vice-president	Male	Sep 1950	Jun 2009–Feb 2010	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
Guo Ketong	Non-executive director	Male	Jun 1954	Jun 2009–Jun 2012	0	0	Yes
José Andrés Barreiro (1)	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

Note: (1) José Andrés Barreiro was appointed as non executive director at the 2008 Annual General Meeting held on 29 June 2009, and his qualifications were approved by the CBRC on 7 September 2009.

The Board of Supervisors

Name	Title	Gender	Date of birth	Tenure of office	Number of shareholdings at the beginning of the year	Number of shareholdings at the end of the year	Whether it is received from shareholders' units orother related units
Wang Chuan	Chairman of the Board of Supervisors	Male	Jun 1948	Jun 2009–Jun 2012	0	0	Yes
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
Deng Yuewen	Employee supervisor	Male	Jan 1964	Apr 2009–Apr 2012	0	0	No
Li Gang	Employee supervisor	Male	Mar 1969	Apr 2009–Apr 2012	0	0	No

Senior Management

Name	Title	Gender	Date of birth	Tenure of office	Number of shareholdings at the beginning of the year	Number of shareholdings at the end of the year	Whether it is received from shareholders' units orother related units
Chen Xiaoxian	President	Male	Jun 1954	Jun 2009–	0	0	No
Wu Beiying	Executive Vice-president	Male	Sep 1950	Jun 2009–	0	0	No
Ou Yang Qian	Vice-president	Male	Sep 1955	Jun 2009–	0	0	No
Zhao Xiaofan	Vice-president, General manager of Beijing branch	Male	Mar 1964	Jun 2009–	0	0	No
Su Guoxin	Vice-president	Male	Feb 1967	Jun 2009–	0	0	No
Cao Tong	Vice-president	Male	Jun 1968	Jun 2009–	0	0	No
Cao Bin	Secretary of the Committee for Discipline Inspection	Male	Jan 1962	Apr 2008–	0	0	No
Wang Lianfu	Chairman of the trade union (vice president level)	Male	Oct 1954	Dec 2006–	0	0	No
Cao Guoqiang	Assistant president, in charge of finance affairs	Male	Dec 1964	Jun 2009–	0	0	No
Zhang Qiang	Assistant president	Male	Apr 1963	Jun 2009	0	0	No
Luo Yan	Secretary to the Board of Directors	Male	Feb 1969	Jun 2009–	0	0	No

Changes in Shares held by Directors, Supervisors and Senior Management

As of the end of the reporting period, Ms. Chan Hui Dor Lam Doreen, Director of the Bank, held 2,974,689 H shares of the Bank with no changes during the reporting period. Apart from Ms. Chan Hui Dor Lam Doreen, none of the other Directors, Supervisors and Senior Management of the Bank holds any share in the Bank.

Directors, Supervisors, Senior Management and Staff

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Kong Dan

Chairman

Chairman and non-executive director of the Bank. He joined the Bank's Board of Directors in December 2005. Mr. Kong concurrently holds the positions of chairman of CITIC Group, CIFH, CITIC (Hong Kong) Group, CITIC Resources, and CITIC United Asia Investment Limited, and non-executive director of CKWB. Mr. Kong was vice-chairman and general manager of CITIC Group from July 2000 to July 2006. During the period from November 2002 to October 2006, he assumed the position of Chairman of CKWB. 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 State Councilor and Director of the National Economic Commission. Mr. Kong is a senior economist. He graduated from Graduate School of Chinese Academy of Social Sciences with a master's degree in Economics.

Mr. Chang Zhenming

Vice-Chairman

Vice-chairman and non-executive director of the Bank. He joined the Bank's Board of Directors in December 2006. Mr. Chang is also chairman of CITIC Pacific, vice-chairman and director of CIFH and non-executive director of CKWB. Mr. Chang has served as chairman and general manager of CITIC Pacific since April 2009 and served as vice-chairman and general manager of CITIC Group and director of CITIC Pacific since August 2006. He assumed the office of chairman of CIAM since October 2006. Mr. Chang was vice-chairman and president of China Construction Bank Corporation from September 2004 to July 2006, executive director and deputy general manager of CITIC Group from August 1995 to July 2004, assistant 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

Executive Director, President

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 CKWB. Dr. Chen is a mentor of doctoral candidates and professor of Dongbei University of Finance and Economics, as well as professor of Renmin University of China. Dr. Chen was director, executive vice-president and vice-president of China Merchants Bank from March 2000 to October 2004. Before that, he was president of Beijing branch of China Merchants Bank from December 1993 to March 2000. In addition, he was dean, assistant president and vice-president of Beijing branch of the PBOC from September 1982 to December 1993. He is a senior economist, and has 27 years of banking experience in China. Dr. Chen graduated from Renmin University of China with a bachelor's degree in Finance. He received his master's degree in Finance from South-Western University of Finance and Economics and his PhD in Finance from Dongbei University of Finance and Economics. From 2005 to 2009, Dr. Chen received the "China's Top Ten Finance Figures of the Year" award from *The Chinese Banker* magazine for five consecutive years. He also received the "Top Ten New Leaders in Finance of the Year" award from China International Finance Forum for two consecutive years in 2006 and 2007.

Mr. Dou Jianzhong

Non-Executive Director

Non-executive director of the Bank. Mr. Dou is also executive director and vice-general manager of CITIC Group, director and chief executive officer of CIFH, chairman of CKWB, director of CIAM, chairman of CIAM Group Limited and director of CIFL. He joined CITIC Group in 1980 and joined the Bank in April 1987, and served as vice-president from 1987 to 1994 and president from 1994 to 2004. Mr. Dou graduated from University of International Business and Economics and 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

Non-Executive Director

Non-executive director of the Bank. Mr. Ju is non-executive director of CITIC Pacific since April 2009. From March 2000 to now, Mr. Ju serves 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 the listed status was revoked on 5 November 2008), CKWB and CITIC Pacific (listed on SEHK). Mr. Ju has more than 20 years of experience in financing, investment and corporate management. He received his bachelor's degree in Economics (major in Accounting) from Hangzhou Institute of Electronic Industry, and master's degree in Economics (major in Accounting) from Renmin University of China.

Mr. Zhang Jijing

Non-Executive Director

Non-executive director of the Bank. He joined the Bank's Board of Directors in February 2007. He also serves as director, assistant general manager of CITIC Group and head of Strategy and Planning Department of CITIC Group, director and managing director of CITIC Pacific, director of CITIC Resources, CITIC Securities, CITIC Real Estate and Zhonghai Trust Co., Ltd. Mr. Zhang served as director of CITIC Group, director of Strategy and Planning Department and director 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 Graduate School of Chinese Academy of Social Sciences and received his master's degree in Economics.

Directors, Supervisors, Senior Management and Staff

Mr. Wu Beiying

Non-Executive Director,
Executive Vice-President

Executive director and executive vice-president of the Bank. Mr. Wu joined the Bank in August 1987 and has worked in the Bank since then. He was vice-president from July 1995 to December 2001, and served concurrently as president of the Bank's Beijing branch from July 1996 to September 1999, and president of the Bank's Guangzhou branch from September 1999. Mr. Wu served as the Bank's assistant president from December 1993 to July 1995. He is a senior economist. Mr. Wu graduated from Central University of Finance and Economics with a master's degree in Money and Banking.

Ms. Chan Hui Dor Lam Doreen

Non-Executive Director

Non-executive director of the Bank. She joined the Bank's Board of Directors in December 2006. Ms. 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 CKWB and chairman of HKCB Finance Limited, CITIC Insurance Brokers Limited and CITIC Ka Wah Bank (China) Limited. Ms. Chan has rich experience in credit and risk management, human resources and strategic development. Ms. Chan is also an appointed member of the Council of the Hong Kong Baptist University, the Board of Governors of the Hong Kong Baptist University Foundation, its Finance Committee and Task Force on University Branding. Ms. 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, Ms. Chan was in charge of retail banking department of Standard Chartered Bank (Hong Kong) Limited. Ms. Chan has over 30 years of extensive experience in banking industry.

Mr. Guo Ketong

Non-Executive Director

Non-executive director of the Bank. From December 2006 to April 2008, Mr. Guo was supervisor of the Bank. From 2006 till now, he serves concurrently as director of CITIC Group. From 2000 till now, he is also head of Human Resource and Education Department of CITIC Group. Before that, Mr. Guo used to be director of CITIC Australia and CITIC Real Estate. From 1986 to 2008, 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 with an associate's degree.

Mr. José Andrés Barreiro

Non-Executive Director

Non-executive Director of the Bank. Mr. Barreiro joined the Board of Directors of the Bank in September 2009. From 1981 to 1983, Mr. Barreiro worked in the Bank Division of the Rumasa Group. From 1983 to 1984, Mr. Barreiro worked in the Medium and Large-sized Corporate 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 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, he was chairman of Altura Markets AVB. 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 Españoles de Liquidación, S.A. Spanish central securities depository in charge of the clearing and settlement of securities. From 2002 to 2003, Mr. Barreiro was dhairman of BBVA Bolsa, SV, S.A. From 2004 to present, Mr. Barreiro is member of the Board of Bolsas y Mercados Españoles. From 2005 to present, Mr. Barreiro is Head of Wholesale Banking & Asset Management and member of the Executive Committee of BBVA. From 2006 to present, Mr. Barreiro is chairman of Próxima Alfa Investments Sgiic, S.A. From 2007 to present, Mr. Barreiro is member of the Board of Trustees of Fundación Estudios Financieros and vice-chairman of BME.

Mr. Barreiro graduated from Universidad Complutense de Madrid (University of Madrid), majoring in Economic Theory and received Bachelor Degree of Economics.

Dr. Bai Chong-En

Independent Non-Executive Director

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 School of Economics and Management, dean of Economics Department and head of National Institute for Fiscal Studies of Tsinghua University. Since 1999, he has been assistant professor and associate professor at School of Economics and Finance of University of Hong Kong, distinguished professor at the School of Economics and Management of Tsinghua University. He has also been Mansfield Freeman Chair Professor of Economics and mentor of doctoral candidates in School of Economics and Management of Tsinghua University. Dr. Bai also serves as independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. He previously taught at Boston College in the United States. Dr. Bai graduated from University of Science and Technology of China with a bachelor's degree in Mathematics, and received his PhD in Mathematics from the University of California, San Diego and PhD in Economics from Harvard University.

Dr. Bai has achieved great accomplishments in fields like Development and Transition Economics, Public Economics, Corporate Governance, Finance and Industrial Economics. In 2006, he won the National Science Fund for Distinguished Young Scholars, and was honored Cheung Kong Scholar by the Ministry of Education 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. Mr. Bai holds a number of positions in many social organizations, including member of 50-Chinese Economists Forum, committee member of Academic Committee of the NDRC Macroeconomic Research Institute, member of the IPD Taskforce on Corporate Governance at Columbia University in the United States and research fellow at the William Davidson Institute of University of Michigan in the United States. He used to be an advisor of the World Bank.

Dr. Ai Hongde

Independent Non-Executive Director

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

Dr. Ai has achieved great accomplishments in fields like currency policy and theory, management of financial institutions, international finance, financial market, and regional finance and credit systems. He has led and completed 16 research projects funded by national or provincial government. Dr. Ai's academic opinions and policy proposals 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 Committee of China Society for International Finance and Banking, vice-chairman of Liaoning Society for Price, vice-chairman of Liaoning Society for International Economic Law and vice-chairman of Liaoning Social Sciences Association. Dr. Ai is currently an independent director of Liaoning Chengda Co., Ltd.

Directors, Supervisors, Senior Management and Staff

Dr. Xie Rong

Independent Non-Executive Director

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 Accounting Department, mentor of doctoral candidates, professor, associated professor and lecturer of Shanghai University of Finance and Economics from December 1985 to December 1997, during which Dr. Xie also was a senior visiting scholar at Warwick University in the United Kingdom for one year. He was also a part-time certified public accountant at Dahua Accounting Firm and PwC Dahua Accounting Firm. Dr. Xie graduated from Shanghai University of Finance and Economics and received his PhD in Economics.

Dr. Xie has achieved great accomplishments in fields like Accounting, Audit and internal control of financial enterprises. He has led or participated in many research projects funded by the national government, MOF and Chinese Institute of Certified Public Accountants. He also holds many social positions, including member of Accounting Master's Degree Education and Guidance Subcommittee of 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 external director of Shanghai Automotive Co., Ltd., and independent director of China Eastern Airlines Co., Ltd., Tianjin Capital Environmental Protection Company Limited and Sinopharm Group Co., Ltd.

Mr. Wang Xiangfei

Independent Non-Executive Director

Independent non-executive director of the Bank. He joined the Bank's Board of Directors in December 2006. Mr. Wang serves as vice-chief financial officer of Sonangol Sinopec International Limited and financial advisor of China Sonangol International Holding Limited and external supervisor of Shenzhen Rural Commercial Bank Company Limited. Meanwhile, Mr. Wang is independent non-executive director of SEEC Media Group Limited (listed on SEHK), and executive director of China Sonangol Resources Enterprise Limited (listed on SEHK), Dachu Company Limited and China Beiya Escom International Ltd. Mr. Wang had worked in China Everbright Group for many years. From 1996 to 2002, he was director and assistant general manager of China Everbright Holdings Co., Ltd. and was executive director in various listed companies owned by China Everbright Group, and held senior management positions in companies engaging in banking and related financial service. Mr. Wang is a senior accountant. He graduated from Renmin University of China with a bachelor's degree in Economics majoring in Finance. Mr. Wang has once been a teaching assistant for Finance at Department of Finance in Renmin University of China.

Mr. Li Zheping

Independent Non-Executive Director

Independent non-executive director of the Bank. Mr. Li joined the Bank's Board of Directors in January 2009. Mr. Li now serves as 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 column chief editor of *China Securities Journal* from 1993 to 1995. He was assistant professor of China Financial Training Center from 1989 to 1993. Mr. Li has been an independent director of UBS SDIC Fund Management Co., Ltd. since August 2008. 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 Graduate School of the PBOC.

Supervisors

Mr. Wang Chuan

Chairman of the Board of Supervisors

Chairman of the Bank's Board of Supervisors. Mr. Wang is also vice-chairman of CITIC Group, vice-chairman and president of CITIC Holdings and chairman of CITIC-Prudential Life Insurance. Mr. Wang was the Bank's non-executive director from December 2005 to June 2008. Prior to joining CITIC Group, Mr. Wang was vice-chairman of China Everbright Group Limited, and vice-chairman and president of China Everbright Bank Co., Ltd from October 2001 to July 2004. Before that, he had worked in Agricultural Bank of China for more than 20 years and held multiple positions including vice-president of the headquarters, president of Jilin branch, general manager of Credit Department of the headquarters, and deputy general manager of Research Department and Human Resources Department of the headquarters. Mr. Wang is a senior economist, and graduated from Renmin University of China with an associate's degree.

Mr. Wang Shuanlin

Vice-Chairman of the Board of Supervisors

Vice-chairman of the Bank's Board of Supervisors. Mr. Wang has served as full-time supervisor of the Boards of Supervisors 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 the Office of General Affairs of headquarters 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.

Mrs. Zhuang Yumin

External Supervisor

External supervisor of the Bank. Mrs. Zhuang is currently vice-dean of School of Finance, and department head, professor and mentor of doctoral candidates in Monetary Finance Department of Renmin University of China. She worked in 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, Mrs. Zhuang was deputy dean of Research Unit of Fiscal Department of Renmin University of China. She graduated from Fiscal Department of Renmin University of China, and received her master's degree and then PhD degree in Economics.

Directors, Supervisors, Senior Management and Staff

Mrs. Luo Xiaoyuan

External Supervisor

External supervisor of the Bank. Mrs. Luo was general accountant of Chinese Institute of Certified Public Accountants, and director of Test Department, Registration Department, Finance Department, Fiance Department of Chinese Institute of Certified Public Accountants. She was director of the Editing Department of *Accounting Research Magazine* and *Chinese Institute of Certified Public Accountants Magazine*. Mrs. Luo held many social positions, including deputy executive editor and deputy director of Editing Department of *Finance Research* Magazine in Finance Science Institute of MOF, deputy secretary-general of China Institute of Cost, executive director of China Institute of Cost for Young and Mid-career Professionals, distinguished editor of Peking University's *Economics and Finance Education Series*, part-time associate professor of Beijing Technology and Business University, part-time professor in Accounting Department of Zhongnan University of Economics. Mrs Luo is currently independent director of Hua Xia Bank and Harvest Fund. Ms. Luo is a senior economist, and a CPA (non-practise). She graduated from Fiscal Department of Renmin University of China with a bachelor's degree in Accounting.

Mr. Zheng Xuexue

Supervisor

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

Mr. Lin Zhengyue

Supervisor

Supervisor of the Bank. Mr. Lin is also director of CIFL. He began to assume the position of president of the Bank's Changchun branch since September 2009 after headed the preparation for establishing the branch during July and September 2009. He has been general manager of Compliance and Audit Department of the headquarters from August 2007 to September 2009. He was assistant general manager and deputy manager of Audit Department of the headquarters from June 2005 to July 2007 and deputy manager of 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 25 years of banking experience in China. He received his bachelor's degree in Finance from Jiangsu TV University.

Mr. Deng Yuewen

Supervisor

Supervisor of the Bank. Mr. Deng has been general manager of Risk Management Department of the Bank's Beijing branch since February 2007. Mr. Deng has also been in charge of Risk Management Department of Beijing branch from October 2005 to February 2007. He was deputy general manager of Risk Management Department of the branch from February 2004 to October 2005. Prior to that position, he worked in Credit Management Department of the Bank's headquarters, Retail Banking Department of Beijing branch and Credit Approval Department of Shenzhen branch from April 1996 to February 2004. Mr. Deng has worked 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 Finance Research Institute under the headquarters of the PBOC .

Mr. Li Gang

Supervisor

Supervisor of the Bank. Mr. Li began to take over general manager of Audit and Compliance Department of the Bank since September 2009 after he was in charge of the routine work from July to September 2009 in Audit and Compliance Department. Mr. Li has served as assistant general manager of Budget and Finance Department and general manager of Assets and Liabilities Management Department of the Bank and the deputy general manager of Budget and Finance Department and general manager of Assets and Liabilities Management Department of the Bank from June 2006 to September 2009. Mr. Li was general manager of Treasury Management Section of Budget and Finance Department of the Bank, and general manager of Budget and Finance Department of Beijing branch from June 2000 to June 2006. He also served as assistant manager and deputy manager of 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.

Directors, Supervisors, Senior Management and Staff

Senior Management

Dr. Chen Xiaoxian

Executive Director, President

He serves as executive director and president of the Bank. Please refer to Directors of the Bank for his Resume.

Mr. Wu Beiying

Non-Executive Director,

Executive Vice-President

He serves as executive director, executive vice-president and chief risk officer of the Bank. Please refer to Directors of the Bank for his Resume.

Dr. Ou Yang Qian

Vice-President

Vice-president of the Bank. Dr. Ou Yang has been working at the Bank since 1988. Since 2005, he has also been working in CIFL as chairman. Dr. Ou Yang was appointed vice-president of the Bank in July 1995. Before that he had been the assistant president from April 1994 to July 1995. Dr. Ou Yang was in charge of research and design for internal risk control system of the Bank in 1991. In January 1989, he worked in the Treasury Department of the Bank primarily engaging in foreign exchange transactions, bond transactions and gold deal. In September 1989, Dr. Ou Yang took up asset portfolio investment management. Dr. Ou Yang is a senior economist. He graduated from Tsinghua University with a master's degree in Hydraulic Machinery, and then received a PhD in Aeronautical Engineering from University of Manchester in the United Kingdom.

Dr. Zhao Xiaofan

Vice-President

Vice-president of the Bank. Dr. Zhao is also general manager of the Bank's Beijing branch since April 2006. Dr. Zhao was the Bank's assistant president from August 1998 to December 2001. He has worked in 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 PhD in Finance from School of Economics of Peking University.

Mr. Su Guoxin

Vice-President

Vice-president of the Bank. Mr. Su was deputy director of General Office of CITIC Group, secretary to chairman of CITIC Group and secretary to chairman of CITIC Bank. He had been secretary to chairman of CITIC Group since June 1997. He worked in Translation Office of the Ministry of Foreign Affairs of the PRC from August 1991 to October 1993. He worked in CITIC Group in charge of corporate communications from October 1993 to May 1997. He worked in financial companies including SBC and UBS from January 1996 to January 1997. Mr. Su graduated from Tianjin Foreign Studies University with a bachelor's degree in Arts. He was a graduate student in United Nations Interpretation Training program of Beijing Foreign Studies University. Mr. Su received his master's degree in Business Administration from the Open University of Hong Kong.

Mr. Cao Tong

Vice-President

Vice-president of the Bank. Mr. Cao began to take over the position of director in CIFH and CKWB since October 2009. He was assistant president from December 2004 to December 2006 and served as general manager of 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 Planning and Treasury Department, manager of Business Department, assistant president and vice-president of Beijing branch, general manager of Personal Banking Department of headquarters and deputy director of Shenzhen Administrative Department as person-in-charge. He also worked in Beijing branch of the PBOC from July 1990 to January 1994. Mr. Cao has 19 years of banking experience in China. He is a senior economist and graduated from Renmin University of China with a bachelor's degree in Economics and then master's degree.

Mr. Cao Bin

Secretary to the Committee for Discipline Inspection

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 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 General Office of CITIC Securities. From August 2002 to March 2008, he served as secretary to the Board of Directors and general manager of General Office of CITIC Holdings Company Limited. Mr. Cao graduated from Jilin University with a master's degree in Economics.

Directors, Supervisors, Senior Management and Staff

Mr. Wang Lianfu

Chairman of the Trade Union (Vice-president level)

Chairman of the Trade Union of the Bank (vice-president level). Mr. Wang served as secretary to the Bank's Committee for Discipline Inspection and director in charge of human resources (vice-president level) from March 2006 to April 2008. From February 1999 to March 2006, Mr. Wang served as secretary to the Bank's Committee of the headoffice for Discipline Inspection, secretary to the Party committee and chairman of the 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 worked in the Bank since May 1987. During the period from December 1984 to May 1987, he worked at Personnel Allocation Division of 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

Assistant President

Assistant president of the Bank. Mr. Cao began to take over the position of director of CIFH and CKWB since October 2009. Mr. Cao has also been a director of CIFL since 2005. He served as the general manager of 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 Planning and Treasury Department of the headquarters of China Merchants Bank, general manager of the Planning and Treasury Department of China Merchants Bank Shenzhen Administrative Department, director and deputy general manager in charge of China Merchant Bank Pawn Co., Ltd, director of Shenzhen Speed International Investment Co., Ltd, and assistant general manager of Planning and Treasury Department of China Merchants Bank. Mr. Cao also worked in Planning and Treasury Department of the Shaanxi branch of the PBOC as senior staff member and vice section head from July 1988 to June 1992. He has worked in China's banking industry for 21 years. Mr. Cao is a senior economist. He graduated from Hunan College of Finance and Economics with a bachelor's degree in Money and Banking. He received his master's degree in Money and Banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang

Assistant President

Assistant president of the Bank. He was deputy general manager, executive deputy general manager and general manager of the Bank's Beijing branch from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Bank's Credit Department, Jinan branch and Qingdao branch, including deputy general manager and general manager of Credit Department of the headquarters, vice-president and president of branch. Mr. Zhang was assistant president of the Bank and general manager of Corporate Banking Department from April 2006 to March 2007. Mr. Zhang has worked in the Bank since September 1990. Mr. Zhang has 22 years of experience in Chinese banking industry. Since April 2006 till now, Mr. Zhang is in charge of the operation management of the Bank's corporate banking business, investment banking business and small business financing business. He is a senior economist. He graduated from 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

Secretary to the Board of Directors

Secretary to the Bank's Board of Directors. He is also head of the Board Office and head of General Office of the Bank. Mr. Luo joined the Bank in October 2004, and served as deputy head of General Office of the Bank from June 2005 to March 2006. From October 2004 to June 2005, Mr. Luo was assistant general manager of the Bank's Administration and Management Department. Prior to that, he worked in China Merchants Bank from March 1996 to October 2004 and worked in Yangzhou branch of the 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

In June 2009, the members for the second Board of Directors were appointed by the 2008 annual general meeting. The members of the second of Board of Directors were Kong Dan, Chang Zhenming, Chen Xiaoxian, Dou Jianzhong, Ju Weimin, Zhang Jijing, Wu Beiying, Chan Hui Dor Lam Doreen Guo Ketong, José Ignacio Goirigolzarri, José Andrés Barreiro, Bai Chong-En, Ai Hongde, Xie Rong, Wang Xiangfei and Li Zheping. In October 2009, José Ignacio Goirigolzarri resigned from the position of non-executive director of the Bank and member of the Strategic and Development Committee under the Board of Directors on his own accord. In September 2009, José Andrés Barreiro was approved to be non-executive director of the Bank by the CBRC and began to perform duty as a director.

In June 2009, the members of the second Nomination and Remuneration Committee, Audit and Related Transactions Control Committee, Strategy and Development Committee, and Risk Management Committee under the second Board of Directors were appointed at the first meeting of the second Board of Directors.

In June 2009, members of the second Board of Supervisors were appointed at the 2008 annual general meeting. The second Board of Supervisors consisted of both of the non-employee supervisors appointed at the 2008 annual general meeting and the employee representative supervisors appointed through democratic election in April 2009. The supervisors of the second Board of Supervisors include Wang Chuan, Wang Shuanlin, Zheng Xuexue, Zhuang Yumin and Luo Xiaoyuan, Lin Zhengyue, Li Gang and Deng Yuewen.

As approved at the first meeting of the second Board of Directors in June 2009, Chen Xiaoxian was appointed as president of the Bank, Wu Beiying as executive vice-president and chief risk officer, Ou Yang Qian, Zhao Xiaofan, Su Guoxin and Cao Tong as vice-presidents, Cao Guoqiang as assistant president and chief financial officer, Zhang Qiang as assistant president, and Luo Yan as Board secretary.

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 Nomination and Remuneration Committee under the Board of Directors. The Bank clearly regulates the remuneration structure and the determination of the basic annual salary and bonus of directors, supervisors and senior management. Comprehensive performance assessments are conducted based on various factors such as the fulfillment of financial indicators, risk control and internal management. An allowance system is implemented for independent non-executive directors. In accordance with the requirements of the relevant laws in China, the Bank has adopted for its executive directors, employee representative supervisors and staff (including senior management) various types of statutory contribution pension schemes organized by the Chinese government.

The Bank offers remuneration to executive directors, supervisors and senior management who also serve as the employees of the Bank, including basic salary, bonus, employee welfare and insurances, housing fund and annuity. Independent non-executive directors and external supervisors of the Bank receive allowance. None of the non-executive directors (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 Profile of Staff

As of the end of 2009, the Bank had 24,180 employees, of which 3,598 were management staff, 18,020 were business staff and 2,562 were administrative staff. 2,977 employees, representing 12.31% of the total staff, hold post-graduate qualifications or above, 14,187 employees, representing 58.67% of the total staff, hold bachelor's degree, 5,821 employees, representing 24.08% of the total staff, hold associate's degree, and 1,195 employees have qualifications not reaching associate degree, accounting for 4.94% of the total staff. The Bank had a total of 259 retirees.

Human Resource Management

In 2009, the Bank kept on improving the human resource management system according to the principle of coordinating effective incentives and strict control. The Bank devoted much effort in the development of management teams of branches at different levels, enhanced assessment, actively promoted the adjustment and arrangement of management staff in tier one branches and the Bank's headquarters. Moreover, the Bank has continuously optimized the management structure and strengthened the internal and external communication. As a result, the overall quality and management level of the management team were enhanced significantly. The Bank established a standardized technical posts grading system, so as to provide more development opportunities for staff and enhance their knowledge and expertise. The Bank prepared human resource plan in a scientific way, therefore to strictly control the growth of the total number of staff, improve recruitment processes and optimize employee structure. We also streamlined processes and adjusted internal functions according to operation and management, while further improving remuneration management, optimizing remuneration structure and increasing our efforts in exploration and practice of diversified remuneration system. The Bank also perfected welfare and insurance system, enhanced the incentive effect, and secured the interests of its staff.

In addition, to enhance training and business exchanges, the Bank has established performance evaluation system accordingly based on respective business lines, improved its professional service capability. In order to enhance the informatized management, the Bank also launched human resources information system projects to build a unified human resources information platform bank wide.

Human Resource Cultivation and Development

In 2009, the Bank based on its goal of promoting the development of business and employees reinforced its training. In 2009, the Bank held 8,760 training programmes involving 291,287 employees*time and covering 13,388 training days. Apart from that, the Bank also organized on-line training, with a total number of 19,412 employees registered, 443,789 training hours and 23 training hours per capita on average as of the end of the reporting period.

While deepening core talents cultivating and improving the quality of all the employees, the Bank also attached importance to the improvement of the training system so as to make the training more rational, systematic and standardized. Currently, the Bank has started to build a multi-level, multi-tipple, multi-form and multi-channel training system. Based on the competence of the employees, the system offers different development paths for employees of different levels, and links the training with qualification exams. As a result, a training system has been initially established, which effectively combines staff training and career development.

Pursue a Maximized Value for Shareholders

Strive to maximize shareholders' value and promote the harmonious and sustainable economic, social and environmental development

the Group will stick to its business philosophy of "coordinating development between efficiency, quality and scale" , "pursuing risk-adjusted returns", "striving for a leading position amongst all competing domestic and foreign banks", and will reward shareholders and the society for their trust and support with sustainable, steady, and healthy development.

to strive for a leading position amongst all domestic and foreign competing banks means to be in a leading position in terms of operating performance result and management result; in fulfilling the needs of shareholders, customers and employees; in providing customers the best comprehensive financial solutions; in building risk management culture, system and techniques; in building an excellent banking service brand and corporate culture; and in improving financial innovation capability and core competitiveness.

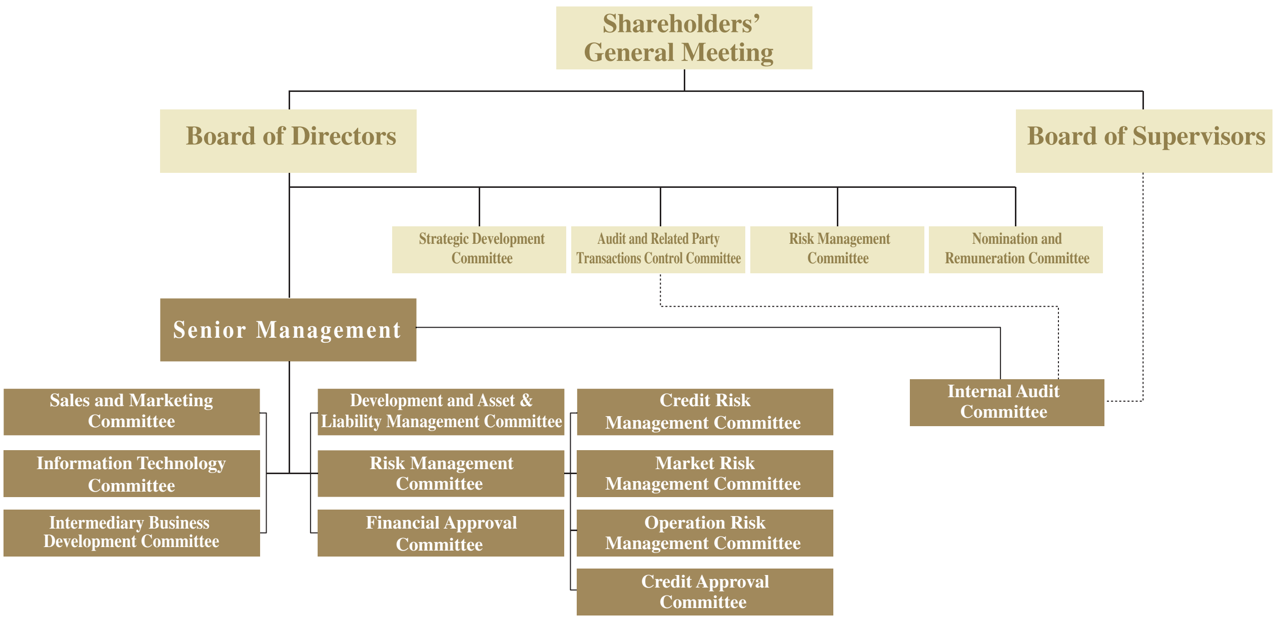
Social contribution value per share

RMB1.26

The Group has put into effect its economic responsibility, social responsibility, and environmental responsibility as a banking corporation, promoting a harmonious and sustainable economic, social and environmental development.

Report of Corporate Governance

The Corporate Governance Structure of the Bank



Overall Corporate Governance

Since it was listed in Shanghai and Hong Kong concurrently in April 2007, the Bank has gradually improved corporate governance structure comprising the Shareholders' General Meeting, the Board of Supervisors, the Board of Directors and the Senior Management after practicing corporate governance for more than three years. All the work regarding corporate governance has been carried forward steadily. In 2009, the Bank further improved its modern corporate governance structure according to domestic and overseas regulatory requirements and the Bank's situation:

The Bank endeavored on system construction. The Bank formulated the *Evaluation Measures of the Board of Directors on the Duty Performance of Directors and Senior Management* and the *Evaluation Measures of the Board of Supervisor on the Duty Performance of Directors, Supervisors and Senior Management*. The *Detail Implementation Measures on the Management of Related Party Transactions* was prepared based on the existing *Implementation Measures for Managing Credit Granting of Related Parties* and the *Management Measures on Related Party Transactions*. The Bank formulated the *Independent Director Working System*, the *Measures on the Management of Shares of CNCB Held by the Directors, Supervisors and Senior Management and the Changes Thereof*, the *Measures on the Management of Reputational Risks and the Rules on Risk Management of Information Technology* were finalized. Meanwhile, relevant articles in the *Articles of Association* were amended according to changes in regulatory requirements.

The Bank established an inncentive and restriction mechanism for directors, supervisors and senior manager to enhance the supervisory functions of the Board of Directors and the Board of Supervisors and practically improve the duty performance of directors, supervisors and senior management. The Board of Directors and the Board of Supervisors actively fulfilled the responsibilities of supervision, provided professional suggestions, and conducted on-site investigation in branches as well as listened to reports of the management, thus supervising and checking the operation status quo of the Bank.

The Bank improved its management on related party transactions. Based on continuous improvement in institutional system, deepening of 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, guaranteed the interests of the Bank and the Bank's shareholders, and promoted the safe and stable operation of the Bank.

The Bank consolidated its risk control and compliance operation. The Bank strictly implemented related rules of risk control, timely grasped related information on risks and controlled the overall risks and main risks, saught for risk-adjusted returns and conducted active guidance, thus providing powerful support to improving the overall risk control system and effectively maintaining the stable operation of the Bank.

The Bank continuously improved information disclosure related work. According to applicable regulations, the Bank released over 50 regular reports and interim announcements to the public and guaranteed a timely, fair, accurate, authentic and complete information disclosure to protect the legitimate rights and interests of investors and relevant parties.

The Bank has conducted activities to continue to improve corporate governance in accordance with the *Notice on the Matters concerning the Implementation of a Special Campaign to Strengthen Corporate Governance of Listed Companies* issued by the CSRC and in response to the arrangement of the CSRC Beijing Bureau. In the light of the Rectification Plan for Corporate Governance, the Bank completed the rectification report of corporate governance upon the approval of the Board of Directors by setting up the working groups to support the operation of the specialized committees under the Board of Directors, establishing the Bank's *Information Disclosure Management System*, the *Implementation Rules on the Information Disclosure Management System* and the *Internal Reporting System of Significant Information* and strengthening the institution and function of the office of the Board of Supervisors. The above reports on self-examination of corporate governance and rectification plan and the reports on the rectification of corporate governance were published on the website of SSE and the Bank's website as well as on newspapers of China Securities Journal, Shanghai Securities News and Securities Times on 22 July 2008.

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

In 2009, the Bank convened one annual shareholders' general meeting, 10 Board meetings and eight meetings of the Board of Supervisors, all in compliance with the procedures as specified in the Articles of Association of the Bank.

General Meeting

The General Meeting is the organ of power of the Bank. As it had listed in both Shanghai and Hong Kong, the Bank attached great importance to its relationship with domestic and overseas shareholders. The Bank fully communicate 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 company events and to guarantee working efficiency and scientific decision-making at the General Meeting. On 29 June 2009, the Bank convened 2008 annual general meeting at which 11 resolutions were deliberated and passed. The general meeting made decisions on major issues of the Bank, considered and approved such matters as the annual report, the report of the Board of Directors, the report of the Board of Supervisors, the profit distribution proposal, the financial budget, the financial statements, the amendments to the Articles of Association, the election and re-election of directors and supervisors, the engagement of external auditors and the auditors' fee, and the acquisition of the shares of CIFH. In doing so, the General Meeting managed to safeguard the legitimate interests of all shareholders and ensure the lawful exercise of the rights and duties by shareholders, which promoted the long-term solid and sustainable development of the Bank.

Board of Directors

Composition and Functions of the Board of Directors

The Board of Directors is the Bank's decision-making body. The Board of Directors of the Bank consists of 15 members, including two executive directors, namely Chen Xiaoxian and Wu Beiying; eight non-executive directors, namely Kong Dan, Chang Zhenming, Dou Jianzhong, Ju Weimin, Zhang Jijing, Chan Hui Dor Lam Doreen, Guo Ketong and José Andrés Barreiro; and five independent non-executive directors, namely Bai Chong-en, Ai Hongde, Xie Rong, Wang Xiangfei and Li Zheping. The principal functions of the Board of Directors of the Bank include but are not limited to the followings:

- to be responsible for convening the general meeting and reporting its work to the general meeting;
- to make decisions on development strategies, business plans and investment plans for the Bank;
- to prepare the annual financial budget and financial statements of the Bank;
- to prepare the profit distribution plan and compensation makeup plan of the Bank;
- to decide significant investments, significant asset disposal plans and other significant proposals of the Bank in accordance with the Articles of Association or within the terms of reference granted by the General Meeting;
- to formulate the plan for increase or decrease of the registered capital of the Bank;
- to prepare plans for the merger, division, dissolution, liquidation or transformation of the Company;
- to formulate the plan for issuing corporate bonds or other marketable securities and listing;
- to formulate the plan for buyback of the shares of the Bank;
- to appoint or dismiss the president and Board secretary of the Bank, and decide their remunerations, awards and punishments;
- to appoint or dismiss vice-president and president assistant of the Headquarters as nominated by the president and other senior management staff designated by the Board of Directors, and to determine their remunerations, awards and punishments;
- to propose to the 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 General Meeting);
- other authorities and powers as specified in relevant laws, administrative rules, regulations or the Articles of Association, and as delegated by the General Meeting.

Meetings of the Board of Directors

In 2009, the Board of Directors altogether convened 10 meetings (including votings by correspondence) and considered and passed 45 resolutions, including election of the second Board of Directors, the financial budget, profit distribution, 2008 annual report, the engagement of auditors and their service fees, the acquisition of 70.32% interests in CIFH, 2008 senior management staff remuneration plan, revision of the Articles of Association, the *working system of independent directors*, the *Administrative Measures on the Bank's Shares Held by Directors, Supervisors and Senior Management Staff and the Changes in Shareholding*. In addition, the Board of Directors also listened to the working reports of the senior management regarding the operation, IT and management of connected transactions. Attendance rates of directors of the Bank during 2009 are as follows:

	Times of Attendance		
Directors	**Mandatory Attendance**	**Absence required by law**	**Attendance Rates**
Kong Dan	9/9	1/1	100%
Chang Zhenming	9/9	1/1	100%
Chen Xiaoxian	9/9	1/1	100%
Dou Jianzhong	9/9	1/1	100%
Ju Weimin	9/9	1/1	100%
Zhang Jijing	9/9	1/1	100%
Guo Ketong	9/9	1/1	100%
Wu Beiying	10/10	—	100%
Chan Hui Dor Lam Doreen	9/9	1/1	100%
José Ignacio Goirigolzarri	6/6	—	100%
José Andrés Barreiro	4/4	—	100%
Bai Chong-en	10/10	—	100%
Ai Hongde	10/10	—	100%
Wang Xiangfei	10/10	—	100%
Xie Rong	10/10	—	100%
Le Zheping	10/10	—	100%

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

(2) Mr. Zhang Jijing, Mr. José Ignacio Goirigolzarri and Mr. Xie Rong did not attend the Board meeting in person on 28 April 2009. They entrusted other directors to attend the meeting and cast voting rights as proxy respectively.

(3) Mr. José Ignacio Goirigolzarri did not attend the Board meeting in person on 8 May 2009 and entrusted another director to attend the meeting and cast voting rights as proxy.

(4) Mr. Chang Zhenming, Mr. Dou Jianzhong, Mr. Wu Beiying, Ms. Chan Hui Dor Lam Doreen, Mr. José Ignacio Goirigolzarri and Mr. Wang Xiangfei did not attend the Board meeting in person on 29 June 2009. They entrusted other directors to attend the meeting and exercise voting rights as proxy respectively.

(5) Mr. Chang Zhenming, Mr. Bai Chong-en, Mr. Xie Rong did not attend the Board meeting in person on 27 August 2009 and they entrusted other directors to attend the meeting and exercise the voting rights as proxy respectively.

(6) Mr. José Andrés Barreiro, Ms. Chan Hui Dor Lam Doreen, Mr. Bai Chong-en and Mr. Ai Hongde did not attend the Board meeting in person on 30 December 2009, and they entrusted other directors to attend the meeting and exercise the voting rights as proxy respectively.

The Execution of Resolution of the General Meeting by the Board

According to *Proposal of Report on Financial Accounting for 2008* and *Profit Distribution Plan for 2008* discussed and approved by the 2008 annual general meeting, the Board of Directors of the Bank distributed dividends out of the profits as at the end of 2008 to both domestic and overseas shareholders;

According to *Proposal on Appointment of Accounting Firm in 2009 and their service fees* discussed and approved by the annual general meeting for 2008, the Bank's Board of Directors appointed KPMG Huazhen to conduct audit according to domestic accounting standards and KPMG to conduct audit according to overseas accounting standards in 2009;

In accordance with the *Proposal on the Election of Members of the Second Board of Directors* and the *Proposal on the Election of Non-employee Representative Supervisors of the Second Board of Supervisors* discussed and approved at the annual general meeting of 2008, the members of the Second Board of Directors and the Second Board of Supervisors were elected and they have started to perform their duties;

The *Proposal on Amendment of Part of the Articles of Association of the Bank* discussed and approved at annual general meeting of 2008 has been approved by CBRC and the amended articles have taken effect;

In accordance with the *Proposal on the Acquisition of 70.32% Interest in CITIC International Finance Holdings Limited* discussed and passed at the annual general meeting of 2008, our acquisition of the shares of CIFH was approved by CBRC and Hong Kong Monetary Authority on 23 September 2009 and 9 October 2009, the settlement formalities were completed on 23 October 2009 and we successfully acquired 70.32% interest in CIFH.

Responsibility Statement of Directors on Financial Reports

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

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

The Independence of Independent Non-executive Directors and their Performance 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 managerial positions in the Bank. Their independence is well guaranteed. The Bank has already received annual confirmation letter of independence from all the independent non-executive directors which recognized 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 and provided guidance to the management by means of on-site workshops and seminars. Some of them were also the chairman of the Audit and Related Party Transactions Control Committee and the chairman of the Nomination and Remuneration Committee, and they have accounted for the majority in both committees. According to *the Independent Directors' Working System on Annual Report*, the independent directors of the Bank strengthened communication with auditors, giving full play to the function of independent supervision. In 2009, the independent directors did not raise any objection to the resolutions of the Board or the committees of the Bank.

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

The independent non-executive directors of the Bank have made decision on the non-competition undertakings of CITIC Group and CIFH, and confirmed that CITIC Group and CIFH have complied with their respective non-completition undertakings. CITIC Group and CIFH made statement on their fulfillment of the non-competition undertakings under the Non-Competition Deed entered into with the Bank on 13 March 2007.

On 23 October 2009, the Bank completed the acquisition of the 70.32% interest in CIFH from CITIC Group, which basically resolved the horizontal competition legacy between China CITIC Bank and CIFH since China CITIC Bank's listing. Since 23 October 2009, all responsibilities of CIFH under the Non-Competition Deed will be released in future.

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

Strategic Development Committee

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

In 2009, the Strategic Development Committee altogether convened two meetings to discuss and approve the *Proposal on Evaluation of the Cooperation between China CITIC Bank and the strategic investor — BBVA in 2008, the Proposal on Revising the Rules of Procedure of the Strategic Development Committee* and *the Proposal on the Election of the Chairman of the Strategic Development Committee under the Second Board of Directors*. Attendance rates of related directors are as follows:

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

Note: (1) Mr. Chang Zhenming did not attend the meeting in person on 29 June 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(2) Mr. Dou Jianzhong did not attend the meeting in person on 29 June 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(3) Mr. José Ignacio Goirigolzarri did not attend the meeting in person on 29 June 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

Report of Corporate Governance

Audit and Related Party Transactions Control Committee

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

In 2009, the Audit and Related Party Transactions Control Committee convened six meetings to mainly review regular reports, internal control reports, the implementation rules regarding the management of related party transactions, the engagement of accounting firms, and approval of related party transactions within authority. Attendance rates of meetings of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Ai Hongde	6/6	100%
Ju Weimin[(1)]	6/6	100%
Xie Rong	6/6	100%
Bai Chong-en[(2)]	6/6	100%
Wang Xiangfei	6/6	100%
Li Zheping[(3)]	6/6	100%
José Andrés Barreiro[(4)]	1/1	100%

Note: (1) Mr. Ju Weimin did not attend the meeting in person on 24 April 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(2) Mr. Bai Chong-en did not attend the meeting in person on 24 April 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(3) Mr. Li Zheping did not attend the meeting in person on 24 August 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(4) Mr. José Andrés Barreiro was approved to be non-executive director of the Bank by the CBRC in September 2009 and began to perform duty as a director.

According to the requirements of the CSRC and the designated corporate governance responsibilities, the Audit and Related Party Transactions Control Committee of the Bank played an important role in supervising the independent audit and disclosure of annual report 2009, thus maintained the independence of audit. The Committee reviewed the corporate financial and accounting statements before the statements are submitted to the certified public accountant (CPA) responsible for annual audit and after the CPA responsible for annual audit issued preliminary audit opinions and the Committee thought that the statements truly, accurately and completely reflected the overall corporate situation of the Bank after full communication with annual audit accounting firm. In order to make relevant preparations, the Committee presided by Chairman Ai Hongde, directly communicated with the CPA responsible for annual audit on 9 December 2009. Upon negotiation, the attendees and the accounting firms determined the schedule of financial report audit 2009, focus and risk identification and judgement methods of financial report audit 2009. After that, the Committee reviewed the financial statement compiled by the Bank and formed the first round of written opinions, deciding that the Bank's financial statements was complete and comprehensive and was eligible for presenting to annual audit CPA. On 8 April 2010, the Committee reviewed the Bank's financial statements for the second time after the annual CPA issued their preliminary opinions, and decided that 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 12 April 2010, the Committee held meeting and listened to the business operation report by senior management and annual audit CPA's report on audit process. In addition, the Audit and Related Party Transactions Control Committee held discussions on the Bank's social responsibility, internal control and matters relating avoiding horizontal competition, and deliberated relevant proposals.

The Audit and Related Party Transactions Control Committee also continued to strengthen the management and control of related party transactions, formulated the Bank's Implementation Rules on the Management of Related Party Transactions (For Pilot Implementation) and reviewed the related party transactions between the Bank and BBVA, the CITIC Group and its affiliated subsidiaries enterprises.

Risk Management Committee

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

In 2009, the Risk Management Committee altogether convened three meetings and deliberated on credit policy and the implementation of credit policy and the measures to manage information risks and reputation risks. Attendance rates of meetings of related directors are as follows:

Directors	Times of Attendance	Attendance Rates
Chen Xiaoxian	3/3	100%
Ju Weimin	3/3	100%
Wu Beiying(1)	3/3	100%
Ai Hongde	3/3	100%
Bai Chong-en	3/3	100%
Li Zheping(2)	2/2	100%

Note: (1) Mr. Wu Beiying did not attend the meeting in person on 29 June 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

(2) In February 2009, Mr. Li Zheping assumed his role as independent non-executive director upon approval of the CBRC and began to perform his duty thereof.

Nomination and Remuneration Committee

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

In 2009, the Nomination and Remuneration Committee altogether convened four meetings to deliberate on the report on the duty performance of Nomination and Remuneration Committee under the Board disclosed in the annual report, the nomination of members for specialized committees of the second Board of Directors, directors and secretary to the second Board of Directors as well as the nomination of Ángel Cano Fernández as non-executive director by shareholders. Attendance rates of meetings by related directors are as follows:

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

Note: (1) Mr. Wang Xiangfei did not attend the meeting in person on 29 June 2009, he entrusted another Committee member director to attend the meeting and exercise his voting rights as proxy.

(2) Mr. Ai Hongde did not attend the meeting in person on 4 March 2009, he entrusted another Committee member to attend the meeting and exercise his voting rights as proxy.

According to the regulatory requirements of CSRC and the designated corporate governance responsibilities, the Nomination and Remuneration Committee under the Board studied and examined the corporate remuneration management system and the remuneration policies and schemes relating to directors, independent directors, supervisors, external supervisors and senior management in 2009, and supervised the implementation of remuneration schemes. The Committee is of the view that the senior management of the Bank, within the terms of reference specified in laws, regulations and Articles of Association, under the leadership and authorization of the Board, and under the supervision and guidance of the Board of Supervisors, performed integrity and diligence obligations in 2009, further enhancing corporate value and shareholders' value. Upon review, the Committee is of the view that the disclosed remunerations of directors, independent directors, supervisors, external supervisors and senior management complied with the remuneration policies, schemes, and disclosure standards required by domestic and overseas regulatory authorities of listed companies, which Bank should observe. The Committee confirmed that the Bank did not implement any equity incentive scheme as at the end of 2009.

Board of Supervisors

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

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

In 2009, the Board of Supervisors of the Bank held eight meetings, at which supervisors discussed and approved annual work report of the Board of Supervisors, regular reports and other relevant proposals. In addition, the Board of Supervisors supervised and examined the Bank' s operations and management by attending Board of Directors meetings, making field study in some branches, conducting special examinations considering various documents and receiving reports from management. For more information about the work of the Board of Supervisors in the reporting period, please refer to "Report of the Board of Supervisors" in Chapter 11 of 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 is comprised of eleven members. For detailed information, please refer to Chapter 8 "Directors, Supervisors, Senior Management and Staff". There is a strict separation of duties and powers between the Bank's senior management and the Board of Directors. Under the authorization by the Board of Directors, the senior management determines the operational management and decision-making within its scope of authority. The Board of Directors assesses the performance of the senior management, and uses this as the basis for determining their remuneration and other incentive arrangements.

Internal Control

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

Major Measures Taken by the Bank in the Reporting Period

— The Bank improved the internal control environment. The Bank further improved the corporate governance mechanism, established a scientific and efficient decision-making procedure and a sound organizational structure of check and balance, improved the Bank's scientific evaluation system so as to form an uniform program for the sequence of professional technologies, established a training system that matches career development of its staff as well as a framework of "China CITIC Bank Leadership Skills Training System", and continuously enhanced risk management and internal control so as to improve the ability to safeguard against risks.

— The Bank optimized risk identification and monitoring measures. The Bank identified business risks from all aspects and optimized the improvement process, accelerated the implementation of the New Basel Capital Accord, completed the risk assessment model for corporate debts rating and the measurement of default risk exposure and the retail rating, and speeded up IT implementation. In addition, the Bank strengthened the basic management for rating, with average rating coverage for quarterly corporate loans reaching 95%, the highest among its peers in China in 2009. The Bank also increased the rating application and improved the linkage between the approval and the rating processes of corporate loans, which further enhanced risk management.

— The Bank enhanced the internal control measures. In respect of corporate banking, the Bank continuously improved its rules and regulation system and carried out business training and examination, providing a strong guarantee for the business development; in respect of retail banking, the Bank standardized the business management through specifying the basic operational process and the supervision and management process for the personal loans centers throughout the organization; in respect of financial planning, the Bank particularized its risk management measures, strengthened its market risk management, sorted out the differentiated authorization of the product structure and enhanced the risk management of trading accounts; in respect of accounting and branch front desk management, the Bank successfully instituted the account centralization and supporting system and upgraded the retail counter system, which effectively improved its ability in preventing operational risk while elevating the efficiency of business dealings and raising customer satisfaction; in respect of IT management, the Bank carried out IT planning and information security planning, completed the construction of its foreign disaster preparation center, and performed drills regularly for the contingency plans as well as self-examinations for systemic risks, all of which further enhanced the Bank's ability in resisting catastrophic risks.

— The Bank completed the information exchange and communication mechanism. In 2009, the Bank put in use its computerized document system throughout the organization on the Bank-wide intranet, which realized work transparency, simplified the reporting and the designating processes and substantially enhanced an efficient information exchange. In accordance with the regulations of *Guidelines for the Management of Reputation Risk of Commercial Banks* of the CBRC, the Bank gradually improved its daily notification mechanism on public sentiment work with CBRC and initiated a bank-wide mechanism for public sentiment monitoring and crisis handling.

— The Bank strengthened compliance management and internal control supervision. The Bank strengthened its internal control supervision system, defined the procedures, methods and requirements for internal supervision, and specified the respective responsibility of the development and execution department and the supervision and appraisal department in the internal control supervision and examination system. In 2009, the Bank earnestly implemented the regulations of *Guidelines on Compliance Risk Management of Commercial Banks* of the CBRC. By improving the compliance risk management framework, the Bank set up and implemented its programmatic system for compliance risk management and established a preliminary procedure for identifying and evaluating compliance risk, which contributed to the effective compliance management of the branches and in turn guaranteed the lawful and compliant operation throughout the organization.

Report of Corporate Governance

Information on Internal Control Self-evaluation

The Bank has established a governance structure comprised of Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management, which forms a complete internal control system to prevent, control, supervise or rectify any risks in advance. The structure of internal control management of the Bank consists of three levels, namely the decision-making level, the development and execution level and the supervision and appraisal level. This structure has integrated the leadership of senior officers at various branch levels and functional departments and the participation of all staff within the Bank. At present, the Bank can perform well in ensuring the completeness, rationality and efficiency of internal control environment, risk identification and evaluation, internal control measures of major businesses, information exchange and feedback, supervision and appraisal and rectification, so that it can provide reasonable grounds to meet the Bank's business objective, and the steady growth of all businesses. In 2009, the Bank accelerated the implementation of the *Basic Standard for Enterprise Internal Control*, identified specific risks and key control points in each business, carried out all-around evaluation of the design and implementation of internal control in all the business lines and the branches, formulated corrective measures for defects and began preparing a standardized internal control manual.

KPMG Huazhen Accounting Firm provided examination opinions on Self-evaluation Report on Internal Control of China CITIC Bank Corporation Limited 2009. The Bank confirmed that it has maintained effective internal control which was established in accordance with the requirements of *Guideline on Internal Control of Commercial Banks*, and related to the preparation of financial statements for all aspects.

Internal Audit

The internal auditor of the Bank is responsible for the supervision and evaluation of the risk management, the adequacy and effectiveness of internal control across the Bank and reports to the Board of Directors, the Board of Supervisor, and the senior management in this regard. The Internal Audit and the Related Party Transaction Management Committee of the Bank, and the Internal Audit Committee are responsible for the management of internal audit. The Bank exercises dual management of the headquarters and branches on auditing work, and the head office arranges and coordinates the audit, as well as the deployment of personnel. In 2009, the Bank strengthened the independence, authority and effectiveness of internal audit. The main measures include: Firstly, the Bank increased its frequency of on-site auditing. In 2009 On-site audit performed by the Bank covers all key parts of the business, institution and risk control within the Bank, achieving the goal of cross-cutting audit. Secondly, the Bank strengthened auditing skills building and application. The Bank is actively engaged in building on-site and non-on-site audit information system and system application in a bid to improve the efficiency and effect of auditing. Thirdly, the Bank carried out risk-prevention examinations of cases. In 2009, an unprecedented "100 days' Risk-Prevention Examination" initiative was carried out. Supervision on key parts of businesses and risk-prone points were indeed strengthened, forming a dynamic risk-prevention examination mechanism, with no incident throughout the year. Fourthly, the Bank increased its efforts in rectification. In 2009, the Bank rectified and kept tracking problems found during its internal and external examinations and those identified by supervision authorities. The Bank designated the responsible persons and the time limit for rectification.

Management of Related Party Transactions

Since the successful listing of the Bank, the Bank attaches great importance to the management of related party transactions and strictly follows the rules provided by mainland and Hong Kong supervisory institutes in compliance management. By continuously improving the institutional system, deepening management philosophy, and enhancing management measures, the Bank further regulated related party transactions.

Through delicacy management, the Bank divided related party transactions into three modules, namely related parties, related party transaction with credit extension and non-credit extension related party transaction, and enhanced its management by using corresponding management procedure of the three modules. The Bank further improved the institutional building of related party transaction management by issuing the *Implementation Rules for Related Party Transaction Management (Trial)* to standardize the operation process of related party transaction and responsibilities of relevant departments from the institutional perspective. Meanwhile, the Bank organized a bank-wide training on related party transaction management to push forward the understanding and effective running of the management mechanism.

In 2009, the Audit and Related Party Transactions Control Committee under the Board of Directors conducted plenty of work. In addition to listening to reports on related party transactions management, the Committee deliberated many proposals, including *Implementation Rules for Related Party Transaction Management (Trial)*, acquisition of 70.32% equity interest in CIFH, credit line for related parties, inter-bank transaction master agreement and name list of related parties of the Bank.

The Bank's proactive management measures ensured the development of the Bank's business with the prerequisite of complying with domestic and overseas regulatory requirements and fully safeguarding the rights and interests of minority shareholders.

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. We have our own business separate from that of our controlling shareholder and have exercised independent operation.

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

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

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

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

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

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

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 circumstance:

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

Given the changes in outside business 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 2008 Annual Shareholders' General Meeting, the Bank employed KPMG Huazhen as its domestic accounting firm and KPMG as its overseas accounting firm for the year 2009. 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 2009, the Group paid RMB8.8 million as 2009 annual audit service charges (excluding its overseas subsidiaries) to KPMG and KMPG Huazhen. The Group's overseas subsidiaries paid RMB 6 million as audit service charges.

Except for the above-mentioned audit fees, the Bank paid RMB1.7 million to KPMG as non audit service charge.

Management of Investor Relations

The management team of the Bank attached great importance to its communication with investors, organizing several meetings for regular results announcement and global conference calls based on the announcement of regular reports and carried out propagandas via domestic and overseas press and Internet media, thus building a good platform for investors to understand the operation and management of the Bank.

In 2009, the Bank purchased 70.32% equity interest in CIFH. The Bank's management team led the team to fully communicate with substantial shareholders and received their approval, thus effectively stabilizing the Bank's stock price. As part of routine work, the Bank also conducted many daily communications with investors via various forms of activities such as participating in investment seminar, daily reception of investors and analysts and reverse road shows, etc. In 2009, the Bank's investor relations team accumulatively receipted over 420 investors and analysts. In addition, based on the survey of clients' demands, the Bank updated its website for investor relations, and the new website is well received among clients.

In the future, the Bank will continuously innovate and enrich the channels and forms of investor relation management, strive to strengthen the communications and exchanges with investors, increasingly facilitate investors' understanding of the Bank's development strategy and operation management, and continuously draw investors' attention and recognition on the Bank's investment value.

Information Disclosure

The Bank disclosed its information in compliance with the securities regulatory requirements of the places of listing and trading of the Bank's securities to publish various regular reports and announcements to ensure the disclosure of information in a prompt, fair, accurate, authentic and complete manner, and to safeguard legitimate interests of investors and other parties concerned. Since the Bank has concurrently listed at the Hong Kong Stock Exchange and Shanghai Stock Exchange, the Bank will make sure it applies the more stringent disclosure requirements of the two stock exchanges during information disclosure to ensure equal treatment to all investors. In 2009, the Bank published more than 50 announcements according to requirements of domestic and overseas regulatory authorities. In order to promote the system building of information disclosure and to further enhance its transparency, the Bank has enacted *The Regulatory Measures on Information Disclosure, Rules for the Implementation of the Regulatory Measures on Information Disclosure, Significant Information Internal Reporting System*, which further regulated the content, form, procedure, and management of information disclosure. In practice, the Bank revised the *Measures on Information Disclosure Management* according to relevant work, which intensified the recourse and punishment on mistakes in information related work and ensured the truthfulness and completion of regular report disclosure by system.

During the reporting period, the Bank further improved the information disclosure of regular report based on the interest and focus of investors and analysts according to regulations of listing places. The Bank's full and accurate information disclosure was well received in society and received many awards, namely Citation for Corporate Governance Disclosure — the Best Annual Reports Awards by Hong Kong Institute of Certified Public Accountants, International gold award by MerComm, an international professional award institution, Silver Award in 2008 Vision Awards Annual Report Competition by the League of American Communications Professionals and Bronze awards for design and shooting by the International Academy of Communications Arts and Sciences/MerComm, Inc.

Management of Insider Information

When drafting regular reports, the Bank established the registration and filing mechanism of internal and external information users and included internal stuff and people in external institutions including auditors who access to the annual financial figures before disclosure in the management of insiders. Therefore, the Bank ensured 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 involving parties.

To ensure the impartiality and fairness of information disclosure, the Bank simulated the *Administrative Measures for Inside Information and Information Insiders* and set relevant systems for insider registration and filing, confidentiality management and punishment: before disclosure, the Bank shall take necessary measures to control the number of insiders within the minimized scope, the Bank's directors, supervisors, senior management and other insiders shall control the number of insiders within the minimized scope before information disclosure and are not allowed to reveal insider information or be involved in insider trading or assist others to manipulate the price of the Bank's stock or other derivatives, The Bank's shareholders shall not abuse their rights as shareholders to require the Bank to provide any insider information, as to any behavior breaching regulations because of intent or negligence of insiders, the Bank shall exercise accountability and punishment on the person with direct responsibilities depending on the seriousness of their behaviours, the Bank shall seek legal actions when necessary.

To better ensure the confidentiality of stock price sensitive information during the period when the Bank made preparation for disclosing 2009 annual report, the Bank circulated the *Notification on Ensuring the Confidentiality of Annual Report Information* according to requirements of securities authorities. The Bank required branches to record and file the information of internal and external insiders within their own authorization. Branches also arranged insiders to conduct self-examination on securities trading before the disclosure of annual report and submit relevant examination results to information disclosure management department of the headquarters for filing. The confidentiality guarantee for annual report effectively improved the Bank's employees' sense of keeping sensitive information confidential and further secured the legitimate rights and interests of investors.

Report of the Board of Directors

Principal Business

The Bank is engaged in banking and banking related financial services.

Major Customers

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

Profit and Dividends Distribution

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

Unit: RMB million

Year of bonus distribution	Amount of cash bonus (pre-tax)	Distribution ratio (%)
2007	2,088	25
2008	3,330	25
2009	3,435	25

The audited after-tax profit as shown on the 2009 domestic financial statements prepared in accordance with PRC GAAP was RMB13.742 billion. The audited after-tax profit as shown on the 2009 overseas financial statements prepared in accordance with International Financial Reporting Standards was RMB13.741 billion. The Board of Directors proposed to distribute the profit in 2009 as follows:

10% of the after-tax profit as shown on the financial statements prepared in accordance with PRC GAAP will be transferred to the statutory surplus reserve, totalled RMB1.374 billion. RMB4.81 billion will be transferred to the general reserve. And the discretionary reserve would be not appropriated. By following the principle of the lower of the domestic and overseas audited profit, the distributable profit in 2009 was based on the data of financial statements prepared in accordance with overseas financial reporting standards. The proposed dividends distribution amounts to RMB3.435 billion. The total share capital of A-share and H-share shall be taken as base and the cash bonus of every 10 shares shall be RMB0.88 (pre-tax), which is denominated and declared in RMB. The dividend of A-share shall be paid in RMB. The dividend of H-share shall be paid in Hong Kong dollar, with the sum calculated in accordance with the average benchmark exchange rate of RMB released by the PBOC one week (including the date of shareholders' general meeting) prior to the convening of shareholders' general meeting. The transfer of capital reserve to share capital plan was not applied in this year. The aforesaid profit distribution plan shall be submitted to 2009 Annual Shareholders' General Meeting for approval and implementation.

Reserve

The details of change of reserve as at the end of 2009 are set out in Notes 51, 52 and 53 to the Financial Statements in this annual report.

Distributable Reserve

The detailed information of distributable reserve is included in the "Consolidated Statement of Changes in Equity" of the Financial Statements in this annual report.

Donations

The Bank has made donations totaled about RMB4.93 million during the reporting period.

Fixed Assets

The detailed information on changes in fixed assets as of the end of the reporting period is included in Note 32 to the Financial Statements in this annual report.

Subsidiaries

CITIC International Financial Holdings Limited

Founded in 2002, CITIC International Financial Holdings Ltd., a controlled subsidiary of the Bank, is an investment and holding company registered in Hong Kong, engaging in commercial banking and non-banking financial services. As of the end of 2009, CIFH had total assets equivalent to RMB108.328 billion, net assets equivalent to RMB14.182 billion and net profit equivalent to RMB807 million.

CITIC Ka Wah Bank, a wholly-owned subsidiary of CIFH was established and registered in Hong Kong with banking license. In addition, CIFH holds 40% equity of CIAM, and 27.5% equity of CITIC Capital. CIAM is specialized in asset management and direct investment business and CITIC Capital is specialized in investment management and consulting business in China.

China Investment and Finance Limited

Established in 1984, China Investment and Finance Limited, a holding subsidiary of the Bank, was registered and operated its main businesses in Hong Kong S.A.R. CIFL, with "money lender license" issued by the Companies Registry of the Hong Kong Government SAR, with business scope covering loan and investment business, etc. As of the end of 2009, the registered capital, total assets, net asset and net profit of CIFL were HKD25 million, RMB1.001 billion equivalent, RMB92 million equivalent and RMB11 million equivalent respectively.

Share Capital and Public Float

The detailed information on changes in share capital of the Bank during the reporting period is included in Note 50 to the Financial Statements in this annual report. According to the public information as of the date on which the annual report is printed, the Board of the Directors of the Bank is of the view that the Bank has enough public float.

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

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

Retirement and Benefits

The detailed information on the provision of retirement benefits to the employees is included in Note 44 to the Financial Statements in this annual report.

Use of Proceeds Raised and Material Investment with Non-Raised Funds

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

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

Issuance of Shares

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

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

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

Name of Director	The Associated Shareholding Corporation	Nature of Interests	Type/Number of Shares	Percentage in the Shares Capital Issued	Execution Period
Kong Dan	CITIC Resources Holdings Limited	personal interests	20,000,000 shares (L) options	0.33%	7 March 2008– 6 March 2012
Chang Zhenming	CITIC Pacific Limited	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 Corporation Limited	personal interests	2,974,689 H shares (L)	0.02%	—
Zhang Jijing	CITIC Resources Holdings Limited	personal interests	10,000,000 shares (L) options	0.17%	2 June 2006– 1 June 2010
		familly interests	28,000 H shares (L)		—
	CITIC Pacific Limited	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 associated corporation during the reporting period.

Interests of Substantial Shareholders

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

Interests of Directors and Supervisors in Material Contracts

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

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

Tax Deduction and Exemption

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

Auditors

The information on auditors of the Bank is included in Chapter 9 "Report of Corporate Governance" of the annual report. At the forthcoming 2009 annual shareholders' general meeting, the proposal for appointing the auditors of the Bank will be submitted for approval.

Relationships among Members of the Board of Directors

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

Interest of Directors in Business Competing with the Bank

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

Report of the Board of Supervisors

Meetings of the Board of Supervisors

Information on Meetings of the Board of Supervisors

During the reporting period, a total of eight meetings were held by the Board of Supervisors of the Bank to review and pass nine proposals including Work Report of Board of Supervisors for the year 2008, list of candidates for the second Board of Supervisors, election of chairman and vice-chairman of the second Board of Supervisors, methods of evaluating performance of directors, supervisors and senior management by the Board of Supervisors and periodic report. The attendance status by members of Board of Supervisors at the meetings of Board of Supervisors is as follows:

Members of Board of Supervisors	Actual Attendance/ Required Attendance	Attendance Rate
Wang Chuan	8/8	100%
Wang Shuanlin	8/8	100%
Zhuang Yumin	8/8	100%
Luo Xiaoyuan	8/8	100%
Zheng Xuexue	8/8	100%
Lin Zhengyue	8/8	100%
Deng Yuewen	8/8	100%
Li Gang	8/8	100%

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

(2) Mr. Wang Chuan and Ms. Zhuang Yumin were unable to attend the meeting on 29 June 2009 and both had entrusted other supervisors to attend the meeting and exercise voting rights as proxy.

(3) Mr. Zheng Xuexue was unable to attend the meeting on 3 March 2009 and had entrusted another supervisor to attend the meeting and exercise voting rights as proxy.

(4) Ms. Luo Xiaoyuan was unable to attend the meeting on 13 August 2009 and had entrusted another supervisor to attend the meeting and exercise voting rights as proxy.

(5) Mr. Lin Zhengyue and Mr. Deng Yuewen were unable to attend the meeting on 21 April 2009 and both had entrusted other supervisors to attend the meeting and exercise voting rights as proxy.

(6) Mr. Deng Yuewen was unable to attend the meeting on 27 August 2009 and had entrusted another supervisor to attend the meeting and exercise voting rights as proxy.

Work Performed by the Board of Supervisors

In 2009, from the perspective of protecting the interests of our shareholders and depositors, the Board of Supervisors has performed various duties faithfully under the laws and regulations and the Articles of Association. In accordance with the requirements of the regulatory authority and corporate governance, by convening and attending routine meetings, carrying out on-site inspection and supervisions, attending meetings organized by regulators and training, the Board of Supervisors achieved its goals set in 2009 work plan of the Board of Supervisors and continuously promoted the improvement of the Bank's corporate governance.

The Board of Supervisors Performed its Responsibilies and Supervised the Banks Lawful and Compliant Operation

Eight physical Meetings of the Board of Supervisors were convened during the year 2009. Due diligence was carried out in relation to the compliance by the Bank with laws during its business operation, the authenticity of the financial reports, particulars of the acquisition and disposal of assets of the Bank, related party transactions, implementation of internal control mechanism and corporate governance. Independent opinion was also expressed.

The supervisors attended all shareholders' general meetings, all the meetings of Board of Directors and the various specialized committee meetings, and selected administrative meetings of the management. The validity and legitimacy of the meetings of shareholders, Board of Directors and management, voting procedure, discharge of duties by directors and senior management were all under supervision.

The Board of Supervisors Intensified On-site Inspection and Supervision to Enhance the Bank's Prudent Operation

With regard to the large amount of credit released in 2009 by the Bank, the Board of Supervisors entrusted an accounting firm to perform on-site inspection on the quality of new loans and the implementation of financial system by two branches in 2009 and reported the inspection results to the senior management.

Given the fast expansion of the Bank's branches in recent years, the Board of Supervisors went to new branches like Nanning, Harbin, Hohhot, Taiyuan and Luoyang to carry out investigations and studies to learn about the implemention of the headquarters' strategy and regulations. On that basis, the Board of Supervisors provided relevant recommendations to the senior management.

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

The Board of Supervisors successfully completed the second term election and elected a new chairman, a new vice-chairman and members of the second Board of Supervisors, ensuring a smooth transition of all work and the continuous efficiency of corporate governance. The Board of Supervisors held a special meeting and invited officials from the CBRC to introduce the regulations including the *Guidance on the Corporate Governance of Small and Medium-sized Commercial Banks by China Banking Regulatory Commission*, in order to clarify the working plans and lay a solid foundation for constantly improving the work of the Board of Supervisors.

The Board of Supervisors attended the annual meeting held by the CBRC for prudential supervision and listened to the CBRC briefing on the supervisory ratings results. Improvement measures were proposed after the discussion of the results.

Members of the Board of Supervisors participated in the 2009 training courses for directors and supervisors organized by the CSRC Beijing Bureau. All of them passed the training test, which paved the way for giving full play to a more effective supervisory function of the Board of Supervisors.

Independent Opinions of Board of Supervisors on Relevant Matters

Compliance of the Bank's Operation with Laws

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

Authenticity of the Financial Report

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

Use of Proceeds

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

Assets Acquisiton and Disposal

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

Related Party Transactions

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

Implementation of Resolutions Passed at Shareholders' General Meetings

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

Significant Events

Material Acquisition, Disposals or Restructuring of Assets

Save and except as disclosed in this annual report, the Bank did not have material acquisition, disposals or restructuring 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, and did not 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 guaranties 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 the Bank, examined the guarantees offered by the Bank to external parties in an impartial, fair and objective manner, and hereby express following special explanations and opinions:

Upon our inspection, the guarantees offered by the Bank to external parties are based on L/Gs, and such regular banking business within our business scope has been approved by the PBOC and the CBRC. As of the end of the reporting period, the balance of L/Gs offered by the Bank was RMB60.022 billion.

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

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 during its daily operation. Most of these lawsuits were sought by the Bank to enforcing loan repayment. Besides, there were also lawsuits regarding disputes with clients. As of the end of the reporting period, the Bank was involved in 62 lawsuits with a disputed amount exceeding RMB30 million (either as plaintiff or defendant), with the total disputed amount of RMB3.52 billion; there are 58 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendant with the total dispute amount of RMB438 million. The management of the Bank is of the view that such lawsuit would not have any material impact on the financial situation of the Bank.

Significant Events

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, the terms available to the related parties are no more favorable than those available to independent third parities of the same kind of transactions. Please refer to the section of Related Party Transactions set out in Note 51 Related Parties Transactions to the Financial Statements for detailed information of related party transactions.

Related transactions concerning assets disposal and acquisition

On 8 May 2009, the Bank, entered into a share purchase agreement with CITIC Group (the Bank's controlling shareholder) and GIL, a wholly-controlled subsidiary of CITIC Group, according to which, the Bank agreed to acquire 70.32% interest held by GIL in CIFH. As approved by the CBRC and the Hong Kong Monetary Authority, the transaction was completed on 23 October 2009 according to the agreement.

Related Party Transactions of Credit Extension

As of the end of the reporting period, the loan balance extended by the Bank to related parties was RMB3.51 billion. The risks of loans granted to the related parties are classified as normal, the loan amount, structure and quality would not have material impact on the normal operation of the Bank in terms of amount, categories and quality. The following table sets forth the loans granted by the Bank to its shareholders holding 5% or above shares in the Bank as at the end of the reporting period:

Unit: RMB million

Name of the shareholder	Percentage of Shareholding (%)	Loan balance as of 31 December 2009	Loan balance as of 31 December 2008
CITIC Group	66.71	**0**	380
BBVA	10.07	**0**	0

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

Non-Credit Extension Continuing Related Party Transactions

The Bank conducts transactions with related parties in the ordinary and usual course of business. In 2008, the Bank entered into continuing related party transaction framework agreements with CITIC Group and its associates, which laid down the principles and 2008–2010 annual caps relevant continuing related party transactions shall follow. In 2009, the Bank continued to conduct relevant transactions with CITIC Group and its associates within the framework of these agreements. Furthermore, in 2009, the Bank entered into an interbank transaction master agreement with BBVA for the purpose of governing the inter-bank continuing connected transactions between the Bank, BBVA and its associates. According to the applicable provisions of Chapter 14A of 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 as of the end of the reporting period are as follows:

Third-Party Escrow Service

The Bank signed the *Third-Party Escrow Service Framework Agreement* with CITIC Group in November 2008. According to the agreement, the third-party escrow services provided by the Bank shall be made on terms not more favorable to CITIC Group and its associates than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2009, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB68 million. As of the end of the reporting period, the actual amount incurred was RMB8 million.

Investment Product Agency Sales Service

The Bank signed the *Investment Product Agency Sales Service Framework Agreement* with CITIC Group in November 2008. According to the agreement, the sale agency services to be provided by the Bank shall be made on terms not more favorable to CITIC Group and its associates than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2009, the annual cap for the transactions under the *Investment Product Agency Sales Service Framework Agreement* was RMB66 million. As of the end of the reporting period, the actual amount incurred was RMB53 million.

Asset Custody Service

The Bank signed the *Asset Custody Service Framework Agreement* with CITIC Group in November 2008. According to the agreement, the asset custody services to be provided by the Bank shall be made on terms not more favorable to CITIC Group and its associates 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 review on a periodic basis. In 2009, the annual cap for the transactions under the *Asset Custody Service Framework Agreement* was RMB65 million. As of the end of the reporting period, the actual amount incurred was RMB64 million.

Loan Asset Transfer

The Bank signed the *Loan Asset Transfer Framework Agreement* with CITIC Group in November 2008. According to the agreement, the transactions to be conducted by the Bank pursuant to the Loan Asset Transfer Framework Agreement shall be made on terms not more favorable to CITIC Group and its associates 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 2009, the annual cap for the transactions under the *Loan Asset Transfer Framework Agreement* was RMB210 billion. As of the end of the reporting period, the actual amount incurred was RMB2 billion.

Wealth Management Service

The Bank signed the *Wealth Management Service Framework Agreement* with CITIC Group in November 2008. According to the agreement, the wealth management service fee to be paid by the Bank shall be made on terms not more favorable to CITIC Group and its associates than those available to comparable independent third parties. The wealth management fees payable to CITIC Group and its associates by the Bank shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2009, the annual cap for the transactions under the *Wealth Management Service Framework Agreement* was RMB1.7 billion. As of the end of the reporting period, the actual amount incurred was RMB57 million.

Inter-bank Transactions

The Bank signed the *Inter-bank Transactions Master Agreement* with BBVA in 2009. According to the agreement, the Bank and BBVA Group agreed to conduct inter-bank transactions in the ordinary and usual course of business according to applicable general inter-bank transaction practices and normal commercial terms. Transactions include but are not limited to sales and purchases of bonds, sales and purchases of money market instruments, foreign currency transactions, swaps and option transactions. There is no fixed price or rate for the inter-bank transactions between the Bank and BBVA. However, the prevailing market price or the rate generally adopted by independent counterparties will be adopted for a particular type of transaction. In 2009, the annual cap for realized profit, realized loss, unrealized profit and loss (as the case may be) generated under the *Inter-bank Transactions Master Agreement* was RMB480 million, and that for fair value of derivative financial instruments was RMB450 million. As of the end of the reporting period, net loss of actual transactions was RMB59 million, of which the realized net loss was RMB26 million and the unrealized net loss was RMB33 million, the fair value of financial derivatives was RMB22 million (recorded as assets) and RMB82 million (recorded as debt).

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 entered into:

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 on terms that are fair and in the interests of shareholders of the Bank as a whole.

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

1. All continuing connected transactions were approved by the Board of Directors;
2. Agreements were signed for these transactions;
3. The pricing of these transactions are in accordance with the pricing provision in relevant agreements related to connected transactions of the Bank;
4. The total amount of these transactions this year has not exceeded the annual cap disclosed in previous announcements of the Bank.

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

During the reporting period, neither the Bank, the Board of Directors, any Director nor Senior Management was subject to any investigation by competent authorities, coercive measures of judiciary or disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, investigation of CSRC, administrative punishment, banning the entry to securities markets, criticism by notice circulation, identification as inappropriate candidate, punishment by other administrative departments or public reprimand from any stock exchanges.

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

Stock code	Abbreviation	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
00762	China Unicom (HK)	15,795,000.00	—	8,146,189.74	—	7,348,182.66	798,007.08	Available-for-sale financial assets	Purchase with cash
V	Visa Inc.	7,509,605.39	—	30,438,932.12	—	15,868,292.89	14,567,117.32	Available-for-sale financial assets	Acquire for free/ bonus share
MA	Mastercard International	201,629.69	—	1,325,120.90	—	201,629.69	1,122,610.73	Available-for-sale financial assets	Bonus share
Total		23,506,235.08		39,910,242.75		23,418,105.24	16,487,735.12	—	—

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 object company	Initial investment amount (RMB)	Shares Held (shares)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	2,975,000	—	Long-term equity investments	Purchase with cash
SWIFT	161,127.66	22	—	161,127.66	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,535,347.33	—	—	Available-for-sale financial assets	Bonus share
Electronic payment Services Company (HK) Ltd.	14,263,759.80	2	—	14,263,759.80	—	—	Available-for-sale financial assets	Bonus share

Note: Apart from the equity investment set out in the above table, CIFL, a subsidiary of the Bank also held private equity fund with net value of RMB322 million at the end of the reporting period.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

There is no appropriation of funds by controlling shareholder and other related parties in the Bank. The auditor has issued the 2009 *Special Statement on Fund Appropriation by Controlling Shareholder and Other Related Parties of China CITIC Bank Corporation Limited*.

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

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

Independent Auditor's Report

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 137 to 259, which comprise the consolidated and Bank statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2009	2008 (Restated)
Interest income		56,131	62,526
Interest expense		(20,147)	(25,175)
Net interest income	7	35,984	37,351
Fee and commission income		4,718	4,144
Fee and commission expense		(498)	(424)
Net fee and commission income	8	4,220	3,720
Net trading gain	9	383	688
Net loss from investment securities	10	—	(244)
Net hedging (loss)/gain	11	(3)	3
Other operating income		399	445
Operating income		40,983	41,963
Operating expense	12	(19,132)	(17,435)
Operating Profit before impairment		21,851	24,528
Impairment losses on			
— Loans and advances to customers	13	(2,446)	(5,727)
— Others	13	(173)	(1,066)
Total impairment losses		(2,619)	(6,793)
Revaluation gain on investment properties		32	—
Share of profits/(losses) of associates		151	(22)
Losses on disposals of associates		(151)	—
Profit before tax		19,264	17,713
Income tax	17	(4,705)	(4,459)
Net profit (note(i))		14,559	13,254
Other comprehensive income for the year			
Available-for-sale financial assets			
— Changes in fair value		112	(313)
— Gains/(losses) on disposal transferred to profit or loss		56	(1)
Income tax relating to available-for-sale financial assets		(30)	52
Other comprehensive income/(loss) for available-for-sale financial assets, net of tax		138	(262)
Surplus on revaluation of land and buildings held for own use		931	331
Exchange difference on translating foreign operation		(74)	(2,417)
Other comprehensive(loss)/income of associates		(39)	17
Others		8	19
Other comprehensive income/(loss), net of tax	19	964	(2,312)
Total comprehensive income		15,523	10,942
Net profit attributable to:			
Shareholders of the Bank		14,319	13,296
Minority interests		240	(42)
		14,559	13,254
Total comprehensive income attributable to:			
Shareholders of the Bank		15,293	12,091
Minority interests		230	(1,149)
		15,523	10,942
Basic and diluted earnings per share (RMB)	18	0.37	0.40

Note: (i): The Group undertook a business combination under common control during 2009. Net profit earned by the acquiree in the period from 1 January 2009 to the acquisition date amounted to RMB461 million. (See Note 6)

The notes on pages 144 to 259 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2009	31 December 2008 (Restated)
Assets			
Cash and balances with central bank	20	**224,003**	207,357
Deposits with banks and non-bank financial institutions	21	**26,319**	40,227
Placements with banks and non-bank financial institutions	22	**55,489**	28,380
Trading financial assets	23	**4,449**	8,769
Positive fair value of derivatives	24	**3,182**	6,625
Financial assets held under resale agreements	25	**185,203**	57,698
Interest receivable	26	**4,135**	4,432
Loans and advances to customers	27	**1,050,479**	716,386
Available-for-sale financial assets	28	**94,345**	103,555
Held-to-maturity investments	29	**107,466**	104,810
Investments in associates	30	**2,140**	2,183
Fixed assets	32	**11,733**	9,903
Investment properties	33	**161**	131
Goodwill	34	**887**	889
Intangible assets	35	**165**	118
Deferred tax assets	36	**2,095**	2,175
Other assets	37	**4,025**	25,932
Total assets		**1,776,276**	1,319,570
Liabilities			
Deposits from banks and non-bank financial institutions	39	**275,049**	108,720
Placements from banks and non-bank financial institutions	40	**4,553**	1,607
Trading financial liabilities	41	**2,755**	3,078
Negative fair value of derivatives	24	**3,628**	6,801
Financial assets sold under repurchase agreements	42	**4,100**	957
Deposits from customers	43	**1,341,927**	1,027,325
Accrued staff costs	44	**6,987**	5,313
Taxes payable	45	**1,004**	3,809
Interest payable	46	**6,538**	6,811
Provisions	47	**50**	50
Debts securities issued	48	**18,422**	20,375
Other liabilities	49	**3,010**	5,350
Total liabilities		**1,668,023**	1,190,196

The notes on pages 144 to 259 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

As at 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31December 2009	31December 2008 (Restated)
Equity			
Share capital	50	**39,033**	39,033
Share premium and other reserve	51	**31,131**	58,436
Investment revaluation reserve	51	**(236)**	(354)
Properties revaluation reserve	51	**1,451**	520
Surplus reserve	52	**3,535**	2,161
General reserve	53	**12,562**	7,746
Retained earnings		**17,939**	13,135
Exchange difference		**(1,372)**	(1,311)
Total equity attributable to shareholders of the Bank		**104,043**	119,366
Minority interests		**4,210**	10,008
Total equity		**108,253**	129,374
Total liabilities and equity		**1,776,276**	1,319,570

Approved and authorised for issue by the board of directors on 28 April 2010.

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

The notes on pages 144 to 259 form part of these financial statements.

Statement of Financial Position

As at 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31December 2009	31December 2008
Assets			
Cash and balances with central bank	20	**223,529**	206,936
Deposits with banks and non-bank financial institutions	21	**20,898**	31,298
Placements with banks and non-bank financial institutions	22	**42,892**	19,900
Trading financial assets	23	**3,383**	7,755
Positive fair value of derivatives	24	**2,166**	5,357
Financial assets held under resale agreements	25	**185,271**	57,767
Interest receivable	26	**3,748**	3,943
Loans and advances to customers	27	**985,854**	650,942
Available-for-sale financial assets	28	**76,396**	85,077
Held-to-maturity investments	29	**107,715**	105,044
Investment in subsidiaries	31	**9,830**	33
Fixed assets	32	**10,974**	9,106
Intangible assets	35	**165**	118
Deferred tax assets	36	**1,995**	2,065
Other assets	37	**3,578**	2,836
Total assets		**1,678,394**	1,188,177
Liabilities			
Deposits from banks and non-bank financial institutions	39	**275,124**	108,605
Placements from banks and non-bank financial institutions	40	**2,236**	963
Trading financial liabilities	41	**2,755**	2,639
Negative fair value of derivatives	24	**2,652**	5,579
Financial assets sold under repurchase agreements	42	**4,100**	957
Deposits from customers	43	**1,259,064**	943,342
Accrued staff costs	44	**6,812**	5,168
Taxes payable	45	**981**	3,791
Interest payable	46	**6,269**	6,427
Provisions	47	**50**	50
Debt securities issued	48	**12,000**	12,000
Other liabilities	49	**2,483**	2,969
Total liabilities		**1,574,526**	1,092,490

The notes on pages 144 to 259 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31December 2009	31December 2008
Equity			
Share capital	50	**39,033**	39,033
Share premium and other reserve	51	**33,315**	36,525
Investment revaluation reserve	51	**(23)**	(72)
Properties revaluation reserve	51	**1,418**	487
Surplus reserve	52	**3,535**	2,161
General reserve	53	**12,526**	7,716
Retained earnings		**14,064**	9,837
Total equity		**103,868**	95,687
Total liabilities and equity		**1,678,394**	1,188,177

Approved and authorised for issue by the board of directors on 28 April 2010.

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

The notes on pages 144 to 259 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(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	Minority interests	Total equity
As at 1 January 2009 (restated)		39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374
Movements during the year												
(I) Comprehensive income	19	—	—	(19)	931	118	—	—	14,324	(61)	230	15,523
(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		39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253

For the year ended 31 December 2008 (restated)

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 31 December 2007 (restated)		39,033	36,525	—	156	(98)	829	3,731	3,915	(5)	5	84,091
Effect of business combination under common control	66	(5,855)	(2,128)	2,051	27	(51)	—	—	2,347	307	11,111	7,809
As at 1 January 2008 (restated)		33,178	34,397	2,051	183	(149)	829	3,731	6,262	302	11,116	91,900
Movements during the year												
(I) Comprehensive income	19	—	—	(36)	331	(162)	—	—	13,351	(1,393)	(1,149)	10,942
(II) Prior to business combination under common control,												
1. the acquired subsidiary disposed of the Bank's shares	51(ii)	5,855	18,991	—	—	—	—	—	—	—	3,454	28,300
2. the ultimate parent increased its shares in the acquired subsidiary	51(iii)	—	2,470	556	6	(43)	—	5	639	(220)	(3,413)	—
3. others		—	7	—	—	—	—	—	—	—	—	7
(III) Profit appropriations												
1. Appropriations to surplus reserve	52	—	—	—	—	—	1,332	—	(1,332)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	—	4,010	(4,010)	—	—	—
3. Appropriations to shareholders	54	—	—	—	—	—	—	—	(1,775)	—	—	(1,775)
As at 31 December 2008 (restated)		39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374

The notes on pages 144 to 259 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2009	2008 (Restated)
Operating activities			
Profit before tax		19,264	17,713
Adjustments for:			
— Revaluation loss on investments and derivatives		478	291
— Investment (gains)/losses		(58)	719
— Net gain on disposal of fixed assets		(35)	(26)
— Unrealised foreign exchange (gains)/losses		(21)	615
— Impairment losses		2,619	6,793
— Depreciation and amortisation		1,189	957
— Interest expense on subordinated debts/bonds issued		733	882
— Dividend income from equity investment		(5)	17
		24,164	27,961
Changes in operating assets and liabilities:			
Increase in balances with central bank		(35,186)	(10,199)
Increase in deposits with banks and non-bank financial institutions		(4,100)	(784)
Increase in placements with banks and non-bank financial institutions		(10,828)	(820)
Decrease/(increase) in trading financial assets		3,967	(923)
(Increase)/decrease in financial assets held under resale agreements		(127,505)	60,347
Increase in loans and advances to customers		(335,972)	(96,722)
Increase in deposits from banks and non-bank financial institutions		166,491	11,917
Increase/(decrease) in placements from banks and non-bank financial institutions		2,948	(4,798)
Increase/(decrease) in trading financial liabilities		158	(4,582)
Increase/(decrease) in financial assets sold under repurchase agreements		3,142	(14,797)
Increase in deposits from customers		314,760	173,822
Income tax paid		(7,925)	(6,162)
(Increase)/decrease in other operating assets		(241)	527
(Decrease)/increase in other operating liabilities		(1,570)	5,672
Net cash flows (used in)/from operating activities		(7,697)	140,459
Investing activities			
Proceeds from disposal and redemption of investments		210,752	373,046
Proceeds from disposal of fixed assets, land use rights, and other assets		90	74
Cash received from equity investment income		7	14
Payments on acquisition of investments		(199,985)	(427,618)
Payments on acquisition of fixed assets, land use rights and other assets		(2,192)	(1,560)
Payment on acquisition of subsidiaries		(13,007)	—
Net cash flows used in investing activities		(4,335)	(56,044)
Financing activities			
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid		1,499	4,650
Cash received from other financing activities		—	7
Interest paid on debt securities issued		(2,827)	(894)
Dividends paid		(3,330)	(1,775)
Cash paid for other financing activities		—	(22)
Net cash flows (used in)/from financing activities		(4,658)	1,966
Net (decrease)/increase in cash and cash equivalents		(16,690)	86,381
Cash and cash equivalents as at 1 January		183,950	100,153
Effect of exchange rate changes on cash and cash equivalents		(12)	(2,584)
Cash and cash equivalents as at 31 December	55	167,248	183,950
Cash flows from operating activities include:			
Interest received		55,767	61,962
Interest paid, excluding interest expense on subordinated debts/bonds issued		(19,650)	(21,912)

The notes on pages 144 to 259 form part of these financial statements.

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

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 2009, the Group mainly operates in Mainland China with branches covering 24 provinces, autonomous regions and municipalities. The newly-established branch in 2009 is Changchun branch. 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 Finance Holdings Limited ("CIFH"), a CITIC Group fellow subsidiary, as joint promoters established the Bank as a joint stock company in December 2006 and renamed China CITIC Bank into China CITIC Bank Corporation Limited.

The Bank 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.

On 23 October 2009, the Bank acquired 70.32% shares of CIFH with a total consideration of USD1.905 billion from Gloryshare Investment Limited ("GIL"), a wholly owned subsidiary of CITIC Group. The details of the acquisition are disclosed in Note 6.

The financial statements were approved by the Board of Directors of the Bank on 28 April 2010.

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 2009 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.

(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 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.

During 2009, the Group adopted the following amendments to standards and interpretations: (i) IAS 1 (revised 2007) *Presentation of financial statements;* (ii) Amendments to IAS 27, *Consolidated and separate financial statements-cost of an investment in a subsidiary, jointly controlled entity or associate;* (iii) Improvements to IFRSs (2008); (iv) Amendments to IFRS 7, *Financial instruments: Disclosures-improving disclosures about financial instruments;* and (v) IFRS 8, *Operating segments.*

3 Statement of compliance (continued)

IAS 1 (revised 2007) *Presentation of financial statements* requires to present, in a statement of changes in equity, all changes in equity arising from transactions with shareholders in their capacity as shareholders (i.e. shareholder changes in equity). All non-shareholder changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Reclassification adjustments and income tax relating to each component of other comprehensive income shall be disclosed. Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Dividends recognised and related amounts per share are not permitted to be presented in the statement of comprehensive income.

Amendments to cost of an investment in a subsidiary, jointly controlled entity or associate of IAS 27 and 35 amendments across 20 different standards of Improvements to IFRSs (2008) largely clarify relevant accounting treatments.

As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 62 about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

IFRS 8, *Operating segments* requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 clarifies the amount reported for each operating segment item to be the amount reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) Business combination involving entities 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.

(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. The cost of a business combination paid by the acquirer is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree plus any cost directly attributable to the business combination. The difference between the fair value and the carrying amount of the assets given 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.

Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognised as goodwill (see Note 4(12)).

Any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised in profit or loss.

4 Significant accounting policies and accounting estimates (continued)

(1) Consolidated financial statements (continued)

(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 entities 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 that common control was established. 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 entities 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.

The portion of a subsidiary's equity that is not attributable to the Bank whether directly or indirectly through subsidiaries is treated as minority interests and presented as "minority 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 minority interests is presented in the consolidated statement of comprehensive income below the "net profit" line item as "minority interests".

Where the Bank acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost for acquiring the minority interest and the corresponding reduction of minority 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.

Where losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' interest in the equity of the subsidiary, the excess, and any further losses attributable to the minority shareholders, are allocated against the equity attributable to the Company except to the extent that the minority shareholders have a binding obligation under the articles of association or an agreement and are able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the equity attributable to the Bank until the minority shareholders' share of losses previously absorbed by the Bank has been recovered.

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 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)

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;

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

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

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

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

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

Loans and receivables and held-to-maturity investments

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

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.

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

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

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.

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.

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instrument and that techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

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 or future cash flows and that are designated as being hedged.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows 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.

4 Significant accounting policies and accounting estimates (continued)

(4) Hedging (continued)

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 or cash flows 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.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity as a separate component. That effective portion is adjusted to the lesser of the following (in absolute amounts):

— the cumulative gain or loss on the hedging instrument from inception of the hedge

— the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in equity will not be recovered in future accounting periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

For cash flow hedges, other than those covered by the preceding two statements, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall not be reclassified into profit or loss and is recognised in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective shall be reclassified into profit or loss immediately.

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.

4 Significant accounting policies and accounting estimates (continued)

(4) Hedging (continued)

Fair Value Hedges (continued)

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.

The initial cost of an investment obtained through a business combination involving entities not under common control is the cost of acquisition determined at the acquisition date.

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.

4 Significant accounting policies and accounting estimates (continued)

(6) Investment in associates (continued)

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.

(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 or revaluation

Fixed assets are stated at cost upon initial recognition.

Subsequent to initial recognition, the Group adopts a revaluation policy to carry all classes of bank premises at revaluation, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of bank premises does not differ materially from that which would be determined using fair values at the reporting date.

Increases in the carrying amount arising on revaluation of each bank premises are credited to revaluation reserves. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to profit or loss.

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 or revalued value, 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.

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (continued)

(7) Fixed asset (continued)

(d) Impairment

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised in profit or loss except for property where it is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the greater of the net selling price and value in use.

If in a subsequent period the amount of impairment loss for fixed assets carried at cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowances are reversed through profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in profit or loss in prior years.

(e) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement. In respect of the disposal or retirement of property, any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(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.

4 Significant accounting policies and accounting estimates (continued)

(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).

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".

4 Significant accounting policies and accounting estimates (continued)

(13) Repossessed assets (continued)

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.

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.

4 Significant accounting policies and accounting estimates (continued)

(14) Allowances for impairment of non-financial assets (continued)

(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.

(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.

4 Significant accounting policies and accounting estimates (continued)

(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.

(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.

4 Significant accounting policies and accounting estimates (continued)

(18) Income recognition (continued)

(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.

(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.

4 Significant accounting policies and accounting estimates (continued)

(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.

(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 over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) an jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Group's parent and close family members of such individuals;

(k) other entities that are controlled, jointly controlled, or significantly influenced by the Group's principal individual investors, key management personnel, or close family member of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(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.

4 Significant accounting policies and accounting estimates (continued)

(23) Operating segments (continued)

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. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(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.

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (continued)

(24) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments (continued)

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.

(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 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.

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.

6 Business combinations and consolidated financial statements

(a) Principal subsidiaries

The financial statements of the Group has consolidated the assets and liabilities and operating results of those subsidiaries, controlled by the Bank. Details of the principal subsidiaries of the Group 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	HKD7.46 billion	Commercial banking and other financial services	70.32%	—	70.32%
China Investment Finance Limited ("CIFL")	Hong Kong	HKD25 million	Lending services	95%	5%	98.5%
CITIC Ka Wah Bank Limited ("CKWB") (note(i))	Hong Kong	HKD7.28 billion	Commercial banking	—	100%	100%
CITIC Ka Wah Bank (China) Limited ("CKWB(China)") (note(i))	Mainland China	RMB1 billion	Commercial banking	—	100%	100%
HKCB Finance Limited (note(i))	Hong Kong	HKD200 million	Consumer lending	—	100%	100%

(i): subsidiaries directly held by CIFH.

(b) Business combination under common control during the year

The Bank signed a share transfer agreement with CITIC Group and its wholly owned subsidiary GIL on 8 May 2009 which was approved by the directors at the 24th meeting of the first session of the Board of Directors. As per this agreement, the Bank agreed to pay HKD13.56 billion to acquire 70.32% of the shares of CIFH from GIL.

The above agreement was approved at the General Meeting on 29 June 2009 as well as by the CBRC and Hong Kong Monetary Authority ("HKMA") on 23 September 2009 and 9 October 2009, respectively.

On 23 October 2009, the Bank paid a cash consideration of USD1.905 billion (equivalent to HKD14,765 million or RMB13,007 million using the then prevailing exchange rates) and obtained 70.32% shares of CIFH. The difference between the amount of consideration paid and agreed to represents GIL's additional capital injection at par to CIFH subsequent to signing the share transfer agreement.

This represents a common control business combination as CIFH and the Bank were under common control of CITIC group both before and after the business combination and that control is not transitory. The Bank paid the consideration of the acquisition on 23 October 2009 and has been able to exercise shareholder's right since then, and therefore this date was determined to be the acquisition date.

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

6 Business combinations and consolidated financial statements (continued)

(b) Business combination under common control during the year (continued)

The income, net profit and net cash flow from operating activities of CIFH for the period from 1 January 2009 to 23 October 2009, and the carrying value of its assets and liabilities as at 31 December 2008 and 23 October 2009 are disclosed as follows:

	CIFH From 1 Jan 2009 to 23 October 2009
Income	**1,984**
Net Profit	**461**
Net cash from operating activities	**8,296**

	CFIH	
	23 October 2009	31 December 2008
Assets		
Cash and balances with central banks	**1,258**	421
Deposits with banks and non-bank financial institutions	**4,239**	9,062
Placements with banks and non-bank financial institutions	**27,311**	9,237
Trading financial assets	**1,763**	1,014
Positive fair value of derivatives	**1,187**	1,268
Interest receivable	**481**	490
Loans and advances to customers	**63,289**	65,034
Available-for-sale financial assets	**19,554**	18,240
Investment in associates	**2,041**	2,183
Fixed assets	**737**	774
Investment properties	**157**	131
Goodwill	**887**	889
Deferred tax assets	**73**	107
Other assets	**1,708**	23,051
Total Assets	**124,685**	131,901
Liabilities		
Deposits from banks and non-bank financial institutions	**198**	173
Placement from banks and non-bank financial institutions	**297**	645
Trading financial liabilities	**—**	439
Negative fair value of derivatives	**1,165**	1,222
Deposits from customers	**98,328**	84,071
Accrued staff costs	**188**	143
Tax payable	**17**	20
Interest payable	**292**	384
Debts securities issued	**8,785**	8,717
Other liabilities	**1,483**	2,371
Total liabilities	**110,753**	98,185
Total shareholder's equity	**13,932**	33,716

7 Net interest income

	2009	2008 (Restated)
Interest income arising from:		
Deposits with central banks	**2,179**	2,246
Deposits with banks and non-bank financial institutions	**137**	212
Placements with banks and non-bank financial institutions	**240**	652
Financial assets held under resale agreements	**687**	2,311
Loans and advances to customers (note (i))		
— corporate loans	**37,968**	38,247
— personal loans	**5,892**	6,402
— discounted bills	**2,757**	3,586
Investments in debt securities (note (ii))	**6,239**	8,796
Others	**32**	74
	56,131	62,526
Interest expense arising from:		
Balances due to central banks	**(7)**	(2)
Deposits from banks and non-bank financial institutions	**(1,321)**	(3,020)
Placements from banks and non-bank financial institutions	**(145)**	(308)
Trading financial liabilities	**(8)**	(50)
Financial assets sold under repurchase agreements	**(46)**	(177)
Deposits from customers	**(17,767)**	(20,512)
Debts securities issued	**(848)**	(1,082)
Others	**(5)**	(24)
	(20,147)	(25,175)
Net interest income	**35,984**	37,351

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 RMB126 million for the year ended 31 December 2009 (2008: RMB162 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 RMB333 million (2008: 393 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB8 million (2008: 50 million).

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

8 Net fee and commission income

	2009	2008 (Restated)
Fee and commission income		
Consultancy and advisory fees	1,398	1,099
Bank card fees	1,159	896
Agency fees and commission (note(i))	690	455
Guarantee fees	649	395
Commission for wealth management services	376	574
Settlement fees	317	459
Commission for custodian business	113	187
Others	16	79
Total	4,718	4,144
Fee and commission expense	(498)	(424)
Net fee and commission income	4,220	3,720

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

	2009	2008 (Restated)
Trading profit/(loss):		
— debt securities	(57)	(418)
— foreign currencies	792	389
— derivatives	(363)	820
— equity investments	—	(3)
— investment funds	(2)	(43)
— financial liabilities designated at fair value through profit and loss	13	(57)
Total	383	688

10 Net loss from investment securities

	2009	2008 (Restated)
Net gain/(loss) from sale of available-for-sale securities	66	(189)
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	(56)	1
Others	(10)	(56)
Total	—	(244)

11 Net hedging (loss)/gain

	2009	2008 (Restated)
Net (loss)/gain of fair value hedge	(3)	3

12 Operating expenses

	2009	2008 (Restated)
Staff costs		
— salaries and bonuses	6,473	6,152
— social insurance	561	474
— welfare expenses	455	295
— housing fund	301	238
— labor union expenses and employee education expenses	263	251
— housing allowance	150	128
— defined contribution retirement schemes	122	96
— supplementary retirement benefits	2	5
— others	594	474
Subtotal	8,921	8,113
Property and equipment expenses		
— rent and property management expenses	991	822
— depreciation	790	668
— electronic equipment operating expenses	211	184
— maintenance	180	158
— others	256	215
Subtotal	2,428	2,047
Business tax and surcharges	2,761	2,864
Amortisation expenses	399	289
Audit fees	15	18
Other general and administrative expenses	4,608	4,104
Total	19,132	17,435

13 Impairment losses on assets

	2009	2008 (Restated)
Impairment losses (reversal)/charged on		
— Placement with bank and non-bank financial institution	—	(3)
— Loans and advances to customers	2,446	5,727
— Available-for-sale financial assets	56	521
— Held-to-maturity investments	7	218
— Off-balance sheet credit commitments	30	82
— Repossessed assets	35	22
— Others	45	226
Total	2,619	6,793

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

14 Directors' and Supervisors' emoluments

The aggregate of the emoluments before individual income tax in respect of the Directors and Supervisors who held office during the year is as follows:

	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	—	—	—	—	—	—	—
Chen Xuduolin	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
José Andrés Barreiro (note(i))	—	—	—	—	—	—	—
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(i))	—	—	—	—	—	—	—
	1,622	2,415	13,401	17,438	789	168	18,395

14 Directors' and Supervisors' emoluments (continued)

	2008						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	4,339	5,239	243	31	5,513
Wu Beiying	—	600	2,940	3,540	177	31	3,748
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Chen Xuduolin	—	—	—	—	—	—	—
Guo Ketong (note(ii))	—	—	—	—	—	—	—
José Ignacio Goirigolzarri (note(i))	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Zhong En	300	—	—	300	—	—	300
Ai Hongde	300	—	—	300	—	—	300
Xie Rong	300	—	—	300	—	—	300
Wang Xiangfei	300	—	—	300	—	—	300
Li Zheping	—	—	—	—	—	—	—
Supervisors/External Supervisors							
Wang Chuan (note(ii))	—	—	—	—	—	—	—
Wang Shuanlin	—	504	1,948	2,452	94	24	2,570
Zhuang Yumin	270	—	—	270	—	—	270
Luo Xiaoyuan (note(ii))	45	—	—	45	—	—	45
Zheng Xuexue	—	—	—	—	—	—	—
Lin Zhengyue	—	129	1,815	1,944	84	29	2,057
Deng Yuewen	—	110	1,668	1,778	79	13	1,870
Li Gang	—	113	1,050	1,163	75	28	1,266
Former Directors and Supervisors resigned in 2008							
Liu Chongming (note (ii))	—	—	—	—	—	—	—
John Dexter Langlois (note (ii))	300	—	—	300	—	—	300
	1,815	2,356	13,760	17,931	752	156	18,839

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(Expressed in millions of Renminbi unless otherwise stated)

14 Directors' and Supervisors' emoluments (continued)

Notes: (i) 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.

(ii) Mr. Wang Chuan resigned the position of non-executive director in April 2008 and was appointed as supervisor in June 2008. Mr. Guo Ketong resigned the position of supervisor in April 2008 and was appointed as non-executive director in June 2008. Ms. Liu Chongming, the supervisor, resigned in April 2008. Ms. Luo Xiaoyuan was appointed as external supervisor in June 2008. John Dexter Langlois, the independent non-executive director, resigned in September 2008. Mr. Li Zheping was appointed as independent non-executive director in December 2008.

(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 2009 and 2008.

15 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2008: 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 (2008: three) highest paid individuals are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other emoluments	1,893	1,893
Discretionary bonuses	7,662	8,737
Retirement scheme contributions	485	526
Total	10,040	11,156

The emoluments before individual income tax of the three (2008: three) individuals with the highest emoluments are within the following bands:

	2009	2008
RMB3,000,001–RMB3,500,000	3	—
RMB3,500,001–RMB4,000,000	—	3

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 2009 and 2008 are as follows:

	2009	2008
Aggregate amount of relevant loans outstanding at year end	20	23

	2009	2008
Maximum aggregate amount of relevant loans outstanding during the year	23	26

17 Income tax

(a) Recognised in the statement of comprehensive income

	2009	2008 (Restated)
Current tax		
— Mainland China	4,511	5,537
— Hong Kong	147	33
Deferred tax	47	(1,111)
Income tax	4,705	4,459

(b) Reconciliation between income tax expense and accounting profit

	2009	2008 (Restated)
Profit before tax	19,264	17,713
Income tax calculated at statutory tax rate	4,816	4,428
Effect of different tax rates in other regions	81	(6)
Tax effect of non-deductible expenses (Note (i))	189	294
Tax effect of non-taxable income		
— Interest income from PRC government bonds	(287)	(260)
— Others	(94)	(1)
	(381)	(261)
Effect of change in tax rate on opening deferred tax balances	—	4
Income tax	4,705	4,459

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

(ii) For the year ended 31 December 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 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 2009 and 2008.

	2009	2008 (Restated)
Net profit attributable to shareholders of the Bank	14,319	13,296
Weighted average number of shares in issue or deemed to be in issue (in million shares) (Note 50(b)(i))	39,033	33,178
Basic and diluted earnings per share (RMB)	0.37	0.40

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

19 Other comprehensive income

	2009	2008 (Restated)
Available-for-sale financial assets		
— changes in fair value recognised during the period	112	(313)
— gains/(losses) on disposal transferred to profit or loss	56	(1)
Shares of other comprehensive (loss)/income of associates	(39)	17
Surplus on revaluation of land and buildings held for own use	931	331
Exchange differences on translation	(74)	(2,417)
Others	8	19
Total other comprehensive income/(loss)	994	(2,364)
Income tax effects relating to each component of other comprehensive (loss)/income	(30)	52
Net comprehensive income/(loss) after tax during the period	964	(2,312)

20 Cash and balances with central banks

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Cash	3,926	3,841	3,785	3,693
Balances with central banks				
— Statutory deposit reserve funds (note (i))	129,291	94,432	129,022	94,254
— Surplus deposit reserve funds (note (ii))	89,147	107,772	89,083	107,677
— Fiscal deposits reserve funds	1,639	1,312	1,639	1,312
Total	224,003	207,357	223,529	206,936

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 2009, the statutory deposit reserve placed with the PBOC was calculated at 13.5% (2008: 13.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2008: 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

		The Group		The Bank	
	Note	2009	2008 (Restated)	2009	2008
In Mainland China					
— Banks		**17,014**	7,833	**16,019**	7,724
— Non-bank financial institutions		**1,418**	232	**1,418**	235
Subtotal		**18,432**	8,065	**17,437**	7,959
Outside Mainland China					
— Banks		**4,363**	23,660	**3,461**	23,339
— Non-bank financial institutions		**3,524**	8,502	**—**	—
Subtotal		**7,887**	32,162	**3,461**	23,339
Gross balance		**26,319**	40,227	**20,898**	31,298
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**26,319**	40,227	**20,898**	31,298

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	2009	2008 (Restated)	2009	2008
Demand deposits		**18,534**	38,116	**13,113**	29,187
Time deposits with remaining maturity					
— within one month		**2,928**	650	**2,928**	650
— between one month and one year		**4,857**	1,461	**4,857**	1,461
Gross balance		**26,319**	40,227	**20,898**	31,298
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**26,319**	40,227	**20,898**	31,298

Notes to the Financial Statements

(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

		The Group		The Bank	
	Note	**2009**	2008 (Restated)	**2009**	2008
In Mainland China					
— Banks		**42,958**	16,962	**40,939**	15,823
— Non-bank financial institutions		**566**	167	**566**	167
Subtotal		**43,524**	17,129	**41,505**	15,990
Outside Mainland China					
— Banks		**11,974**	11,394	**582**	4,053
— Non-bank financial institutions		**—**	—	**814**	—
Subtotal		**11,974**	11,394	**1,396**	4,053
Gross balance		**55,498**	28,523	**42,901**	20,043
Less: Allowances for impairment losses	38	**(9)**	(143)	**(9)**	(143)
Net balance		**55,489**	28,380	**42,892**	19,900

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**2009**	2008 (Restated)	**2009**	2008
Within one month		**34,363**	20,128	**29,509**	15,550
Between one month and one year		**18,423**	5,325	**13,188**	4,493
Over one year		**2,712**	3,070	**204**	—
Gross balance		**55,498**	28,523	**42,901**	20,043
Less: Allowances for impairment losses	38	**(9)**	(143)	**(9)**	(143)
Net balance		**55,489**	28,380	**42,892**	19,900

23 Trading financial assets

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Held for trading purpose:					
— Debt trading assets	(i)	**3,796**	8,166	**3,246**	7,619
— Equity trading assets	(ii)	**2**	2	**—**	—
— Investment funds	(ii)	**3**	5	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**648**	596	**137**	136
Total		**4,449**	8,769	**3,383**	7,755

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

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

	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
In Mainland China				
— Government	**—**	324	**—**	324
— PBOC	**1,142**	1,134	**1,142**	1,134
— Policy banks	**294**	2,513	**294**	2,513
— Corporate entities	**1,778**	3,506	**1,778**	3,506
Subtotal	**3,214**	7,477	**3,214**	7,477
Outside Mainland China				
— Government	**32**	142	**32**	142
— Banks and non-bank financial institutions	**550**	547	**—**	—
Subtotal	**582**	689	**32**	142
Total	**3,796**	8,166	**3,246**	7,619
Listed outside Hong Kong	**—**	95	**—**	95
Unlisted	**3,796**	8,071	**3,246**	7,524
Total	**3,796**	8,166	**3,246**	7,619

(ii) Equity and investment funds issued by:

	The Group 2009	The Group 2008 (Restated)
Outside Mainland China		
— Corporate entities	**5**	7
Total	**5**	7
Listed outside Hong Kong	**5**	7
Total	**5**	7

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(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	
	2009	2008 (Restated)	**2009**	2008
In Mainland China				
— Government	**30**	—	**—**	—
— Banks and non-bank financial institutions	**366**	227	**—**	—
— Corporate entities	**115**	227	**—**	—
Subtotal	**511**	454	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**137**	136	**137**	136
— Corporate entities	**—**	6	**—**	—
Subtotal	**137**	142	**137**	136
Total	**648**	596	**137**	136
Listed outside Hong Kong	**74**	72	**—**	—
Unlisted	**574**	524	**137**	136
Total	**648**	596	**137**	136

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					
	2009			2008 (Restated)		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	**2,604**	**31**	**112**	2,755	51	173
Non-Hedging Instruments						
— Interest rate derivatives	**171,575**	**1,731**	**2,091**	225,155	3,747	4,153
— Currency derivatives	**271,623**	**1,405**	**1,404**	166,058	2,807	2,406
— Credit derivatives	**956**	**14**	**20**	1,089	13	62
— Equity derivatives	**126**	**1**	**1**	37	7	7
Total	**446,884**	**3,182**	**3,628**	395,094	6,625	6,801

24 Derivatives (continued)

	The Bank					
	2009			2008		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	127,680	1,122	1,492	188,021	2,921	3,376
— Currency derivatives	177,098	1,030	1,140	130,169	2,423	2,141
— Credit derivatives	956	14	20	1,089	13	62
Total	305,734	2,166	2,652	319,279	5,357	5,579

Credit risk weighted amounts

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Interest rate derivatives	1,371	1,997	813	1,373
Currency derivatives	1,571	1,228	999	1,021
Credit derivatives	30	44	30	44
Equity derivatives	5	9	—	—
Total	2,977	3,278	1,842	2,438

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

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

(i) Fair value hedge

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

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

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(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 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
In Mainland China					
— PBOC		**59,000**	12,630	**59,000**	12,630
— Banks		**119,609**	41,140	**119,609**	41,140
— Non-bank financial institutions		**6,555**	3,618	**6,555**	3,618
— Corporate entities		**39**	310	**39**	310
Subtotal		**185,203**	57,698	**185,203**	57,698
Outside Mainland China					
— Non-bank financial institutions		**—**	—	**68**	69
Subtotal		**—**	—	**68**	69
Gross balance		**185,203**	57,698	**185,271**	57,767
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**185,203**	57,698	**185,271**	57,767

(b) Analysed by remaining maturity

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Within one month		**166,280**	43,365	**166,348**	43,434
Between one month and one year		**18,817**	14,088	**18,817**	14,088
More than one year		**106**	245	**106**	245
Gross balance		**185,203**	57,698	**185,271**	57,767
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**185,203**	57,698	**185,271**	57,767

26 Interest receivable

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Debt securities		**2,174**	2,596	**2,047**	2,495
Loans and advances to customers		**1,788**	1,741	**1,661**	1,434
Others		**173**	95	**40**	14
Gross balance		**4,135**	4,432	**3,748**	3,943
Less: Allowance for impairment losses	38	**—**	—	**—**	—
Net balance		**4,135**	4,432	**3,748**	3,943

27 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Corporate loans					
— Loans		820,561	581,786	773,557	533,212
— Discounted bills		94,774	44,621	93,280	43,539
— Lease payments receivable		2,074	2,193	—	—
Subtotal		917,409	628,600	866,837	576,751
Personal loans					
— Residential mortgages		114,156	78,117	103,660	67,230
— Credit cards		14,191	11,477	13,918	11,141
— Others		19,893	12,192	16,059	9,392
Subtotal		148,240	101,786	133,637	87,763
Gross balance		1,065,649	730,386	1,000,474	664,514
Less:	38				
— Individual impairment allowances		(5,389)	(6,708)	(5,115)	(6,490)
— Collective impairment allowances		(9,781)	(7,292)	(9,505)	(7,082)
Net balance		1,050,479	716,386	985,854	650,942

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

The Group

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

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(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)

	2008 (Restated)				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	6,034	—	257	6,291	4.09%
— non-financial institutions	714,066	730	9,299	724,095	1.39%
	720,100	730	9,556	730,386	1.41%
Less: Impairment allowances against loans and advances to					
— financial institutions	(34)	—	(191)	(225)	
— non-financial institutions	(6,736)	(522)	(6,517)	(13,775)	
	(6,770)	(522)	(6,708)	(14,000)	
Net loans and advances to					
— financial institutions	6,000	—	66	6,066	
— non-financial institutions	707,330	208	2,782	710,320	
	713,330	208	2,848	716,386	

The Bank

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

27 Loans and advances to customers (continued)

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

The Bank (continued)

	2008				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	2,071	—	257	2,328	11.04%
— non-financial institutions	653,397	720	8,069	662,186	1.33%
	655,468	720	8,326	664,514	1.36%
Less: Impairment allowances against loans and advances to					
— financial institutions	(34)	—	(191)	(225)	
— non-financial institutions	(6,528)	(520)	(6,299)	(13,347)	
	(6,562)	(520)	(6,490)	(13,572)	
Net loans and advances to					
— financial institutions	2,037	—	66	2,103	
— non-financial institutions	646,869	200	1,770	648,839	
	648,906	200	1,836	650,942	

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

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

(iii) As at 31 December 2009, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB9,038 million (2008: RMB9,556 million). The covered portion and uncovered portion of these loans and advances were RMB1,953 million (2008: RMB1,700 million) and RMB7,085 million (2008: RMB7,856 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB2,839 million (2008: RMB1,978 million. The individual impairment allowances made against these loans and advances were RMB5,389 million (2008: RMB6,708 million).

As at 31 December 2009, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB7,942 million (2008: RMB8,326 million). The covered portion and uncovered portion of these loans and advances were RMB1,662 million (2008: RMB923 million) and RMB6,280 million (2008: RMB7,403 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,816 million (2008: RMB1,003 million. The individual impairment allowances made against these loans and advances were RMB5,115 million (2008: RMB6,490 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.

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(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (continued)

(c) Movements of allowances for impairment losses

The Group

	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	**6,770**	**522**	**6,708**	**14,000**
Charge for the year				
— new impairment allowances charged to profit or loss	**2,100**	**528**	**1,485**	**4,113**
— impairment allowances released to profit or loss	**—**	**—**	**(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**

	2008 (Restated)			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	3,829	301	5,487	9,617
Charge for the year				
— new impairment allowances charged to profit or loss	2,961	257	3,218	6,436
— impairment allowances released to profit or loss	—	—	(709)	(709)
Unwinding of discount	—	—	(162)	(162)
Transfers out	(13)	—	(85)	(98)
Write-offs	(15)	(36)	(1,099)	(1,150)
Recoveries of loans and advances previously written off	8	—	58	66
As at 31 December	6,770	522	6,708	14,000

27 Loans and advances to customers (continued)

(c) Movements of allowances for impairment losses

The Bank

	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)**
Transfers out	**—**	**—**	**—**	**—**
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**

	2008			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	3,621	299	5,421	9,341
Charge for the year				
— new impairment allowances charged to profit or loss	2,940	257	2,806	6,003
— impairment allowances released to profit or loss	—	—	(624)	(624)
Unwinding of discount	—	—	(160)	(160)
Transfers out	1	—	(72)	(71)
Write-offs	—	(36)	(895)	(931)
Recoveries of loans and advances previously written off	—	—	14	14
As at 31 December	6,562	520	6,490	13,572

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(Expressed in millions of Renminbi unless otherwise stated)

27 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period

The Group

	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**

	2008 (Restated)				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,422	395	372	654	2,843
Guaranteed loans	1,386	1,074	990	1,089	4,539
Loans with pledged assets					
— Loans secured by tangible assets	3,941	722	810	2,111	7,584
— Loans secured by monetary assets	400	92	73	90	655
Total	7,149	2,283	2,245	3,944	15,621

27 Loans and advances to customers (continued)

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

The Bank

	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

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,214	346	372	654	2,586
Guaranteed loans	1,157	898	910	1,086	4,051
Loans with pledged assets					
— Loans secured by tangible assets	2,916	628	767	1,652	5,963
— Loans secured by monetary assets	341	86	71	90	588
Total	5,628	1,958	2,120	3,482	13,188

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			
	2009		2008 (Restated)	
	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)	235	289	314	372
1 year to 2 years (including 2 years)	136	180	191	234
2 years to 3 years (including 3 years)	95	134	103	140
Over 3 years	1,608	1,990	1,585	1,947
	2,074	2,593	2,193	2,693
Less:				
— Individual impairment allowances	(9)		(2)	
— Collective impairment allowances	—		—	
Net balance	2,065		2,191	

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(Expressed in millions of Renminbi unless otherwise stated)

28 Available-for-sale financial assets

		The Group		The Bank	
	Note	2009	2008 (Restated)	2009	2008
Debt securities	(i)	87,197	102,884	70,794	84,900
Investment funds	(ii)	5,487	50	5,420	—
Certificates of deposit	(iii)	1,183	176	—	—
Equity investments	(iv)	478	445	182	177
Total		94,345	103,555	76,396	85,077

(i) Debt securities issued by:

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
In Mainland China				
— Government	7,598	1,311	7,598	1,311
— PBOC	16,956	35,402	16,956	35,402
— Policy banks	7,942	7,233	7,942	7,233
— Banks and non-bank institutions	4,296	1,068	4,256	540
— Corporate entities	26,655	19,954	26,654	19,952
Subtotal	63,447	64,968	63,406	64,438
Outside Mainland China				
— Government	2,868	15,709	2,012	14,674
— Policy banks	47	156	47	156
— Banks and non-bank financial institutions	14,017	15,656	2,805	3,631
— Public entities	2,569	2,407	2,231	1,765
— Corporate entities	4,249	3,988	293	236
Subtotal	23,750	37,916	7,388	20,462
Total	87,197	102,884	70,794	84,900
Listed in Hong Kong	4,428	978	4,275	537
Listed outside Hong Kong	6,735	7,802	3,937	3,493
Unlisted	76,034	94,104	62,582	80,870
Total	87,197	102,884	70,794	84,900

28 Available-for-sale financial assets (continued)

(ii) Investment funds issued by

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
In Mainland China				
— Corporate entities	50	50	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	5,437	—	5,420	—
Total	5,487	50	5,420	—
Unlisted	5,487	50	5,420	—

(iii) Certificates of deposit issued by

	The Group	
	2009	2008 (Restated)
Outside Mainland China		
— Banks and non-bank financial institutions	1,183	176
Total	1,183	176
Unlisted	1,183	176

(iv) Equity investments issued by

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Outside Mainland China				
— Banks and non-bank financial institutions	440	410	182	177
— Corporate entities	38	35	—	—
Total	478	445	182	177
Listed in Hong Kong	8	7	—	
Listed outside Hong Kong	32	19	14	9
Unlisted	438	419	168	168
Total	478	445	182	177

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29 Held-to-maturity investments

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

		The Group		The Bank	
	Note	2009	2008 (Restated)	2009	2008
In Mainland China					
— Government		36,243	26,341	36,243	26,341
— PBOC		30,116	41,506	30,116	41,506
— Policy banks		21,497	22,636	21,497	22,636
— Banks and non-bank financial institutions		6,662	4,234	6,662	4,234
— Corporate entities		7,375	246	7,375	246
Subtotal		101,893	94,963	101,893	94,963
Outside Mainland China					
— Government		31	68	31	68
— PBOC		—	89	—	89
— Policy banks		1,602	3,236	1,943	3,577
— Public sector entities		3,161	5,874	3,137	5,835
— Corporate entities		994	803	926	735
Subtotal		5,788	10,070	6,037	10,304
Gross balance		107,681	105,033	107,930	105,267
Less: Allowance for impairment losses	38	(215)	(223)	(215)	(223)
Net balance		107,466	104,810	107,715	105,044
Listed in Hong Kong		128	197	128	197
Listed outside Hong Kong		1,784	2,815	2,057	3,088
Unlisted		105,554	101,798	105,530	101,759
Net balance		107,466	104,810	107,715	105,044
Fair value of held-to-maturity investments		107,926	106,246	108,149	106,505
In which: Market value of listed securities		1,941	2,887	2,215	3,183

In 2009, the Group disposed of certain impaired held-to-maturity debt securities with an amortised cost of RMB 260 million (2008: Nil). The disposals during the year were related to issuers whose credit standing has deteriorated significantly because of the financial crisis.

30 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 31 December 2009 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	HKD49 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD2,020 million

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

Name of Enterprise	2009 Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	6,875	2,185	4,690	343	324
CIAM	2,385	173	2,212	285	106
Total	9,260	2,358	6,902	628	430

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

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
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

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31 Investment in subsidiaries

	Note	The Bank 2009	The Bank 2008
Investment in subsidiaries			
— CIFL	(i)	33	33
— CIFH	(ii)	9,797	—
Total		9,830	33

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

(ii) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009. The details of the acquisition are disclosed in Note 6.

32 Fixed asset

The Group

	Bank premises (Note 32(a))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2009 (restated)	8,152	126	4,078	12,356
Additions	242	775	703	1,720
Disposals	(16)	—	(160)	(176)
Transfers to investment properties	(9)	—	—	(9)
Surplus on revaluation	931	—	—	931
Elimination of accumulated depreciation on revaluation	(304)	—	—	(304)
Exchange difference	(1)	—	(1)	(2)
As at 31 December 2009	8,995	901	4,620	14,516
Accumulated depreciation and impairment losses:				
As at 1 January 2009 (restated)	—	—	(2,453)	(2,453)
Depreciation charges	(304)	—	(486)	(790)
Disposals	—	—	155	155
Elimination on revaluation	304	—	—	304
Exchange difference	—	—	1	1
As at 31 December 2009	—	—	(2,783)	(2,783)
Net carrying value:				
As at 1 January 2009 (restated) (Note (i))	8,152	126	1,625	9,903
As at 31 December 2009 (Note (i))	8,995	901	1,837	11,733

32 Fixed assets (continued)

The Group (continued)

	Bank premises (Note 32(a))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2008 (restated)	7,998	72	3,552	11,622
Additions	49	105	809	963
Disposals	(17)	—	(245)	(262)
Transfers from construction in progress	51	(51)	—	—
Transfers from investment properties	81	—	—	81
Surplus on revaluation	331	—	—	331
Elimination of accumulated depreciation on revaluation	(304)	—	—	(304)
Exchange difference	(37)	—	(38)	(75)
As at 31 December 2008 (restated)	8,152	126	4,078	12,356
Accumulated depreciation and impairment losses:				
As at 1 January 2008 *(restated)*	—	—	(2,272)	(2,272)
Depreciation charges	(304)	—	(364)	(668)
Disposals	—	—	155	155
Elimination on revaluation	304	—	—	304
Exchange difference	—	—	28	28
As at 31 December 2008 (restated)	—	—	(2,453)	(2,453)
Net carrying value:				
As at 1 January 2008 (restated) (Note (i))	7,998	72	1,280	9,350
As at 31 December 2008 (restated) (Note (i))	8,152	126	1,625	9,903

The Bank

	Bank premises (Note 32(a))	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or valuation:				
As at 1 January 2009	**7,494**	**126**	**3,465**	**11,085**
Additions	**235**	**775**	**669**	**1,679**
Disposals	**(15)**	**—**	**(150)**	**(165)**
Surplus on revaluation	**931**	**—**	**—**	**931**
Elimination of accumulated depreciation on revaluation	**(285)**	**—**	**—**	**(285)**
As at 31 December 2009	**8,360**	**901**	**3,984**	**13,245**
Accumulated depreciation and impairment losses:				
As at 1 January 2009	**—**	**—**	**(1,979)**	**(1,979)**
Depreciation charges	**(285)**	**—**	**(436)**	**(721)**
Disposals	**—**	**—**	**144**	**144**
Elimination on revaluation	**285**	**—**	**—**	**285**
As at 31 December 2009	**—**	**—**	**(2,271)**	**(2,271)**
Net carrying value:				
As at 1 January 2009 (note (i))	**7,494**	**126**	**1,486**	**9,106**
As at 31 December 2009 (note (i))	**8,360**	**901**	**1,713**	**10,974**

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(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (continued)

The Bank (continued)

	Bank premises (Note 32(a))	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2008	7,345	72	2,888	10,305
Additions	35	105	765	905
Disposals	(13)	—	(188)	(201)
Transfers from construction in progress	51	(51)	—	—
Surplus on revaluation	331	—	—	331
Elimination of accumulated depreciation on revaluation	(255)	—	—	(255)
As at 31 December 2008	7,494	126	3,465	11,085
Accumulated depreciation and impairment losses:				
As at 1 January 2008	—	—	(1,776)	(1,776)
Depreciation charges	(255)	—	(341)	(596)
Disposals	—	—	138	138
Elimination on revaluation	255	—	—	255
As at 31 December 2008	—	—	(1,979)	(1,979)
Net carrying value:				
As at 1 January 2008 (note (i))	7,345	72	1,112	8,529
As at 31 December 2008 (note (i))	7,494	126	1,486	9,106

Note: (i) As at 31 December 2009, the net book value of the Group's bank premises for which the ownership registration procedures had not been completed was approximately RMB731 million (2008: RMB578 million). The Group anticipated that there would be no significant issues and costs in completing such procedures.

(a) 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	
	2009	2008 (Restated)	**2009**	2008
Long term leases (over 50 years), held in Hong Kong	**81**	220	**—**	—
Medium term leases (10–50 years), held in Hong Kong	**526**	409	**—**	—
Medium term leases (10–50 years), held in Mainland China	**8,360**	7,494	**8,360**	7,494
Permanent term lease, held in overseas	**28**	29	**—**	—
Total	**8,995**	8,152	**8,360**	7,494

(b) Valuation

The bank premises of the Group were revalued as at 31 December 2009 and 2008 at their open market value by reference to recent market transactions in comparable properties. The valuations of bank premises of the Bank were carried out by an independent firm of valuer, Jones Lang LaSalle Sallmanns Limited.

The revaluation surpluses have been transferred to the properties revaluation reserve of the Group.

Had these bank premises been carried at cost less accumulated depreciation, the carrying amounts would have been RMB5,701 million as at 31 December 2009 (2008: RMB5,005 million).

33 Investment properties

	The Group	
	2009	2008 (Restated)
Fair value as at 1 January	**131**	223
Addition:		
— Change in fair value	**32**	—
— Transfer from fixed assets	**9**	—
Decrease:		
— Disposal	**(10)**	(2)
— Transfer to fixed assets	**—**	(81)
Exchange difference	**(1)**	(9)
Fair value as at 31 December	**161**	131

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 locates 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 2009.

All investment properties of the Group were revalued at 31 December 2009 by an independent firm of surveyors, Vigers Appraisal & Consulting Limited, on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Vigers Appraisal & Consulting Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(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	
	2009	2008 (Restated)
Long term leases (over 50 years), held in Hong Kong	**13**	9
Medium term leases (10–50 years), held in Hong Kong	**123**	100
Medium term leases (10–50 years), held in Mainland China	**25**	22
Total	**161**	131

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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	
	2009	2008 (Restated)
As at 1 January	**889**	943
Exchange difference	**(2)**	(54)
As at 31 December	**887**	889

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

	The Group	
	2009	2008 (Restated)
Corporate Banking	**887**	889

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 6% (2008: 4%) 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 12.55% (2008:11.39%) which reflects specific risks relating to the relevant segment.

Based on the result of impairment test, no impairment loss on goodwill was recognized as at 31 December 2009 (2008: nil).

35 Intangible assets

The Group and the Bank

	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**

35 Intangible assets (continued)

The Group and the Bank (continued)

	Software	Others	Total
Cost			
As at 1 January 2008	130	14	144
Additions	67	—	67
As at 31 December 2008	197	14	211
Amortization			
As at 1 January 2008	(55)	(6)	(61)
Charge for the year	(31)	(1)	(32)
As at 31 December 2008	(86)	(7)	(93)
Net carrying value			
As at 1 January 2008	75	8	83
As at 31 December 2008	111	7	118

36 Deferred tax assets

(a) Analysed by nature

	The Group			
	2009		2008(Restated)	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances for loans and advances to customers	**3,500**	**852**	7,376	1,827
— Fair value adjustments	**837**	**182**	708	139
— Others	**4,247**	**1,061**	836	209
Total	**8,584**	**2,095**	8,920	2,175

	The Bank			
	2009		2008	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances for loans and advances to customers	**3,224**	**806**	7,176	1,794
— Fair value adjustments	**512**	**128**	252	63
— Others	**4,244**	**1,061**	832	208
Total	**7,980**	**1,995**	8,260	2,065

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(Expressed in millions of Renminbi unless otherwise stated)

36 Deferred tax assets (continued)

(b) Movement of deferred tax assets

The Group

	Impairment allowances on loans and advances to customers	Fair value Note (i)	Others	Total deferred tax assets
As at 1 January 2009 (Restated)	**1,827**	**139**	**209**	**2,175**
Recognized in profit or loss	**(975)**	**75**	**853**	**(47)**
Recognized in other comprehensive income	**—**	**(32)**	**(1)**	**(33)**
As at 31 December 2009	**852**	**182**	**1,061**	**2,095**
As at 1 January 2008 (Restated)	942	10	61	1,013
Recognized in profit or loss	885	78	148	1,111
Recognized in other comprehensive income	—	51	—	51
As at 31 December 2008 (Restated)	1,827	139	209	2,175

The Bank

	Impairment loss on loans and advances to customers	Fair value Note (i)	Others	Total deferred tax assets
As at 1 January 2009	**1,794**	**63**	**208**	**2,065**
Recognized in profit or loss	**(988)**	**80**	**853**	**(55)**
Recognized in other comprehensive income	**—**	**(15)**	**—**	**(15)**
As at 31 December 2009	**806**	**128**	**1,061**	**1,995**
As at 1 January 2008	908	(4)	46	950
Recognized in profit or loss	886	73	162	1,121
Recognized in other comprehensive income	—	(6)	—	(6)
As at 31 December 2008	1,794	63	208	2,065

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 deferred tax related to the subsidiaries in Hong Kong has been adjusted in line with the Hong Kong income tax rate adjustment from 17.5% to 16.5% in February 2008.

(iii) The Group has not recognised deferred tax assets of RMB0.43 million (2008: RMB5.2 million) in respect of cumulative deductible tax losses of one of its subsidiaries of RMB2.62 million (2008: RMB31.52 million) as it is not possible that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdictions and subsidiaries. These deductible tax losses can be carried forward indefinitely according to current tax rules in the relevant tax jurisdictions. The Bank has no material unrecognised deferred tax assets as at 31 December 2009 (2008: nil).

37 Other assets

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Receivable for share transfer	(i)	—	21,821	—	—
Repossessed assets	(ii)	556	650	323	411
Land use rights		516	528	516	528
Prepaid rent		247	212	247	212
Prepaid income tax	(iii)	462	—	462	—
Others	(iv)	2,244	2,721	2,030	1,685
Total		4,025	25,932	3,578	2,836

(i) Receivable for share transfer

Receivable for share transfer refers to the proceeds receivable by CIFH for its disposals of its holding of the Bank's shares as at 31 December 2008.

(ii) Repossessed assets

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Premises		631	757	597	723
Others		303	295	92	78
Gross balance		934	1,052	689	801
Less: Allowance for impairment losses	38	(378)	(402)	(366)	(390)
Net balance		556	650	323	411

(a) During the year ended 31 December 2009, the original cost of repossessed assets disposed of by the Group amounted to RMB168 million (2008: RMB70 million). The original cost of repossessed assets disposed of by the Bank amounted to RMB159 million (2008: RMB65 million).

(b) The Group intend to dispose of repossessed assets through various methods including auction, competitive biding, and transfer, etc.

(iii) See note 45(i) for prepaid income tax

(iv) Others

	Note	The Group 2009	The Group 2008	The Bank 2009	The Bank 2008
Gross balance		2,834	3,216	2,617	2,178
Less: Allowance for impairment losses	38	(590)	(495)	(587)	(493)
Net balance		2,244	2,721	2,030	1,685

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

38 Movements of allowances for impairment losses

The Group

		2009					
	Note	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(ii)	402	35	—	(59)	—	378
Other assets	37(iv)	495	64	(19)	233	(183)	590
Gross balance		15,839	4,275	(1,686)	27	(1,722)	16,733

		2008 (Restated)					
	Note	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	146	—	(3)	—	—	143
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	12	—	—	(12)	—	—
Loans and advances to customers	27	9,617	6,436	(709)	(194)	(1,150)	14,000
Available-for-sale financial assets		65	521	—	(4)	(6)	576
Held-to-maturity investments	29	12	218	—	—	(7)	223
Repossessed assets	37(ii)	329	22	—	51	—	402
Other assets	37(iv)	303	284	(58)	(18)	(16)	495
Gross balance		10,484	7,481	(770)	(177)	(1,179)	15,839

38 Movements of allowances for impairment losses (continued)

The Bank

	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	28	515	45	—	(196)	(64)	300
Held-to-maturity investments	29	223	7	—	—	(15)	215
Repossessed assets	37(ii)	390	35	—	(59)	—	366
Other assets	37(iv)	493	63	(19)	233	(183)	587
Gross balance		15,336	3,684	(1,598)	(45)	(1,280)	16,097

	Note	2008 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	146	—	(3)	—	—	143
Financial assets held under resale agreements	25	—	—	—	—	—	—
Interest receivable	26	12	—	—	(12)	—	—
Loans and advances to customers	27	9,341	6,003	(624)	(217)	(931)	13,572
Available-for-sale financial assets	28	—	515	—	—	—	515
Held-to-maturity investments	29	12	218	—	—	(7)	223
Repossessed assets	37	317	22	—	51	—	390
Other assets	37	302	283	(58)	(18)	(16)	493
Gross balance		10,130	7,041	(685)	(196)	(954)	15,336

Transfer in/(out) includes the effect of exchange rate. Disposals during the year are included in written-offs. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Notes 13.

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(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	
	2009	2008 (Restated)	**2009**	2008
In Mainland China				
— Banks	**169,670**	26,723	**169,761**	26,695
— Non-bank financial institutions	**105,362**	81,910	**105,362**	81,910
Subtotal	**275,032**	108,633	**275,123**	108,605
Outside Mainland China				
— Banks	**17**	87	**1**	—
Subtotal	**17**	87	**1**	—
Total	**275,049**	108,720	**275,124**	108,605

40 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
In Mainland China				
— Banks	**1,901**	307	**1,495**	205
— Non-bank financial institutions	**741**	758	**741**	758
Subtotal	**2,642**	1,065	**2,236**	963
Outside Mainland China				
— Banks	**1,911**	542	**—**	—
Subtotal	**1,911**	542	**—**	—
Total	**4,553**	1,607	**2,236**	963

41 Trading financial liabilities

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
Short position in debt securities	**—**	139	**—**	139
Financial liabilities designated at fair value through profit or loss				
— Structured deposits	**2,755**	2,500	**2,755**	2,500
— Certificates of deposit issued	**—**	439	**—**	—
Total	**2,755**	3,078	**2,755**	2,639
Unlisted	**2,755**	3,078	**2,755**	2,639
Total	**2,755**	3,078	**2,755**	2,639

42 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group and the Bank	
	2009	2008
In Mainland China		
— Banks	2,837	300
— Non-bank financial institutions	—	—
Subtotal	2,837	300
Outside Mainland China		
— Banks	1,263	657
Total	4,100	957

(b) Analysed by types of collaterals

	The Group and the Bank	
	2009	2008
Debt securities	1,263	657
Loans and advances to customers	2,837	300
Total	4,100	957

43 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Demand deposits				
— Corporate customers	577,155	382,192	559,207	373,604
— Personal customers	66,908	50,470	49,066	40,456
Subtotal	644,063	432,662	608,273	414,060
Time and call deposits				
— Corporate customers	516,369	430,231	485,851	388,793
— Personal customers	177,167	154,005	160,613	130,062
Subtotal	693,536	584,236	646,464	518,855
Outward remittance and remittance payables	4,328	10,427	4,327	10,427
Total	1,341,927	1,027,325	1,259,064	943,342

Deposits from customers include pledged deposit for:

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Bank acceptances	166,269	116,876	166,269	116,876
Letters of credit	5,931	5,082	5,823	5,060
Guarantees	3,813	3,455	3,807	3,449
Others	27,503	10,102	26,030	7,425
Total	203,516	135,515	201,929	132,810

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(Expressed in millions of Renminbi unless otherwise stated)

44 Accrued staff costs

The Group

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

	Note	2008 (Restated) As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		3,013	6,152	(4,085)	5,080
Welfare expenses		—	295	(295)	—
Social insurance	(i)	5	474	(474)	5
Housing fund		—	238	(238)	—
Housing allowance		—	128	(128)	—
Defined contribution retirement schemes	(ii)	2	96	(94)	4
Supplementary retirement benefits	(iii)	38	5	(1)	42
Labor union expenses and employee education expenses		89	251	(159)	181
Others		15	474	(488)	1
Total		3,162	8,113	(5,962)	5,313

The Bank

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

44 Accrued staff costs (continued)

The Bank (continued)

		2008			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		2,862	5,539	(3,465)	4,936
Welfare expenses		—	294	(294)	—
Social insurance	(i)	5	470	(470)	5
Housing fund		—	237	(237)	—
Housing allowance		—	128	(128)	—
Defined contribution retirement schemes	(ii)	2	96	(94)	4
Supplementary retirement benefits	(iii)	38	5	(1)	42
Labor union expenses and employee education expenses		89	249	(157)	181
Others		—	384	(384)	—
Total		2,996	7,402	(5,230)	5,168

(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 2009, the Group made annuity contribution amounting to RMB122 million (2008: RMB96 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.

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(Expressed in millions of Renminbi unless otherwise stated)

45 Taxes payable

		The Group		The Bank	
	Note	**2009**	2008 (Restated)	**2009**	2008
Income tax	(i)	**13**	2,944	**—**	2,939
Business tax and surcharges		**980**	850	**977**	847
Others		**11**	15	**4**	5
Total		**1,004**	3,809	**981**	3,791

(i) The balance of income tax payable of the Bank is nil as at 31 December 2009 and the prepaid income tax is included in other assets (Note 37). The balance of income tax payable represents those of the Bank's subsidiaries.

46 Interest payable

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
Deposits from customers	**6,047**	6,293	**5,987**	6,096
Debt securities issued	**370**	440	**271**	313
Others	**121**	78	**11**	18
Total	**6,538**	6,811	**6,269**	6,427

47 Provisions

The Group and the Bank

	2009	2008 (Restated)
Litigation provisions	**50**	50

Movement of provisions:

	2009	2008 (Restated)
As at 1 January	**50**	40
Charge for the year	**—**	10
As at 31 December	**50**	50

48 Debt securities issued

		The Group		The Bank	
	Note	**2009**	2008 (Restated)	**2009**	2008
Notes issued	(i)	**63**	2,058	**—**	—
Certificates of deposit issued	(ii)	**3,252**	3,196	**—**	—
Subordinated debts bonds issued	(iii)	**15,107**	15,121	**12,000**	12,000
— by the Bank	(iii)	**12,000**	12,000	**12,000**	12,000
— by CIFH	(iv)	**3,448**	3,463	**—**	—
— elimination	(iv)	**(341)**	(342)	**—**	—
Total		**18,422**	20,375	**12,000**	12,000

(i) Notes were issued by CKWB and measured at amortized cost.

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

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

	Note	**2009**	2008
Subordinated floating rate debts maturing:			
— in June 2010	(a)	**4,778**	4,778
— in July 2010	(a)	**602**	602
— in September 2010	(a)	**300**	300
— in June 2010	(b)	**320**	320
Subordinated fixed rate bonds maturing:			
— in June 2016	(c)	**4,000**	4,000
— in June 2021	(d)	**2,000**	2,000
Total		**12,000**	12,000

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

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

(c) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 3.75%. The Bank has an option to redeem the debts on 22 June 2011. If they are not redeemed early, the interest rate of the debts will increase in June 2011 to 6.75% per annum for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued on 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.

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(Expressed in millions of Renminbi unless otherwise stated)

48 Subordinated debts/bonds issued (continued)

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

	Note	2009	2008
Perpetual subordinated fixed rate notes	(a)	1,742	1,754
Subordinated floating rate notes maturing in December 2017	(b)	1,706	1,709
Subtotal		3,448	3,463
Less: Held by the Bank		(341)	(342)
Total		3,107	3,121

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of US$250 million were issued on 23 May 2002 by CKWH-UT2 Limited, a wholly owned subsidiary of CKWB. CKWB 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, CKWB launched a USD2 billion Medium Term Notes Programme ("the Programme"). Under the Programme, CKWB, subject to compliance with all relevant laws, regulations and directives, may from time to time issue subordinated notes denominated in any currency agreed between CKWB and the relevant dealers as defined.

Under the Programme, CKWB 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.

49 Other liabilities

	The Group		The Bank	
	2009	2008 (Restated)	2009	2008
Settlement accounts	742	3,392	727	1,254
Dormant accounts	214	204	214	204
Payment and collection clearance accounts	187	205	187	205
Government bonds redemption payable	74	79	74	79
Others	1,793	1,470	1,281	1,227
Total	3,010	5,350	2,483	2,969

50 Equity

(a) Structure of shareholding as at 31 December

	The Group and the Bank	
	2009	2008
A-Share	26,631	26,631
H-Share	12,402	12,402
Total	39,033	39,033

(b) Movements of share capital

	Note	The Group		The Bank	
		2009	2008 (Restated)	2009	2008
As at 1 January	(i)	39,033	33,178	39,033	39,033
The acquired subsidiary under common control business combination disposed of the Bank's shares	(i)	—	5,855	—	—
As at 31 December		39,033	39,033	39,033	39,033

(i) CIFH held 15% of the Bank's shares as at 1 January 2008, which was eliminated against the opening balance in the comparatives of the Group's consolidated financial statements. On 17 December 2008, CIFH transferred its holding of the Bank's shares to CITIC Group and BBVA, and no longer held any shares of the Bank after the transfer.

51 Share premium and other reserves

	Note	Share premium	Other reserve	The Group Properties revaluation reserve (iv)	Investment revaluation reserve (v)	Total
As at 1 January 2009 *(restated)*		**55,865**	**2,571**	**520**	**(354)**	**58,602**
Other comprehensive income		**—**	**(19)**	**931**	**118**	**1,030**
Prior to business combination under common control, the acquired subsidiary						
1. reduced capital and made appropriation to its original shareholders		**(13,002)**	**(2,331)**	**—**	**—**	**(15,333)**
2. issued shares to its original shareholders		**1,054**	**—**	**—**	**—**	**1,054**
Consideration paid for business combination under common control	(i)	**(13,007)**	**—**	**—**	**—**	**(13,007)**
As at 31 December 2009		**30,910**	**221**	**1,451**	**(236)**	**32,346**
As at 1 January 2008 *(restated)*		34,397	2,051	183	(149)	36,482
Other comprehensive income		—	(36)	331	(162)	133
Prior to business combination under common control,						
1. the acquired subsidiary disposed of the Bank's shares	(ii)	18,991	—	—	—	18,991
2. the ultimate parent increased its shares in the acquired subsidiary	(iii)	2,470	556	6	(43)	2,989
3. others		7	—	—	—	7
As at 31 December 2008 *(restated)*		55,865	2,571	520	(354)	58,602

	Note	Share premium	Other reserve	The Bank Properties revaluation reserve (iv)	Investment revaluation reserve (v)	Total
As at 1 January 2009		**36,525**	**—**	**487**	**(72)**	**36,940**
Other comprehensive income		**—**	**—**	**931**	**49**	**980**
Consideration paid for business combination under common control	(i)	**(3,210)**	**—**	**—**	**—**	**(3,210)**
As at 31 December 2009		**33,315**	**—**	**1,418**	**(23)**	**34,710**
As at 1 January 2008		36,525	—	156	(89)	36,592
Other comprehensive income		—	—	331	17	348
As at 31 December 2008		36,525	—	487	(72)	36,940

(i) As disclosed in Note 6, the Bank paid a consideration of approximately RMB13,007 million for the acquisition of CIFH's shares in October 2009. The amount of the consideration was debited against share premium in the Group's consolidated financial statements. The difference of RMB3,210 million between the consideration and the Bank's share of CIFH's shareholders' equity as at the acquisition date of RMB9,797 million was debited to the Bank's share premium in the Bank's financial statements.

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(Expressed in millions of Renminbi unless otherwise stated)

51 Share premium and other reserves (continued)

(ii) The gain realised by CIFH through disposal of the Bank's shares to CITIC Group and BBVA as disclosed in Note 50(b)(i) is recognized in capital reserve.

(iii) CITIC Group, the ultimate parent of the Bank and CIFH, held 55.16% of CIFH's shares as of 1 January 2008. CITIC Group increased its holding of CIFH's shares to 70.32% in November 2008.

(iv) The property revaluation reserve has been set up and dealt with in accordance with accounting policies adopted for the bank premises in note 4(7)(a).

(v) 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 accounting policies in note 4(3)(f).

52 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank	
	2009	2008
As at 1 January	**2,161**	829
Appropriations	**1,374**	1,332
As at 31 December	**3,535**	2,161

Under relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

53 General reserve

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
As at 1 January	**7,746**	3,731	**7,716**	3,731
Appropriations	**4,816**	4,015	**4,810**	3,985
As at 31 December	**12,562**	7,746	**12,526**	7,716

Pursuant to relevant MOF notices, the Bank and the Bank's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The Bank is required to set aside the required general reserve within a transitional period of approximately three years, but no more than five years, from 1 July 2005.

The Bank and the Bank's banking subsidiaries in Mainland China have complied with the above requirements as of 31 December 2009.

54 Profit appropriations

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

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
Appropriations to				
— Statutory surplus reserve fund	**1,374**	1,332	**1,374**	1,332
— General reserve	**4,816**	4,015	**4,810**	3,985
	6,190	5,347	**6,184**	5,317

In accordance with the approval from the Board of Directors dated 28 April 2010, the Bank appropriated RMB1,374 million to statutory surplus reserve fund and RMB4,810 million to general reserve, representing 10% and 35% of the net profit after taxation under PRC GAAP, respectively. The Group's subsidiary CKWH (China) made an appropriation to general reserve of RMB6 million in the year ended 31 December 2009.

(b) On 28 April 2010, the Directors proposed a final cash dividend of RMB0.88 per ten shares in respect of the year ended 31 December 2009. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB3,435 million is payable to those on the register of shareholders as at the relevant record date. This dividend has not been recognised as liability at the reporting date.

(c) In accordance with the resolution approved in the Annual General Meeting of the Bank on 29 June 2009, a total amount of approximately RMB3,330 million (RMB85 cents per 10 shares) was distributed in the form of cash dividend to the Bank's shareholders on 29 July 2009.

(d) The Bank distributed a cash dividend of RMB2,088 million in respect of year ended 31 December 2007 in 2008, among which an amount of RMB313 million was distributed to CIFH. Such dividend distribution was eliminated in the comparatives of the Group's consolidated statements of changes in equity and the amount of profit appropriations in the comparative period was restated accordingly.

55 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	2009	2008 (Restated)
Cash	**3,926**	3,841
Surplus deposit reserve funds	**89,147**	107,772
Deposits with banks and non-bank financial institutions due within three months when acquired	**21,589**	39,548
Placements with banks and non-bank financial institutions due within three months when acquired	**40,410**	23,827
Investment securities due within three months when acquired	**12,176**	8,962
Subtotal	**163,322**	180,109
Total	**167,248**	183,950

(Expressed in millions of Renminbi unless otherwise stated)

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	
	2009	2008 (Restated)	**2009**	2008
Contractual amount				
Loan commitments				
— with an original maturity of within one year	**15,979**	14,727	**913**	442
— with an original maturity of one year or beyond	**25,250**	9,887	**22,485**	6,828
Subtotal	**41,229**	24,614	**23,398**	7,270
Guarantees	**62,901**	47,588	**60,022**	44,886
Letters of credit	**52,585**	32,251	**49,901**	29,515
Acceptances	**305,363**	222,575	**304,893**	222,158
Credit card commitments	**40,597**	38,741	**34,886**	32,608
Total	**502,675**	365,769	**473,100**	336,437

56 Commitments and contingent liabilities (continued)

(b) Credit risk weighted amount

	The Group		The Bank	
	2009	2008 (Restated)	**2009**	2008
Credit risk weighted amount of contingent liabilities and commitments	**191,767**	142,861	**185,903**	138,149

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	
	2009	2008 (Restated)	**2009**	2008
— Contracted for	**683**	270	**652**	252
— Authorized but not contracted for	**12**	65	**11**	44

(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	
	2009	2008 (Restated)	**2009**	2008
Within one year	**934**	679	**855**	675
After one year but within two years	**799**	670	**733**	596
After two years but within three years	**677**	588	**639**	509
After three years but within five years	**1,072**	843	**991**	796
After five years	**1,103**	1,055	**1,103**	955
Total	**4,585**	3,835	**4,321**	3,531

(e) Outstanding litigations and disputes

As at 31 December 2009, the Group was the defendant in certain pending litigations with gross claims of RMB440 million (2008: RMB276 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB50 million. The Group believes that these accruals are reasonable and adequate.

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56 Commitments and contingent liabilities (continued)

(f) Securities underwriting obligations

The Group has no underwriting commitments of securities as at 31 December 2008 and 2009.

(g) Bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	The Group and the Bank	
	2009	2008 (restated)
Bonds redemption obligations	**6,402**	6,418

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 following assets have been pledged as security for bills rediscounting transactions and assets and securities sold under repurchase agreements. These transactions are conducted under terms that are usual and customary to standard lending. The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the reporting date.

	The Group		The Bank	
	2009	2008 (restated)	**2009**	2008
Cash and balances with central banks	**—**	6	**—**	—
Debt securities	**2,349**	665	**1,279**	665
Loans and advances to customers	**2,837**	300	**2,837**	300
Others	**55**	66	**—**	—
Total	**5,241**	1,037	**4,116**	965

(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 2009, the Group did not hold any collateral under resale agreements which was permitted to sell or repledge in the absence of default for the transactions (2008: nil).

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	
	2009	2008 (Restated)
Entrusted loans	**55,413**	34,787
Entrusted funds	**55,413**	34,787

(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	
	2009	2008 (Restated)	**2009**	2008
Investments under wealth management services	**81,957**	49,534	**81,895**	49,478
Funds from wealth management services	**81,957**	49,534	**81,895**	49,478

Amongst the above funds from wealth management service, RMB32,117 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 31 December 2009 (2008: RMB24,467 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 and unallocated

These represent equity investments, head office assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

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	—
Loss from hedging transaction	—	—	—	(3)	—	(3)
Other income	174	17	—	89	119	399
Operating income/(expense)	30,499	6,724	1,605	2,856	(701)	40,983
General and administrative expenses						
— depreciation and amortisation	(607)	(450)	(43)	(67)	(22)	(1,189)
— others	(10,657)	(5,259)	(558)	(1,375)	(94)	(17,943)
Provision for impairment losses	(1,235)	(661)	(10)	(492)	(221)	(2,619)
Earnings from revaluation of properties for investment	—	—	—	32	—	32
Share of gain of associates	—	—	—	151	—	151
Loss on disposal of associate	—	—	—	(151)	—	(151)
Profit/(loss) before tax	18,000	354	994	954	(1,038)	19,264
Capital expenditure	1,165	965	97	34	41	2,302

	31 December 2009					
Segment assets	1,019,172	161,642	437,851	105,835	47,541	1,772,041
Investment in associates	—	—	—	2,140	—	2,140
Deferred tax assets						2,095
Total asset						1,776,276
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

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59 Segment reporting (continued)

(a) Business segments (continued)

	2008 (Restated)					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income/ (expense)	24,989	3,389	7,850	1,217	(94)	37,351
Internal net interest income/(expense)	3,942	1,913	(5,576)	43	(322)	—
Net interest income/(expense)	28,931	5,302	2,274	1,260	(416)	37,351
Net fee and commission income/ (expense)	1,719	1,289	174	675	(137)	3,720
Net trading gain/(loss)	739	—	1,054	(475)	(630)	688
Net (loss)/gain from investment securities	—	—	(290)	46	—	(244)
Earnings from hedging transaction	—	—	—	3	—	3
Other income	164	4	—	82	195	445
Operating income	31,553	6,595	3,212	1,591	(988)	41,963
Operating expense						
— depreciation and amortisation	(402)	(422)	(35)	(71)	(27)	(957)
— others	(8,955)	(5,120)	(737)	(1,216)	(450)	(16,478)
Provision for impairment losses	(5,059)	(424)	(736)	(348)	(226)	(6,793)
Share of loss of associates	—	—	—	(22)	—	(22)
Profit/(loss) before tax	17,137	629	1,704	(66)	(1,691)	17,713
Capital expenditure	959	962	85	37	61	2,104

	31 December 2008 (Restated)					
Segment assets	683,251	106,241	391,104	129,531	5,085	1,315,212
Investment in associates	—	—	—	2,183	—	2,183
Deferred tax assets						2,175
Total assets						1,319,570
Segment liabilities	779,701	175,529	128,492	97,786	8,688	1,190,196
Deferred tax liabilities						—
Total liabilities						1,190,196
Off-balance sheet credit commitments	303,829	32,608	—	29,332	—	365,769

59 Segment reporting (continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 24 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 and Jinan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Hohhot and Nanning;

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

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

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

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(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	7,777	1,795	—	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	4,386	1,808	—	35,984
Net fee and commission income	695	392	826	366	235	72	873	761	—	4,220
Net trading gain/(loss)	196	88	310	40	20	9	(505)	225	—	383
Net (loss)/gain from investment securities	—	—	(54)	—	—	—	(14)	68	—	—
Earnings from hedging transaction	—	—	—	—	—	—	—	(3)	—	(3)
Other operating income	81	37	98	20	12	4	58	89	—	399
Operating income	10,106	5,010	8,672	4,432	3,918	1,099	4,798	2,948	—	40,983
Operating expense										
— depreciation and amortisation	(256)	(109)	(209)	(91)	(107)	(33)	(315)	(69)	—	(1,189)
— others	(4,126)	(2,315)	(3,487)	(1,697)	(1,463)	(441)	(2,968)	(1,446)	—	(17,943)
Provision for impairment losses	(538)	(194)	75	(314)	(302)	(220)	(624)	(502)	—	(2,619)
Earnings from revaluation of properties for investment	—	—	—	—	—	—	—	32	—	32
Share of gain of associates	—	—	—	—	—	—	—	151	—	151
Loss on disposal of associate	—	—	—	—	—	—	—	(151)	—	(151)
Profit before tax	5,186	2,392	5,051	2,330	2,046	405	891	963	—	19,264
Capital expenditure	876	165	331	326	205	61	309	29	—	2,302

	31 December 2009									
Segment assets	425,373	247,271	494,580	205,709	162,463	54,656	784,229	107,089	(709,329)	1,772,041
Interests in associates	—	—	—	—	—	—	—	2,140	—	2,140
Deferred tax assets										2,095
Total assets										1,776,276
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

	2008 (Restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	8,917	3,982	5,103	3,317	3,337	1,091	10,343	1,261	—	37,351
Internal net interest income/(expense)	857	1,233	4,297	319	(266)	(74)	(6,409)	43	—	—
Net interest income	9,774	5,215	9,400	3,636	3,071	1,017	3,934	1,304	—	37,351
Net fee and commission income	667	296	730	247	211	62	829	678	—	3,720
Net trading gain/(loss)	247	149	383	62	23	12	287	(475)	—	688
Net (loss)/gain from investment securities	(4)	(9)	—	(3)	(1)	—	(290)	63	—	(244)
Earnings form hedging transaction	—	—	—	—	—	—	—	3	—	3
Other operating income	76	26	111	16	8	6	107	95	—	445
Operating income	10,760	5,677	10,624	3,958	3,312	1,097	4,867	1,668	—	41,963
Operating expense										
— depreciation and amortisation	(219)	(99)	(179)	(64)	(59)	(19)	(246)	(72)	—	(957)
— others	(4,008)	(2,183)	(3,339)	(1,472)	(1,177)	(381)	(2,637)	(1,281)	—	(16,478)
Provision for impairment losses	(2,118)	(635)	(1,239)	(472)	(801)	(114)	(1,061)	(353)	—	(6,793)
Share of loss of associates	—	—	—	—	—	—	—	(22)	—	(22)
Profit before tax	4,415	2,760	5,867	1,950	1,275	583	923	(60)	—	17,713
Capital expenditure	367	207	317	150	266	68	683	46	—	2,104

	31 December 2008 (Restated)									
Segment assets	345,497	174,413	464,136	131,551	110,020	40,803	437,123	130,500	(518,831)	1,315,212
Interests in associates	—	—	—	—	—	—	—	2,183	—	2,183
Deferred tax assets										2,175
Total assets										1,319,570
Segment liabilities	311,164	154,564	413,508	119,886	99,986	37,565	473,332	99,022	(518,831)	1,190,196
Deferred tax liabilities										—
Total liabilities										1,190,196
Off-balance sheet credit commitments	102,930	36,891	81,338	49,359	20,801	12,510	32,608	29,332	—	365,769

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	
	2009	2008 (Restated)	**2009**	2008
Balances with central banks	**220,077**	203,516	**219,744**	203,243
Deposits with bank and non-bank financial institutions	**26,319**	40,227	**20,898**	31,298
Placements with banks and non-bank financial	**55,489**	28,380	**42,892**	19,900
Trading financial assets	**4,444**	8,762	**3,383**	7,755
Positive fair value of derivatives	**3,182**	6,625	**2,166**	5,357
Financial assets held under resale agreements	**185,203**	57,698	**185,271**	57,767
Interest receivable	**4,135**	4,432	**3,748**	3,943
Loans and advances to customers	**1,050,479**	716,386	**985,854**	650,942
Available-for-sale financial assets	**88,380**	103,060	**70,794**	84,900
Held-to-maturity investments	**107,466**	104,810	**107,715**	105,044
Other financial assets	**1,365**	24,057	**1,150**	1,199
Subtotal	**1,746,539**	1,297,953	**1,643,615**	1,171,348
Credit commitments	**502,675**	365,769	**473,100**	336,437
Maximum credit risk exposure	**2,249,214**	1,663,722	**2,116,715**	1,507,785

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	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

Notes to the Financial Statements

(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 investments are as follows: (continued)

The Group (continued)

		2008 (Restated)			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		9,556	167	—	1,202
Allowance for impairment		(6,708)	(143)	—	(750)
Net balance		2,848	24	—	452
— Collectively assessed					
Gross balance		730	—	—	134
Allowance for impairment		(522)	—	—	(1)
Net balance		208	—	—	133
Overdue but not impaired	(1)				
Gross balance		6,743	—	—	—
Within which					
— Less than 3 months		6,250	—	—	—
— 3 months to 1 year		487	—	—	—
— Over 1 year		6	—	—	—
Allowance for impairment		(248)	—	—	—
Net balance		6,495	—	—	—
Neither overdue nor impaired					
Gross balance		713,357	68,583	57,698	216,047
Allowance for impairment	(2)	(6,522)	—	—	—
Net balance		706,835	68,583	57,698	216,047
Net balance of total assets		716,386	68,607	57,698	216,632

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: (continued)*

The Bank

	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

Notes to the Financial Statements

(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 investments are as follows: (continued)

The Bank (continued)

		2008			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		8,326	167	—	1,138
Allowance for impairment		(6,490)	(143)	—	(738)
Net balance		1,836	24	—	400
— Collectively assessed					
Gross balance		720	—	—	—
Allowance for impairment		(520)	—	—	—
Net balance		200	—	—	—
Overdue but not impaired	(1)				
Gross balance		5,394	—	—	—
Within which					
— Less than 3 months		4,907	—	—	—
— 3 months to 1 year		481	—	—	—
— Over 1 year		6	—	—	—
Allowance for impairment		(237)	—	—	—
Net balance		5,157	—	—	—
Neither overdue nor impaired					
Gross balance		650,074	51,174	57,767	197,299
Allowance for impairment	(2)	(6,325)	—	—	—
Net balance		643,749	51,174	57,767	197,299
Net balance of total assets		650,942	51,198	57,767	197,699

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

As at 31 December 2009, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB500 million (2008: RMB3,207 million). The covered portion and uncovered portion of these loans and advances were RMB129 million (2008: RMB1,771 million) and RMB371 million (2008: RMB1,436 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB765 million (2008: RMB2,766 million).

As at 31 December 2009, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB54 million (2008: RMB2,483 million). The covered portion and uncovered portion of these loans and advances were RMB4 million (2008: RMB1,295 million) and RMB50 million (2008: RMB1,188 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB9 million (2008: RMB1,786 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.

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:*

	The Group					
	2009			2008 (Restated)		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	**210,446**	**19.8**	**75,177**	170,377	23.3	51,392
— Transportation, storage and postal services	**102,557**	**9.6**	**32,325**	65,615	9.0	19,046
— Production and supply of electric power, gas and water	**85,106**	**8.0**	**10,742**	57,778	7.9	10,208
— Wholesale and retail	**85,872**	**8.1**	**41,561**	52,213	7.1	22,937
— Real estate	**46,312**	**4.3**	**39,485**	50,923	7.0	35,749
— Water, environment and public utility management	**74,604**	**7.0**	**26,556**	36,592	5.0	7,483
— Rent and business services	**49,900**	**4.7**	**24,383**	31,567	4.3	9,888
— Construction	**34,554**	**3.2**	**10,068**	23,917	3.3	7,196
— Public management and social organizations	**49,560**	**4.7**	**31,257**	22,004	3.0	8,954
— Financing	**6,551**	**0.6**	**2,178**	6,291	0.9	3,091
— Others	**77,173**	**7.2**	**18,846**	66,702	9.2	11,824
Subtotal	**822,635**	**77.2**	**312,578**	583,979	80.0	187,768
Personal loans	**148,240**	**13.9**	**131,224**	101,786	13.9	89,015
Discounted bills	**94,774**	**8.9**	**—**	44,621	6.1	—
Gross loans and advances to customers	**1,065,649**	**100.0**	**443,802**	730,386	100.0	276,783
Less: Impairment allowances	**(15,170)**			(14,000)		
Net loans and advances to customers	**1,050,479**			716,386		

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(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					
	2009			2008		
	Gross balance	**%**	**Loans and advances secured by collaterals**	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	**204,706**	**20.5**	**72,929**	163,164	24.5	48,260
— Transportation, storage and postal services	**99,823**	**10.0**	**30,303**	62,938	9.4	16,811
— Production and supply of electric power, gas and water	**84,819**	**8.5**	**10,561**	57,057	8.6	9,654
— Wholesale and retail	**82,159**	**8.2**	**39,608**	48,855	7.4	21,119
— Real estate	**37,320**	**3.7**	**30,783**	42,001	6.3	27,290
— Water, environment and public utility management	**74,604**	**7.5**	**26,556**	36,592	5.5	7,483
— Rent and business services	**49,800**	**5.0**	**24,383**	31,396	4.7	9,740
— Construction	**34,381**	**3.4**	**9,973**	23,721	3.6	7,090
— Public management and social organizations	**49,560**	**4.9**	**31,257**	22,004	3.3	8,954
— Financing	**2,583**	**0.3**	**823**	2,328	0.4	842
— Others	**53,802**	**5.4**	**13,085**	43,156	6.5	6,009
Subtotal	**773,557**	**77.4**	**290,261**	533,212	80.2	163,252
Personal loans	**133,637**	**13.3**	**117,227**	87,763	13.2	75,860
Discounted bills	**93,280**	**9.3**	**—**	43,539	6.6	—
Gross loans and advances to customers	**1,000,474**	**100.0**	**407,488**	664,514	100.0	239,112
Less: Impairment allowances	**(14,620)**			(13,572)		
Net loans and advances to customers	**985,854**			650,942		

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

	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**

	2008 (Restated)				
	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	4,374	3,291	1,845	1,667	428

The Bank

	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**

	2008				
	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	4,300	3,256	1,768	1,589	424

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(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

	2009			2008 (Restated)		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	293,907	27.6	105,394	189,214	25.9	59,017
Yangtze River Delta	284,055	26.7	129,485	207,868	28.5	67,706
Pearl River Delta and West Strait	145,222	13.6	69,119	101,782	13.9	43,924
Central	133,009	12.5	44,189	74,566	10.2	26,848
Western	113,499	10.6	47,173	72,068	9.9	36,149
Northeastern	34,965	3.3	15,523	23,536	3.2	9,286
Outside Mainland China	60,992	5.7	32,919	61,352	8.4	33,853
Total	1,065,649	100.0	443,802	730,386	100.0	276,783

The Bank

	2009			2008		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	293,056	29.3	104,789	188,308	28.3	58,310
Yangtze River Delta	282,138	28.2	127,786	205,670	31.0	65,865
Pearl River Delta and West Strait	143,807	14.4	68,028	100,366	15.1	42,653
Central	133,009	13.3	44,189	74,566	11.2	26,849
Western	113,499	11.3	47,173	72,068	10.9	36,149
Northeastern	34,965	3.5	15,523	23,536	3.5	9,286
Total	1,000,474	100.0	407,488	664,514	100.0	239,112

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

	2009		
	Impaired loans and advances	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Bohai Rim (including Head Office)	**3,237**	**1,830**	**3,249**
Yangtze River Delta	**2,264**	**1,160**	**2,480**
Pearl River Delta and West Strait	**1,331**	**730**	**1,293**
Central	**703**	**445**	**1,102**
Western	**715**	**594**	**1,013**
	8,250	**4,759**	**9,137**

	2008 (Restated)		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed Impairment allowances
Bohai Rim (including Head Office)	3,519	2,500	2,567
Yangtze River Delta	2,254	1,406	1,942
Pearl River Delta and West Strait	1,419	1,048	945
Central	624	554	752
Western	870	677	612
	8,686	6,185	6,818

Notes to the Financial Statements

(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)

The Bank

	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**
	8,176	**4,749**	**9,137**

	2008 Impaired loans and advances	2008 Individually assessed impairment allowances	2008 Collectively assessed Impairment allowances
Bohai Rim (including Head Office)	3,519	2,500	2,567
Yangtze River Delta	2,227	1,396	1,942
Pearl River Delta and West Strait	1,372	1,048	945
Central	624	554	752
Western	870	677	612
	8,612	6,175	6,818

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

	Note	The Group 2009	The Group 2008 (Restated)	The Bank 2009	The Bank 2008
Unsecured loans		**293,974**	199,555	**283,394**	190,835
Guaranteed loans		**233,099**	209,427	**216,312**	191,028
Secured loans					
— Tangible assets other than monetary assets		**335,343**	212,359	**301,493**	177,961
— Monetary assets		**108,459**	64,424	**105,995**	61,151
Subtotal		**970,875**	685,765	**907,194**	620,975
Discounted bills		**94,774**	44,621	**93,280**	43,539
Gross loans and advances to customers		**1,065,649**	730,386	**1,000,474**	664,514
Less:	38				
— Individual impairment allowances		**(5,389)**	(6,708)	**(5,115)**	(6,490)
— Collective impairment allowances		**(9,781)**	(7,292)	**(9,505)**	(7,082)
Net loans and advances to customers		**1,050,479**	716,386	**985,854**	650,942

60 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Rescheduled loans and advances to customers

The Group

	2009		2008 (Restated)	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	**4,146**	**0.39%**	5,792	0.79%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,079**	**0.20%**	3,249	0.44%
Rescheduled loans and advances overdue less than 3 months	**2,067**	**0.19%**	2,543	0.35%

The Bank

	2009		2008	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	**3,577**	**0.36%**	5,092	0.77%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,038**	**0.20%**	2,835	0.43%
Rescheduled loans and advances overdue less than 3 months	**1,539**	**0.16%**	2,257	0.34%

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.

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 Group

	Effective interest rate (note (i))	2009 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		26,383	26,383	—	—	—	—
Total assets		1,776,276	34,321	1,156,550	487,062	79,558	18,785
Liabilities							
Deposits from banks and non-bank financial institutions	1.44%	275,049	160	272,124	2,765	—	—
Placements from banks and non-bank financial institutions	1.60%	4,553	—	3,656	156	—	741
Financial assets sold under repurchase agreements	0.99%	4,100	—	3,800	—	300	—
Deposits from customers	1.50%	1,341,927	7,300	1,034,705	261,353	35,260	3,309
Debts securities issued	4.23%	18,422	—	10,456	283	2,024	5,659
Others		23,972	23,972	—	—	—	—
Total liabilities		1,668,023	31,432	1,324,741	264,557	37,584	9,709
Asset-liability gap		108,253	2,889	(168,191)	222,505	41,974	9,076

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (continued)

(b) Market risk (continued)

The Group (continued)

	2008 (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	1.66%	207,357	4,114	203,243	—	—	—
Deposits with banks and non-bank financial institutions	1.22%	40,227	573	39,644	10	—	—
Placements with banks and non-bank financial institutions	2.41%	28,380	—	27,685	490	205	—
Financial assets held under resale agreements	3.86%	57,698	—	53,727	3,726	245	—
Loans and advances to customers (note (ii))	6.84%	716,386	241	506,689	201,383	6,377	1,696
Investments (note (iii))	3.74%	219,317	3,801	61,811	89,783	46,318	17,604
Others		50,205	50,205	—	—	—	—
Total assets		1,319,570	58,934	892,799	295,392	53,145	19,300
Liabilities							
Deposits from banks and non-bank financial institutions	2.00%	108,720	173	98,764	9,783	—	—
Placements from banks and non-bank financial institutions	3.74%	1,607	—	448	401	—	758
Financial assets sold under repurchase agreements	3.15%	957	—	657	—	300	—
Deposits from customers	2.32%	1,027,325	12,393	764,486	212,895	34,704	2,847
Debts securities issued	4.94%	20,375	—	10,005	2,887	1,825	5,658
Others		31,212	31,212	—	—	—	—
Total liabilities		1,190,196	43,778	874,360	225,966	36,829	9,263
Asset-liability gap		129,374	15,156	18,439	69,426	16,316	10,037

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

		2009					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.38%	223,529	3,785	219,744	—	—	—
Deposits with banks and non-bank financial institutions	0.67%	20,898	—	19,398	1,500	—	—
Placements with banks and non-bank financial institutions	1.25%	42,892	—	37,571	5,116	205	—
Financial assets held under resale agreements	2.02%	185,271	—	180,897	4,374	—	—
Loans and advances to customers (note (ii))	4.89%	985,854	—	574,789	389,373	20,607	1,085
Investments (note (iii))	3.07%	197,324	10,012	39,682	77,046	52,901	17,683
Others		22,626	22,626	—	—	—	—
Total assets		1,678,394	36,423	1,072,081	477,409	73,713	18,768
Liabilities							
Deposits from banks and non-bank financial institutions	1.44%	275,124	16	272,207	2,901	—	—
Placements from banks and non-bank financial institutions	1.64%	2,236	—	1,495	—	—	741
Financial assets sold under repurchase agreements	0.99%	4,100	—	3,800	—	300	—
Deposits from customers	1.56%	1,259,064	4,594	962,144	253,789	35,228	3,309
Debts securities issued	4.42%	12,000	—	6,000	—	—	6,000
Others		22,002	22,002	—	—	—	—
Total liabilities		1,574,526	26,612	1,245,646	256,690	35,528	10,050
Asset-liability gap		103,868	9,811	(173,565)	220,719	38,185	8,718

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (continued)

(b) Market risk (continued)

The Bank (continued)

	2008						
	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	1.66%	206,936	3,693	203,243	—	—	—
Deposits with banks and non-bank financial institutions	1.40%	31,298	—	31,288	10	—	—
Placements with banks and non-bank financial institutions	3.06%	19,900	—	19,601	299	—	—
Financial assets held under resale agreements	3.86%	57,767	—	53,796	3,726	245	—
Loans and advances to customers (note (ii))	7.12%	650,942	—	445,958	197,276	6,020	1,688
Investments (note (iii))	3.74%	197,909	210	54,452	85,012	41,231	17,004
Others		23,425	23,425	—	—	—	—
Total assets		1,188,177	27,328	808,338	286,323	47,496	18,692
Liabilities							
Deposits from banks and non-bank financial institutions	1.97%	108,605	—	98,822	9,783	—	—
Placements from banks and non-bank financial institutions	3.90%	963	—	—	205	—	758
Financial assets sold under repurchase agreements	3.15%	957	—	957	—	—	—
Deposits from customers	2.33%	943,342	10,637	686,232	209,339	34,287	2,847
Debts securities issued	5.26%	12,000	—	6,000	—	—	6,000
Others		26,623	26,623	—	—	—	—
Total liabilities		1,092,490	37,260	792,011	219,327	34,287	9,605
Asset-liability gap		95,687	(9,932)	16,327	66,996	13,209	9,087

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 RMB5,072 million as at 31 December 2009 (2008: RMB9,077 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 2009 and 31 December 2008.

	2009 Change in interest rates (in basis point)		2008 (Restated) Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(13)**	**13**	(705)	705

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.

Notes to the Financial Statements

(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

	2009				
	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	21,098	1,559	3,040	686	26,383
Total assets	1,592,446	110,385	62,386	11,059	1,776,276
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	75,583	35,125	1,849	(4,304)	108,253
Credit commitments	408,519	65,296	17,459	11,401	502,675
Derivatives (note(i))	19,234	(35,063)	11,230	4,729	130

60 Financial risk management (continued)

(b) Market risk (continued)

The Group (continued)

	2008 (Restated)				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central banks	203,571	3,213	355	218	207,357
Deposits with banks and non-bank financial institutions	6,651	24,734	7,147	1,695	40,227
Placements with banks and non-bank financial institutions	15,795	12,018	123	444	28,380
Financial assets held under resale agreements	57,698	—	—	—	57,698
Loans and advances to customers	635,464	33,531	45,143	2,248	716,386
Investments	165,117	38,396	11,242	4,562	219,317
Others	21,369	2,306	25,907	623	50,205
Total assets	1,105,665	114,198	89,917	9,790	1,319,570
Liabilities					
Deposits from banks and non-bank financial institutions	86,343	20,900	643	834	108,720
Placements from banks and non-bank financial institutions	30	368	452	757	1,607
Financial assets sold under repurchase agreements	300	174	—	483	957
Deposits from customers	907,735	62,909	47,083	9,598	1,027,325
Debts securities issued	12,000	5,297	3,078	—	20,375
Others	21,381	4,060	3,732	2,039	31,212
Total liabilities	1,027,789	93,708	54,988	13,711	1,190,196
Net on-balance sheet position	77,876	20,490	34,929	(3,921)	129,374
Credit commitments	290,515	47,282	18,156	9,816	365,769
Derivatives (note(i))	15,327	(15,311)	(2,669)	2,979	326

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (continued)

(b) Market risk (continued)

The Bank

	2009				
	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	21,073	952	6	595	22,626
Total assets	1,589,936	80,123	1,758	6,577	1,678,394
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	3458	8,106	1,574,526
Net on-balance sheet position	75,270	31,827	(1,700)	(1,529)	103,868
Credit commitments	408,436	53,372	202	11,090	473,100
Derivatives (note(i))	19,192	(22,687)	1,635	1,872	12

60 Financial risk management (continued)

(b) Market risk (continued)

The Bank (continued)

	2008				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central banks	203,456	3,043	224	213	206,936
Deposits with banks and non-bank financial institutions	6,453	22,917	389	1,539	31,298
Placements with banks and non-bank financial institutions	15,731	4,093	76	—	19,900
Financial assets held under resale agreements	57,699	68	—	—	57,767
Loans and advances to customers	634,489	15,471	127	855	650,942
Investments	164,888	29,379	—	3,642	197,909
Others	21,331	1,550	13	531	23,425
Total assets	1,104,047	76,521	829	6,780	1,188,177
Liabilities					
Deposits from banks and non-bank financial institutions	86,343	20,910	518	834	108,605
Placements from banks and non-bank financial institutions	—	205	—	758	963
Financial assets sold under repurchase agreements	300	174	—	483	957
Deposits from customers	906,916	30,230	1,983	4,213	943,342
Debts securities issued	12,000	—	—	—	12,000
Others	21,337	3,291	35	1,960	26,623
Total liabilities	1,026,896	54,810	2,536	8,248	1,092,490
Net on-balance sheet position	77,151	21,711	(1,707)	(1,468)	95,687
Credit commitments	290,381	36,457	120	9,479	336,437
Derivatives (note(i))	15,399	(17,098)	1,434	459	194

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 2009 and 31 December 2008, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	2009 Change in foreign currency exchange rate (in basis point)		2008 (Restated) Change in foreign currency exchange rate (in basis point)	
	(100)	100	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	(20)	20	(6)	6

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.

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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

				2009			
	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	18,329	26,383
Total assets	122,673	472,764	498,600	326,794	200,306	155,139	1,776,276
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	153,824	108,253

60 Financial risk management (continued)

(c) Liquidity risk (continued)

The Group (continued)

	2008 (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	111,791	—	—	—	—	95,566	207,357
Deposits with banks and non-bank financial institutions	38,116	2,101	10	—	—	—	40,227
Placements with banks and non-bank financial institutions	—	24,355	931	1,406	1,664	24	28,380
Financial assets held under resale agreements	—	53,727	3,726	245	—	—	57,698
Loans and advances to customers (note(ii))	4,257	145,502	316,827	135,357	109,146	5,297	716,386
Investment securities	542	45,324	76,407	60,737	33,221	3,086	219,317
Others	2,349	2,424	2,560	3,273	1,113	38,486	50,205
Total assets	157,055	273,433	400,461	201,018	145,144	142,459	1,319,570
Liabilities							
Deposits from banks and non-bank financial institutions	173	95,264	12,783	500	—	—	108,720
Placements from banks and non-bank financial institutions	—	419	430	—	758	—	1,607
Financial assets sold under repurchase agreements	—	657	—	300	—	—	957
Deposits from customers	448,025	319,683	218,942	36,808	3,867	—	1,027,325
Debts securities issued	—	18	4,958	9,741	5,658	—	20,375
Others	3,357	20,732	2,780	2,771	760	812	31,212
Total liabilities	451,555	436,773	239,893	50,120	11,043	812	1,190,196
(Short)/Long position	(294,500)	(163,340)	160,568	150,898	134,101	141,647	129,374

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(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (continued)

(c) Liquidity risk (continued)

The Bank

	2009						
	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	15,616	22,626
Total assets	103,837	453,672	480,436	289,186	181,362	169,901	1,678,394
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	55,092	103,868

60 Financial risk management (continued)

(c) Liquidity risk (continued)

The Bank (continued)

	2008						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	111,370	—	—	—	—	95,566	206,936
Deposits with banks and non-bank financial institutions	29,187	2,101	10	—	—	—	31,298
Placements with banks and non-bank financial institutions	—	19,577	299	—	—	24	19,900
Financial assets held under resale agreements	—	53,796	3,726	245	—	—	57,767
Loans and advances to customers (note(ii))	3,378	135,005	305,966	109,706	93,072	3,815	650,942
Investment securities	542	39,282	71,704	54,421	31,350	610	197,909
Others	1,034	2,427	2,560	3,273	1,113	13,018	23,425
Total assets	145,511	252,188	384,265	167,645	125,535	113,033	1,188,177
Liabilities							
Deposits from banks and non-bank financial institutions	—	23,183	12,783	500	—	72,139	108,605
Placements from banks and non-bank financial institutions	—	—	205	—	758	—	963
Financial assets sold under repurchase agreements	—	657	—	300	—	—	957
Deposits from customers	429,422	263,757	210,099	36,197	3,867	—	943,342
Debts securities issued	—	—	—	6,000	6,000	—	12,000
Others	2,125	17,164	2,860	3,125	645	704	26,623
Total liabilities	431,547	304,761	225,947	46,122	11,270	72,843	1,092,490
(Short)/Long position	(286,036)	(52,573)	158,318	121,523	114,265	40,190	95,687

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.

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 Bank is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Bank's sound operations and risk management capability. The Bank's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Bank's operating situations.

The Bank considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

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

The capital adequacy ratios of the Bank as at 31 December 2009 and 2008 calculated based on the financial statements under relevant accounting rules and regulations in the PRC were as follows:

	2009	2008 (Restated)
Capital adequacy ratio (note(i))	**10.14%**	14.32%
Core capital adequacy ratio (note(ii))	**9.17%**	12.32%
Components of capital base		
Core capital:		
— Share capital	**39,033**	39,033
— Capital reserve	**33,683**	36,844
— Surplus reserve and general reserve	**16,061**	9,877
— Retained earnings (note(iii))	**10,411**	6,288
Total core capital	**99,188**	92,042
Supplementary capital:		
— General provision for doubtful debts	**8,582**	6,527
— Subordinated debts/bonds issued	**7,200**	8,400
Total supplementary capital	**15,782**	14,927
Total capital base before deductions	**114,970**	106,969
Deductions:		
— Unconsolidated equity investments	**9,902**	99
— Others	**942**	—
Total capital base after deductions	**104,126**	106,870
Core capital base after deductions	**94,237**	91,993
Risk weighted assets	**1,027,122**	746,547

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

(ii) According to relevant regulation, 50 percent of unconsolidated equity investments should be deducted when calculating core capital base.

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

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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	
	2009	2008 (Restated)	2009	2008 (Restated)
Certificate of deposit (not for trading purpose)	3,252	3,196	3,260	3,200
Debt securities issued	63	2,058	63	2,010
Subordinated debts/bonds issued	9,107	9,121	9,068	9,193

	The Bank			
	Carrying values		Fair values	
	2009	2008	2009	2008
Subordinated debts/bonds issued	6,000	6,000	5,879	6,023

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 2009				
Assets				
Trading financial assets	34	3,764	3	3,801
Financial assets designated at fair value through profit and loss	474	—	174	648
Positive fair value of derivatives	34	2,672	476	3,182
Available-for-sale financial assets	15,221	78,022	988	94,231
Total	15,763	84,458	1,641	101,862
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(1,608)	(1,147)	(2,755)
Negative fair value of derivatives	(1)	(2,787)	(840)	(3,628)
Total	(1)	(4,395)	(1,987)	(6,383)

	The Bank			
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)~(iii))	Total
As at 31 December 2009				
Assets				
Trading financial assets	32	3,214	—	3,246
Financial assets designated at fair value through profit and loss	—	—	137	137
Positive fair value of derivatives	—	1,691	475	2,166
Available-for-sale financial assets	11,019	65,154	55	76,228
Total	11,051	70,059	667	81,777
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(1,608)	(1,147)	(2,755)
Negative fair value of derivatives	—	(1,813)	(839)	(2,652)
Total	—	(3,421)	(1,986)	(5,407)

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(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 2009	5	142	770	1,030	1,947	(454)	(804)	(1,258)
Total gain or losses:								
— In profit or loss	(2)	1	(239)	(55)	(295)	(8)	(59)	(67)
— In other comprehensive income	—	—	—	13	13	—	—	—
Purchases	—	36	(1)	22	57	—	4	4
Issues	—	—	—	—	—	(1,145)		(1,145)
Settlements	—	(5)	(54)	(22)	(81)	460	19	479
At 31 December 2009	3	174	476	988	1,641	(1,147)	(840)	(1,987)
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	(264)	(55)	(318)	9	(58)	(49)

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 2009	—	136	770	110	1,016	(454)	(804)	(1,258)
Total gain or losses:								
— In profit or loss	—	1	(240)	(46)	(285)	(8)	(58)	(66)
— In other comprehensive income	—	—	—	—	—	—	—	—
Purchases	—	—	(1)	—	(1)	—	4	4
Issues	—	—	—	—	—	(1,145)	—	(1,145)
Settlements	—	—	(54)	(9)	(63)	460	19	479
At 31 December 2009	—	137	475	55	667	(1,147)	(839)	(1,986)
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	(263)	(46)	(308)	9	(58)	(49)

(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 10.07% of the Bank's share as of 31 December 2009 (2008: 5.10%) 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) Acquisition of CIFH

On 23 October 2009, the Bank paid a cash consideration amounting to USD1.905 billion to GIL and obtained 70.32% shares of CIFH, the details of the acquisition is disclosed in Note 6.

(c) 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:

	2009				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Profit and loss					
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)**	**—**	**—**

	2008 (Restated)				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Interest income	43	370	—	4	43
Fee and commission income	—	449	—	34	—
Interest expense	(170)	(1,247)	(30)	(41)	—
Net trading gain/(loss)	65	(15)	(131)	—	—
Other service fees	(1)	(117)	—	(1)	(45)

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63 Related parties (continued)

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

63 Related parties (continued)

(c) Related party transactions (continued)

	2008 (Restated)				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Assets					
Gross loans and advances to customers	380	6,424	—	176	—
Less: individually assessed allowances for impairement loss	—	—	—	—	—
Loans and advances to customers(net)	380	6,424	—	176	—
Gross amount of deposits and placements with banks and non-bank financial institutions	—	166	—	—	812
Less: Allowances for impairment losses	—	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	—	158	—	—	812
Investments	374	456	42	—	429
Financial assets held under resale agreements	—	—	—	—	68
Other assets	5	15,447	6,544	1	4
Liabilities					
Deposits from customers	17,142	8,035	—	2,344	7
Deposits and placements from banks and non-bank financial institutions	—	14,859	—	—	1
Other liabilities	21	1,188	638	1	—
Equity					
Investment revaluation reserve	—	—	1	—	—
Off-balance sheet items					
Guarantees and letters of credit	240	548	—	—	54
Acceptances	—	872	—	—	—
Guarantees for loans to third parties	—	3,001	—	—	798
Nominal amount of derivatives	1,428	6,883	6,107	—	—

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 2009, on behalf of its customers, CITIC Trust purchased from the Bank loans and advances to customers of RMB2,000 million.

Notes to the Financial Statements

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (continued)

(d) 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 2009 to directors, supervisors and executive officers amounted to RMB20 million (as at 31 December 2008: RMB23 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:

	2009 RMB'000	2008 RMB'000 (Restated)
Salaries and other emoluments	5,004	4,860
Discretionary bonuses	21,914	24,260
Contributions to defined contribution retirement schemes	1,383	1,402
	28,301	30,522

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

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China.

The Group has also established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 44(iii)).

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

(f) 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)

(f) 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 2009

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 2009 and which have not been adopted in the these financial statements.

- Revised IFRS 3, *Business combinations;*
- Revised IAS 24, *Related party disclosures;*
- Amendments to IAS 27, *Consolidated and separate financial statements;*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items;*
- IFRIC 17, *Distribution of non-cash assets to owners;*
- Improvements to IFRSs 2009
- IFRS 9, *Financial instruments.*

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

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

Certain comparative figures in the Bank's financial statements have been adjusted to conform with changes as disclosures in the current year.

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.

Unaudited Supplementary Financial Information

For the year ended 31 December 2009
(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.

(a) Reconciliation between the financial statements prepared under International Financial Reporting Standards ("IFRS") and relevant accounting rules and regulations in the PRC ("PRC GAAP")

Net Profit	Note	**2009**	2008 (Restated)
Net profit attributable to shareholders of the Bank under PRC GAAP		**14,320**	13,262
Adjustments for depreciation, amortisation and disposal arising from revaluation of fixed assets and other assets	(i)	**(1)**	34
Net profit attributable to shareholders of the Bank under IFRS		**14,319**	13,296

Equity	Note	**31 December 2009**	31 December 2008 (Restated)
Equity attributable to shareholders of the Bank under PRC GAAP		**102,798**	119,051
Adjustments for differences arising from revaluation of fixed assets and other assets revaluation	(i)	**1,245**	315
Equity attributable to shareholders of the Bank shown in the financial statements under IFRS		**104,043**	119,366

Note: (i) Adjustments for differences arising from revaluation of fixed assets and other assets

Pursuant to the relevant PRC rules and regulations with respect to the restructuring of China CITIC Bank, the fixed assets and other assets (including equity investments, repossessed assets and intangible assets) of the Bank as at 31 December 2005 were revalued by China Enterprise Appraisal Company Limited on a depreciated replacement cost or a comparable market basis as appropriate. The revalued amount was adopted for these assets as deemed cost from the date of revaluation and thereafter, with the revaluation surplus being recognised in the capital reserve. The depreciation and amortization of these assets is calculated to write off the deemed cost over the estimated useful life.

In the financial statements prepared under IFRS, such assets are carried at cost less impairment losses and the revaluation surplus was not recorded accordingly, except for the bank premises of the Bank, which is stated in the balance sheet at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Increases in the carrying amount arising on the revaluation of each property are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the statement of comprehensive income. These revaluations are performed on a regular basis.

As the depreciation of equipment and amortization of other assets in the financial statements prepared under PRC GAAP are calculated on deemed costs after revaluation, it is different from those under IFRS, which are calculated on historical cost.

(b) Liquidity ratios

	31 December 2009	31 December 2008 (Restated)
RMB current assets to RMB current liabilities	**48.12%**	51.37%
Foreign currency current assets to foreign currency current liabilities	**104.47%**	83.24%

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.

(c) Currency concentrations

	31 December 2009			
	US Dollars	HK Dollars	Others	Total
Spot assets	119,856	62,445	11,562	193,863
Spot liabilities	(84,731)	(60,596)	(15,866)	(161,193)
Forward purchases	115,771	25,532	22,592	163,895
Forward sales	(150,902)	(14,261)	(17,864)	(183,027)
Net long/(short) position	(6)	13,120	424	13,538

	31 December 2008 (Restated)			
	US Dollars	HK Dollars	Others	Total
Spot assets	114,198	89,917	9,790	213,905
Spot liabilities	(93,708)	(54,988)	(13,711)	(162,407)
Forward purchases	66,789	9,828	24,614	101,231
Forward sales	(82,030)	(12,566)	(21,636)	(116,232)
Net long/(short) position	5,249	32,191	(943)	36,497

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

For the purpose of these unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("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 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
	50,885	7,744	13,486	72,115

Unaudited Supplementary Financial Information

For the year ended 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

(d) Cross-border claims (continued)

	31 December 2008 (Restated)			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	11,183	2	7,076	18,261
— of which attributed to Hong Kong	4,108	—	4,283	8,391
Europe	19,456	616	2,559	22,631
North and South America	24,454	22,118	1,995	48,567
Total	55,093	22,736	11,630	89,459

(e) Overdue loans and advances to customers by geographical segments

	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**

	31 December 2008 (Restated)		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	207,868	1,162	2,254
Bohai Rim (include Head Office)	189,214	3,248	3,519
Pearl River Delta and West Strait	101,782	1,705	1,419
Central	74,566	634	624
Western	72,068	558	870
Northeastern	23,536	327	434
Outside Mainland China	61,352	838	1,166
Total	730,386	8,472	10,286

(e) Overdue loans and advances to customers by geographical segments (continued)

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually; or

— collectively: that is portfolios of homogeneous loans and advances.

(f) 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 2009	31 December 2008 (Restated)
Gross amounts due from banks and other financial institutions which have been overdue	32	167
As a percentage of total gross amounts due from banks and other financial institutions	0.04%	0.24%

Note: All overdue amounts have been overdue over 12 months.

(ii) Gross amounts of overdue loans and advances to customers

	31 December 2009	31 December 2008 (Restated)
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	598	1,450
— between 6 and 12 months	1,783	833
— over 12 months	5,580	6,189
Total	7,961	8,472
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	0.06%	0.20%
— between 6 and 12 months	0.17%	0.11%
— over 12 months	0.52%	0.85%
Total	0.75%	1.16%

Unaudited Supplementary Financial Information

For the year ended 31 December 2009
(Expressed in millions of Renminbi unless otherwise stated)

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

(ii) Gross amounts of overdue loans and advances to customers (continued)

The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 31 December 2009, the loans and advances to customers of RMB6,730 million (2008: 7,498 million) and RMB1,231 million (2008: 974 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB1,091 million (2008: 1,430 million) and RMB5,639 million (2008: 6,276 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,929 million (2008: 1,430 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 RMB4,577 million (2008: 5,422 million).

(g) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2009, 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 2009 Annual Report bearing the signature of the President of the Bank.

2. Financial statements bearing the signature and stamp of the legal representative, president, financial responsible person and responsible person of the financial institution.

3. Original of the audit report bearing the stamp of the accounting firm, and signature and stamp of the CPA.

4. Original of all documents of the Company that have been disclosed on the newspapers designated by China Securities Regulatory Commission during the reporting period and the original of the announcements.

5. China CITIC Bank Corporation Limited Articles of Association.

Reference for Shareholders

Information on the Shares

Listing

On 27 April 2007, the Bank simultaneously listed at Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Common share

The number of outstanding shares including tradable and non-tradable shares: 39,033,344,054, including 26,631,541,573 A shares and 12,401,802,481 H shares.

Dividends

The Board of Directors suggested that a final cash dividend of RMB0.88 (pre-tax) be declared and distributed for every 10 shares, subject to the approval by the shareholders at 2009 annual shareholders' general meeting.

Stock code and stock name:

A share

Shanghai Stock Exchange	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH

H share

The Stock Exchange of Hong Kong Limited	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Inquiry of shareholders

If shareholders want to inquire about anything concerning the shareholdings, such as share transfer, "street name" share, address redirecting and lost shares, please write a letter to the following address:

A-share

China Securities Depository and Clearing Corporation Limited Shanghai Branch
36/F, China Insurance Mansion, No. 166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: 86-21-68870142

H-share

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: 852-28658555
Fax: 852-28650990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Moody's Investors Service: Long-term deposits rating is Baa2, short-term deposits rating is P-2, real strength rating of financial affairs is D, rating prospect: negative

Fitch ratings: Individual rating is C/D, support rating is 2

Constituent Stock of Index

A-share Index of Shanghai Stock Exchange
SSE 180 Index
SSE 50 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Index Shanghai-Shenzhen 300 Index
CSI 100 Index
CSI 800 Index

Investor Inquiry

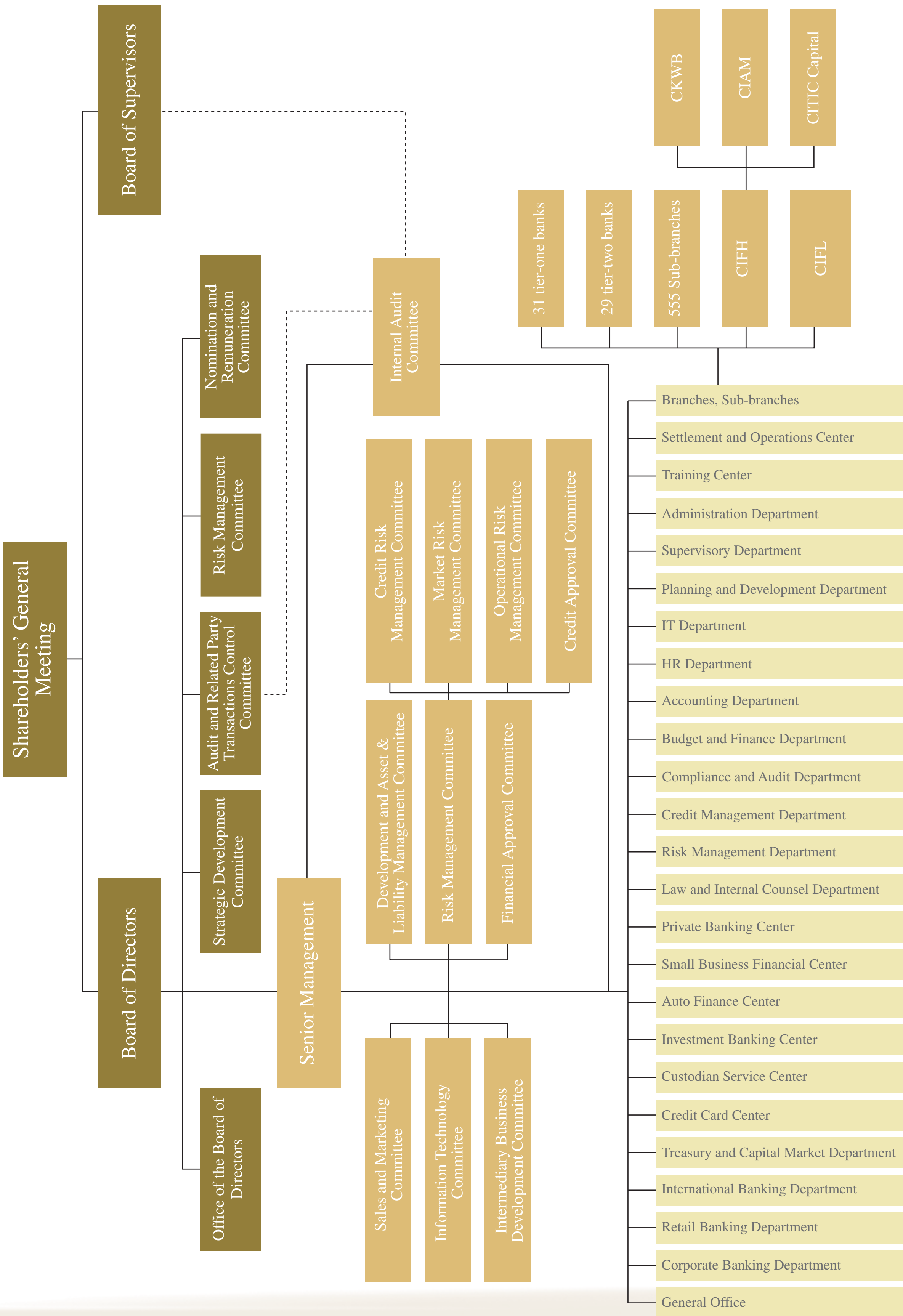
If H-share investors have any question, please contact:
Investor Relations team of China CITIC Bank Corporation Limited
Address: 15F, Tower C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: 86-10-65558000
Fax: 86-10-65550809
E-mail: ir_cncb@citicbank.com

Other information

This Annual Report is available in both Chinese and English. To get a copy of the Annual Report prepared in accordance with the international accounting standards, please write to the Bank's H-share Registrar, Computershare Hong Kong Investor Services Limited. For copies of the Annual Report prepared in accordance with the PRC accounting standards, please find at places of business of the Bank. This Annual Report is also available (in both English and Chinese) on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

If you have any queries about how to obtain copies of this Annual Report or how to access those documents on the Bank's website, please call the Bank's hotline at 86-10-65558000 and 852-28628555.

Corporate Structure



List of Domestic and Overseas Affiliates

As of the end of the reporting period, there were 616 branch outlets in a total of 67 large and medium-sized cities in China consisting of 31 tier-one branches, 29 tier-two branches, 555 sub-branches and two overseas subsidiaries.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
1	Beijing	1	Headquarters	Address:	Tower C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing	Tel: 010-65558888 Fax: 010-65550801 Hotline: 95558
				Postal Code:	100027	
				Website:	http://www.ecitic.com	
				SWIFT BIC:	CIBKCNBJ	
		40	Business department of Headquarters	Address:	Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing	Tel: 010-66211769 Fax: 010-66211770
				Postal Code:	100140	
2	Tianjin	24	Tianjin Branch	Address:	No. 14, Nanjing Road, Hexi District, Tianjin	Tel: 022-23028880
				Postal Code:	300042	Fax: 022-23028800
3	Hebei Province	19				
	Shijiazhuang	16	Shijiazhuang Branch	Address:	No. 209, Xinhua East Road, Shijiazhuang, Hebei Province	Tel: 0311-87884438 Fax: 0311-87884436
				Postal Code:	050000	
	Tangshan	3	Tangshan Branch	Address:	No. 46, Xinhua West Road, Tangshan, Hebei Province	Tel: 0315-3738508 Fax: 0315-3738522
				Postal Code:	063000	
4	Liaoning Province	52				
	Shenyang	16	Shenyang Branch	Address:	No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province	Tel: 024-31510456 Fax: 024-31510234
				Postal Code:	110014	
	Dalian	18	Dalian Branch	Address:	No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province	Tel: 0411-82821868 Fax: 0411-82804126
				Postal Code:	116001	
	Anshan	7	Anshan Branch	Address:	No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province	Tel: 0412-2211988 Fax: 0412-2230815
				Postal Code:	114001	
	Fushun	5	Fushun Branch	Address:	No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province	Tel: 0413-3886701 Fax: 0413-3886711
				Postal Code:	113001	
	Huludao	6	Huludao Branch	Address:	No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province	Tel: 0429-2808185 Fax: 0429-2800885
				Postal Code:	125001	
5	Shanghai	32	Shanghai Branch	Address:	No. 61 East Nanjing Road, Shanghai	Tel: 021-23029000
				Postal Code:	200002	Fax: 021-23029001
6	Jiangsu Province	74				
	Nanjing	19	Nanjing Branch	Address:	No. 348, Zhongshan Road, Nanjing, Jiangsu Province	Tel: 025-83799181 Fax: 025-83799000
				Postal Code:	210008	
	Wuxi	15	Wuxi Branch	Address:	No. 112 Renmin Road, Wuxi, Jiangsu Province	Tel: 0510-82707177
				Postal Code:	214031	Fax: 0510-82709166
	Changzhou	8	Changzhou Branch	Address:	Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province	Tel: 0519-88108833 Fax: 0519-88107020
				Postal Code:	213003	
	Yangzhou	8	Yangzhou Branch	Address:	No. 171, Weiyang Road, Yangzhou, Jiangsu Province	Tel: 0514-87890717 Fax: 0514-87890531
				Postal Code:	225300	
	Taizhou	5	Taizhou Branch	Address:	No. 15, Gulou Road, Taizhou	Tel: 0523-86399111
				Postal Code:	225300	Fax: 0523-86399120
	Suzhou	18	Suzhou Branch	Address:	No. 258, Zhuhui Road, Suzhou, Jiangsu Province	Tel: 0512-65190307
				Postal Code:	215006	Fax: 0512-65198570
	Nantong	1	Nantong Branch	Address:	Nantong Tower, No. 20, Central Renmin Rd, Nantong, Jiangsu Province	Tel: 0513-81120909 Fax: 0513-81120900
				Postal Code:	226001	
7	Zhejiang Province	61				
	Hangzhou	21	Hangzhou Branch	Address:	No. 88, Yanan Road, Hangzhou, Zhejiang Province	Tel: 0571-87032888
				Postal Code:	310002	Fax: 0571-87089180
	Wenzhou	9	Wenzhou Branch	Address:	Bulding 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou	Tel: 0577-88858466 Fax: 0577-88858575
				Postal Code:	325000	
	Jiaxing	7	Jiaxing Branch	Address:	No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province	Tel: 0573-82097693 Fax: 0573-82093454
				Postal Code:	314000	

List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
	Shaoxing	8	Shaoxing Branch	Address: Postal Code:	No. 289, West Renmin Road, Shaoxing, Zhejiang Province 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Ningbo	15	Ningbo Branch	Address: Postal Code:	CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo 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
8	Anhui Province	13				
	Hefei	12	Hefei Branch	Address: Postal Code:	No. 78, Huizhou Avenue, Hefei, Anhui Province 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	1	Wuhu Branch	Address: Postal Code:	X1-X4, West Jing Street, No. 8 Jinghu Road, Wuhu 241000	Tel: 0553-3888685 Fax: 0553-3888685
9	Fujian Province	33				
	Fuzhou	14	Fuzhou Branch	Address: Postal Code:	No. 99, Hudong Road, Fuzhou 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	10	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	7	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 351100	Tel: 0594-2853280 Fax: 0594-2853260
10	Shandong Province	52				
	Jinan	12	Jinan Branch	Address: Postal Code:	CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	15	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
11	Henan Province	20				
	Zhengzhou	17	Zhengzhou Branch	Address: Postal Code:	No. 26, North Jingsan Road, Zhengzhou, Henan Province 450008	Tel: 0371-65792800 Fax: 0371-65792900
	Luoyang	2	Luoyang Branch	Address: Postal Code:	No. 2, Nanchang Road, Jianxi District, Luoyang 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
12	Hubei Province	19				
	Wuhan	18	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	17	Changsha Branch	Address: Postal Code:	No. 456, Wuyi Street, Changsha, Hunan Province 410011	Tel: 0731-84582177 Fax: 0731-84582179
14	Guangdong Province	70				
	Guangzhou	23	Guangzhou Branch	Address: Postal Code:	No. 233, North Tianhe Road, Guangzhou, Guangdong Province 510613	Tel: 020-87521188 Fax: 020-87520668

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address		Tel and Fax
	Foshan	4	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	16	Dongguan Branch	Address: Postal Code:	Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province 523070	Tel: 0769-22667888 Fax: 0769-22667999
15	Chongqing	17	Chongqing Branch	Address: Postal Code:	Building B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province Chengdu	21	Chengdu Branch	Address: Postal Code:	Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Chengdu, Sichuan Province 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province Kunming	13	Kunming Branch	Address: Postal Code:	Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province 650021	Tel: 0871-3648666 Fax: 0871-3648667
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	1	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	16	Xi'an Branch	Address: Postal Code:	CITIC Tower, No. 89, North Changan Road, Xi'an, Shaanxi Province 710061	Tel: 029-87820018 Fax: 029-87817025
21	Shanxi Province Taiyuan	5	Taiyuan Branch	Address: Postal Code:	Building A, King Office Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province 030002	Tel: 0351-3377040 Fax: 0351-3377000
22	Jiangxi Province Nanchang	4	Nanchang Branch	Address: Postal Code:	Tower A, No. 16, Hengmao Guoji Huachen, No. 333, South Guangchang Road, Nanchang 330003	Tel: 0791-6660109 Fax: 0791-6660107
23	Inner Mongolia Autonomous Region	5				
	Hohhot	4	Hohhot Branch	Address: Postal Code:	No. 68, Xinhua Street, 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 Devolopment Zone, Baotou, Inner Mongolia Autonomous Region 014030	Tel: 0472-5338909 Fax: 0472-5338929
24	Guangxi Zhuang Autonomous Region Nanning	4	Nanning Branch	Address: Postal Code:	No. 36-1, Shuangyong Road, Nanning 530021	Tel: 0771-5569881 Fax: 0771-5569889
25	Heilongjiang Province Harbin	1	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	1	Changchun Branch	Address: Postal Code:	No. 1177, Changchun Avenue, Changchun, Jilin Province 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Hong Kong Special Administrative Region					
		1	China Investment and Finance Limited	Address:	Room 2106, 21st Floor, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: 852-25212353 Fax: 852-28017399
		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/China CITIC Bank/CITIC Bank	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
CBRC	China Banking Regulatory Commission
Central Bank	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
CITIC Capital	CITIC Capital Holdings Limited
CITIC Fund	CITIC Fund Management Co., Ltd
CITIC Group	CITIC Group
CITIC Holdings	CITIC Holdings Company Limited
CITIC Industry Investment Fund Management	CITIC Industry Investment Fund Management Co., Ltd
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
CITIC Real Estate	CITIC Real Estate Corporation Limited
CITIC Resources	CITIC Resources Holdings Limited
CITIC Securities	CITIC Securities Co., Ltd
CITIC Splendid Capital	CITIC Splendid Capital Management Co., Ltd
CITIC Trust	CITIC Trust Co., Ltd
CITIC Wantong Securities	CITIC Wangtong Securities Co., Ltd
CKWB	CITIC Ka Wah Bank Limited
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
SAFE	State Administration of Foreign Exchange
SASAC	State-owned Assets Supervision Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SINOSURE	China Export & Credit Insurance Corporation
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China

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Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie,
Dongcheng District, Beijing, China
Postal Code: 100027

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