ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2009 Interim Report

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Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false presentations, misleading statements or material omissions; and agree to assume individual and joint and several liabilities for the authenticity, accuracy and completeness of the information contained in this report.

The 2009 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 20 August 2009. All directors were present at the meeting.

The 2009 interim financial statements prepared by the Bank in accordance with CASs and IFRSs have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

The Board of Directors of Industrial and Commercial Bank of China Limited

20 August 2009

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yang Kaisheng, President in charge of finance of the Bank, and Mr. Shen Rujun, General Manager of the Finance and Accounting Department of the Bank, hereby warrant and guarantee that the financial statements contained in the Interim Report are authentic and complete.

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司
（“中國工商銀行”）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal representative

Jiang Jianqing

Registered address and office address

No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code:100140
Website: www.icbc.com.cn
www.icbc-ltd.com

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Gu Shu

Board Secretary and Company Secretary

Gu Shu
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66106139
E-mail: ir@icbc.com.cn

Qualified accountant

Yeung Manhin

Selected newspapers for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by China Securities Regulatory Commission for publication of the interim report in respect of A shares

www.sse.com.cn

The “HKExnews” website of The Stock Exchange of Hong Kong Limited for publication of the interim report in respect of H shares

www.hkexnews.hk

Legal advisors

Mainland China

King & Wood PRC Lawyers
40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC

Hong Kong, China

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars

A Share

China Securities Depository and
Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building,
No. 166 Lujiazui Dong Road,
Pudong New Area, Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
1806-1807, 18/F, Hopewell Center,
183 Queen's Road East, Wanchai, Hong Kong

Place where copies of this Interim Report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Other relevant information of the Bank

Date of change of registration: 4 November 2008
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number:
Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

Ernst & Young Hua Ming
Level 16, Ernst & Young Tower (Tower E3),
Oriental Plaza, No. 1 East Chang An Avenue,
Dongcheng District, Beijing, PRC

International auditors

Ernst & Young
18/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

This report is prepared in both Chinese and English languages; in case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Financial Highlights

(Financial data and indicators in this Interim Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Operating results (in RMB millions)			
Net interest income	116,038	131,785	263,037
Net fee and commission income	27,744	24,480	44,002
Operating income	148,082	154,956	310,195
Operating expenses	53,048	53,193	111,335
Impairment losses	10,212	18,315	55,462
Operating profit	84,822	83,448	143,398
Profit before tax	85,788	84,411	145,376
Profit after tax	66,724	64,879	111,226
Net profit attributable to equity holders of the parent company	66,424	64,531	110,841
Net cash flow generated from operating activities	(67,265)	196,132	370,913
Per share data (in RMB)			
Basic earnings per share	0.20	0.19	0.33
Diluted earnings per share	0.20	0.19	0.33
Net cash flow per share from operating activities	(0.20)	0.59	1.11
	30 June 2009	**31 December 2008**	**31 December 2007**
Balance sheet items (in RMB millions)			
Total assets	11,434,607	9,757,146	8,683,712
Total loans and advances to customers	5,436,469	4,571,994	4,073,229
Allowance for impairment losses on loans	136,353	135,983	115,687
Net investment in securities	3,116,441	3,048,310	3,107,328
Total liabilities	10,814,166	9,150,516	8,140,036
Due to customers	9,533,117	8,223,446	6,898,413
Due to banks and other financial institutions	1,011,258	646,254	805,174
Equity attributable to equity holders of the parent company	615,937	602,675	538,371
Net assets per share[1] (in RMB)	1.84	1.80	1.61
Net capital base	664,328	620,033	576,741
Net core capital base	547,963	510,549	484,085
Supplementary capital	126,691	121,998	94,648
Risk-weighted assets[2]	5,494,937	4,748,893	4,405,345

Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(2) Being risk-weighted assets and market risk capital adjustment. Please refer to "Discussion and Analysis — Capital Management".

Financial Indicators

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Profitability (%)			
Return on average total assets(1)	1.26*	1.44*	1.21
Return on weighted average equity(2)	20.86*	22.80*	19.43
Net interest spread(3)	2.13*	2.88*	2.80
Net interest margin(4)	2.25*	3.01*	2.95
Return on risk-weighted assets(5)	2.61*	2.89*	2.43
Ratio of net fee and commission income to operating income	18.74	15.80	14.19
Cost-to-income ratio(6)	29.85	28.46	29.84
	30 June 2009	**31 December 2008**	**31 December 2007**
Asset quality (%)			
Non-performing loans ratio(7)	1.81	2.29	2.74
Allowance to non-performing loans(8)	138.20	130.15	103.50
Allowance to total loans ratio(9)	2.51	2.97	2.84
Capital adequacy (%)			
Core capital adequacy ratio(10)	9.97	10.75	10.99
Capital adequacy ratio(10)	12.09	13.06	13.09
Total equity to total assets ratio	5.43	6.22	6.26
Risk-weighted assets to total assets ratio	48.06	48.67	50.73

Notes: * indicates annualized ratios.

(1) Calculated by dividing profit after tax by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated by dividing profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2007) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-earning assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of interest-earning assets.

(5) Calculated by dividing profit after tax by the average of risk-weighted assets and adjustment to market risk capital at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.

(7) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of non-performing loans.

(9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.

(10) Please refer to "Discussion and Analysis — Capital Management".

Other Financial Indicators

		Regulatory criteria	30 June 2009	31 December 2008	31 December 2007
Liquidity ratio (%)(1)	RMB	>=25.0	28.0	33.3	26.8
	Foreign currency	>=25.0	81.2	83.5	97.9
Loan-to-deposit ratio (%)(2)	RMB and foreign currency	<=75.0	57.6	56.4	56.3
Percentage of loans to single largest customer (%)(3)		<=10.0	3.0	2.9	3.1
Percentage of loans to top 10 customers (%)(4)			20.5	20.4	21.1
Loan migration rate (%)(5)	Pass		1.3	4.6	3.5
	Special mention		6.7	9.3	10.4
	Sub-standard		8.8	39.4	41.3
	Doubtful		5.6	10.2	10.2

Notes:
(1) Calculated by dividing the balance of current assets by the balance of current liabilities.

(2) Calculated by dividing loan balance by deposit balance. Deposit balances exclude fiscal deposits and outward remittance, and loan balances at the end of 2007 exclude discounted bills.

(3) Calculated by dividing loans to the single largest customer by net capital base.

(4) Calculated by dividing loans to the top ten customers in aggregate by net capital base.

(5) Calculated in accordance with the "Notice on Printing and Distribution of Definitions and Formulas of Off-site Supervisory Indicators" issued by CBRC.

Chairman's Statement

The Bank grew resiliently and profitably with risks effectively controlled in the first half of 2009 amid a complex and difficult business environment with the spreading of the international financial crisis and a slowdown of the Chinese economy. The Bank remains the most profitable bank in the world by making RMB66.724 billion of net profit, representing a 2.8% growth over the same period of last year. Annualized ROA and ROE stood at 1.26% and 20.86%, up 0.05 percentage point and 1.43 percentage points, respectively from the previous year. As at 30 June, the Bank registered a RMB5.817 billion decline in the balance of non-performing loans (NPL) as compared with the end of 2008, with NPL ratio dropping 0.48 percentage point to 1.81% and allowance to NPL rising 8.05 percentage points to 138.20%. Capital adequacy ratio and core capital adequacy ratio were 12.09% and 9.97%, respectively. The Bank ranked eighth by tier one capital among 1,000 large banks worldwide, including many large international banks which received huge amounts of capital injection from governments. The Bank also remains the largest listed bank worldwide with a market capitalization of over USD257.0 billion, up 47.8% from the end of last year.

The Bank linked the needs for its business development with the support for the growth of the larger economy, with balanced efforts made between fulfilling its role as a large bank to boost domestic demand and maintain economic growth and improving its capability of sustainable development. In the first half of 2009, the Bank expanded its total lending in alignment with the macro control policy of China and the moderately loose monetary policy of the PBOC in support of reasonable demand of the real economy. At the same time, the Bank placed more emphasis on direction of loans, leveraged on favourable opportunities to improve credit structure to assure sustainable growth of credit business. New loans were focused on key projects included in China's investment expansion plan and leading enterprises in their industries, and also on those that would provide strong support for small and medium enterprises and the increased consumer demand from individual consumers. Emerging credit markets were explored and fostered, including new energy, new technology, energy conservation and environmental protection and modern service industries. The Bank's risks continued to be well controlled and it maintained stable quality in its credit assets by strictly abiding by risk limits as well as credit policies and conditions, and by more scientific risk management based on advanced quantitative risk assessment technologies.

Combining innovation acceleration and market expansion, the Bank has continuously improved its competitiveness while meeting customers' needs for diversified and yet personalised banking services. In the first half of the year, the Generation IV technology application system project, which is designed to accommodate comprehensive and international development in the future, proceeded swiftly. A number of key projects have made notable progresses, including integration of customer information, integration of credit card systems, and Internet banking application restructuring, and the NOVA system has been initiated in many overseas institutions. Backed by strong technological support, the Bank accelerated innovation of products and businesses. An array of new products was launched in line with evolving customer needs, which spurred a rapid growth of businesses, in particular emerging businesses. The Bank became the largest deposit taker by recording RMB1,309.671 billion in new customer deposits in the first half of the year. It also stood out from other banks in investment banking, credit cards, wealth management, enterprise annuity, E-banking and other major emerging businesses. The Bank progressed smoothly in its globalised development and its comprehensive business operations. Substantial achievements were made in the consolidation of the Macau Branch and Seng Heng Bank, the acquisition of a stake in The Bank of East Asia (Canada), and the consolidation of the investment banking institutions in Hong Kong. Wholly-owned or controlled overseas institutions and the Standard Bank of South Africa have produced more synergies for the group, driving the Bank to a new level of comprehensive service capability and international competitiveness.

The Bank created a link between solving current difficulties in business operation and development and deepening system restructuring, laying a solid foundation for growth towards higher levels in the future in addition to improving the ability to address current difficulties. Since the beginning of the year, the Bank has launched in-depth reforms in many areas and at multiple levels, achieving initial success. Business operation reforms focused on supervision system, remote authorization and centralized business processing, and centralized management of all reporting statements across the Bank were made. Back-office business centers including E-banking center, credit card call center and bill center were built at a faster pace, and intensified, efficient, cost effective and well supervised back offices for business processing and management are taking shape. Human resources made available as a result of the reforms are directed to the customer service and marketing teams. Reform of the financial market business management system has been completed which resulted in complete separation of proprietary businesses from agency services, thereby creating a system that facilitates increase of capital efficiency and significant growth of asset management business. The reform for sub-branches at county levels is proceeding quickly, a new management model for major county-level institutions is taking shape, and the market competitiveness of branches is further promoted. Revolutionary changes in these crucial areas and elements provide new drivers and aspirations for the Bank's growth.

The Bank also aligned strategic decision making in complex conditions to the objective of improving corporate governance, thereby assuring reasonableness and timeliness of decisions. In accordance with regulatory requirements and internal needs concerning strategic management, the Bank's Articles of Association, Rules of Procedures for Shareholders' General Meeting and Rules of Procedures for the Board of Directors were revised to clarify and improve the decision-making procedures. The establishment and composition of special committees of the Board of Directors were adjusted and optimized. Related Party Transactions Control Sub-committee was separated from the Risk Management Committee. Nomination and Compensation Committee was split into Nomination Committee and Compensation Committee with added resources. With duties defined more clearly, special committees of the Board of Directors operate more efficiently. In addition, the Bank strengthened communication and coordination with overseas strategic investors and the release of lock-up over non-tradable shares held by strategic investors was handled smoothly, thereby ensuring stability of capital markets and increasing investors' confidence.

The Bank's good performance in the first half of 2009 against the backdrop of austere and complex business environment is recognized broadly. We received the honor of being named "Best Bank in China" and other awards by *Global Finance, Finance Asia* and many other world-renowned media. The Bank ranked first among financial corporations in the "Top 100 Most Powerful Brands" compiled by Millward Brown Optimor, becoming the most valuable brand among financial institutions worldwide.

Though signs of recovery to different extent were seen in economic and financial conditions at home and abroad, characteristics of the market such as instability, uncertainty and imbalance are still obvious and many difficulties and challenges still remain. In the second half of the year, the Bank will proactively respond to the changing economic and financial conditions, focus more on risks control, reform and innovation and improvement of business structures, and tap new profit opportunities to pursue sustainable growth of profit. Our strategies and measures in response to the international financial crisis are working well. The Bank is confident in its ability to turn "crisis" into "opportunity" and to maintain steady, sound and sustainable development.

With a bright outlook ahead of ICBC, I look forward to its future development.

Chairman: Jiang Jianqing

20 August 2009

President’s Statement

In the first half of 2009, the Bank maintained sound and steady growth in response to the complex and ever-changing external environment, benefiting from its persistence in maintaining balance in development and management as well as the enormous efforts made in alignment with changing environment to get over difficulties and embrace opportunities.

The Bank registered growth in net profit despite difficulties facing the global banking industry, being hard hit by the global financial crisis. In the first half of 2009, the Bank accelerated business transformation, tapped new markets and diversified income streams as a cushion against the negative impacts brought about by the spreading global financial crisis, slowing Chinese economy and rapid advancement of the market-based reform of interest rates on our profit growth. The Bank produced RMB66.724 billion of net profit, representing a growth of 2.8% over the same period of last year. In particular, the relatively fast expansion of emerging businesses underpinned our profit growth. The first half of 2009 witnessed rapid growth in investment banking, enterprise annuity, banking wealth management, bank cards, E-banking and underwriting of debt financing instruments. Growth rebound was also seen in fund agency services, asset custody services and other businesses related to capital markets, driven by the recovery of capital markets. Furthermore, profit growth was also attributable to continued improvement in the Bank’s assets quality that resulted in a significant drop in the allowance for assets impairment loss, and to scientific costs management that maintained the cost/income ratio at 29.85%.

The Bank made a balance between lending growth and risks control in the course of making efforts to boost domestic demand and retain economic growth. In the first half of 2009, the Bank controlled the total volume of lending and the pace of lending growth to suit evolving macro-economic conditions. Loans grew by RMB864.475 billion or 18.9%, an amount higher than any annual lending in the past. The Bank properly implemented the moderately loose monetary policy in support of reasonable demand of the market while effectively controlled the overall risks. In addition to maintaining a reasonable size of total lending, the Bank focused more on its credit structure and provided new loans mainly for areas supported and encouraged by the State. Specifically, loans to high-quality projects that focused on investments supported and encouraged by the government increased by RMB407.3 billion in support of the government’s policy designed to expand investment and spur economic growth. The key innovative credit product of the Bank “Domestic Trade Finance” grew by RMB96.666 billion or 79.1%, and therefore served better as a substitute for traditional working capital loans and catered better for enterprises’ needs for short-term financing. Loans to SME rose by RMB477.3 billion or 26%, 7 percentage points higher than the growth of total corporate loans, which helped to drive the development of SMEs and mitigate risks posed by loans concentration. Personal loans grew by RMB138.564 billion or 16.7% in support of the reasonable capital demand resulting from expanding consumption. Meanwhile, the Bank further improved the industry-specific credit policy system, strictly controlled credit accessibility and strengthened the oversight of credit operations and post-lending management, thereby assuring controlled risk levels of new loans. In addition, efforts were stepped up to eliminate loans with potential risks and recover or otherwise dispose of NPLs, driving balance of NPL down by RMB5.817 billion and NPL ratio down by 0.48 percentage point to 1.81%.

The Bank sharpened its competitive edge by deepening its reform and accelerating innovations. In the first half of 2009, operation and management reforms proceeded smoothly. The new operational risk monitoring system was put live, the remote authorization system was launched in pilot branches, and centralized business processing was advanced in an orderly way. The centralized restructuring of reporting statements was pushed forward quickly, and in respect of the financial market business, proprietary operations and agency services are completely separated. Reform of county-level sub-branches was deepened, which further inspired robust operation and tapped potential of human resources. The overall service level was heightened as service management was further strengthened, with the customer stratification service system taking shape and the service refinement project carried out extensively.

Accelerated innovation of products and services, including the launch of 320 new products, further adds to the customer service capability of the Bank. Main functions of the initial release of the Generation IV application system were successfully put to use in support of new operation mechanisms and business models. These reforms and innovations contributed to the enhancement of the Bank's competitiveness and market position. Customer deposits grew by RMB1,309.671 billion in the first half of 2009, representing an increase of RMB669.336 billion as compared to that in the same period of last year. The increment in customer deposits ranked the first among the industry peers. RMB142.4 billion debt financing instruments were underwritten, ranking first by market share. 28.56 million new bank cards were issued, among which 6.65 million were new credit cards. The aggregate bank card consumption reached RMB617.2 billion, representing a growth of 62.3% over the same period of last year, among which the credit card consumption stood at RMB199.5 billion, up 80.1% over the same period of last year. A stronger market leading position has been established in bank cards sector. Transaction volume via E-banking amounted to RMB70 trillion; the number of E-banking transactions accounted for 46.2% of total transactions, up 3.1 percentage points from last year and maintained the No.1 ranking in the market.

The Bank strengthened internal management while advancing rapid growth of businesses in a complex and difficult business environment. The Bank further strengthened its risk management and internal control measures under the guiding principles of full compliance with laws and regulations and prudent operation. The Bank accelerated the development of quantitative risk management technologies, including the Internal Rating-based (IRB) Approach for credit risk, the Internal Model Approach for market risk and the Advanced Measurement Approach (AMA) for operational risk. The Bank also increased the application of the results throughout the risk management process and improved the risk management mechanism accordingly. These cutting-edge technologies and systematic innovation have essentially increased the Bank's ability to identify, measure, monitor, forewarn and control risks. The Bank strengthened the risk management of foreign currency denominated bonds and other assets held, reduced its holdings of some risky foreign currency denominated bonds and increased the provision coverage for foreign currency denominated bonds, so as to further control market risks. Risks assessment and elimination was carried out over selected key business areas, aspects and processes, and accountability was strictly enforced, with vulnerabilities and potential risks eliminated promptly. The overall improvement in internal control management has effectively increased the Bank's capability in internal control and risk management and safeguarded the stability and safety of its operation.

The Bank weathered many challenges and its operations and management were improved and enhanced in the first half of 2009. Though the global finance and economy showed signs of stabilization, a number of uncertainties still remain. Recovery is approaching while risks do not recede. The Bank will further monitor the business environment, with a view to identifying opportunities while reducing risks. The Bank will aim to make foresighted decisions and take solid actions, in particular by strengthening scientific management and improving effectiveness of risks control to ensure the Bank's safe operations and healthy development. The Bank will also promote business and profit growth by means of deepening reforms, accelerating innovation and advancing transformation. The Bank will seek to reach "new heights" whilst overcoming difficulties and challenges and deliver results to the satisfaction of shareholders and other stakeholders despite the current complex and difficult conditions, paving a solid platform for the sustainable development of the Bank.

President: Yang Kaisheng

20 August 2009

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

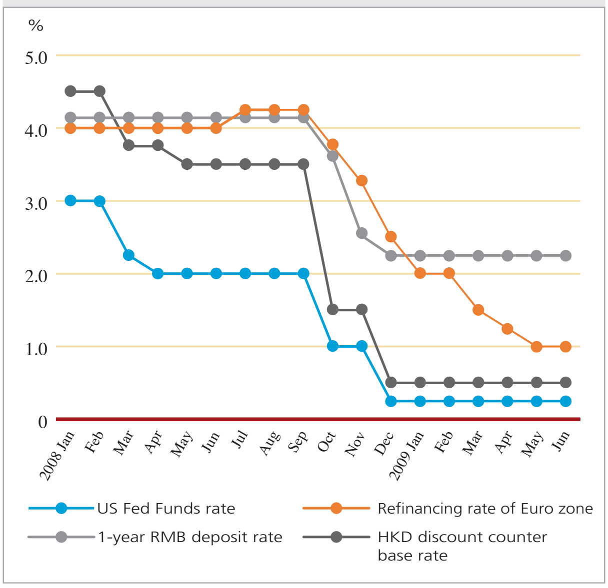
International Economic, Financial and Regulatory Environments

In the first half of 2009, with the implementation of strong policies in response to the financial crisis by international communities and countries of the world, the global stock market rallied, staple commodities price and consumer confidence index picked up, and the decline of industrial production slowed down. The global economic recession has shown a sign of easing but recovery remained weak. As forecasted by the International Monetary Fund in July 2009, the growth rate of the global economy in 2009 will drop to -1.4%, down 4.5 percentage points from 3.1% in 2008.

The exchange rates between major currencies fluctuated drastically. USD moved up first and then declined. At the end of June, USD Index (USDX) closed at 80.133, depreciating slightly by 1.44% as compared to that at the end of the previous year; the exchange rate of Euro against USD closed at 1.403, with USD depreciating 0.4%; and the exchange rate of USD against Japanese Yen closed at 96.3, with USD appreciating 5.9%. The interest rates in the major financial markets continued to decline. One-year USD LIBOR dropped from 2.02375% at the beginning of the year to 1.60625%, and one-year HKD HIBOR decreased from 1.85000% to 1.08857%. The yields of treasury bonds of major economies showed an overall upward trend. The market confidence was reinforced. Global stock market rallied, with the MSCI All-Country World Index closed at 964.05, representing an increase of 4.8% from the end of the previous year. The total global market capitalization was USD36.98 trillion, increasing by 15.1% as compared to that at the end of the previous year.

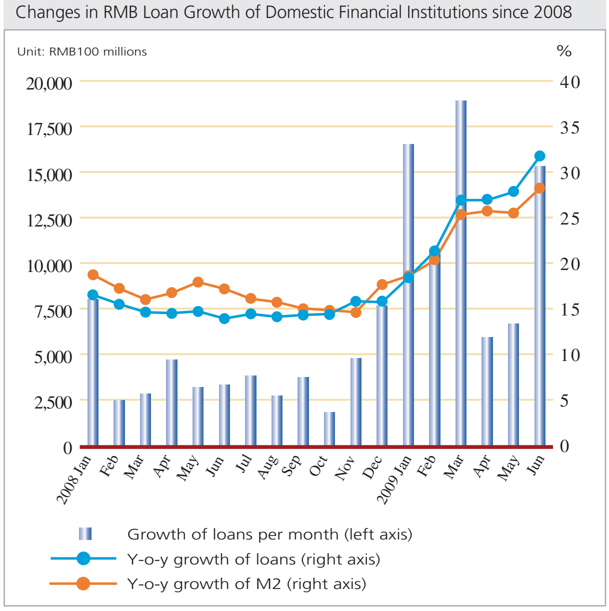
In response to financial crisis and economic recession, the central banks of major economies have slashed benchmark interest rates since September 2008, and some of the rates have been reduced close to zero. The US Federal Reserve continued to maintain the US Federal Funds Rate within the target range of 0–0.25%; the Bank of Japan continued to maintain the unsecured overnight offered rate at 0.1%; the European Central Bank cut major refinancing interest rate to 1.00%; and the Bank of England reduced interest rate by 150 basis points accumulatively to 0.5%.

Changes in Interest Rate of Major Countries and Regions since 2008



Data source: Bloomberg.

Changes in RMB Loan Growth of Domestic Financial Institutions since 2008



Data source: PBOC.

Economic, Financial and Regulatory Environments in China

To react to the international financial crisis and promote the smooth and rapid economic development, following the strategy of "sustaining growth, expanding domestic demand, and adjusting structure", the Chinese government continued to implement positive fiscal policy and moderately loose monetary policy, substantially increased government investment, and fulfilled a revised industrial revitalization plan. The government strengthened financial support and enhanced the coordination between monetary policy, credit policy and industrial policy.

In the first half of 2009, preliminary benefits had been achieved through the implementation of the stimulus package designed to promote smooth and rapid economic development, and economic operation had been stable and started to rebound. China's gross domestic product (GDP) reached RMB13.99 trillion in the first half of 2009, representing an increase of 7.1% over the same period of last year, 1.0 percentage point higher than the growth in the first quarter. The recovery of industrial production quickened, and the decline of industrial profits slowed down. Investment in fixed assets grew rapidly, accompanied with improvement in investment structure. Total investment in fixed assets reached RMB9.13 trillion, representing an increase of 33.5% over the same period of last year, being 7.2 percentage points higher than the growth of the corresponding period in the previous year, of which, investment in infrastructure increased by 57.4%. Domestic sales achieved steady and relatively rapid growth, with total retail sales of consumer goods increasing by 15.0% over the same period of last year to RMB5.87 trillion. Consumer price index (CPI) decreased by 1.1% over the same period of last year, and production price index (PPI) dropped by 5.9% over the same period of last year. Volume of foreign trade continued to decline remarkably. The imports and exports amounted to USD946.12 billion, representing a decrease of 23.5% as compared to the same period of last year, yielding a trade surplus of USD96.93 billion, representing a decrease of 0.5% over the same period of last year. State foreign exchange reserves reached USD2.13 trillion, representing an increase of 17.8% over the same period of last year; and income of urban and rural residents continued to grow.

The PBOC continued to pursue moderately loose monetary policy, and carried out open market operations in due course. The issuance scale and frequency of central bank notes declined remarkably compared to the same period of last year, and the liquidity of banking system was adequate as a whole. Money supply grew rapidly. As at the end of June, the balance of M2 reached RMB56.89 trillion, representing an increase of 28.5% over the same period of last year, being 10.6 percentage points higher than the growth at the end of last year. The balance of M1 stood at RMB19.32 trillion, representing an increase of 24.8% over the same period of last year, being 15.7 percentage points higher than the growth at the end of last year. Financial institution loans also increased swiftly. In the first half of 2009, RMB loans grew by RMB7.37 trillion, RMB4.92 trillion higher than the growth of the corresponding period in the previous year. Financial institution deposits also increased rapidly. RMB deposits grew by RMB9.99 trillion in the first half of 2009, RMB5.02 trillion higher than the growth of the corresponding period in the previous year.

The exchange rate of RMB remained basically stable within the reasonable band. At the end of June, the central parity rate of RMB against USD was 6.8319, appreciating 0.04% in the first half of 2009 and 21.14% since the exchange rate reform.

The financial market developed smoothly by and large. Transactions in money market were active, and market interest rates steadily climbed. The cumulative transactions in inter-bank lending market reached RMB7.9 trillion, with an increase of 7.8% in the average daily trading volume over the same period of last year. The cumulative trading volume of bond repurchase stood at RMB35.6 trillion, with an increase of 39.6% in average daily trading volume over the same period of last year. The trading volume of bond market continued to grow, and bond issuance amount increased rapidly, reaching RMB2.08 trillion in aggregate, representing an increase of 92.2% over the same period of last year. SHIBOR continued to function in the bond issuance pricing. The growth of bill financing slowed down quarter by quarter, and discount interest rate maintained at a low level.

The stock market rebounded and stock index fluctuated and rallied sharply, with a substantial increase in trading volume. In the first half of 2009, the cumulative trading volume of Shanghai and Shenzhen stock markets totaled RMB22.19 trillion, with a daily average of RMB188,014 million, representing an increase of 33.2% over the same period of last year. As at the end of June, the Shanghai Stock Exchange Composite Index and Shenzhen Stock Exchange Component Index closed at 2959 and 962, representing an increase of 62.5% and 74.0%, respectively. The market capitalization of tradable shares reached RMB9.12 trillion, representing an increase of 101.6% over the end of the previous year. The securities investment fund market started to recover. The total number of funds reached 492, representing an increase of 53 over the end of the previous year. In the insurance sector, premium income reached RMB598,611 million, representing an increase of 6.6%. The growth has slowed down.

Generally speaking, Chinese economy is at the crucial stage of stability and recovery, and maintaining smooth and rapid economic development is still the primary goal for the second half of the year.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In the first half of 2009, the Bank actively responded to the changes in macro-economic and financial environment and took advantage of opportunities in the changing market. The Bank continued to accelerate the reform and innovation, steadily pushed forward the operating transformation and revenue diversification, strengthened risk management and tightened cost control, and managed to mitigate the impacts of various adverse factors. During the period, the Bank achieved a profit after tax of RMB66,724 million, representing an increase of RMB1,845 million or 2.8% over the same period of last year. Operating income decreased by 4.4% to RMB148,082 million, of which, net interest income decreased by RMB15,747 million or 11.9% to RMB116,038 million due to decline of net interest spread. However, the decrease rate has slowed down remarkably compared to the previous quarter. Non-interest income increased by RMB8,873 million or 38.3% to RMB32,044 million. Operating expenses decreased by 0.3% to RMB53,048 million. Impairment losses decreased by 44.2% to RMB10,212 million, which was mainly due to the continuous improvement of assets quality of the Bank.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (decrease)	Growth rate (%)
Net interest income	116,038	131,785	(15,747)	-11.9
Non-interest income	32,044	23,171	8,873	38.3
Operating income	148,082	154,956	(6,874)	-4.4
Less: Operating expenses	53,048	53,193	(145)	-0.3
Less: Impairment losses	10,212	18,315	(8,103)	-44.2
Operating profit	84,822	83,448	1,374	1.6
Share of profits and losses of associates and a jointly controlled entity	966	963	3	0.3
Profit before tax	85,788	84,411	1,377	1.6
Less: Income tax expense	19,064	19,532	(468)	-2.4
Profit after tax	66,724	64,879	1,845	2.8
Attributable to: Equity holders of the parent company	66,424	64,531	1,893	2.9
Minority interests	300	348	(48)	-13.8

Net Interest Income

Following the proactive fiscal policy and moderately loose monetary policy implemented by the Chinese government in the first half of 2009, the Bank properly accelerated the granting of loans, optimized the allocation of credit resources, appropriately adjusted the investment strategy and structure, strengthened treasury operation, and enhanced the efficiency of fund utilization. Meanwhile, the Bank took various measures to develop the low-cost liability business and mitigate the adverse impacts of benchmark interest rate cut and low market interest rate on net interest income. In the first half of 2009, net interest income decreased by 11.9% over the same period of 2008 to RMB116,038 million, accounting for 78.4% of operating income. Interest income decreased by RMB15,734 million or 7.3% to RMB199,277 million, and interest expense increased slightly by RMB13 million to RMB83,239 million.

The table below sets out the average balance of interest-earning assets and interest-bearing liabilities, interest income and expense, as well as average yield and average cost, respectively.

In RMB millions, except for percentages

Item	Six months ended 30 June 2009			Six months ended 30 June 2008		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	5,029,763	137,488	5.47	4,258,715	148,417	6.97
Investment in securities	2,985,050	46,599	3.12	3,119,784	51,524	3.30
Investment in securities not related to restructuring	2,009,491	35,901	3.57	2,093,017	40,056	3.83
Investment in securities related to restructuring(2)	975,559	10,698	2.19	1,026,767	11,468	2.23
Due from central banks	1,507,535	11,221	1.49	1,142,757	10,390	1.82
Due from banks and other financial institutions(3)	810,664	3,969	0.98	242,058	4,680	3.87
Total interest-earning assets	**10,333,012**	**199,277**	**3.86**	**8,763,314**	**215,011**	**4.91**
Non-interest-earning assets	512,468			452,587		
Allowance for impairment losses	(141,187)			(122,434)		
Total assets	**10,704,293**			**9,093,467**		
Liabilities						
Deposits	8,701,598	76,391	1.76	7,044,478	73,231	2.08
Due to banks and other financial institutions(3)	907,904	6,276	1.38	1,103,026	9,378	1.70
Subordinated bonds	35,000	572	3.27	35,000	617	3.53
Total interest-bearing liabilities	**9,644,502**	**83,239**	**1.73**	**8,182,504**	**83,226**	**2.03**
Non-interest-bearing liabilities	273,424			211,354		
Total liabilities	**9,917,926**			**8,393,858**		
Net interest income		**116,038**			**131,785**	
Net interest spread			**2.13**			**2.88**
Net interest margin			**2.25**			**3.01**

Notes: (1) The average balances of interest-earning assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-earning assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the reporting period and at the end of the reporting period. The average yield and average cost are annualized.

(2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills. Please refer to "Note 21 (a) to Financial Statements: Receivables" for details.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements; and due to banks and other financial institutions includes the amount of repurchase agreements.

The table below sets out the changes in interest income and interest expense brought by changes in volume and interest rate.

In RMB millions

Item	Comparison between six months ended 30 June 2009 and ended 30 June 2008		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	21,011	(31,940)	(10,929)
Investment in securities	(1,999)	(2,926)	(4,925)
Investment in securities not related to restructuring	(1,434)	(2,721)	(4,155)
Investment in securities related to restructuring	(565)	(205)	(770)
Due from central banks	2,717	(1,886)	831
Due from banks and other financial institutions	2,787	(3,498)	(711)
Changes in interest income	**24,516**	**(40,250)**	**(15,734)**
Liabilities			
Deposits	14,431	(11,271)	3,160
Due to banks and other financial institutions	(1,337)	(1,765)	(3,102)
Subordinated bonds	—	(45)	(45)
Change in interest expense	**13,094**	**(13,081)**	**13**
Change in net interest income	**11,422**	**(27,169)**	**(15,747)**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average rates. Changes resulted from the combination of volume and interest rate are allocated to the changes in volume.

• *Net Interest Spread and Net Interest Margin*

Net interest spread and net interest margin stood at 2.13% and 2.25% respectively, representing a decrease of 75 basis points and 76 basis points respectively over the same period of last year, which was mainly due to the decrease of 105 basis points in the average yield of interest-earning assets during the reporting period compared to the same period of last year, larger than the decrease of 30 basis points in the average cost of interest-bearing liabilities. Based on quarterly comparison, the decrease of net interest spread and net interest margin slowed down in the second quarter.

The table below sets out the yield of interest-earning assets, cost of interest-bearing liabilities, net interest spread and net interest margin in the first half of 2009, the first half of 2008 and the year of 2008, respectively.

Percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Yield of interest-earning assets	3.86	4.91	4.94
Cost of interest-bearing liabilities	1.73	2.03	2.14
Net interest spread	2.13	2.88	2.80
Net interest margin	2.25	3.01	2.95

Interest Income

• *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers reached RMB137,488 million, representing a decrease of RMB10,929 million or 7.4% compared to the same period of last year, which was mainly because the average yield decreased by 150 basis points to 5.47% from 6.97% in the first half of 2008. During the reporting period, the Bank properly accelerated the granting of loans, and the average balance of loans and advances to customers grew by RMB771,048 million or 18.1%. The volume growth contributed to an increase of RMB21,011 million in interest income, but the yield decrease led to a decrease of RMB31,940 million in interest income, which offset the effect of volume growth. As a result, interest income on loans and advances to customers decreased slightly.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINES

In RMB millions, except for percentages

	Six months ended 30 June 2009			Six months ended 30 June 2008		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,491,692	105,854	6.06	3,094,302	108,880	7.04
Short-term loans	1,156,454	33,511	5.80	1,186,866	41,172	6.94
Medium to long-term loans	2,335,238	72,343	6.20	1,907,436	67,708	7.10
Discounted bills	499,948	6,054	2.42	214,155	8,012	7.48
Personal loans	879,054	22,646	5.15	779,637	27,730	7.11
Overseas and others	159,069	2,934	3.69	170,621	3,795	4.45
Total loans and advances to customers	**5,029,763**	**137,488**	**5.47**	**4,258,715**	**148,417**	**6.97**

Interest income on corporate loans decreased by 2.8% over the same period of last year to RMB105,854 million, accounting for 77.0% of the interest income on loans and advances to customers. The decrease was caused by the decline of average yield from 7.04% in the first half of 2008 to 6.06%, which was partially offset by the increase in average balance. The decrease in average yield was mainly because the benchmark interest rates for RMB loans had been cut down for five times by PBOC in the second half of 2008. The benchmark interest rate for one-year RMB loans was 5.31% at the beginning of 2009, which decreased by 216 basis points from the beginning of 2008. The cumulative effects of interest rate cuts resulted in a remarkable decrease in effective interest rates for newly granted loans and re-priced loans of the Bank.

Interest income on discounted bills decreased by 24.4% over the same period of last year to RMB6,054 million. The decrease was caused by the decline of average yield from 7.48% in the first half of 2008 to 2.42%, which was partially offset by the increase in average balance. The decrease in average yield was mainly due to the remarkable decrease in SHIBOR-based interest rate for discounting during the reporting period in the context of the moderately loose monetary policy.

Interest income on personal loans decreased by 18.3% over the same period of last year to RMB22,646 million. The decrease was caused by the decline of average yield from 7.11% in the first half of 2008 to 5.15%, which was partially offset by the increase in average balance. The decrease in average yield was mainly due to: (1) the accumulative effects of benchmark interest rate cuts; and (2) the Bank's cut of interest rate for eligible personal housing loans through IT system following the government's macro-economic policy of stimulating consumption.

Interest income on overseas and others decreased by 22.7% over the same period of last year to RMB2,934 million. The decrease was caused by the decline of average yield from 4.45% in the first half of 2008 to 3.69% and the decrease of RMB11,552 million in average balance. The decrease in average yield was mainly due to the remarkable decrease in LIBOR and HIBOR in the first half of 2009.

• *Interest Income on Investment in Securities*

Interest income on investment in securities reached RMB46,599 million, representing a decrease of RMB4,925 million or 9.6% compared to the same period of last year. Interest income on investment in securities not related to restructuring decreased by RMB4,155 million, which was caused by the decline of average yield from 3.83% in the first half of 2008 to 3.57% and the decrease of RMB83,526 million in average balance. Reasons for the decrease in average yield of investment in securities not related to restructuring included: (1) the yield curve of RMB bonds shifted downwards during the reporting period compared to the same period of last year, resulting in a decrease in the yield of new investment; (2) PBOC cut the benchmark interest rate for deposits four times during the second half of 2008, and the yield of RMB bonds with floating rates linked with the benchmark interest rate of deposits declined accordingly; and (3) the remarkable decrease in average LIBOR during the reporting period led to a decrease in the yield of investment in bonds denominated in foreign currencies. Despite of the above adverse factors, the Bank focused on the investment value of newly issued bonds and the investment timing, and properly structured the maturity and product mix of investment portfolios. In addition, high-yield and long-term bonds took up a large proportion in the portfolio. As a result, the average yield of investment in securities not related to restructuring dropped slightly by 26 basis points.

The interest income on investment in securities related to restructuring decreased by RMB770 million or 6.7%, which was due to the decreases in both average balance and average yield of investment in securities related to restructuring after MOF repaid RMB51,208 million of principal and interest of MOF receivables in the second half of 2008. MOF receivables generated a higher yield than other securities related to restructuring.

• *Interest Income on Due from Central Banks*

Due from central banks of the Bank mainly include mandatory reserve deposits with central banks and excess reserve deposits. Interest income on due from central banks reached RMB11,221 million, representing an increase of RMB831 million or 8.0% over the same period of last year. The growth was due to the increase of RMB364,778 million in average balance, which was partially offset by the decrease of 33 basis points in the average yield. The increase in average balance was mainly attributable to the increase in deposits from customers, and the decrease in average yield was principally resulted from the cut of interest rate on deposit reserve by PBOC in the second half of 2008.

• *Interest Income on Due from Banks and Other Financial Institutions*

Interest income on due from banks and other financial institutions decreased by RMB711 million or 15.2% to RMB3,969 million. The decrease was mainly due to the decline of average yield from 3.87% in the first half of 2008 to 0.98%, which was partially offset by the increase in average balance. The decline of average yield was caused by the remarkable decrease in average interest rate of inter-bank money market in the first half of 2009. The average balance increased by RMB568,606 million or 234.9%, which was mainly attributable to the Bank's enhanced efforts under reverse repurchase agreements and improved efficiency of fund utilization.

Interest Expense

• *Interest Expense on Deposits*

Interest expense on deposits increased by RMB3,160 million or 4.3% to RMB76,391 million, accounting for 91.8% of total interest expense. The increase in interest expense on deposits was mainly due to the increase of RMB1,657,120 million in average balance, which was partially offset by the decrease in average cost. The decrease in average cost was resulted from accumulative effects of interest rate cuts. PBOC cut the benchmark interest rates for RMB deposits four times in the second half of 2008, as a result, the benchmark interest rate for one-year RMB deposits decreased by 189 basis points to 2.25% and that for demand deposits dropped by 36 basis points to 0.36%. However, the average cost of deposits decreased only slightly by 32 basis points as the demand deposits took up a large proportion of the Bank's deposit base and part of the existing time deposits has not been re-priced yet.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

	Six months ended 30 June 2009			Six months ended 30 June 2008		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	1,560,086	21,377	2.74	1,157,765	18,804	3.25
Demand deposits(1)	2,676,108	8,232	0.62	2,353,749	12,021	1.02
Sub-total	**4,236,194**	**29,609**	**1.40**	**3,511,514**	**30,825**	**1.76**
Personal deposits						
Time deposits	2,877,417	43,380	3.02	2,205,504	36,400	3.30
Demand deposits	1,447,515	2,638	0.36	1,178,440	4,250	0.72
Sub-total	**4,324,932**	**46,018**	**2.13**	**3,383,944**	**40,650**	**2.40**
Overseas	**140,472**	**764**	**1.09**	**149,020**	**1,756**	**2.36**
Total deposits	**8,701,598**	**76,391**	**1.76**	**7,044,478**	**73,231**	**2.08**

Note: (1) Include outward remittance and remittance payables.

• *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions reached RMB6,276 million, representing a decrease of RMB3,102 million or 33.1% compared to the same period of last year. The decrease was mainly due to the decline of average cost from 1.70% to 1.38% and the decrease of RMB195,122 million in average balance. The decline of average cost was due to the Bank's active expansion of low-cost liability business by taking advantage of excess liquidity in the market and the increasing proportion of deposits in the amount due to banks and other financial institutions. Affected by the suspended issuance of new shares in the capital market, the average balance of due to banks and other financial institutions decreased compared to the same period of last year.

• *Interest Expense on Subordinated Bonds*

Interest expense on subordinated bonds was RMB572 million, representing a decrease of RMB45 million over the same period of last year. The average cost of subordinated bonds decreased to 3.27% from 3.53% in the first half of 2008, which was mainly due to the decrease in cost of subordinated bonds with floating rate issued by the Bank in 2005 compared to the same period of last year. Please refer to "Note 30 to Financial Statements: Subordinated Bonds" for details of subordinated bonds issued by the Bank.

Non-Interest Income

In the first half of 2009, the Bank adhered to the strategy of diversifying income, actively expedited the innovation of products and services, maintained and expanded the market, and enhanced income level continuously. Non-interest income reached RMB32,044 million, representing an increase of RMB8,873 million or 38.3% over the same period of last year, and the ratio of non-interest income to operating income increased by 6.6 percentage points to 21.6%. The income structure was further improved. The net fee and commission income grew by 13.3%, representing an increase of 3.6 percentage points from the growth rate of the first quarter; and other non-interest income was RMB4,300 million, with a switch from net loss to net gain.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (decrease)	Growth rate (%)
Fee and commission income	29,291	25,470	3,821	15.0
Less: Fee and commission expense	1,547	990	557	56.3
Net fee and commission income	27,744	24,480	3,264	13.3
Other non-interest related gain/(loss)	4,300	(1,309)	5,609	N/A
Total	**32,044**	**23,171**	**8,873**	**38.3**

Net fee and commission income increased by RMB3,264 million or 13.3% over the same period of last year to RMB27,744 million, which accounted for 18.74% of operating income, representing an increase of 2.94 percentage points over the same period of last year. The income from investment banking, bank card, corporate wealth management, and guarantee and commitment businesses maintained stable growth, while the income from personal fund agency and asset fiduciary businesses decreased compared to the same period of last year, but it began to rebound in the second quarter as a result of the gradual recovery of the capital market and the enhanced marketing efforts of the Bank. The Bank achieved an income of RMB2,997 million from entrusted wealth management business and RMB3,636 million from various agency services during the reporting period.

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (decrease)	Growth rate (%)
Investment banking	7,143	4,822	2,321	48.1
Settlement, clearing and cash management	7,102	6,821	281	4.1
Personal wealth management and private banking	5,546	6,095	(549)	-9.0
Bank card	4,355	3,197	1,158	36.2
Corporate wealth management	1,836	1,458	378	25.9
Guarantee and commitment	1,460	1,116	344	30.8
Asset fiduciary business	1,034	1,257	(223)	-17.7
Trust and agency	431	406	25	6.2
Others	384	298	86	28.9
Fee and commission income	**29,291**	**25,470**	**3,821**	**15.0**
Less: Fee and commission expense	**1,547**	**990**	**557**	**56.3**
Net fee and commission income	**27,744**	**24,480**	**3,264**	**13.3**

Income from investment banking business increased by RMB2,321 million or 48.1% over the same period of last year to RMB7,143 million, which was mainly due to the continuous growth of income from investment and financing advisory services, corporate information services and debt securities underwriting for non-financial enterprises.

Income from bank card business grew by RMB1,158 million or 36.2% over the same period of last year to RMB4,355 million, which was mainly attributable to the growth of commission income for bank card settlement and consumption, annual fee and service charge for installment payment driven by the increase in the number of new cards issued and transaction volume.

Income from corporate wealth management business grew by RMB378 million or 25.9% over the same period of last year to RMB1,836 million, which was mainly attributable to the continuous growth in sales volume of corporate wealth management products and rapid growth of commission and management fee income from corporate wealth management products.

Income from guarantee and commitment business increased by RMB344 million or 30.8% over the same period of last year to RMB1,460 million, which was mainly attributable to the growth of loan commitment and non-financing guarantee business.

Income from settlement, clearing and cash management business increased by RMB281 million or 4.1% over the same period of last year to RMB7,102 million. The slow-down of growth was resulted from the decrease in income from foreign exchange sale and settlement agency services. However, the income from corporate account management and RMB settlement services maintained a stable growth.

Income from personal wealth management and private banking services decreased by RMB549 million or 9.0% over the same period of last year to RMB5,546 million, which was mainly because the income from personal fund agency services decreased by RMB1,018 million but the income from personal banking wealth management and life insurance agency services maintained a relatively rapid growth.

OTHER NON-INTEREST RELATED GAIN/(LOSS)

In RMB millions, except for percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (decrease)	Growth rate (%)
Net trading income	488	1,333	(845)	-63.4
Net loss on financial assets and liabilities designated at fair value through profit or loss	(117)	(288)	171	N/A
Net gain/(loss) on financial investments	3,349	(869)	4,218	N/A
Other operating income/(expense), net	580	(1,485)	2,065	N/A
Total	**4,300**	**(1,309)**	**5,609**	**N/A**

Other non-interest related income increased by RMB5,609 million over the same period of last year to RMB4,300 million, of which, net gain on financial investments and other operating income grew by RMB4,218 million and RMB2,065 million respectively. The growth was principally due to the continuous decrease in net foreign exchange exposure and the decrease of RMB2,466 million in net loss on foreign exchange and exchange rate products of the Bank in the context of stable RMB exchange rate in the first half of 2009.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (decrease)	Growth rate (%)
Staff costs	26,437	28,508	(2,071)	-7.3
Premises and equipment expenses	7,592	6,513	1,079	16.6
Business tax and surcharges	8,850	9,094	(244)	-2.7
Amortization of assets	686	638	48	7.5
Others	9,483	8,440	1,043	12.4
Total	**53,048**	**53,193**	**(145)**	**-0.3**

Operating expenses decreased by RMB145 million or 0.3% over the same period of last year to RMB53,048 million, of which, staff costs decreased by RMB2,071 million or 7.3% to RMB26,437 million, and other administrative expenses increased by 12.4% to RMB9,483 million. The cost to income ratio stood at a low level of 29.85%.

Impairment Losses

Impairment losses decreased by RMB8,103 million or 44.2% to RMB10,212 million. Owing to the continuous improvement of loans quality of the Bank, impairment losses on loans decreased by RMB4,400 million to RMB9,248 million. Impairment losses on other assets decreased by RMB3,703 million to RMB964 million, mainly because the impairment losses on foreign currency bonds was adequate at the end of 2008 and the fair value of related bonds fluctuated slightly during the first half of 2009, thus the impairment losses on bonds decreased significantly compared to the same period of last year. Please refer to "Note 20 to Financial Statements: Loans and Advances to Customers" and "Note 10 to Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers".

Income Tax Expense

Income tax expense decreased by RMB468 million or 2.4% over the same period of last year to RMB19,064 million, and the effective income tax rate decreased by 0.9 percentage point to 22.2%. Please refer to "Note 11 to Financial Statements: Income Tax Expense" for the reconciliation of the income tax expense at the statutory income tax rate to the income tax expense at the effective rate.

Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank utilizes the Performance Value Management System (PVMS) to evaluate the performance of each operating segment. The table below sets out operating income of the Bank from each operating segment.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

	Six months ended 30 June 2009		Six months ended 30 June 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	84,753	57.2	71,626	46.2
Personal banking	42,442	28.7	51,690	33.4
Treasury operations	20,487	13.8	30,199	19.5
Others	400	0.3	1,441	0.9
Total operating income	**148,082**	**100.0**	**154,956**	**100.0**

Please refer to "Discussion and Analysis — Business Overview" for the details of the business development of these segments.

The table below sets out operating income of the Bank from each geographical segment.

SUMMARY GEOGRAPHICAL INFORMATION

In RMB millions, except for percentages

	Six months ended 30 June 2009		Six months ended 30 June 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	11,628	7.9	16,650	10.7
Yangtze River Delta	32,375	21.9	36,285	23.4
Pearl River Delta	21,335	14.4	23,850	15.4
Bohai Rim	30,731	20.7	27,336	17.6
Central China	18,943	12.8	19,041	12.3
Western China	23,063	15.6	21,159	13.7
Northeastern China	6,412	4.3	7,543	4.9
Overseas and others	3,595	2.4	3,092	2.0
Total operating income	**148,082**	**100.0**	**154,956**	**100.0**

Note: Please refer to "Note 41 to Financial Statements: Segment Information" for classification of geographic areas.

Balance Sheet Analysis

In the first half of 2009, the Bank responded actively to the changes in the global and domestic economic and financial environment, improved the assets and liabilities structure and continued to facilitate business transformation in line with the macro-economic policies of the government. The Bank pursued sound credit development strategy, appropriately accelerated the granting of loans, optimized loan structure and improved the quality of loans. The Bank paid close attention to the developments of domestic and international financial markets, adjusted investment strategy at opportune time, optimized the structure of investment portfolio, reinforced treasury operation, improved the operating efficiency and increased income. As the customer deposits steadily increased, the Bank took advantage of the opportunity of sufficient funds in market and recovery of capital market to actively develop low-cost liability business and improve liability structure through various measures, with a view to achieving balanced development of various liability businesses and ensuring stable and sustainable increase of fund sources.

Assets Deployment

As at the end of June 2009, total assets amounted to RMB11,434,607 million, representing an increase of RMB1,677,461 million or 17.2% as compared to the end of 2008, of which the gross loans and advances to customers (collectively referred to as "loans") increased by RMB864,475 million or 18.9%, net investment in securities increased by RMB68,131 million or 2.2%, and reverse repurchase agreements increased by RMB779,791 million or 477.0%. With respect to the asset structure, net loans accounted for 46.4% of total assets, representing an increase of 0.9 percentage point from the end of 2008; net investment in securities accounted for 27.3%, representing a decrease of 3.9 percentage points; and reverse repurchase agreements accounted for 8.2%, representing an increase of 6.5 percentage points.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 30 June 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	5,436,469	—	4,571,994	—
Less: Allowance for impairment losses on loans	136,353	—	135,983	—
Loans and advances to customers, net	5,300,116	46.4	4,436,011	45.5
Investment in securities, net	3,116,441	27.3	3,048,310	31.2
Of which: Receivables	1,163,169	10.2	1,162,769	11.9
Cash and balance with central banks	1,648,941	14.4	1,693,024	17.4
Reverse repurchase agreements	943,284	8.2	163,493	1.7
Due from banks and other financial institutions, net	176,872	1.5	168,363	1.7
Others	248,953	2.2	247,945	2.5
Total assets	**11,434,607**	**100.0**	**9,757,146**	**100.0**

Loans

In the first half of 2009, the government continued to implement proactive fiscal policy and moderately loose monetary policy and launched policy package for "sustaining growth, expanding domestic demand, and adjusting structure" to deal with global financial crisis and economic recession of major economies. In response to the changes of macro-economic policies and following the sound credit policy, the Bank accelerated the extension of loans, took initiatives to adjust lending direction, strengthened credit support to key construction projects, key industries and key enterprises consistent with the industry policy orientation of the government, endeavored to expand the high-quality personal loan market, and further optimized the allocation of credit resources. As at the end of June 2009, the balance of loans amounted to RMB5,436,469 million, up RMB864,475 million or 18.9% from the end of last year.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic operations	**5,248,539**	**96.5**	**4,387,759**	**96.0**
Corporate loans	3,811,537	70.1	3,232,102	70.7
Discounted bills	469,096	8.6	326,315	7.1
Personal loans	967,906	17.8	829,342	18.2
Overseas and others	**187,930**	**3.5**	**184,235**	**4.0**
Total	**5,436,469**	**100.0**	**4,571,994**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,199,609	31.5	1,133,303	35.1
Medium to long-term corporate loans	2,611,928	68.5	2,098,799	64.9
Total	**3,811,537**	**100.0**	**3,232,102**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT TYPE

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,274,388	33.4	1,208,683	37.4
Of which: Trade finance	218,818	5.7	122,152	3.8
Project loans	2,131,298	56.0	1,681,445	52.0
Property development loans	405,851	10.6	341,974	10.6
Total	**3,811,537**	**100.0**	**3,232,102**	**100.0**

Corporate loans grew by RMB579,435 million or 17.9%. With respect to the structure of maturity, short-term corporate loans increased by RMB66,306 million or 5.9% while medium and long-term corporate loans increased by RMB513,129 million or 24.4%. With respect to product type, project loans increased by RMB449,853 million or 26.8%, mainly because the demand for loans increased remarkably following the government's stimulus policy to drive smooth and rapid economic development, and the Bank sped up credit policy adjustment and product innovation and granted more medium and long-term project loans to key customers in the infrastructure industry in line with the government policy of expanding domestic demand. The property development loans grew by RMB63,877 million or 18.7% because the Bank continued to optimize the product type structure of property development loans and appropriately grant such loans to property developers with strong financial strength, good qualification and reputation. The working capital loans grew by RMB65,705 million or 5.4%, of which, trade finance increased by RMB96,666 million or 79.1%. This was mainly because the Bank developed trade finance business vigorously, continued to deepen the transformation of general working capital loans, and further optimized the structure of working capital loans.

The balance of discounted bills increased by RMB142,781 million or 43.8% with the growth being 17.9 percentage points lower than that in the first quarter, primarily because the Bank appropriately adjusted the business scale of discounted bills to achieve balanced loan extension and income objective according to the bank-wide loans granting status and the market demand in the context of moderately loose monetary policy.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Personal housing loans	698,842	72.2	597,374	72.0
Personal consumption loans	123,945	12.8	101,145	12.2
Personal business loans	120,781	12.5	113,726	13.7
Credit card overdrafts	24,338	2.5	17,097	2.1
Total	**967,906**	**100.0**	**829,342**	**100.0**

Personal loans increased by RMB138,564 million or 16.7%, mainly because the Bank took advantage of the government policy for expanding domestic demand to improve personal loan policy, strengthen product innovation and marketing activities, and effectively support the personal credit demand for housing, consumption and business. Personal housing loans increased by RMB101,468 million or 17.0%, personal consumption loans increased by RMB22,800 million or 22.5%, and personal business loans grew by RMB7,055 million or 6.2%. Credit card overdrafts grew by RMB7,241 million or 42.4%, which was mainly due to continuous increases in the number of credit cards issued and transaction amount and the Bank's robust promotion of credit card installment payment services.

DISTRIBUTION OF LOANS BY CURRENCY

The RMB loans increased by RMB822,509 million or 19.2%, accounting for 95.1% of the total loan increment. Driven by the growth of trade finance, the foreign currency loans increased by RMB41,966 million or 15.1%, accounting for 4.9% of the total increment.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue[1]	110,936	2.0	115,742	2.5
Less than 1 year	2,162,350	39.8	1,916,991	42.0
1 to 5 years	1,501,188	27.6	1,202,882	26.3
Over 5 years	1,661,995	30.6	1,336,379	29.2
Total	**5,436,469**	**100.0**	**4,571,994**	**100.0**

Note: (1) The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity date is deemed overdue. Please refer to "Note 42 (a) to Financial Statements: Credit Risk" for the definition of impaired loans.

The loans with a remaining maturity of more than 1 year amounted to RMB3,163,183 million, accounting for 58.2% of gross loans; loans with a remaining maturity of less than 1 year amounted to RMB2,162,350 million, accounting for 39.8% of gross loans and mainly comprising corporate working capital loans and discounted bills; and the impaired or overdue loans amounted to RMB110,936 million and took up 2.0% of gross loans, representing a decrease of 0.5 percentage point.

Please refer to "Discussion and Analysis — Risk Management" for detailed analysis about the scale and quality of loans.

Investment

In the first half of 2009, the Bank appropriately adjusted the investment strategy and optimized the portfolio structure in line with movements of domestic and global financial markets. At the end of June 2009, net investment in securities was RMB3,116,441 million, representing an increase of RMB68,131 million or 2.2% from the end of last year.

INVESTMENT

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	2,136,526	68.6	2,063,981	67.7
Investment in securities related to restructuring[1]	975,559	31.3	975,559	32.0
Equity instruments	4,356	0.1	8,770	0.3
Total	**3,116,441**	**100.0**	**3,048,310**	**100.0**

Note: (1) Includes Huarong bonds, special government bonds, MOF receivable and special PBOC bills. For details, please refer to "Note 21 (a) to Financial Statements: Receivables".

Investment in securities not related to restructuring increased by RMB72,545 million or 3.5% from the end of last year to RMB2,136,526 million. From the analysis of the investment portfolio by issuer, investment in government bonds increased by RMB88,657 million or 21.0%; investment in policy bank bonds increased by RMB55,319 million or 9.2%; and investment in central bank bonds decreased by RMB123,731 million or 15.5%. From the analysis of the investment portfolio by remaining maturity, bonds not related to restructuring with a term of 3 to 12 months increased by RMB98,700 million or 32.9%, mainly because the Bank proactively adjusted the bonds investment strategy and appropriately reduced the duration of the investment portfolio in the environment of relatively lower yield of bonds. From the analysis of the investment portfolio by currency, RMB bonds increased by RMB67,146 million or 3.5%, mainly because the Bank properly increased its investment in bonds in line with the trend of RMB bond market; RMB equivalent of USD denominated bonds decreased by RMB1,345 million or 1.5%, and RMB equivalent of other foreign currencies denominated bonds increased by RMB6,744 million or 17.1%, which was mainly because the Bank timely reduced its holding of USD denominated bonds and increased the proportion of other foreign currencies denominated bonds by taking advantage of the recovery of the international financial market.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Government bonds	511,242	24.0	422,585	20.5
Policy bank bonds	656,446	30.7	601,127	29.1
Central bank bills	673,293	31.5	797,024	38.6
Other bonds	295,545	13.8	243,245	11.8
Total	**2,136,526**	**100.0**	**2,063,981**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Remaining Maturity	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Undated(1)	12,782	0.6	31,474	1.5
Less than 3 months	149,802	7.0	153,839	7.5
3 to 12 months	398,519	18.7	299,819	14.5
1 to 5 years	1,089,772	51.0	1,180,561	57.2
Over 5 years	485,651	22.7	398,288	19.3
Total	**2,136,526**	**100.0**	**2,063,981**	**100.0**

Note: (1) Includes impaired or overdue for more than one month.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	2,003,613	93.8	1,936,467	93.8
USD	86,841	4.1	88,186	4.3
Other foreign currencies	46,072	2.1	39,328	1.9
Total	**2,136,526**	**100.0**	**2,063,981**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSES

In RMB millions, except for percentages

Item	At 30 June 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Investments at fair value through profit or loss	31,653	1.0	33,641	1.1
Available-for-sale investments	648,478	20.8	537,580	17.6
Held-to-maturity investments	1,273,141	40.9	1,314,320	43.1
Receivables	1,163,169	37.3	1,162,769	38.2
Total	**3,116,441**	**100.0**	**3,048,310**	**100.0**

As at the end of June 2009, the Group held RMB765,716 million of financial bonds[1], including RMB656,446 million of policy bank bonds and RMB109,270 million of bonds issued by banks and non-bank financial institutions, accounting for 85.7% and 14.3% of financial bonds respectively.

TOP TEN FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt securities	Face value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.15%	27 November 2011	–
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2008	15,440	4.83%	4 March 2015	–
Policy bank bonds 2007	10,450	5.07%	29 November 2017	–
Policy bank bonds 2006	9,090	3.11%	23 October 2013	–
Policy bank bonds 2007	8,990	4.94%	20 December 2014	–
Policy bank bonds 2007	8,650	Interest rate for 1-year time deposits + 0.75%	11 December 2012	–
Policy bank bonds 2009	8,600	Interest rate for 1-year time deposits + 0.55%	19 May 2019	–
Policy bank bonds 2008	7,860	Interest rate for 1-year time deposits + 0.65%	20 March 2015	–
Policy bank bonds 2007	7,200	4.35%	30 August 2014	–

1 Financial bonds refer to the debt securities issued by financial institutions on the bond market, including the debt securities issued by policy banks, peer banks and non-banking financial institutions but excluding the debt securities related to restructuring and central bank bills.

At the end of June 2009, the Group held USD1,995 million of US sub-prime residential mortgage-backed securities, Alt-A residential mortgage-backed securities, structured investment vehicles (SIVs), corporate collateralized debt obligations (Corporate CDOs) and debt securities related to Lehman Brothers, representing 0.12% of the Group's total assets. The Group has made accumulative allowance of USD1,621 million for impairment losses based on the market valuation results of the abovementioned assets. The provision coverage (provisions/unrealized loss) was 102.79%, and the provision ratio (provisions/nominal value) was 81.25%.

The face value of debt securities related to Freddie Mac and Fannie Mae, US mortgage agencies, was USD1,334 million, representing 0.08% of the Group's total assets. The Group has made accumulative allowance of USD136 million for the abovementioned debt securities. The provision coverage was 113.33%, and the provision rate was 10.19%. The principal repayment and interest payment of these debt securities are normal at present.

The Group believes that allowance for impairment losses of the abovementioned assets has reflected the impact of the observable market conditions as at the end of the reporting period. The Group will closely monitor the future development of the market.

Reverse Repurchase Agreements

The reverse purchase agreements amounted to RMB943,284 million, representing an increase of RMB779,791 million or 477.0%, which was mainly attributable to the Bank's strengthened fund utilization and the expanding of the scale of the securities under reverse repurchase agreements for the purpose of enhancing the efficiency of fund utilization and the relevant yield.

Liabilities

As at the end of June 2009, total liabilities amounted to RMB10,814,166 million, representing an increase of RMB1,663,650 million or 18.2% as compared to the end of 2008, of which the balance of due to customers increased by 15.9% and due to banks and other financial institutions increased by 56.5%.

LIABILITIES

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Due to customers	9,533,117	88.2	8,223,446	89.9
Due to banks and other financial institutions	1,011,258	9.3	646,254	7.0
Repurchase agreements	6,877	0.1	4,648	0.1
Subordinated bonds	35,000	0.3	35,000	0.4
Others	227,914	2.1	241,168	2.6
Total liabilities	**10,814,166**	**100.0**	**9,150,516**	**100.0**

Due to Customers

In the first half of 2009, PBOC continued to implement moderately loose monetary policy, which led to increasing liquidity in the market and continuous growth of household income. In such environment, the Bank took advantage of its customer base and service channels, and achieved a stable growth in deposits. The balance of due to customers was RMB9,533,117 million at the end of June 2009, representing an increase of RMB1,309,671 million or 15.9% as compared to the end of 2008. Corporate deposits increased by RMB782,237 million or 19.9%, and the proportion increased by 1.6 percentage points; and personal deposits increased by RMB546,130 million or 13.6%, and the proportion decreased by 1.0 percentage point. With respect to the structure of maturity, demand deposits increased by RMB727,039 million or 18.2%, and the proportion increased by 1.0 percentage point; and time deposits increased by RMB601,328 million or 15.2%, and the proportion decreased by 0.4 percentage point.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINES

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	1,745,091	18.3	1,380,907	16.8
Demand deposits	2,976,113	31.2	2,558,060	31.1
Sub-total	**4,721,204**	**49.5**	**3,938,967**	**47.9**
Personal deposits				
Time deposits	2,815,409	29.5	2,578,265	31.4
Demand deposits	1,740,969	18.3	1,431,983	17.4
Sub-total	**4,556,378**	**47.8**	**4,010,248**	**48.8**
Overseas	**155,049**	**1.6**	**158,222**	**1.9**
Others[1]	**100,486**	**1.1**	**116,009**	**1.4**
Total	**9,533,117**	**100.0**	**8,223,446**	**100.0**

Note: (1) Mainly include outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC REGION

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	181,841	1.9	204,034	2.5
Yangtze River Delta	2,010,077	21.1	1,695,156	20.6
Pearl River Delta	1,192,959	12.5	1,036,594	12.6
Bohai Rim	2,533,430	26.6	2,138,473	26.0
Central China	1,336,515	14.0	1,145,525	13.9
Western China	1,457,972	15.3	1,264,649	15.4
Northeastern China	665,274	7.0	580,793	7.1
Overseas	155,049	1.6	158,222	1.9
Total	**9,533,117**	**100.0**	**8,223,446**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand[(1)]	4,861,330	51.0	4,177,866	50.8
Less than 3 months	1,453,268	15.2	1,350,735	16.4
3 to 12 months	2,596,970	27.3	2,098,624	25.5
1 to 5 years	613,731	6.4	590,151	7.2
Over 5 years	7,818	0.1	6,070	0.1
Total	**9,533,117**	**100.0**	**8,223,446**	**100.0**

Note: (1) Includes the time deposits payable on demand.

With respect to the currency structure, the balance of RMB deposits amounted to RMB9,228,815 million, which contributed 96.8% of the total balance of due to customers, representing an increase of RMB1,315,437 million or 16.6% from the end of last year. The balance of foreign currency deposits was equivalent to RMB304,302 million, representing a decrease of RMB5,766 million from the end of last year.

Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions at 30 June 2009 amounted to RMB1,011,258 million, representing an increase of RMB365,004 million or 56.5% from the end of 2008. The increase was mainly due to the increasing liquidity in the market, as well as the recovery of capital market and the rebound of initial public offerings which caused a relatively rapid growth of deposits from banks and other financial institutions.

Shareholders' Equity

At the end of June 2009, the shareholders' equity totaled RMB620,441 million, representing an increase of RMB13,811 million or 2.3% from the end of last year, of which, the equity attributable to equity holders of the parent company increased by RMB13,262 million or 2.2% to RMB615,937 million. Please refer to the "Unaudited Interim Condensed Consolidated Financial Statements: Unaudited Interim Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 30 June 2009	At 31 December 2008
Issued share capital	334,019	334,019
Reserves	197,693	195,727
Retained profits	84,225	72,929
Equity attributable to equity holders of the parent company	**615,937**	**602,675**
Minority interests	**4,504**	**3,955**
Total shareholders' equity	**620,441**	**606,630**

Off-Balance-Sheet Items

The off-balance-sheet items of the Bank principally include derivative financial instruments, contingent liabilities and commitments etc., of which, derivative financial instruments include forward contracts, swap and options (please refer to "Note 18 to Financial Statements: Derivative Financial Instruments" for details); contingent liabilities and commitments include credit commitments, financial commitments, trust services and other contingent liabilities (please refer to "Note 36 to Financial Statements: Commitments and Contingent Liabilities" and "Note 37 to Financial Statements: Designated Deposits and Loans" for details).

Other Financial Information

Reconciliation Difference between the Financial Statements Prepared under CASs and Those under IFRSs

For the detailed reconciliation of difference between the financial statements prepared under CASs and that under IFRSs, please refer to the "Unaudited Supplementary Financial Information: (a) Differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP".

BUSINESS OVERVIEW

Corporate Banking

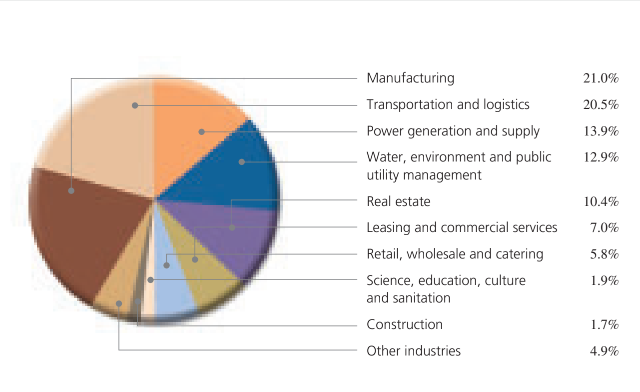
In the first half of 2009, the Bank seized the opportunity of economic development to continuously optimize operational structure and promote the transformation of corporate banking. The Bank actively adjusted credit structure and enhanced credit risk management, in an effort to maintain smooth development of credits. The Bank strived to develop emerging investment banking, expedite the promotion of short-term commercial papers, medium-term notes, corporate wealth management, merger and acquisition financing and consulting services, and reinforce business advantages. The Bank strengthened cross-selling and promoted portfolio marketing to improve the comprehensive return from customers. The Bank optimized multi-level customer marketing system, improved customer services and widened the base of quality customers. As at the end of June 2009, the Bank had 3.44 million corporate customers (including 82,000 customers with outstanding loans from the Bank, an increase of 7,143), representing an increase of 340,000 from the end of last year. According to the PBOC, the Bank ranked first among domestic banks in terms of corporate loans and deposits balance as at the end of June 2009, with a market share of 12.4% and 14.4%, respectively.

Corporate Deposits and Loans

In response to the changes in China's macro-control policy, the Bank increased credits, adjusted credit orientation and exploited quality credit market. A majority of credits were extended to urban construction, transportation and other infrastructure industries that accord with China's industrial policy. The Bank adhered to green credit, actively supported credit projects in the fields of new energy, new technology and energy conservation and environmental protection, and strictly controlled loans to the industries with high energy consumption, high pollution and overcapacity. The Bank supported the financing needs of key state-invested projects and leading enterprises of each industry. The Bank made great efforts to develop trade finance and promote the healthy and rapid development of SME credit business. The Bank increased the proportion of syndicated loans and continuously optimized credit structure. The Bank accelerated the innovation of credit products and continuously launched new products such as M&A loans, project bridge loans and project start-up loans. As at the end of June 2009, the balance of domestic corporate loans reached RMB3,811,537 million, an increase of RMB579,435 million or 17.9% over the end of last year.

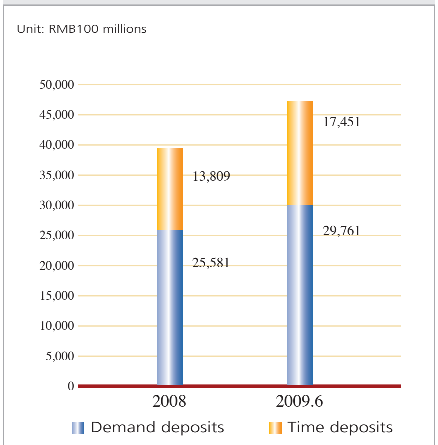
The Bank gave full play to its advantages in credit resources and settlement business, and utilized such channels as business cards and online banking to promote corporate deposit business. The Bank launched the services, including cash management, corporate wealth management, assets custody, and enterprise annuity, to absorb customer funds and boost the rapid growth of corporate deposits. As at the end of June 2009, the balance of domestic corporate deposits stood at RMB4,721,204 million, an increase of RMB782,237 million or 19.9% over the end of last year.

Balance of Corporate Loans



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

Small and Medium Enterprise Business

Regarding the development of small and medium enterprise (SME) business as an important strategy, the Bank quickened the pace of product and service innovation by organizational promotion. In order to promote the development of small enterprise business, the Bank has established small enterprise business specialized and improved business approval process. The Bank diversified and improved small business financial product mix, innovated in small enterprise business financing guarantee methods, launched commercial property loans, commodity ownership loans, account receivable loans, financial instrument loans and such other financing products suited to small enterprise customers, and devised the "SME Listing Express", a comprehensive financial service solution. The Bank designed non-credit portfolio, carried out comprehensive marketing and provided small enterprises with a full spectrum of financial services, including settlement, E-banking, investment banking, cash management and corporate wealth management. As at the end of June 2009, the Bank had 41,279 small enterprise customers with loans outstanding from the Bank, an increase of 3,722 over the end of the previous year.

Institutional Banking

The Bank continued comprehensive business cooperation with insurance companies, signed agreements on comprehensive business cooperation with 46 insurance companies, with agency sales volume of insurance products of RMB39.2 billion. The Bank achieved remarkable growth in the third party depository business. It established cooperation with 102 securities companies on third party depository services and had 16.78 million depository customers. The Bank actively expanded its network of correspondent banks and broadened the cooperation areas, and signed agreements on bank-bank platform business cooperation and domestic foreign-currency payment system with a number of banks. The number of domestic correspondent banks has increased by 11 to currently 96. The Bank endeavored to promote centralized bank-futures transfer business, achieving a rapid growth in the number of customers. The Bank improved bank-government business system, enhanced the functionalities of the "Bank-Custom Link" system with provision of guarantees for online tax payment, and put the non-tax collection agency system into operation.

Settlement and Cash Management

The Bank actively promoted such services as settlement package and ICBC Cash Management Card, and expanded the scale of settlement accounts. The Bank strengthened the joint marketing of settlement business and the services such as cash management, corporate wealth management and e-commerce, and increased the comprehensive contribution of settlement accounts. As at the end of June 2009, the number of corporate settlement accounts reached 4.19 million, an increase of 430,000 over the end of the previous year. The Bank recorded corporate RMB settlement of RMB282 trillion for the first half of 2009.

The Bank launched global cash management service, and expedited the extension to cross-border multi-bank cash management service. Leveraging on strong business system, the Bank gradually achieved the transformation from cash management to comprehensive financial and asset management, and from single customer to supply chain finance. The Bank has been awarded the "Best Cash Management Bank in China" from *The Assets* and *Finance Asia* respectively for three consecutive years. At the end of June 2009, the Bank had 205,032 cash management customers, an increase of 86,281 customers or 72.7% over the end of the previous year.

Investment Banking

The Bank supported the restructuring and M&A of leading enterprises in key industries, and provided enterprises with "financing plus consulting" comprehensive M&A service solutions. The Bank provided such services as private share placement and equity wealth management, and supported the capital raising of enterprises. The Bank strived to tap bond underwriting market, and distributed RMB139.4 billion worth of non-financial enterprise debt financing instruments as a lead underwriter in the first half of 2009, maintaining a leading position in the market. The Bank diversified products of investment banking research center, provided customers with various analysis reports and enriched ongoing financial advisory services. The Bank was awarded the "Best Bank in China in Investment Banking" by the *Securities Times*. In the first half of 2009, income from investment banking reached RMB7.143 billion, representing an increase of 48.1% over the same period of last year.

International Settlement and Trade Finance

The Bank actively promoted tailor-made international settlement and trade finance centralized processing solutions, which enhanced settlement and trade finance services for large enterprises. The Bank provided export finance under packaged full-value low-risk guarantee of USD term deposits and forward foreign exchange transaction to mitigate enterprises' exchange rate risk. The Bank strived to develop domestic trade finance, sped up innovation in trade finance products, and launched new products such as leasing receivables factoring and domestic purchase order financing. The Bank continued centralization of bills processing over the branches and promoted pilot program of RMB settlement of cross-border trade transactions. In the first half of 2009, domestic branches extended a total of RMB287.0 billion in trade finance, representing an increase of 57.3% over the same period of last year, of which domestic trade finance grew by 229.7% to RMB150 billion. The Bank handled international settlement of USD307.2 billion in aggregate.

Asset Management

• *Asset Custody Services*

The Bank strengthened marketing to securities investment fund companies, and securities investment funds under its management increased from 20 to 127. With a remarkable progress in custody of separately managed account of fund companies, the Bank led the domestic banking industry in terms of the number and scale of funds under its management. Steady progress was also achieved in global custody business, and the number of QFII custody customers increased by three. The Bank actively developed new services, including custody of funds in collection and payment accounts, custody of industrial investment funds, and custody of specified asset management of securities companies. The Bank was awarded the Best Custodian Bank in China by domestic and overseas financial media, including the *Global Custodian*, *The Assets*, *Global Finance* and *Chinese Securities Investment Fund Yearbook*. At the end of June 2009, the net value of assets under management was RMB1,377.3 billion, representing an increase of 20.4% over the end of last year.

• *Enterprise Annuity*

Leveraging on the full spectrum of business qualifications and sound service network, the Bank continued to lead the enterprise annuity market. It continued to optimize annuity service channels such as internet banking and telephone banking, actively promoted various standardized annuity products, including "Ruyi Pension Management 1", and improved comprehensive management and service relating to enterprise annuity funds. At the end of June 2009, the Bank had provided enterprise annuity services for 16,642 enterprises, representing an increase of 1,108 over the end of the previous year, involving RMB5.7 billion of annuity fund under trusteeship, an increase of RMB1.7 billion. The Bank managed 5.99 million personal annuity accounts, representing an increase of 0.94 million. The annuity fund under custody was RMB74.2 billion, representing an increase of RMB20.2 billion.

• *Precious Metal Business*

The Bank continued to promote product innovation, launched "Ruyi Gold" saving business, making it the first among domestic banks to introduce the concept of physical gold account to facilitate customers to accumulate sporadically, purchase separately and redeem at maturity. The Bank optimized brand gold sales system and added customer selective purchase service. The influence of "ICBC Gold Trading", a precious metal business brand of the Bank, continued to enhance. In the first half of 2009, the volume of precious metal transactions the Bank was engaged on its own account or on behalf of customers reached 564 tons, representing an increase of 53.3% over the same period of last year. Of which, bullion transactions for personal accounts reached 466 tons, an increase of 87.1%, ranking the first among domestic banks. The Bank cleared RMB79.8 billion on behalf of Shanghai Gold Exchange, maintaining the leading position in the industry.

• *Corporate Wealth Management*

Focusing on fixed-income wealth management products, the Bank launched a variety of rolling corporate wealth management products with no fixed term or with a term of 7, 14 and 28 days, in order to meet customers' wealth management needs for their short-term idle funds. The Bank launched a comprehensive wealth management service plan, and shifted from single product sales to comprehensive wealth management services by integration of wealth management products with other financial products. The Bank took the advantages of physical outlets and Internet banking to market wealth management products by multi-channels and promoted the rapid growth of the sales of wealth management products. In the first half of 2009, the Bank sold corporate wealth management products of RMB688.8 billion, representing an increase of 1.4-fold over the same period of last year.

Personal Banking

In the first half of 2009, the Bank continued to improve the customer-oriented personal financial business operation and management system, and accelerated the transformation of operation and management mechanism. The Bank adopted refined management of customers, optimized multi-level customer service system and improved personal financial services. The Bank coordinated the synergetic marketing of personal banking and corporate banking businesses and enhanced cross-selling to improve marketing efficiency. The Bank strengthened brand cultivation, promoted business innovation, and pushed forward the coordinated development of savings deposits, personal wealth management, personal loans, and bank card business. The Bank was awarded the "Best Mega Retail Bank in China" by *The Asian Banker*. At the end of June 2009, the Bank had 205 million personal customers, including 5.22 million personal loan customers. According to the PBOC statistics, the Bank ranked the first among domestic banks in terms of the balance of savings deposits and that of personal loans at the end of June 2009, with a market share of 18.0% and 19.3% respectively.

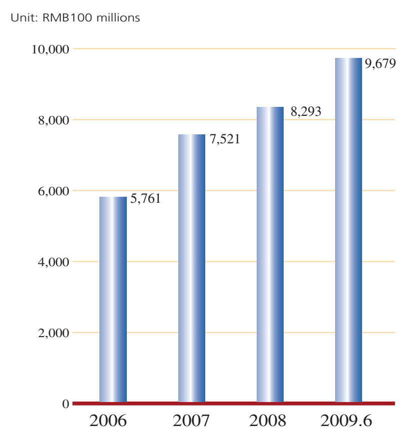
Savings Deposits

The Bank enhanced coordinated marketing to develop quality enterprise payroll payment agency service and broadened the sources of savings deposits. In response to the changes in market and customer needs, the Bank guided customers to establish diversified asset portfolio and achieve coordinated development of deposits and wealth management according to customers' investment preference and the rules of fund flow. Savings deposits maintained a relatively rapid growth. At the end of June 2009, the balance of the Bank's domestic savings deposits stood at RMB4,556,378 million, representing an increase of RMB546,130 million or 13.6% over the end of the previous year. Of which, demand savings deposits increased by RMB308,986 million or 21.6%, and term savings deposits grew by RMB237,144 million or 9.2%.

Personal Loans

According to China's macro-economic policy of stimulating consumer spending, the Bank increased the loan extension of loans to meet personal credit demand. For personal housing loans that meet related requirements, the Bank gave a 30% discount of loan rate, reasonably simplified process and adjusted outstanding loans by system. The Bank rolled out personal housing mortgage loans to enrich product mix, and promoted the electronic approval process to improve efficiency. At the end of June 2009, the Bank's domestic personal loans amounted to RMB967,906 million, an increase of RMB138,564 million or 16.7% over the end of the previous year. Of which, personal housing loans increased by RMB101,468 million or 17.0%.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

The Bank strengthened wealth management product innovation, and achieved coordinated development of businesses such as funds, insurance, bonds and banking wealth management products. In the first half of 2009, domestic sales of various personal wealth management products reached RMB722.2 billion.

In line with customer needs, the Bank enhanced research and development of low-risk and fixed-income wealth management products. The Bank actively promoted "Money Link Express", a flexible ultra-short-term rolling wealth management product, and launched regional wealth management products to tap regional market. The Bank improved multi-level customer service system and developed various wealth management products tailored to middle to high-end customers. In the first half of 2009, the total sales of personal banking wealth management products reached RMB395.3 billion[1], representing an increase of 98.7% over the same period of last year and maintaining the leading position in the domestic banking industry.

When the capital market rallied, the Bank seized the opportunity to improve automatic investment plan of funds, and promoted agency fund marketing. It distributed open-ended funds of RMB239.6 billion, further consolidating its leading position in the industry. The Bank strengthened cooperation with insurance companies, and the number of participating insurance companies of the "Bank-Insurance Link" system and products available increased rapidly. The Bank marketed treasury bonds together with other personal wealth management products, and distributed treasury bonds of RMB48.6 billion. Agency sales of personal wealth management products reached RMB326.9 billion in the first half of 2009.

• *Elite Club Account*

The Bank continued to strengthen the innovation in customer products and services of Elite Club Account and launched various wealth management products especially for Elite Club Account. The Bank accelerated channel building, improved customer service and steadily increased the proportion of customers using the Elite Club Account to the total number of personal customers. At the end of June 2009, the number of customers of Elite Club Account reached 5.74 million, representing an increase of 1.19 million over the end of last year.

• *Wealth Management*

The Bank launched wealth management business, and provided customized and professional wealth management service for the customers with financial assets of more than RMB1 million. To improve the channel specially designed for wealth management customers, the Bank has set up 120 premier wealth management centers so far. The Bank launched 39 types of dedicated "ICBC Wealth Gold" products to meet the needs of wealth management customers. The number of wealth management customers increased rapidly, and financial assets of these customers exceeded RMB1 trillion.

Private Banking

According to the experience of customers, the Bank improved private banking service standards, processes and service system. Focusing on preservation and appreciation of customer assets, the Bank improved private banking product system and portfolio management in line with customer needs and market development. Private banking achieved rapid development, and the number of contracted private banking customers exceeded 4,000 at the end of June 2009.

1 Since 2009, the amount of accumulative sales of "Money Link Express", the flexible wealth management products, refers to the difference between the daily average outstanding balance for the reporting period and the outstanding balance as at the end of the previous year instead of accumulative subscription amount. Comparative figures have been correspondingly adjusted.

Bank Card Business

The Bank's bank card business continued to maintain a momentum of rapid development in the first half of 2009. At the end of June 2009, the number of issued bank cards was 270 million, representing an increase of 28.56 million over the end of last year. Income from bank card business grew by 36.2% over the same period of last year to RMB4,355 million.

• *Credit Card Business*

The Bank completed the functional integration of international credit card, credit card and quasi-credit card. The Bank launched new products such as Air China Companion Peony Credit Card, Peony Mango Credit Card and Guangshen Railway Peony Financial IC Card. The Bank pushed forward the construction of calling centers and VIP customer service centers to improve service quality, and extended the coverage of chartered and preferential merchants to expand the market share of acquiring service. The Bank promoted the credit card installment payment business and reasonably expanded the scale of overdraft business. The Bank was honored the Golden Award for Credit Card Issuing Bank Trusted Brand by the *Reader's Digest* and received the title of "Best Platinum Card of the Year" from MasterCard Worldwide. At the end of June 2009, the number of issued credit cards was 45.70 million, representing an increase of 6.65 million over the end of last year. Credit card consumption amounted to RMB199.5 billion for the first half of 2009, representing an increase of 80.1% over the same period of last year. The Bank's leading position in the number of cards issued and card consumption amount was further reinforced. The balance of domestic credit card overdrafts amounted to RMB24,338 million, representing an increase of RMB7,241 million or 42.4% over the end of last year.

• *Debit Card Business*

The Bank was the first domestic bank to launch the magnetic strip and IC dual-medium debit card. The Bank actively developed co-brand card business, and launched Peony Ctrip Moneylink Card and Peony Rollover Moneylink Card. The Bank segmented customer market and launched the marketing and promotion campaigns with different themes to boost card consumption. At the end of June 2009, the number of issued debit cards reached 221 million, representing an increase of 21.91 million over the end of last year. Debit card consumption amounted to RMB417.7 billion in the first half of 2009, representing an increase of 55.0% as compared to the same period of last year.

Treasury Operations

Money Market Activities

In the first half of 2009, the PBOC continued to pursue a moderately loose money policy, which led to abundant liquidity in the money market. The Bank actively expanded its share of financing market and improved the yield of treasury operation by offering in the money market and open market. During the first half of 2009, RMB borrowing and lending of domestic branches totaled RMB7,464.0 billion, representing an increase of 67.8% over the same period of last year, including lending of RMB7,456.0 billion. With respect to foreign currency-denominated treasury operations, the Bank kept a close eye on the credit risk of counterparties, and maintained a relatively short term placements to ensure the security of funds. In the first half of 2009, the foreign currency transaction volume in the money market reached USD352.2 billion.

Management of Investment Portfolio

• *Trading Book Business*

RMB bond price index fluctuated and declined in the first half of 2009. The Bank adopted a trading strategy of controlling position and reducing duration, and mainly invested in short-term credit products and floating-rate products. In line with the market change, the Bank adopted wave band operations to increase trading profits. In the first half of 2009, the transaction volume of RMB bond trading book reached RMB1.68 trillion, representing an increase of 24.4% over the same period of last year. The Bank strengthened the market research of RMB interest rate derivative product market, improved the timeliness of quotation, and completed RMB interest rate swap transactions of RMB33.6 billion.

In respect of foreign currency transactions, in response to the hike of yield of the US treasury bonds, the Bank seized the market opportunity to take short-term transactions with focus on medium-term US treasury bonds, and the cumulative transaction volume reached USD15.3 billion.

• *Banking Book Business*

In the first half of 2009, the yield curve of RMB bonds maintained at a low level and showed an upward trend but with fluctuations. The Bank implemented a strategy of controlling risks and shortening investment term. In keeping with the fast developing trend of the direct financing market, the Bank moderately increased the investment in such credit products as corporate bonds with controllable risks and high returns. The Bank also seized the opportunity of volatile market yield rate to improve return on investment. At the end of June 2009, the balance of RMB bond investment in banking book amounted to RMB2,955,707 million.

In respect of foreign currency business, the Bank reduced the position of risky foreign currency bonds when the international financial market recovered in the second quarter of the year. The Bank continued with investment in diversified currencies, and increased investment in bonds denominated in foreign currencies other than the US dollar to raise the proportion of such bonds.

Agency Treasury Operations

The Bank strictly prevented business development risks, actively promoted business innovation, and made remarkable progress in development of such products as personal foreign currency options transactions. The Bank continuously optimized the functions of business system, promoted the application of derivative product pricing model, strengthened independent pricing capability and developed a global trading platform. Due to the slowdown of foreign trade development and the stable movement of RMB exchange rate, the volume of foreign exchange settlement and sales and foreign exchange transactions both declined. In the first half of 2009, the volume of agency foreign exchange settlement and sales and foreign exchange trading reached USD166.5 billion, and the transaction volume of agency structured derivative products stood at USD31.8 billion.

Distribution Channels

Domestic Branch Network

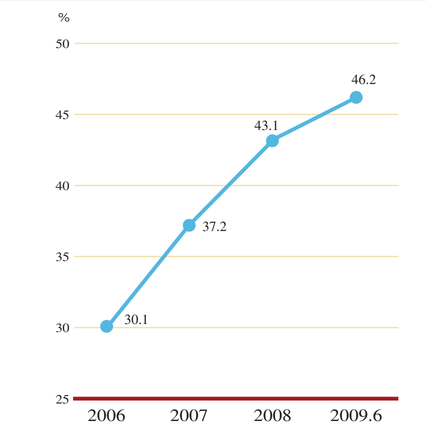
While maintaining the stability of institution setup and ensuring the competitiveness of institution network, the Bank pushed forward the construction of channels and networks focusing on structural adjustment, outlet layout optimization and function improvement. The Bank steadily increased the proportion of outlets in economically developed regions, including Yangtze River Delta, Pearl River Delta and Bohai Rim, and gave more support to outlets in provincial capitals, key large and medium cities and economically developed counties. The Bank continued to implement outlet upgrade and renovation project, strengthen scientific management of outlet site selection and increase investment in new outlet construction. At the end of June 2009, the Bank had established more than 3,100 premier wealth management centers and VIP service centers, remarkably improved the service environment, service capability as well as the hard and soft facilities of operating outlets, and further enhanced the effects of multi-level marketing.

At the end of June 2009, the Bank had 16,230 institutions on the Chinese Mainland, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 27 banking offices of tier-1 branches, 387 tier-2 branches, 3,053 tier-1 sub-branches, 12,699 front line business outlets, 25 outlets directly controlled by the Head Office and their branch offices, and two majority controlling subsidiaries.

E-banking Business

In line with customer requirements, the Bank promoted product innovation, optimized functions and further sharpened its competitive edge. The Bank launched a series of new products such as internet large enterprise inter-bank fund management system, E-banking B2C installment payment business, and mobile banking (WAP) 3G experience edition. The Bank pushed forward E-banking refining project to simplify operation processes and facilitate customer use. The Bank launched various new product promotion activities, improved popularity of the E-banking brand, and achieved continuous growth in customer scale and business volume. In the first half 2009, the transaction volume of E-banking reached RMB70.09 trillion, representing an increase of RMB2.02 trillion compared to the same period of last year. The number of E-banking transactions accounted for 46.2% of total transactions, representing an increase of 3.1 percentage points.

Growth of Proportion of E-banking Business



Note: The proportion of E-banking business refers to the number of E-banking transactions against the total number of transactions of the Bank

• *Internet Banking*

The Bank launched the internet large enterprise inter-bank fund management system for large group enterprise customers, which realized direct link between ERP of large group enterprise with many banks and improved the fund management of those enterprises. The Bank launched an online finance software for corporate internet banking tailored to SME customers, which integrated enterprises' financial management with the Bank's financial services to help SME customers reduce financial costs. The Bank streamlined key functions of personal internet banking, and optimized the operation interface and transaction process to make the product more user-friendly. At the end of June 2009, the number of the Bank's corporate internet banking customers was 1.74 million, representing an increase of 300,000 over the end of last year, and that of personal internet banking customers was 66.21 million, representing an increase of 9.49 million.

• *Telephone Banking*

The Bank optimized the public voice menu of telephone banking for the convenience of customers, and newly added the functions of fund and gold purchase via telephone banking for passbook registered customers via telephone banking. The Bank completed the outsourcing of telephone banking of Shenzhen Branch, achieved full coverage of integrated telephone banking of the Head Office, and further improved the intensive operation and customer service of telephone banking.

• *Mobile Banking*

The Bank upgraded mobile banking (WAP) functions, and launched mobile banking (WAP) 3G experience edition, to provide customers with more convenient and efficient banking services such as inquiry and transfer. The number and transaction value of mobile banking customers increased significantly. At the end of June 2009, the number of mobile banking (WAP) customers reached 4.50 million, representing an increase of 3.95 million over the end of the previous year, and the transaction volume of mobile banking amounted to RMB1.2 billion in the first half of the year.

• *Self-service Banking*

The Bank continued to increase the setup of ATM and BSM to optimize the layout of self-service network. The Bank improved BSM functions and uniformed the style of operating interface. The Bank introduced the new edition of self-service guide to help customers use ATM and BSM. At the end of June 2009, the Bank owned 7,982 self-service banks and 30,324 ATM terminals, representing an increase of 12.7% and 5.8%, respectively, over the end of last year. The transactions on ATMs amounted to RMB984.1 billion, representing an increase of 36.2% over the same period of last year.

International and Diversified Operation

In the first half of 2009, in response to the opportunities and challenges brought by the global financial crisis, the Bank continued to implement the strategy of diversified and international operation, optimize resources allocation and expand globalize operation while expediting the integration of overseas institutions.

On 4 June 2009, the Bank entered into relevant agreements with BEA on the acquisition and disposal of shares of The Bank of East Asia (Canada) and ICEA, respectively. The acquisition of a 70% stake in The Bank of East Asia (Canada) will enable the Bank to obtain banking license and have access to customer resources of Canada, and will present the Bank with a solid platform for further expanding business and network in North America. Meanwhile, sales of shares of ICEA will be beneficial to the Bank's institution layout and business integration in Hong Kong by focusing on developing investment banking business.

In the first half of 2009, the Bank's applications for establishing Abu Dhabi Branch and Dubai Branch were approved by CBRC. ICBC International was granted the license to deal in futures contracts, which further enhanced the functions of the Bank's overseas investment banking platform. The merger of Macau Branch and Seng Heng Bank was substantially completed and approved by the regulatory authorities of the two jurisdictions. On 11 July, Seng Heng Bank was named Industrial and Commercial Bank of China (Macau) Limited. At the end of June 2009, the Bank established 143 branches in major international financial centers and regions with economic and trade ties with China, and has established correspondent bank relationships with 1,378 banks in 125 countries and regions.

Information Technology

Revolving around the overall objective of reform and development, the Bank implemented the Technology-Driven strategy and further enhanced its competitiveness of information technology. The Bank has ranked the first consecutively in the list of "Top 500 Information-Oriented Chinese Enterprises", and meanwhile won the "Grand Award for Information-Oriented Enterprises 2008", the highest award for the information technology construction of enterprises, as well as the "Award for Best Overall IT Architecture".

The Bank continuously innovated and enriched application products. In the first half of 2009, 13 patents of the Bank were authorized by the State Intellectual Property Office, increasing the number of patents owned by the Bank to 85. The Bank accelerated the research, development and optimization of products, put into production 207 new projects and actively promoted the development of customer service, operation management and overseas operations. The Bank launched innovative financial products such as personal cheque, optimized global cash management system, and took the lead among domestic banks to roll out mobile banking that supports 3G technology. The Bank optimized databank application system and improved information technology management technology. The Bank actively pushed forward the development of the 4th-generation application system (NOVA+), and successfully implemented some key projects, including credit card system integration, product and accounting separation, and internal rating of personal customers. The Bank expedited the development of overseas operations system, and completed the spreading of overseas institutions diversified business processing system (FOVA) in 8 overseas institutions, including Macau Branch and ICBC (Indonesia).

The operation of the information system was safe and stable, with the production and operation management being further improved. The Bank implemented the automatic renovation of open platform system in batches and improved the development of monitoring system. The Bank completed the formulation of standards on disaster recovery grading, and implemented the disaster recovery protections for application system based on disaster recovery grading. The Bank upgraded and optimized the core network infrastructure architecture to improve the stability and reliability of network.

Human Resources Management

Following the implementation of human resources enhancement management project, the Bank introduced the staff remuneration system based on post performance salary, and preliminarily established a corporate remuneration allocation mechanism centering on post value and based on employees' capability and performance. The Bank pushed forward the building of customer manager evaluation and incentive mechanism, improved incentive plans for the sales of key products, and enhanced the incentive for front-office marketing and business expansion staff. The Bank also improved the employees' welfare and security system.

The Bank continuously launched multi-level, multi-type, multi-channel and large-scale staff training. In the first half of 2009, the Bank held various training courses of 14,000 sessions for 699,000 man-times. The Bank implemented the "Middle-aged Staff Professional Skill Rehabilitation Program" and held training sessions for middle-aged employees so that they could be competent for their post or transfer to other posts. The Bank continued to organize training sessions on the authoritative international certification exams, and intensified the training for senior professional personnel. The Bank also comprehensively organized the modern financial enterprise management capability trainings for operation and management personnel at various levels.

The Bank advanced the business process reengineering and institution integration. The Bank established the Small Enterprise Banking Department and improved the professional operation and management for small enterprise financial business. The Bank carried out the reform on centralized management of financial statements to improve the efficiency of information use and management. The Bank launched the reform on the business operation system, promoted the reform of sub-branches at county-level, and explored a way to establish county-level institutions in line with the characteristics of allocation of county-level financial resources. Furthermore, the Bank started the preparation process of building branches at town and village levels.

RISK MANAGEMENT

Comprehensive Risk Management System

The Bank proactively improved the comprehensive risk management system and accelerated the enhancement of the comprehensive risk management capability in the first half of 2009. The Bank further improved the comprehensive risk management framework, and formulated a set of management standards and guidelines in respect of credit risk, market risk, liquidity risk and operational risk The Bank also implemented the risk limit management program for 2009 and gradually improved the risk management reporting mechanism of the Group.

According to the plan for implementation of the Basel II, the Bank accelerated the development of quantitative technologies for risk management, including the Internal Rating-based (IRB) Approach on credit risk, the Internal Model Approach (IMA) on market risk and the Advanced Measurement Approach (AMA) on operational risk and intensified their applications throughout the risk management process. The Bank made further efforts to improve the internal rating mechanism, including the optimization of rating models, methods and systems, launch of the personal customer internal rating system, and implementation of the credit risk measurement project for derivatives counterparties. The Bank further optimized the core market risk management system, advanced independent research and development projects for financial market businesses and risk management, carried out product control projects and strengthened development of the market risk statements and reporting system. In addition, the Bank steadily conducted the inspection and governance, data collection, model development and system development for the AMA Project of operational risk.

Credit Risk

Credit Risk Management

In the first half of 2009, in response to changes in macro economic and financial environment, the Bank adjusted and improved its credit policies, facilitated the credit system development and credit product innovation, strengthened the industry risk management and credit restructuring, maintained stringent lending processes, enhanced the credit rating and pre-lending investigation, intensified post-lending management, intensified credit risk monitoring and analysis, reinforced withdrawal from lending exposed to potential risks, properly conducted the recovery and disposal of and non-performing loans, and enhanced credit risk management comprehensively.

- The Bank continued to advance credit system development to further fortify the foundation of credit management and improve the loan security system. The corporate customer credit management manual was updated to bring disciplines to credit operations. The Bank refined the standards for corporate credit asset quality classification, and optimized functions of the 12-tier classification system. The Bank also continuously enhanced functions of the asset management systems (CM2002 and PCM2003) to integrate corporate customer credit rating processes, to move forward the oversight function of personal credit operations and to improve paperless approval of credit business. In addition, the Bank reinforced the credit business authorization management of domestic and overseas institutions, established the credit risk reporting system of overseas institutions, and intensified the centralized operation and management of large syndicated loans of overseas institutions.

- The Bank improved industry credit policies and intensified industry risk management. The Bank properly raised the entry thresholds for selected industries in line with macro-controls and industry policies of China, and strengthened industry classification management and industry limit management. The Bank formulated credit policies for such additional industries as metals, shipbuilding and construction, thereby expanding the coverage of industry policies. The Bank also pushed forward the "green credit" program by creating the environment-based project classification standards, adjusting environment label classification standards of corporate customers, and increasing credit supports for new energy, new technologies, environment protection and energy conservation projects. In addition, the Bank strengthened risk precautions and promptly gave risk alerts with focuses on such risks as surplus capacity and over-financing.
- The Bank strengthened risk management in urban infrastructure construction. The Bank adjusted credit policies to raise entry thresholds and strengthen limit management. The Bank also introduced entry area list based management, and concentrated credit resources on areas with strong financial positions and good credit standings in line with their debt service ability.
- The Bank strengthened risk management of the property development industry. In proactive response to changes in the property market, the Bank further improved credit policies for the property development industry and continued to apply industry limit management. The Bank standardized the property developer list based management to clarify customer access standards and optimize customer structure. The Bank also restructured property development loans and improved policies for land reserve loans. In addition, the Bank strictly followed rules on closed loan management, controlled use of project funds and managed to recover loans in proportion of property sales.
- The Bank strengthened risk management of trade finance. The Bank streamlined and improved trade finance policies to further regulate such aspects as customer access conditions, approval procedures and credit management. The Bank developed the post-lending management manuals for trade finance to highlight relevant requirements on post-lending management. The Bank also strengthened the oversight, analysis and risk monitoring of trade finance business.
- The Bank strengthened risk management of personal loans. The Bank monitored non-performing loans on a regular basis, conducted field inspections or audits on branches that showed a quick increase in non-performing loans, and made disciplinary talks with selected branches. The Bank also strengthened researches on market conditions in areas where housing prices fluctuated dramatically, and strictly followed the personal housing lending procedures and the second house loan policies.
- The Bank continued to strengthen the recovery and disposal of non-performing loans, in particular large-amount ones. The Bank implemented the revised management procedures for non-performing loans of corporate customers, for writing off of bad debts and for writing off of bad debts with accounts cancelled yet record filed to enhance sophisticated management. The Bank reduced the disposal cost and increased the recovery rate by combining cash recovery, repossession of assets and reorganization and transformation. The Bank also enhanced liaison and cooperation with external institutions to diversify disposal channels and improve disposal efficiency.

Credit Risk Analysis

At the end of June 2009, the details of the Bank's maximum exposure to credit risk (without taking account of any collateral and other credit enhancements) are set forth below:

MAXIMUM EXPOSURE TO CREDIT RISK

In RMB millions

Item	At 30 June 2009	At 31 December 2008
Balances with central banks	1,604,488	1,652,999
Due from banks and other financial institutions	176,872	168,363
Financial assets held for trading	30,329	32,163
Financial assets designated at fair value through profit or loss	1,300	1,459
Derivative financial assets	6,867	15,721
Reverse repurchase agreement	943,284	163,493
Loans and advances to customers	5,300,116	4,436,011
Financial investment		
— Receivables	1,163,169	1,162,769
— Held-to-maturity debt securities	1,273,141	1,314,320
— Available-for-sale investment	644,146	528,829
Other assets	77,466	70,780
Sub-total	**11,221,178**	**9,546,907**
Credit commitments	**1,099,682**	**936,473**
Maximum credit risk exposure	**12,320,860**	**10,483,380**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

	At 30 June 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	5,145,073	94.64	4,229,609	92.51
Special mention	192,731	3.55	237,903	5.20
Non-performing loans	98,665	1.81	104,482	2.29
Sub-standard	40,823	0.75	37,694	0.83
Doubtful	48,577	0.89	55,641	1.22
Loss	9,265	0.17	11,147	0.24
Total	**5,436,469**	**100.00**	**4,571,994**	**100.00**

The quality of loans has been improved continuously. At the end of June 2009, in accordance with the five-tier classification, pass loans of the Bank amounted to RMB5,145,073 million and accounted for 94.64% of total loans, representing an increase of RMB915,464 million and 2.13 percentage points, respectively, as compared to the end of last year. The special mention loans amounted to RMB192,731 million and accounted for 3.55% of total loans, representing a decrease of RMB45,172 million and 1.65 percentage points, respectively. The balance of NPLs was RMB98,665 million, representing a decrease of RMB5,817 million; and the NPL ratio was 1.81%, representing a decrease of 0.48 percentage point. The continuous decrease in the balance of both NPLs and the NPL ratio was mainly due to the Bank's accelerated collection and disposal of NPLs and strengthened the monitoring of and intensified the withdrawal of loans with potential risk.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2009				At 31 December 2008			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	3,811,537	70.1	86,627	2.27	3,232,102	70.7	93,747	2.90
Discounted bills	469,096	8.6	—	—	326,315	7.1	—	—
Personal loans	967,906	17.8	10,780	1.11	829,342	18.2	9,593	1.16
Overseas and others	187,930	3.5	1,258	0.67	184,235	4.0	1,142	0.62
Total	**5,436,469**	**100.0**	**98,665**	**1.81**	**4,571,994**	**100.0**	**104,482**	**2.29**

The balance of non-performing corporate loans decreased by RMB7,120 million to RMB86,627 million, and the NPL ratio decreased by 0.63 percentage point to 2.27%. The balance of non-performing personal loans increased by RMB1,187 million to RMB10,780 million, which was mainly due to the slow-down of economic growth and the increase in non-performing personal housing loans and personal business loans; and NPL ratio decreased by 0.05 percentage point to 1.11%. The quality of personal loans remained stable in general.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC REGION

In RMB millions, except for percentages

	At 30 June 2009				At 31 December 2008			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	118,740	2.2	829	0.70	124,156	2.7	662	0.53
Yangtze River Delta	1,327,899	24.4	15,709	1.18	1,137,693	24.9	15,019	1.32
Pearl River Delta	802,590	14.8	12,382	1.54	667,171	14.6	14,025	2.10
Bohai Rim	1,031,604	19.0	19,550	1.90	838,494	18.3	18,777	2.24
Central China	737,524	13.6	14,330	1.94	606,368	13.3	15,887	2.62
Western China	904,235	16.6	21,415	2.37	732,625	16.0	23,902	3.26
Northeastern China	325,947	6.0	13,192	4.05	281,252	6.2	15,068	5.36
Overseas and others	187,930	3.4	1,258	0.67	184,235	4.0	1,142	0.62
Total	**5,436,469**	**100.0**	**98,665**	**1.81**	**4,571,994**	**100.0**	**104,482**	**2.29**

The Bank continued to support the development of credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim. Loans in these three regions increased by RMB518,735 million and accounted for 60.0% of the increment in new loans. As a result of a moderate growth in the allocation of credit resources to Western China and Central China to support the credit needs for earthquake relief in earthquake-stricken areas, loans in Western China and Central China increased by 23.4% and 21.6%, respectively, 4.5 and 2.7 percentage points higher, respectively, over the average growth rate of the whole bank. The balance of overseas and other loans increased by RMB3,695 million.

The Bank achieved the decline in both the balance and ratio of NPLs in Western China, Northeastern China, Pearl River Delta and Central China. The balance of NPLs in Yangtze River and Bohai Rim increased by RMB690 million and RMB773 million respectively, which was mainly due to the non-performing loans to few borrowers; and the ratio of NPLs decreased by 0.14 and 0.34 percentage point respectively.

DISTRIBUTION OF CORPORATE LOANS AND NPLS BY INDUSTRY

In RMB millions, except for percentages

	At 30 June 2009				At 31 December 2008			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Manufacturing	801,295	21.0	40,896	5.10	758,764	23.5	44,974	5.93
Chemicals	133,003	3.5	6,960	5.23	124,981	3.9	8,126	6.50
Machinery	105,235	2.7	5,386	5.12	102,747	3.2	6,285	6.12
Iron and steel	90,234	2.4	883	0.98	87,686	2.7	975	1.11
Metal processing	87,177	2.3	2,229	2.56	79,876	2.5	2,720	3.41
Textiles and apparels	83,010	2.2	6,524	7.86	78,072	2.4	7,343	9.41
Electronics	47,439	1.2	4,038	8.51	40,831	1.3	3,201	7.84
Automobile	45,754	1.2	1,165	2.55	46,888	1.4	1,301	2.77
Petroleum processing	42,243	1.1	423	1.00	41,709	1.3	721	1.73
Cement	36,881	1.0	3,422	9.28	33,591	1.0	3,497	10.41
Others	130,319	3.4	9,866	7.57	122,383	3.8	10,805	8.83
Transportation and logistics	781,668	20.5	8,981	1.15	690,809	21.4	9,480	1.37
Power generation and supply	528,318	13.9	7,326	1.39	501,411	15.5	7,672	1.53
Water, environment and public utility management	493,483	12.9	542	0.11	275,469	8.5	1,781	0.65
Real estate	395,560	10.4	7,707	1.95	343,895	10.6	7,600	2.21
Leasing and commercial services	268,020	7.0	1,708	0.64	188,120	5.8	1,887	1.00
Retail, wholesale and catering	219,670	5.8	13,578	6.18	188,831	5.8	13,720	7.27
Science, education, culture and sanitation	72,175	1.9	1,623	2.25	70,148	2.2	1,963	2.80
Construction	65,078	1.7	1,488	2.29	61,006	1.9	1,574	2.58
Others	186,270	4.9	2,778	1.49	153,649	4.8	3,096	2.01
Total	**3,811,537**	**100.0**	**86,627**	**2.27**	**3,232,102**	**100.0**	**93,747**	**2.90**

In the first half of 2009, the four industries to which the Bank extended most of its loans were water, environment and public utility management, transportation and logistics, leasing and commercial services and real estate. The incremental loans for these industries accounted for 76.0% of total incremental corporate loans. Loans extended to water, environment and public utility management increased by RMB218,014 million or 79.1%, which was mainly due to the increase of loans extended to industries such as urban infrastructure in line with the government policy. Loans extended to transportation and logistics increased by RMB90,859 million or 13.2%, mainly attributable to the increase in loans extended to highway, transportation and other related sub-industries which were consistent with the credit policy of the Bank. Loans extended to leasing and commercial services increased by RMB79,900 million or 42.5%, which was mainly due to the relatively rapid increase in loans extended to development zone and other related industries driven by the accelerated investment in fixed assets by the government. Loans extended to the real estate industry increased by RMB51,665 million or 15.0%, which were mainly granted to high-quality customers of the Bank with strong financial strength, good qualification and reputation.

NPL balance of the four industries, namely manufacturing industry, water, environment and public utility management, transportation and logistics and power generation and supply, experienced the largest decrease amongst other industries. NPL balance of electronics and real estate industries increased by RMB837 million and RMB107 million respectively, mainly due to the delinquency of loans granted to certain enterprises.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the period	**54,059**	**81,924**	**135,983**
Charge for the period	1,099	8,149	9,248
Including: Impairment allowances charged	7,757	39,504	47,261
Impairment allowances transferred	205	(205)	–
Reversal of impairment allowances	(6,863)	(31,150)	(38,013)
Accreted interest on impaired loans	(727)	–	(727)
Write-offs	(7,941)	(335)	(8,276)
Recoveries of loans and advances previously written off	260	59	319
Transfer out[(1)]	(184)	(10)	(194)
At the end of the period	**46,566**	**89,787**	**136,353**

Note: (1) Transfer out mainly represents impairment losses of loans transferred out into repossessed assets.

At the end of June 2009, the allowance for impairment losses on loans amounted to RMB136,353 million, representing an increase of RMB370 million as compared to that of the end of the previous year. The ratio of total allowance to NPL was 138.20%, up 8.05 percentage points, representing a further improvement in the Bank's ability to resist risk. The allowance to total loans ratio was 2.51%.

DISTRIBUTION OF LOANS BY COLLATERALS

In RMB millions, except for percentages

Item	At 30 June 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	1,913,931	35.2	1,688,435	36.9
Including: Personal housing loans[1]	698,842	12.9	597,374	13.1
Pledged loans	876,019	16.1	676,129	14.8
Including: Discounted bills[1]	469,096	8.6	326,315	7.1
Guaranteed loans	927,517	17.1	866,129	18.9
Unsecured loans	1,719,002	31.6	1,341,301	29.4
Total	**5,436,469**	**100.0**	**4,571,994**	**100.0**

Note: (1) Data of domestic branches.

The Bank's unsecured loans amounted to RMB1,719,002 million, representing an increase of RMB377,701 million or 28.2% compared to the end of last year, as a result of the increase in loans extended to customers with higher credit rating. Loans secured by mortgages amounted to RMB1,913,931 million, representing an increase of RMB225,496 million or 13.4%.

OVERDUE LOANS

IIn RMB millions, except for percentages

Overdue periods	At 30 June 2009		At 31 December 2008	
	Amount	% of total	Amount	% of total
3 to 6 months	10,598	0.2	9,231	0.2
6 to 12 months	13,096	0.2	8,487	0.2
Over 12 months	62,691	1.2	70,162	1.5
Total	**86,385**	**1.6**	**87,880**	**1.9**

Note: Loans and advances are deemed overdue when either the principal or interest is not repaid by the due date. For loans and advances to customers repayable by instalments, the full amount of loans will be deemed overdue if any of the instalments is not repaid by the due date.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB19,612 million, representing a decrease of RMB5,634 million or 22.3% compared to the end of last year, of which renegotiated loans and advances to customers overdue for over three months amounted to RMB14,253 million, representing a decrease of RMB4,731 million.

LOAN CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.0% and 20.5% of the Bank's net capital, respectively, both in compliance with the regulatory requirements. The total amount of loans granted to the top ten single customers was RMB136,405 million, accounting for 2.5% of the total loans. The table below shows the details of the top ten single borrowers of the Bank as at the end of June 2009.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation and logistics	19,713	0.4
Borrower B	Mining	15,000	0.3
Borrower C	Transportation and logistics	14,016	0.3
Borrower D	Transportation and logistics	13,343	0.3
Borrower E	Power generation and supply	13,128	0.2
Borrower F	Transportation and logistics	13,050	0.2
Borrower G	Water, environment and public utility management	12,795	0.2
Borrower H	Transportation and logistics	12,640	0.2
Borrower I	Transportation and logistics	11,770	0.2
Borrower J	Water, environment and public utility management	10,950	0.2
Total		**136,405**	**2.5**

Market Risk Management

In the first half of 2009, the Bank formulated a series of market risk management policies and procedures and improved the group-wide consolidated market risk management policies and procedures to further strengthen the comprehensive and continuous management of market risk at the group level. The Bank also pushed forward the development of the market risk management system, and steadily improved the monitoring and reporting of market risk.

Market Risk Management of the Banking Book

In the first half of 2009, the Bank made continuous improvements in the banking book interest rate risk management system by: (1) analyzing interest rate trends and customer needs, strengthening loan interest rate management and increasing overall contribution of customers; (2) enhancing risk control capability and establishing the banking book interest rate risk limit management system in line with the Bank's strategic transformation of operation and development; and (3) developing the phase II interest rate management system to improve interest rate risk measurement.

Market Risk Management of the Trading Book

In the first half of 2009, the Bank continued to improve the management of the market risk limit indicators for the trading book, including exposure limit, stop loss limit and sensitivity limit, and further strengthened the capability of controlling market risk in treasury operations. The Bank made new progresses in the measurement and monitoring of market risk and IT system building, and carried out stress testing and back testing via the market risk management system, thereby further enhancing the trading book market risk management capability.

The Bank used value at risk (VaR), sensitivity analysis, exposure analysis and other approaches to measure and analyze the products on the trading book. Since the second quarter of 2008, the Bank has applied the Historical Simulation Method (confidence interval of 99%, holding period of one day and historical data of 250 days) to measure VAR of the Head Office's trading book (including bonds denominated in domestic and foreign currencies, RMB foreign exchange settlement and foreign exchange transactions).

VALUE AT RISK (VaR) OF THE TRADING BOOK

In RMB millions

	January–June 2009				April–June 2008			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	68	74	137	49	59	62	90	34
Exchange rate risk	42	73	126	30	26	42	83	21
Total VaR	**71**	**110**	**212**	**56**	**65**	**78**	**103**	**44**

Note: Please refer to "Note 42.(c)(i) to Financial Statements: VaR of trading portfolios".

Market Risk Analysis

• *Interest Rate Risk Analysis*

Since the beginning of 2009, the interest rate has decreased to a lower level and re-pricing effect of interest sensitive assets and liabilities has gradually come out. The Bank has paid great attention to the changes in the macro monetary policy and movements of domestic and international financial markets and proactively carried out effective measures to study and analyze the changing trend of interest rate in a timely manner, strengthen interest rate pricing management, adjust and improve pricing strategy in appropriate time, properly control the decrease of loan rate and interest costs, improve the forward looking aspect of interest rate risk management, thereby maintaining a steady development of loans and deposits business.

At the end of June 2009, the accumulated interest rate sensitivity negative exposure within one year amounted to RMB274,902 million, representing a substantial decrease of RMB826,832 million or 75.0% compared to the end of last year. The structure of the Bank's interest rate risk exposure according to the contractual re-pricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
30 June 2009	(2,762,868)	2,487,966	368,219	467,523
31 December 2008	(2,378,991)	1,277,257	1,294,212	397,746

Note: Please refer to "Note 42.(c)(iii) to Financial Statements: Interest rate risk".

Assuming all interest rates in the market move in parallel and without taking into consideration the effect of actions that could be taken by the Management to mitigate this interest rate risk, the Bank's interest rate sensitivity is analyzed as follows:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

Movements of interest rate basis points	Effect on net interest income		Effect on equity	
	At 30 June 2009	At 31 December 2008	At 30 June 2009	At 31 December 2008
Increase of 100 basis points	(14,771)	(16,116)	(13,771)	(9,143)
Decrease of 100 base points	14,771	16,116	14,398	9,536

Note: Please refer to "Note 42.(c)(iii) to Financial Statements: Interest Rate Risk".

• *Exchange Rate Risk Analysis*

In the first half of 2009, the exchange rate of RMB basically maintained stable. The Bank proactively took various combinations of measures such as leveraging of price to adjust and optimize the total amount and structure of foreign exchange assets and liabilities, and achieved a continuous decrease in the net foreign exchange exposure compared to the end of last year.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) million

Foreign exchange exposure	At 30 June 2009		At 31 December 2008	
	RMB	USD equivalent	RMB	USD equivalent
Total foreign exchange exposure of on-balance-sheet foreign exchange items, net	187,866	27,498	208,183	30,460
Total foreign exchange exposure of off-balance-sheet foreign exchange items, net	(147,371)	(21,571)	(153,796)	(22,503)
Total foreign exchange exposure, net	**40,495**	**5,927**	**54,387**	**7,957**

Please refer to "Note 42.(c)(ii) to Financial Statements: Currency Risk" for detailed information about exchange rate sensitivity analysis.

Liquidity Risk Management

In the first half of 2009, the Bank explored and established the consolidated liquidity management mechanism in line with external regulatory requirements and internal management needs, and further improved the liquidity management information system; created appropriate management procedure to build a strong liquidity firewall between the controlling and equity participating entities; perfected liquidity risk stress testing procedures and solutions and scientifically projected capital gaps.

As at 30 June 2009, all the Bank's liquidity indicators met regulatory requirements. Please refer to "Financial Highlights — Other Financial Indicators".

Liquidity Risk Analysis

In the first half of 2009, monetary credit expanded rapidly due to the PBOC's adherence to the moderately loose monetary policy and moderate control of open market operations. The Bank timely adjusted internal fund transfer prices, continued to strengthen deposit pricing management, guided assets and liabilities to optimal growth and actively diversified capital utilization channels on a controlled risk basis. The Bank had sufficient RMB liquidity in general and relatively stable foreign exchange liquidity, with a dramatic increase in RMB lending.

The Bank assessed liquidity risk through liquidity exposure analysis. At the end of June 2009, significant variances were noted for exposures of overdue/repayable on demand liquidity and liquidity with a remaining maturity of over five years. As demand deposits and deposits from other banks and other financial institutions increased and the excessive reserve deposits with central banks decreased, the negative exposure of overdue/repayable on demand increased by RMB1,222,539 million or 28.3%; the positive exposure of liquidity with a remaining maturity of over five years kept enlarging driven by a significant growth in the medium to long-term loans. Analysis of the Bank's liquidity exposure at the end of June 2009 is set out below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Net liquidity as at the end of 30 June 2009	(5,546,120)	228,013	(26,878)	117,582	2,016,213	2,164,256	1,667,375	620,441
Net liquidity as at the end of 31 December 2008	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

Note: Please refer to "Note 42.(b) to Financial Statements: Liquidity Risk".

Internal Control and Operational Risk Management

Internal Control

The Bank took effective actions to further improve the internal control system covering all the business processes and activities. The Bank formulated the *Three-year Plan on Internal Control System Building (2009-2011)* which set out the strategy and objectives for the Bank's internal control in the coming three years. The Bank further amended the internal control assessment system for tier-1 branches and branches directly controlled by the Head Office to enhance quality control of internal control assessment, continuously strengthened compliance review on new products, systems and processes, and improved the business operation guides and the dual release mechanism (through paper and electronic media). The Bank also established the compliance management reporting line of overseas operations, carried out bank-wide special inspections on intermediary business income, small enterprise business and personal business loans, and took efforts to identify management responsibility for non-performing loans. The Bank achieved progressive enhancement in the integrity, reasonableness and effectiveness of internal control.

Operational Risk Management

The Bank conducted in-depth researches on and improved the operational risk control system, and enhanced the check and balance mechanism for operational risk management. The Bank launched the reform of business operation system to improve in-process authorization control and centralized management of operational risk. The Bank actively pushed forward the development of the fourth generation application system (NOVA+) to continuously optimize the architecture of the business application system and enhance rigid control of the operational risk system. The Bank optimized the disaster recovery system to realize high availability, and facilitated the remote monitoring and operating platform development of the information technology system. The Bank also steadily pushed forward the Advanced Measurement Approach (AMA) Project, commenced to develop the internal loss data collection system, and launched the operational risk and control self-assessment (RCSA) system on a pilot basis. In addition, the Bank formulated the customer complaint management procedures to regulate the process and mechanism of handling complaints, and strengthened the upgrading and daily operation management of self-service equipments. During the reporting period, the Bank made continuous improvement in operational risk management and further enhanced its risk control capability.

Anti-Money Laundering

The Bank earnestly implemented domestic and overseas regulatory requirements on anti-money laundering and anti-terrorist financing. The Bank further improved rules and regulations of anti-money laundering by establishing measures regarding customer risk classification for anti-money laundering and improving anti-money laundering rules for all business lines. The Bank formulated the "Bank Secrecy Act and Anti-Money Laundering Compliance Manual of New York Branch", which was reviewed and approved by the Board of Directors. The Bank organized to assess the effects of the globalization strategy on anti-money laundering of the Group, and took efforts to build a group-wide anti-money laundering management and control system in line with the globalization strategy. The Bank firmly maintained customer information, and strengthened the anti-money laundering efforts in key areas and key businesses. In addition, the Bank continuously optimized the anti-money laundering monitoring system, strengthened the reporting of large-value and suspicious transactions, diligently fulfilled the administrative investigation obligations for anti-money laundering, and made proper reporting, analysis and risk warning concerning key suspicious transactions. During the reporting period, none of the Bank's domestic or overseas institutions or employees was found involved in or suspicious of money laundering or terrorist financing cases.

CAPITAL MANAGEMENT

In the first half of 2009, the Bank developed the annual capital management plan, optimized the allocation of capital among risk areas, regions and products through economic capital limit management, and restricted the expansion of risk scale, thereby achieving the objectives for capital return and adequacy. In addition, the Bank improved the capital management system (CAP V1.0), which optimized the standards for economic capital measurement of operational risk, further diversified indicators based on automatic calculation of economic capital and financial statements presentation, and enhanced the sophistication and timeliness of economic capital measurement. The Bank also strengthened the management of economic capital allocation limit, and gave a higher weight to the economic capital management indicator in performance assessment, thereby further promoting the application of economic capital across the Bank.

Capital Adequacy Ratio

The Bank calculates the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy Ratio of Commercial Banks" and other related regulations promulgated by CBRC. As at the end of June 2009, the Bank had a capital adequacy ratio of 12.09% and a core capital adequacy ratio of 9.97%, both meeting the regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2009	At 31 December 2008
Core capital:		
Share capital	334,019	334,019
Reserves(2)	243,347	205,668
Minority interests	4,504	3,955
Total core capital	**581,870**	**543,642**
Supplementary capital:		
General provisions for loan impairment	88,739	82,834
Subordinated bonds	35,000	35,000
Other supplementary capital	2,952	4,164
Total supplementary capital	**126,691**	**121,998**
Total capital base before deductions	**708,561**	**665,640**
Deductions:		
Unconsolidated equity investments	17,783	19,499
Goodwill	23,581	20,579
Others	2,869	5,529
Net capital base	**664,328**	**620,033**
Core capital base after deductions	**547,963**	**510,549**
Risk weighted assets and market risk capital adjustment	**5,494,937**	**4,748,893**
Core capital adequacy ratio	**9.97%**	**10.75%**
Capital adequacy ratio	**12.09%**	**13.06%**

Notes: (1) Please refer to "Unaudited Supplementary Financial Information (d) Capital Management".

(2) Mainly includes the recordable part of capital reserve, surplus reserves, general reserve and the recordable part of retained profits.

Capital Financing Management

On 27 October 2008, the Proposal on the Issuance of Subordinated Bonds was reviewed and adopted at the First Extraordinary General Meeting of the Bank in 2008, which approved a multi-tranche issue of up to RMB100 billion of subordinated bonds by the end of 2011 as supplementary capital.

Upon approval by CBRC and PBOC, the Bank issued RMB40 billion of subordinated bonds in the national inter-bank bond market from 16 July to 20 July 2009, which further improved the capital assurance for business growth of the Bank. For further information on the issuance, please refer to the announcements released on the designated websites of SEHK and SSE on 22 July and 23 July 2009, respectively.

OUTLOOK

Looking into the second half of 2009, in response to the complex and ever-changing economic and financial environment, the Bank will firmly adhere to the goal of achieving sustainable growth, fully implement the Strategic Development Plan for 2009–2011, strengthen risk management, reinforce and expand its market leading advantage in core businesses, and expedite the efforts in building the Bank as an internationally leading modern financial enterprise. Specifically, the Bank will: (1) proactively adjust and optimize its credit structure and identify high-quality enterprises that meet the government's industrial and environmental policies and with strong risk resistance capabilities and sustainability of development by seizing the opportunities brought about by the government's initiatives to promote the reviving of industries; (2) seize the opportunities brought about by cross-border RMB settlement to further expand its international operations; (3) strictly control operational risks, be highly alert to asset price bubbles, strengthen credit review, prevent credit from flowing into stock markets, and pay particular attention to risks associated with property development loans; (4) strengthen liquidity management and projection and strive to increase the return on capital while realizing a proper match of assets and liabilities in terms of duration; and (5) seize market opportunities to achieve innovative development of wealth management services and precious metals businesses, and promote rapid expansion of intermediary business relating to capital markets.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2008		Increase/decrease during the reporting period (+, -)	At 30 June 2009	
	Number of shares	Percentage (%)	Expiration of the lock-up period	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	274,299,235,026	82.1	-14,200,639,233	260,098,595,793	77.9
1. State-owned shares	236,012,348,064	70.7	0	236,012,348,064	70.7
2. Shares held by other domestic investors	14,102,149,559	4.2	-7,051,074,779	7,051,074,780	2.1
3. Shares held by foreign investors	24,184,737,403	7.2	-7,149,564,454	17,035,172,949	5.1
II. Shares not subject to restriction on sales	59,719,615,000	17.9	14,200,639,233	73,920,254,233	22.1
1. RMB-denominated ordinary shares	14,950,000,000	4.5	0	14,950,000,000	4.5
2. Foreign shares listed overseas	44,769,615,000	13.4	14,200,639,233	58,970,254,233	17.6
III. Total number of shares	334,018,850,026	100.0	0	334,018,850,026	100.0

Notes: (1) Please refer to the table headed "Details of Changes in the Shares subject to Restriction on Sales" for detailed information on changes in share capital during the reporting period.

(2) For the purpose of this table, "state-owned shares" specifically refers to the shares held by MOF and Huijin. "Shares held by other domestic investors" refers to the shares held by SSF. "Shares held by foreign investors" refers to the shares held by foreign strategic investors, including Goldman Sachs, Allianz and American Express. "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

(3) Shares subject to restrictions on sales refer to shares held by shareholders who are subject to restrictions on sales in accordance with applicable laws and regulations or undertakings.

DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTION ON SALES

Unit: Share

Name of shareholders	Number of shares subject to restriction on sales at the beginning of the period	Number of shares released from restriction on sales during the period	Increase in the number of shares subject to restriction on sales during the period	Number of shares subject to restriction on sales at the end of the period	Reason for restriction on sales	Date on which shares become tradable
Goldman Sachs[1]	16,476,014,155	3,295,202,831	0	13,180,811,324	Restriction upon issuance	28 April 2009
Allianz	6,432,601,015	3,216,300,507	0	3,216,300,508	Restriction upon issuance	28 April 2009
American Express	1,276,122,233	638,061,116	0	638,061,117	Restriction upon issuance	28 April 2009
SSF	14,102,149,559	7,051,074,779	0	7,051,074,780	Restriction upon issuance	29 June 2009
Total	**38,286,886,962**	**14,200,639,233**	**0**	**24,086,247,729**	—	—

Note: (1) For details of the changes in the dates on which shares subject to restriction on sales held by Goldman Sachs become tradable, please refer to the Bank's Announcement on the Commitment of Goldman Sachs to A New Stock Lock-up released on the designated websites of SEHK and SSE on 25 March 2009 and 26 March 2009, respectively.

DATES ON WHICH SHARES SUBJECT TO RESTRICTION ON SALES BECOME TRADABLE

Unit: Share

Date	Number of shares tradable at the expiration of the lock-up period	Number of outstanding shares subject to restriction on sales	Number of outstanding shares not subject to restriction on sales	Remarks
20 October 2009	10,905,436,405	249,193,159,388	73,920,254,233	H shares held by Allianz, American Express and SSF
27 October 2009	236,012,348,064	13,180,811,324	84,825,690,638	A shares held by MOF and Huijin
28 April 2010	13,180,811,324	0	320,838,038,702	H shares held by Goldman Sachs

The A shares held by MOF and Huijin will not be subject to the above-mentioned lock-up period after being converted into H shares upon approval of relevant authorities.

PARTICULAR OF HOLDERS OF SHARES SUBJECT TO RESTRICTION ON SALES

Unit: Share

No.	Name of holder of shares subject to restriction on sales	Type of shares	Shares subject to restriction on sales	Date on which shares become tradable	Number of additional tradable shares
1	MOF	A shares	118,006,174,032	27 October 2009	118,006,174,032
2	Huijin	A shares	118,006,174,032	27 October 2009	118,006,174,032
3	Goldman Sachs	H shares	13,180,811,324	28 April 2010	13,180,811,324
4	SSF	H shares	7,051,074,780	20 October 2009	7,051,074,780
5	ALLIANZ INVESTMENTS III LUXEMBOURG SARL[1]	H shares	3,216,300,508	20 October 2009	3,216,300,508
6	American Express	H shares	638,061,117	20 October 2009	638,061,117

Note: (1) As at 30 June 2009, ALLIANZ INVESTMENTS III LUXEMBOURG SARL is a wholly owned subsidiary of Allianz, through which Allianz holds the shares of the Bank.

Number of Shareholders and Particulars of Shareholding of Substantial Shareholders

Number of shareholders

As at the end of the reporting period, the Bank had a total number of 1,391,096 shareholders, including 172,593 holders of H shares and 1,218,503 holders of A shares.

Particulars of shareholding of the top 10 shareholders of the Bank (particulars of shareholding of H share holders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar)

NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

Unit: Share

Total number of shareholders 1,391,096 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2009)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 30 June 2009)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Huijin[1]	State-owned shares	A shares	35.4	118,286,742,560	118,006,174,032	None
MOF	State-owned shares	A shares	35.3	118,006,174,032	118,006,174,032	None
HKSCC NOMINEES LIMITED	Foreign investment	H shares	15.3	51,256,682,738	0	Unknown
SSF	Shares held by other domestic entities	H shares	4.2	14,102,149,559	7,051,074,780	None
Goldman Sachs	Foreign investment	H shares	3.9	13,180,811,324	13,180,811,324	None
ALLIANZ INVESTMENTS III LUXEMBOURG SARL[2]	Foreign investment	H shares	1.0	3,216,300,508	3,216,300,508	None
American Express	Foreign investment	H shares	0.2	638,061,117	638,061,117	None
China Huarong Asset Management Corporation	Shares held by other domestic entities	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Shares held by other domestic entities	A shares	0.1	382,038,806	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Shares held by other domestic entities	A shares	0.1	365,280,095	0	None

Notes: (1) Since 23 September 2008, Huijin has increased its shareholding in the Bank by acquiring shares through the SSE Trading System, and as at 30 June 2009, Huijin has increased holdings of the Bank's A shares by 280,568,528 shares accumulatively, accounting for approximately 0.084% of the total issued share capital of the Bank.

(2) As at 30 June 2009, ALLIANZ INVESTMENTS III LUXEMBOURG SARL is a wholly owned subsidiary of Allianz, through which Allianz holds the shares of the Bank.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS NOT SUBJECT TO RESTRICTION ON SALES (THE FOLLOWING DATA ARE BASED ON THE REGISTER OF SHAREHOLDERS AS AT 30 JUNE 2009)

Unit: Share

Name of shareholders	Number of shares not subject to restriction on sales	Type of shares
HKSCC Nominees Limited	51,256,682,738	H shares
China Huarong Asset Management Corporation	480,769,000	A shares
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	382,038,806	A shares
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	365,280,095	A shares
E-Fund 50 Index Securities Investment Fund	316,343,765	A shares
Central SAFE Investments Limited	280,568,528	A shares
China Life Insurance (Group) Company — Traditional — Ordinary insurance products	263,310,963	A shares
Boshi Theme Industry Stock Fund	210,428,525	A shares
CITIC Securities Co., Ltd	200,600,000	A shares
China Pacific Life Insurance Company Limited — Traditional — Ordinary insurance products	190,409,400	A shares

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Changes of the Substantial Shareholders and De Facto Controller of the Bank

During the reporting period, the Bank's substantial shareholders and the de facto controller remained unchanged.

Interests and Short Positions of Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Division 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 30 June 2009, the Bank had received notices from the following persons stating that they had interests or short positions in shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF	Beneficial owner	118,006,174,032	Long position	47.02	35.33
Huijin[1]	Beneficial owner	118,006,174,032	Long position	47.02	35.33

Note: (1) According to the register of shareholders as at 30 June 2009, Huijin held 118,286,742,560 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF[1]	Beneficial owner	16,597,455,559	Long position	19.98	4.97
Goldman Sachs[2]	Beneficial owner	13,443,462,033	Long position		
	Interest of controlled corporations	167,235,240	Long position		
	Total	13,610,697,273		16.39	4.07
JP Morgan	Beneficial owner	490,410,097	Long position		
	Investment Manager	1,444,730,400	Long position		
	Custodian — Body corporate/ approved lending agent	2,243,236,134	Long position		
	Total	4,178,376,631		5.03	1.25
	Beneficial owner	317,478,820	Short position	0.38	0.10

Notes: (1) According to the register of shareholders as at 30 June 2009, SSF held 14,102,149,559 shares in the Bank.

(2) According to the register of shareholders as at 30 June 2009, Goldman Sachs held 13,180,811,324 shares in the Bank.

Directors, Supervisors, Senior Management and Basic Information on Employees and Institutions

Brief Particulars of Directors, Supervisors and Senior Management

As at the end of the reporting period, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank comprises 14 directors, including four executive directors, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Mr. Niu Ximing; six non-executive directors, namely Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng; and four independent non-executive directors, namely Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda and Mr. Wong Kwong Shing, Frank.

The Board of Supervisors of the Bank consists of five members, including two shareholder supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi; two external supervisors, namely Ms. Dong Juan and Mr. Meng Yan; and an employee supervisor Mr. Zhang Wei.

The Senior Management of the Bank consists of ten members, Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong, Mr. Niu Ximing, Ms. Wang Lili, Mr. Li Xiaopeng, Mr. Liu Lixian, Mr. Yi Huiman, Mr. Wei Guoxiong and Mr. Gu Shu.

During the reporting period, the Bank did not implement share incentives, and none of the incumbent directors, supervisors, and members of the Senior Management held shares, share options, or were granted restricted shares of the Bank, which remained unchanged during the reporting period.

Appointment and Removal

During the reporting period, four directors were appointed and four directors resigned from the Board of Directors of the Bank.

The appointment of Mr. Wong Kwong Shing, Frank was approved by CBRC on 9 January 2009. The appointments of Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were approved by CBRC on 17 February 2009.

Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to act as Directors of the Bank with effect from 17 February 2009 upon completion of their tenure, and Mr. Christopher A. Cole ceased to act as Director of the Bank with effect from 1 June 2009 upon completion of his tenure.

During the reporting period, two supervisors were appointed, and two supervisors resigned from the Board of Supervisors.

A resolution was passed at the Annual General Meeting for the Year 2008 held on 25 May 2009 to appoint Ms. Dong Juan and Mr. Meng Yan as supervisors of the Bank, with effect from the date of approval at the Annual General Meeting.

According to relevant requirements, Mr. Wang Daocheng and Mr. Miao Gengshu ceased to act as Supervisors of the Bank with effect from 25 May 2009 upon completion of their tenure, and ceased to hold the position as chief member and member of the Supervision Committee of the Board of Supervisors of the Bank, respectively.

During the reporting period, there were no changes in the Senior Management of the Bank.

Changes in Information of Directors and Supervisors

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Hong Kong Listing Rules, changes in information of Directors and Supervisors of the Bank are as follows:

Mr. Wong Kwong Shing, Frank, Independent Non-executive Director of the Bank, resigned from his position as Independent Director of the National Healthcare Group Pte Ltd under the Ministry of Health of Singapore on 14 April 2009. As at the end of the reporting period, Mr. Wong Kwong Shing, Frank concurrently served as Chairman of Galleon Asia Pte Ltd. except the positions held by him as disclosed in the 2008 Annual Report of the Bank.

Mr. Meng Yan, External Supervisor of the Bank, ceased to act as Independent Non-executive Director of Beijing North Star Company Limited with effect from 19 May 2009 upon completion of his tenure and begun to serve as Independent Non-executive Director of Yantai Wanhua Polyurethanes Co., Ltd. from 12 August 2009.

Basic Information on Employees and Institutions

At the end of June 2009, the Bank had 384,202 employees[1], representing a decrease of 1,407 from the end of 2008. The Bank had 16,373 institutions, representing a decrease of 13 from the end of 2008, with 16,230 domestic institutions and 143 overseas institutions.

1 Does not include labour dispatched for services totaling 35,672 employees.

Corporate Governance

Corporate Governance during the Reporting Period and Measures for Improvement

During the reporting period, the Bank strictly complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks and other applicable laws, and continued to improve its corporate governance in accordance with relevant laws and regulations promulgated by regulatory authorities:

- Revising the corporate governance system. During the reporting period, the Bank revised a series of regulations such as the Articles of Association of Industrial and Commercial Bank of China Limited (to be approved by CBRC), the Rules of Procedures for Shareholders' General Meeting of Industrial and Commercial Bank of China Limited, the Rules of Procedures for Board of Directors of Industrial and Commercial Bank of China Limited, the Rules of Procedures for Board of Supervisors of Industrial and Commercial Bank of China Limited and Administrative Measures on the Holding and Transfer of Shares of Industrial and Commercial Bank of China Limited by Directors, Supervisors and Senior Management of the Bank in accordance with relevant laws, regulations and practical experience.
- Adjusting the structure and composition of special committees of the Board of Directors and electing new external supervisors. Based upon to the principles of and actual need for corporate governance, the Bank adjusted the structure and composition of special committees of the Board of Directors during the reporting period by separately establishing the Related Party Transactions Control Committee of the Board of Directors, splitting the Nomination and Compensation Committee of the Board of Directors into the Nomination Committee and the Compensation Committee of the Board of Directors, and reducing the number of members of the Strategy Committee of the Board of Directors. Chairmen and members of the new committees were appointed pursuant to relevant provisions of the Articles of Association of the Bank. Furthermore, the Shareholders' General Meeting of the Bank elected Ms. Dong Juan and Mr. Meng Yan as external supervisors of the Bank at the nomination of Huijin.
- Steadily developing the comprehensive risk management. In order to push forward the comprehensive risk management, the Bank further improved the business appraisal system, formulated the annual risk limit management plan, and perfected the group risk management reporting mechanism. The Bank also steadily proceeded with the results application of the Internal Rating-based (IRB) System Project and the development of the Operational Risk AMA Project.
- Strengthening the internal audit and internal control functions. The Board of Directors formulated the Internal Audit Development Planning for 2009-2011 and Plan on Internal Audit Project for 2009, and therefore made an overall arrangement for the internal audit work. The Bank completed the self-evaluation report on internal controls in 2008, which had been publicly disclosed.

Compliance with the Code of Corporate Governance Practices (Appendix 14 to the Hong Kong Listing Rules)

During the reporting period, the Bank fully complied with all the principles and code provisions stipulated in the Code of Corporate Governance Practices (Appendix 14 to the Hong Kong Listing Rules).

Profits and Dividends Distribution

With the approval of the Annual General Meeting for the Year 2008 held on 25 May 2009, the Bank distributed cash dividends of a total of RMB55,113 million, or RMB1.65 per ten shares (pre-tax), for the period from 1 January 2008 to 31 December 2008 to the shareholders who appeared on the register of shareholders as at 3 June 2009. The Bank will not declare any interim dividends for the interim period of 2009, nor will it convert any reserve to share capital.

Use of IPO Proceeds

The funds raised from the Bank's IPO were used for the purposes disclosed in the prospectus, namely, strengthening the capital base to support the ongoing growth of the Bank.

Use of Funds not Raised from the IPO

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

Material Legal Proceedings and Arbitration

The Bank was involved in legal proceedings in the ordinary course of business. Most of these legal proceedings involved enforcement claims initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings were arisen from customer disputes. As at 30 June 2009, the amount of material pending proceedings which the Bank and/or its subsidiaries was/were defendant totaled RMB2,604 million. The Bank does not expect any material adverse effect from the abovementioned legal proceedings on the Bank's business, financial position or operational results.

Material Asset Acquisition, Disposal and Merger

On 4 June 2009, the Bank and BEA entered into relevant agreements for the acquisition of equity interest in The Bank of East Asia (Canada) and the disposal of equity interest in ICEA, respectively. Pursuant to the relevant agreements, the Bank will sell to BEA 15,000,000 ordinary shares of ICEA, representing 75% issued share capital of ICEA for a consideration of HKD372,154,045. At the same time, the Bank will purchase 70% issued ordinary shares of The Bank of East Asia (Canada) for a consideration of CAD80,249,120 (equivalent to approximately HKD567 million). After the first anniversary of the completion of the transaction, the Bank will have an option to acquire 10% of the shares of The Bank of East Asia (Canada) from BEA, and BEA will have an option to sell to the Bank all the remaining shares of The Bank of East Asia (Canada) held by BEA.

Completion of the disposal of equity interest in ICEA and completion of the acquisition of equity interest in The Bank of East Asia (Canada) are inter-conditional. The completion of the aforementioned transactions is also subject to the approval of relevant regulatory authorities. For details of the share sale and purchase agreements, please refer to the announcements published by the Bank on the designated websites of SEHK and SSE on 4 June 2009 and 5 June 2009, respectively.

Connected Transactions

Connected Transactions as Defined by the SSE Listing Rules

During the reporting period, Goldman Sachs was a connect party of the Bank. Please refer to the relevant content of "Note 40 to Financial Statements: Related Party Disclosures" for specific content of the connected transactions with Goldman Sachs during the reporting period. These transactions were carried out in the usual business of the Bank and on normal commercial terms, fulfilled the principle of honesty and good faith and will not affect the independence of the Bank.

Connected Transactions as Defined by Accounting Standards

Please refer to the relevant content of "Note 40 to Financial Statements: Related Party Disclosures" for specific content of the connected transactions with MOF, Huijin and other connected parties.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-Contract and Lease

During the reporting period, the Bank has not held on trust to a material extent or entered into any material subcontract or lease arrangement in respect of assets of other corporations, and no other corporation has held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

Material Guarantees

The provision of guarantees belongs to the usual business of the Bank. During the reporting period, the Bank did not have any material guarantees that needed to be disclosed except for the financial guarantee services within the business scope as approved by PBOC and CBRC.

Material Events Concerning Entrusting Other Persons for Cash Management

No such matters concerning entrusting other persons for cash management occurred during the reporting period.

Funds Held by Substantial Shareholders

No funds were held by substantial shareholders in the Bank.

Commitments Made by the Bank or its Shareholders Holding 5% Shares or Above

During the reporting period, the shareholders holding 5% shares or above did not make any new commitments. The commitments in the reporting period were the same as those disclosed in the 2006 Annual Report. As of 30 June 2009, all of the commitments made by shareholders were properly fulfilled.

Commitments Made by the Shareholders Holding 5% Shares or Above in Relation to Additional Shares Subject to Restrictions on Sale

None.

Sanctions Imposed on the Bank and its Directors, Supervisors and Members of the Senior Management

During the reporting period, neither the Bank nor any of its directors, supervisors or members of the Senior Management was subject to any investigation by competent authorities, compulsory enforcement by judicial and disciplinary authorities, transfer to judicial department or pursuit of criminal responsibilities, investigation, censure or administrative penalty by CSRC, prohibition of securities market access, punishment by other administrative departments for improper personnel engagement or public reprimand by the stock exchanges.

Purchase, Sale or Redemption of Shares

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

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by Directors and Supervisors which is not less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, the Bank is satisfied that during the reporting period, all Directors and Supervisors have complied with the provisions of the aforesaid codes of conduct.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at 30 June 2009, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Review of the Interim Financial Report

The 2009 interim financial statements prepared by the Bank in accordance with CASs and IFRSs have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and international standards on review engagements, respectively.

The Interim Report of the Bank has been reviewed and adopted by the Audit Committee of the Board of Directors.

Warning and Explanation on the Prediction that the Accumulated Net Profits from the Beginning of the Year to the End of the Next Reporting Period May be Negative or Have Substantial Changes Compared to the Same Period of Last Year

Not applicable.

Other Major Events

SECURITIES INVESTMENT

S/N	Stock (Fund) Code	Short name	Holding at the end of the period (in 10,000)	Initial investment cost (in RMB)	Book value at the end of the period (in RMB)	Book value at the beginning of the period (in RMB)	Accounts
1	966 (Hong Kong, PRC)	CHINA INSURANCE	8,590.69	305,117,068	1,238,926,310	893,955,262	Available-for-sale investment
2	485105	ICBCCS Enhanced Income Bond Fund A	14,186.32	150,000,000	162,021,915	161,156,550	Available-for-sale investment
3	601998	CNCB	2,586.20	149,999,600	154,396,140	99,827,320	Available-for-sale investment
4	1688 (Hong Kong, PRC)	Alibaba	1,002.80	131,782,620	121,460,553	48,727,230	Available-for-sale investment
5	481001	ICBCCS Core Value Equity Fund	7,260.65	20,000,000	57,860,113	46,903,793	Available-for-sale investment
6	000430	ST ZTDC	612.00	2,000,000	36,475,200	24,847,200	Available-for-sale investment
7	485107	ICBCCS Credit Value-added A	3,000.86	30,000,000	33,897,715	32,838,411	Available-for-sale investment
8	483003	ICBCCS Select Balanced Equity Fund	3,576.81	20,000,000	28,378,438	21,096,045	Available-for-sale investment
9	001740 (Korea)	SK Networks	23.94	10,063,627	18,777,222	10,929,127	Available-for-sale investment
10	3988 (Hong Kong, PRC)	BOC	500.00	14,514,922	16,220,044	9,347,849	Financial assets held for trading
Total			**—**	**833,477,837**	**1,868,413,650**	**1,349,628,787**	**—**

Notes: (1) The share and fund investments listed in this table represent the securities investment recognized by the Bank as available-for-sale and trading financial assets as at the end of the reporting period, including the investments in shares issued by other listed companies and open-end fund or close-end fund (top 10 by the book value at the end of the period).

(2) The shares of CHINA INSURANCE, Alibaba and BOC were held by ICBC (Asia), a subsidiary controlled by the Bank. ICBCCS Enhanced Income Bond Fund A, ICBCCS Core Value Equity Fund, ICBCCS Credit Value-added A and ICBCCS Select Balanced Equity Fund were held by ICBC Credit Suisse Asset Management, a subsidiary controlled by the Bank. The SK Networks shares were held by Seoul Branch of the Bank.

SHARES OF UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (in RMB)	Shares held (in 10,000)	Percentage of total shares (%)	Book value at the end of the period (in RMB)
China UnionPay Co., Ltd.	146,250,000	11,250.00	3.90	146,250,000
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500
TaiPing Insurance Company Ltd.	172,585,678	N/A	7.93	62,464,370
Guangdong Development Bank	52,465,475	2,379.22	0.21	52,465,475
China Ping An Insurance (HK) Co., Ltd.	14,134,025	27.50	25.00	26,311,917
Joint Electronic Teller Services Ltd.	10,158,374	0.0024	0.03	9,729,142
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,500,000
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,483,874
Guilin City Commercial Bank	420,000	113.61	0.28	420,000
Nanchang City Commercial Bank	300,000	39.00	0.03	390,000
Total	**503,633,492**	—	—	**405,316,278**

Note: The shares of TaiPing Insurance Company Ltd. and China Ping An Insurance (HK) Co., Ltd were held by ICBC (Asia), a subsidiary controlled by the Bank. The shares of Joint Electronic Teller Services Ltd. were held by ICBC (Asia), a subsidiary controlled by the Bank and Seng Heng Bank, the latter of which also holds the shares of Luen Fung Hang Insurance Co., Ltd.

ICBC

Unaudited Interim Condensed Consolidated Financial Statements

- Report on Review of Interim Financial Information
- Unaudited Interim Condensed Consolidated Financial Statements
- Unaudited Supplementary Financial Information

Report on Review of Interim Financial Information

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the board of directors of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 76 to 154, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited and its subsidiaries as at 30 June 2009 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
20 August 2009

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2009
(In RMB millions, unless otherwise stated)

		Six months ended 30 June	
		2009	2008
	Notes	(unaudited)	(unaudited)
Interest income	3	199,277	215,011
Interest expense	3	(83,239)	(83,226)
NET INTEREST INCOME	3	116,038	131,785
Fee and commission income	4	29,291	25,470
Fee and commission expense	4	(1,547)	(990)
NET FEE AND COMMISSION INCOME	4	27,744	24,480
Net trading income	5	488	1,333
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(117)	(288)
Net gain/(loss) on financial investments	7	3,349	(869)
Other operating income/(expense), net	8	580	(1,485)
OPERATING INCOME		148,082	154,956
Operating expenses	9	(53,048)	(53,193)
Impairment losses on:			
Loans and advances to customers	20	(9,248)	(13,648)
Others	10	(964)	(4,667)
OPERATING PROFIT		84,822	83,448
Share of profits and losses of associates and a jointly controlled entity		966	963
PROFIT BEFORE TAX		85,788	84,411
Income tax expense	11	(19,064)	(19,532)
PROFIT FOR THE PERIOD		66,724	64,879
Attributable to:			
Equity holders of the parent company		66,424	64,531
Minority interests		300	348
		66,724	64,879
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
— Basic and diluted (RMB yuan)	13	0.20	0.19

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009
(In RMB millions, unless otherwise stated)

		Six months ended 30 June	
		2009	2008
	Note	(unaudited)	(unaudited)
Profit for the period		66,724	64,879
Other comprehensive income/(loss) (after-tax, net):			
Net loss on available-for-sale investments	34	(2,243)	(2,760)
Net loss on cash flow hedges	34	(1)	(4,080)
Share of other comprehensive income of associates and a jointly controlled entity	34	(1,061)	420
Foreign currency translation differences	34	5,543	(3,148)
Subtotal of other comprehensive income/(loss) for the period		2,238	(9,568)
Total comprehensive income/(loss) for the period		68,962	55,311
Total comprehensive income attributable to:			
Equity holders of the parent company		68,378	55,485
Minority interests		584	(174)
		68,962	55,311

Unaudited Interim Consolidated Statement of Financial Position

30 June 2009
(In RMB millions, unless otherwise stated)

	Notes	30 June 2009 (unaudited)	31 December 2008 (audited)
ASSETS			
Cash and balances with central banks	14	1,648,941	1,693,024
Due from banks and other financial institutions	15	176,872	168,363
Financial assets held for trading	16	30,353	32,182
Financial assets designated at fair value through profit or loss	17	1,300	1,459
Derivative financial assets	18	6,867	15,721
Reverse repurchase agreements	19	943,284	163,493
Loans and advances to customers	20	5,300,116	4,436,011
Financial investments	21	3,084,788	3,014,669
Investments in associates and a jointly controlled entity	22	33,880	28,421
Property and equipment	23	84,224	86,800
Deferred income tax assets	24	11,390	10,746
Other assets	25	112,592	106,257
TOTAL ASSETS		**11,434,607**	**9,757,146**
LIABILITIES			
Financial liabilities held for trading		—	4,268
Financial liabilities designated at fair value through profit or loss	26	15,288	7,566
Derivative financial liabilities	18	7,697	13,612
Due to banks and other financial institutions	27	1,011,258	646,254
Repurchase agreements	28	6,877	4,648
Certificates of deposit		285	726
Due to customers	29	9,533,117	8,223,446
Income tax payable		14,217	37,862
Deferred income tax liabilities	24	78	16
Subordinated bonds	30	35,000	35,000
Other liabilities	31	190,349	177,118
TOTAL LIABILITIES		**10,814,166**	**9,150,516**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	32	334,019	334,019
Reserves	33	197,693	195,727
Retained profits		84,225	72,929
		615,937	602,675
Minority interests		4,504	3,955
TOTAL EQUITY		**620,441**	**606,630**
TOTAL EQUITY AND LIABILITIES		**11,434,607**	**9,757,146**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2009 (audited)	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the period	—	—	—	—	—	—	—	—	—	66,424	66,424	300	66,724
Other comprehensive income/(loss)	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	—	1,954	284	2,238
Total comprehensive income/(loss)	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	66,424	68,378	584	68,962
Dividend - 2008 final (note 12)	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to general reserve (i)	—	—	—	15	—	—	—	—	15	(15)	—	—	—
Change in shareholdings in a subsidiary	—	(3)	—	—	—	—	—	—	(3)	—	(3)	22	19
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(57)	(57)
Balance as at 30 June 2009 (unaudited)	334,019	106,309	24,650	69,370	5,910	(3,909)	(4,076)	(561)	197,693	84,225	615,937	4,504	620,441

(i) Represents the appropriation made by a subsidiary.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2008 (audited)	334,019	106,312	13,536	40,834	(1,389)	(1,089)	—	—	158,204	46,148	538,371	5,305	543,676
Profit for the period	—	—	—	—	—	—	—	—	—	64,531	64,531	348	64,879
Other comprehensive income/(loss)	—	—	—	—	(2,485)	(2,901)	(4,080)	420	(9,046)	—	(9,046)	(522)	(9,568)
Total comprehensive income/(loss)	—	—	—	—	(2,485)	(2,901)	(4,080)	420	(9,046)	64,531	55,485	(174)	55,311
Dividend - 2007 final (note 12)	—	—	—	—	—	—	—	—	—	(44,425)	(44,425)	—	(44,425)
Appropriation to surplus reserves (i)	—	—	74	—	—	—	—	—	74	(74)	—	—	—
Appropriation to general reserve (ii)	—	—	—	18	—	—	—	—	18	(18)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	368	368
Change in shareholdings in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(878)	(878)
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(286)	(286)
Balance as at 30 June 2008 (unaudited)	334,019	106,312	13,610	40,852	(3,874)	(3,990)	(4,080)	420	149,250	66,162	549,431	4,335	553,766
Profit for the period	—	—	—	—	—	—	—	—	—	46,310	46,310	37	46,347
Other comprehensive income/(loss)	—	—	—	—	12,307	(5,458)	5	80	6,934	—	6,934	(352)	6,582
Total comprehensive income/(loss)	—	—	—	—	12,307	(5,458)	5	80	6,934	46,310	53,244	(315)	52,929
Appropriation to surplus reserves (i)	—	—	11,040	—	—	—	—	—	11,040	(11,040)	—	—	—
Appropriation to general reserve (ii)	—	—	—	28,503	—	—	—	—	28,503	(28,503)	—	—	—
Change in shareholdings in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	24	24
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(89)	(89)
Balance as at 31 December 2008 (audited)	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630

(i) Represents the appropriation made by overseas branches and overseas subsidiaries in the amount of RMB9 million and RMB53 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB147 million.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2009
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		85,788	84,411
Adjustments for:			
Share of profits and losses of associates and a jointly controlled entity		(966)	(963)
Depreciation	9	4,768	4,045
Amortisation	9	686	638
Amortisation of financial investments		(1,745)	2,375
Impairment losses on loans and advances to customers	20	9,248	13,648
Impairment losses on assets other than loans and advances to customers	10	964	4,667
Foreign exchange difference		4,339	9,453
Interest expense on subordinated bonds	3	572	617
Accreted interest on impaired loans	3	(727)	(694)
(Gain)/loss on disposal of available-for-sale investments, net	7	(3,300)	904
Net trading (gain)/loss on equity investments	5	(17)	3
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(143)	(168)
Dividend income	7	(49)	(35)
		99,418	118,901
Net decrease/(increase) in operating assets:			
Due from central banks		(185,366)	(307,419)
Due from banks and other financial institutions		1,157	1,748
Financial assets held for trading		1,927	(2,317)
Financial assets designated at fair value through profit or loss		190	54
Reverse repurchase agreements		(757,665)	19,438
Loans and advances to customers		(873,566)	(306,736)
Other assets		(6,260)	(23,817)
		(1,819,583)	(619,049)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		3,459	(6,077)
Due to banks and other financial institutions		365,042	67,010
Repurchase agreements		2,229	(2,006)
Certificates of deposit		441	(10)
Due to customers		1,309,795	636,605
Other liabilities		14,206	34,721
		1,695,172	730,243
Net cash inflow/(outflow) from operating activities before tax		(24,993)	230,095
Income tax paid		(42,272)	(33,963)
Net cash inflow/(outflow) from operating activities		(67,265)	196,132

(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(3,220)	(2,717)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		356	381
Purchases of financial investments		(510,348)	(821,506)
Proceeds from sale and redemption of financial investments		438,524	722,437
Acquisition of a subsidiary		—	2,261
Investment in a jointly controlled entity		(5)	—
Acquisition of minority interests		—	(1,783)
Acquisition of an associate		—	(37,420)
Dividends received		58	85
Net cash outflow from investing activities		(74,635)	(138,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders		—	66
Interest paid on subordinated bonds		(182)	(183)
Dividends paid on ordinary shares		(55,113)	(44,425)
Dividends paid to minority shareholders		(38)	(208)
Net cash outflow from financing activities		(55,333)	(44,750)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(197,233)	13,120
Cash and cash equivalents at beginning of the period		607,291	301,687
Effect of exchange rate changes on cash and cash equivalents		(425)	(8,270)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35	409,633	306,537
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		196,755	205,361
Interest paid		(80,011)	(67,019)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

30 June 2009
(In RMB millions, unless otherwise stated)

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No. 100000000003965 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank listed its A Shares on the Shanghai Stock Exchange and its H Shares on the Stock Exchange of Hong Kong Limited on 27 October 2006. The stock codes are 601398 and 1398 respectively.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise the provision of banking services including Renminbi ("RMB") and foreign currency deposits, loans, payment and settlement services, and other services as approved by the CBRC and the provision of related services by its overseas establishments as approved by the respective local regulators. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

Accounting judgements and estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting polices and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2008.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where there is a loss of control in a subsidiary, the consolidated income statement includes the results of that subsidiary for the part of the reporting period during which the Bank has control. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of minority interests is accounted for as equity transaction.

(ii) Special purpose entities

Special purpose entities ("SPEs") are consolidated if they are in substance controlled by the Bank. When assessing whether the Bank has a control over the SPEs, the Bank evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on behalf of the Bank and according to the Bank's specific business needs so that the Bank obtains benefits from the SPE's operations;

(b) the Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;

(c) the Bank 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

(d) the Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

(In RMB millions, unless otherwise stated)

Particulars of the Bank's principal subsidiaries as at the date of statement of financial position are as follows:

	Percentage of equity interest directly attributable to the Bank				
Name	30 June 2009 %	31 December 2008 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)")	72.22	72.04	HK$2,598 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HK$280 million	Hong Kong, the PRC	Investing banking
JSC Industrial and Commercial Bank of China Almaty	100	100	US$10 million	Almaty, Kazakhstan	Commercial banking
ICEA Finance Holdings Limited ("ICEA Finance")	75	75	US$20 million	British Virgin Islands and Hong Kong	Investment banking
ICBC (London) Limited	100	100	US$200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China, Luxembourg S.A.	100	100	US$18.50 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.83	97.83	IDR460,000 million	Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd.	100	100	RMB2,000 million	Tianjin, the PRC	Financial leasing
Seng Heng Bank Limited ("Seng Heng Bank")	79.93	79.93	MOP150 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	US$50 million	Dubai, United Arab Emirates	Commercial banking and investment banking

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new and revised International Financial Reporting Standards ("IFRS") and IFRIC interpretations as of 1 January 2009. The principal effects of adopting these new and revised IFRS and IFRIC interpretations are as follows:

(In RMB millions, unless otherwise stated)

The Group has early adopted IFRS 3 *Business Combination (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Revised)* as of 1 January 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that impacts the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The Group amended its accounting policy accordingly and did not result in any effect on the financial position and operating results of these financial statements.

IFRS 8 *Operating Segments* requires disclosure of information about the Group's operating segments and replace the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 41, including revised comparative information.

IAS 1 *Presentation of Financial Statements (Revised)* separates owners and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, it introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

Apart from the above, the IASB has issued *Improvements to IFRSs** which set out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvements to IFRSs* contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

3. NET INTEREST INCOME

	Six months ended 30 June	
	2009 (unaudited)	**2008 (unaudited)**
Interest income on:		
Loans and advances to customers		
— Personal loans	22,704	27,769
— Corporate loans	108,730	112,633
— Discounted bills	6,054	8,015
Due from central banks	11,221	10,390
Due from banks and other financial institutions	3,969	4,680
Financial investments	46,599	51,524
	199,277	215,011
Interest expense on:		
Due to customers	(76,391)	(73,231)
Due to banks and other financial institutions	(6,276)	(9,378)
Subordinated bonds	(572)	(617)
	(83,239)	(83,226)
Net interest income	116,038	131,785

The above interest income and expense were related to financial instruments which are not at fair value through profit or loss.

(In RMB millions, unless otherwise stated)

Included in interest income on loans and advances to customers for the period is an amount of RMB727 million (six months ended 30 June 2008: RMB694 million) with respect to the accreted interest on impaired loans. Included in interest income on financial investments for the period is an amount of RMB701 million (six months ended 30 June 2008: RMB283 million) with respect to interest income on impaired debt securities.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Investment banking business	7,143	4,822
Settlement, clearing business and cash management	7,102	6,821
Personal wealth management and private banking services (i)	5,546	6,095
Bank card business	4,355	3,197
Corporate wealth management services (i)	1,836	1,458
Guarantee and commitment business	1,460	1,116
Assets fiduciary business (i)	1,034	1,257
Trust and agency services (i)	431	406
Others	384	298
Fee and commission income	29,291	25,470
Fee and commission expense	(1,547)	(990)
Net fee and commission income	27,744	24,480

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets fiduciary business and trust and agency services above is an amount of RMB3,228 million (six months ended 30 June 2008: RMB2,104 million) with respect to trust and other fiduciary activities.

5. NET TRADING INCOME

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Debt securities	337	1,226
Equity investments	17	(3)
Derivatives	134	110
	488	1,333

The above amounts include gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities held for trading as well as changes in the fair value relating to the ineffective portion of the hedging arrangements.

(In RMB millions, unless otherwise stated)

6. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Financial assets	62	(24)
Financial liabilities	(179)	(264)
	(117)	(288)

The above amounts represent gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

7. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Dividend income from unlisted investments	49	34
Dividend income from listed investments	—	1
Dividend income	49	35
Gain/(loss) on disposal of available-for-sale investments, net	3,300	(904)
	3,349	(869)

8. OTHER OPERATING INCOME/(EXPENSE), NET

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Loss from foreign exchange and foreign exchange products, net	(366)	(2,832)
Net gain on disposal of property and equipment, repossessed assets and others	422	602
Sundry bank charge income	34	74
Others	490	671
	580	(1,485)

(In RMB millions, unless otherwise stated)

9. OPERATING EXPENSES

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Staff costs:		
Salaries and bonuses	17,879	18,960
Staff benefits	5,050	4,592
Contributions to defined contribution schemes	3,508	2,956
Early retirement benefits	—	2,000
	26,437	28,508
Premises and equipment expenses:		
Depreciation (note 23)	4,768	4,045
Minimum lease payments under operating leases in respect of land and buildings	1,363	1,094
Repairs and maintenance charges	676	651
Utility expenses	785	723
	7,592	6,513
Amortisation	686	638
Business tax and surcharges	8,850	9,094
Others	9,483	8,440
	53,048	53,193

10. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

		Six months ended 30 June	
	Notes	2009 (unaudited)	2008 (unaudited)
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	(1)	(91)
Financial investments:			
Held-to-maturity debt securities	21(d)	205	512
Available-for-sale investments	21(c)(i)	693	4,036
Other assets		67	210
		964	4,667

(In RMB millions, unless otherwise stated)

11. INCOME TAX EXPENSE

The PRC income tax has been provided at the statutory rate of 25% (six months ended 30 June 2008: 25%) in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Current income tax expense:		
PRC		
— Mainland China	18,276	20,766
— Hong Kong and Macau	210	209
Overseas	141	41
	18,627	21,016
Adjustment in respect of current income tax of prior periods	—	(1,002)
	18,627	20,014
Deferred income tax expense/(credit)	437	(482)
	19,064	19,532

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% (six months ended 30 June 2008: 25%) to income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Profit before tax	85,788	84,411
Tax at the PRC statutory income tax rate	21,447	21,103
Effects of different applicable rates of tax prevailing in other countries/regions	(58)	(49)
Non-deductible expenses (i)	336	1,993
Non-taxable income (ii)	(2,445)	(2,407)
Profits and losses attributable to associates and a jointly controlled entity	(241)	(241)
Adjustment in respect of current income tax of prior periods	—	(1,002)
Others	25	135
Tax expense at the Group's effective income tax rate	19,064	19,532

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(ii) The non-taxable income mainly represents interest income arising from PRC government bonds, which is exempted from income tax.

12. DIVIDEND

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Dividends on ordinary shares declared and paid:		
Final dividend for 2008: RMB0.165 per share (2007: RMB0.133 per share)	55,113	44,425

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Earnings:		
Profit for the period attributable to equity holders of the parent company	66,424	64,531
Shares:		
Weighted average number of ordinary shares in issue (million)	334,019	334,019
Basic and diluted earnings per share (RMB yuan)	0.20	0.19

There were no dilutive events during the six months ended 30 June 2009 and 2008.

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Cash on hand	44,453	40,025
Balances with central banks other than restricted deposits	139,930	373,807
Unrestricted cash and balances with central banks	184,383	413,832
Mandatory reserve deposits with central banks	1,367,168	1,191,472
Other restricted deposits with central banks	97,390	87,720
Restricted balances with central banks	1,464,558	1,279,192
	1,648,941	1,693,024

The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations.

Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 30 June 2009, the required mandatory deposit reserve ratios set by the PBOC in respect of customer deposits denominated in RMB and foreign currencies were 15.5% (31 December 2008: 15.5%) and 5% (31 December 2008: 5%), respectively. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Nostro accounts:		
Banks operating in Mainland China	58,079	11,092
Other financial institutions operating in Mainland China	1,665	1,004
Banks operating outside Mainland China	28,863	29,509
	88,607	41,605
Allowance for impairment losses	(33)	(34)
	88,574	41,571
Placements with banks and other financial institutions:		
Banks operating in Mainland China	22,433	10,899
Other financial institutions operating in Mainland China	5,421	6,499
Banks operating outside Mainland China	60,477	109,429
	88,331	126,827
Allowance for impairment losses	(33)	(35)
	88,298	126,792
	176,872	168,363

Movements of allowance for impairment losses during the period/year are as follows:

	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2008	34	156	190
Charge for the year	—	2	2
Write-offs	—	(123)	(123)
At 31 December 2008 and 1 January 2009 (audited)	34	35	69
Reversal for the period	(1)	—	(1)
Write-offs	—	(2)	(2)
At 30 June 2009 (unaudited)	33	33	66

(In RMB millions, unless otherwise stated)

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2009 (unaudited)	31 December 2008 (audited)
Debt securities	30,329	32,163
Equity investments	24	19
	30,353	32,182
Debt securities analysed into:		
Listed in Hong Kong	207	203
Listed outside Hong Kong	1,618	1,689
Unlisted	28,504	30,271
	30,329	32,163

The equity investments are all listed in Hong Kong.

17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Debt securities	1,300	1,459
Debt securities analysed into:		
Listed in Hong Kong	321	301
Listed outside Hong Kong	824	1,005
Unlisted	155	153
	1,300	1,459

18. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(In RMB millions, unless otherwise stated)

At the date of statement of financial position, the Group had derivative financial instruments as follows:

	30 June 2009 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	223,569	205,320	28,945	6,204	464,038	2,774	(2,937)
Option contracts purchased	4,342	3,298	446	—	8,086	96	(94)
	227,911	208,618	29,391	6,204	472,124	2,870	(3,031)
Interest rate contracts:							
Swap contracts	33,197	20,894	112,844	48,461	215,396	3,619	(4,287)
Forward contracts	3,758	3,621	19,772	—	27,151	372	(373)
Option contracts purchased/written	—	176	353	—	529	5	(5)
	36,955	24,691	132,969	48,461	243,076	3,996	(4,665)
Other derivative contracts	150	—	—	—	150	1	(1)
	265,016	233,309	162,360	54,665	715,350	6,867	(7,697)

	31 December 2008 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	242,378	191,333	16,327	11,769	461,807	8,749	(5,721)
Option contracts purchased	5,853	8,843	20	—	14,716	305	(305)
	248,231	200,176	16,347	11,769	476,523	9,054	(6,026)
Interest rate contracts:							
Swap contracts	5,094	22,711	103,525	51,392	182,722	6,543	(7,462)
Forward contracts	3,964	3,759	21,802	1,504	31,029	118	(118)
Option contracts purchased/written	—	—	529	—	529	5	(5)
	9,058	26,470	125,856	52,896	214,280	6,666	(7,585)
Other derivative contracts	27	96	—	—	123	1	(1)
	257,316	226,742	142,203	64,665	690,926	15,721	(13,612)

Cash flow hedges

The Group's cash flow hedge consists of currency swap contracts that are used to protect against exposures to variability of future cash flows arising from floating rate foreign currency denominated assets during the period. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, and will be recycled into the profit or loss when the forecast cash flows affect the income statement. The ineffective portion is immediately recognised in the income statement.

(In RMB millions, unless otherwise stated)

Among the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedge are set out below.

	30 June 2009 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contract	—	444	—	—	444	—	(35)

	31 December 2008 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contract	—	444	—	—	444	—	(33)

There is no ineffectiveness recognised in the income statement that arises from cash flow hedges for the current period (six months ended 30 June 2008: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. The financial instruments hedged for interest rate risk and currency risk mainly include available-for-sale debt securities.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the period is presented as follows:

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	(214)	175
— Hedged items attributable to the hedged risk	190	(173)
	(24)	2

(In RMB millions, unless otherwise stated)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below.

	30 June 2009 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	124	—	124	—	(24)
Interest rate swap contracts	799	1,381	10,862	1,282	14,324	37	(705)
	799	1,381	10,986	1,282	14,448	37	(729)

	31 December 2008 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	124	—	124	—	(23)
Interest rate swap contracts	312	1,721	9,681	1,191	12,905	3	(796)
	312	1,721	9,805	1,191	13,029	3	(819)

The credit risk weighted amounts in respect of the above derivatives of the Group as at the date of statement of financial position are as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Currency derivatives	3,432	5,900
Interest rate derivatives	3,957	6,141
Other derivatives	10	8
	7,399	12,049

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC. The amounts calculated are dependent on, among other factors, the credit worthiness of the customers and the maturity characteristics of each type of contracts. The amounts differ from the carrying amount or the maximum exposure to credit risk.

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Analysed by counterparty:		
Banks	904,426	130,061
Other financial institutions	38,858	33,432
	943,284	163,493
Analysed by collateral:		
Securities	873,893	111,466
Bills	63,095	42,685
Loans	6,296	9,342
	943,284	163,493

Under certain reverse repurchase agreements, the Group received collateral that is permitted to be sold or repledged in the absence of default by the owners of the collateral. There was no collateral received on such terms as at 30 June 2009 and 31 December 2008.

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Corporate loans	3,979,941	3,396,633
Personal loans	987,429	849,045
Discounted bills	469,099	326,316
	5,436,469	4,571,994
Allowance for impairment losses	(136,353)	(135,983)
	5,300,116	4,436,011

(In RMB millions, unless otherwise stated)

Movements of allowance for impairment losses during the period/year are as follows:

	Individually assessed	Collectively assessed	Total
At 1 January 2008	58,944	56,743	115,687
Impairment loss:	10,955	25,557	36,512
— impairment allowances charged	25,045	54,683	79,728
— impairment allowances transferred	443	(443)	—
— reversal of impairment allowances	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 1 January 2009 (audited)	54,059	81,924	135,983
Impairment loss:	1,099	8,149	9,248
— impairment allowances charged	7,757	39,504	47,261
— impairment allowances transferred	205	(205)	—
— reversal of impairment allowances	(6,863)	(31,150)	(38,013)
Accreted interest on impaired loans (note 3)	(727)	—	(727)
Write-offs	(7,941)	(335)	(8,276)
Recoveries of loans and advances previously written off	260	59	319
Transfer out	(184)	(10)	(194)
At 30 June 2009 (unaudited)	46,566	89,787	136,353

Transfer out mainly represents impairment losses of loans transferred into repossessed assets.

Movements of allowance for impairment losses during the period/year analysed into those attributable to corporate loans and discounted bills and personal loans are as follows:

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2008	102,734	12,953	115,687
Impairment loss:	30,639	5,873	36,512
— impairment allowances charged	69,723	10,005	79,728
— reversal of impairment allowances	(39,084)	(4,132)	(43,216)
Accreted interest on impaired loans	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 1 January 2009 (audited)	117,533	18,450	135,983
Impairment loss:	6,601	2,647	9,248
— impairment allowances charged	41,219	6,042	47,261
— reversal of impairment allowances	(34,618)	(3,395)	(38,013)
Accreted interest on impaired loans (note 3)	(727)	—	(727)
Write-offs	(7,947)	(329)	(8,276)
Recoveries of loans and advances previously written off	260	59	319
Transfer out	(184)	(10)	(194)
At 30 June 2009 (unaudited)	115,536	20,817	136,353

(In RMB millions, unless otherwise stated)

	30 June 2009 (unaudited)	31 December 2008 (audited)
Loans and advances for which allowance for impairment losses is:		
Individually assessed	87,820	94,811
Collectively assessed	5,348,649	4,477,183
	5,436,469	4,571,994
Allowance for impairment losses:		
Individually assessed	46,566	54,059
Collectively assessed	89,787	81,924
	136,353	135,983
Net loans and advances for which allowance for impairment losses is:		
Individually assessed	41,254	40,752
Collectively assessed	5,258,862	4,395,259
	5,300,116	4,436,011
Identified impaired loans and advances	98,665	104,482
Percentage of impaired loans and advances	1.81%	2.29%

Securitisation business

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group exposes to changes in the value of the transferred assets.

As at 30 June 2009, loans with an original carrying amount of RMB12,032 million (31 December 2008: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2009, the amount of assets that the Group continues to recognise was RMB519 million (31 December 2008: RMB519 million), and the assets were classified as available-for-sale securities.

21. FINANCIAL INVESTMENTS

	Notes	30 June 2009 (unaudited)	31 December 2008 (audited)
Receivables	(a)	1,163,169	1,162,769
Held-to-maturity debt securities	(b)	1,273,141	1,314,320
Available-for-sale investments	(c)	648,478	537,580
		3,084,788	3,014,669

(In RMB millions, unless otherwise stated)

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	Notes	30 June 2009 (unaudited)	31 December 2008 (audited)
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	142,773	142,773
Special PBOC bills	(iv)	434,790	434,790
PBOC bills and financial bonds	(v)	187,610	187,210
		1,163,169	1,162,769

Notes:

(i) Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 to 2001 to the Group, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bond were used to purchase impaired assets of the Group. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. The Ministry of Finance ("MOF") will provide support for the repayment of the principal of the Huarong bonds if necessary. In addition, with effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

(ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(iii) MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The amount is repayable in June 2010 and bears interest at a fixed rate of 3% per annum.

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, which will mature in June 2010 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date; and
- a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date.

(v) PBOC bills and financial bonds

The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in March 2010 to August 2028 and bears interest rates of 3.07% to 6.30% per annum.

(In RMB millions, unless otherwise stated)

(b) Held-to-maturity debt securities

Held-to-maturity debt securities are stated at amortised cost and comprise the following:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Debt securities	1,275,058	1,316,033
Allowance for impairment losses	(1,917)	(1,713)
	1,273,141	1,314,320
Analysed into:		
Listed in Hong Kong	280	517
Listed outside Hong Kong	273,801	221,998
Unlisted	999,060	1,091,805
	1,273,141	1,314,320
Market value of listed debt securities	280,086	234,224

(In RMB millions, unless otherwise stated)

(c) Available-for-sale investments

Available-for-sale investments comprise the following:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Debt securities, at fair value (i)	644,146	528,829
Equity investments :		
At fair value (i)	2,741	6,861
At cost (ii):		
Debt for equity swaps	1,949	2,249
Others	389	412
Less: Allowance for impairment losses of investments	(747)	(771)
	1,591	1,890
Subtotal for equity investments	4,332	8,751
Total	648,478	537,580
Debt securities analysed into:		
Listed in Hong Kong	4,449	3,924
Listed outside Hong Kong	124,133	94,479
Unlisted	515,564	430,426
	644,146	528,829
Equity investments analysed into:		
Listed in Hong Kong	1,360	1,058
Listed outside Hong Kong	211	213
Unlisted	2,761	7,480
	4,332	8,751
Market value of listed securities:		
Debt securities	128,582	98,403
Equity investments	1,571	1,271
	130,153	99,674

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 30 June 2009, the available-for-sale investments measured at fair value includes debt securities which are individually assessed to be impaired whose carrying amount is RMB7,709 million (31 December 2008: RMB24,565 million), with impairment loss recognised in the income statement for the period of RMB693 million (six months ended 30 June 2008: RMB4,028 million).

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the six months ended 30 June 2009, the Group disposed of part of these equity investments with a carrying value of RMB300 million (six months ended 30 June 2008: RMB581 million). There was no gain or loss recognised for such disposal during the period (six months ended 30 June 2008: Nil).

(In RMB millions, unless otherwise stated)

(d) Movements of allowance for impairment losses of held-to-maturity debt securities and available-for-sale equity investments measured at cost during the period/year are as follows:

	Held-to-maturity debt securities	Available-for-sale equity investments	Total
At 1 January 2008	149	448	597
Charge for the year	1,616	323	1,939
Disposals	(52)	—	(52)
At 31 December 2008 and 1 January 2009 (audited)	1,713	771	2,484
Charge for the period	205	—	205
Disposals	(1)	(24)	(25)
At 30 June 2009 (unaudited)	1,917	747	2,664

22. INVESTMENTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

	30 June 2009 (unaudited)	31 December 2008 (audited)
Share of net assets	15,654	13,191
Goodwill	18,226	15,230
	33,880	28,421

The following table illustrates the summarised financial information of the Group's associates and jointly controlled entity:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Assets	1,159,227	1,097,073
Liabilities	(1,075,461)	(1,024,138)
Net assets	83,766	72,935

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Revenue	27,842	22,256
Profit for the period	4,424	5,404

The financial information above was extracted from the financial statements of the associates and jointly controlled entity.

(In RMB millions, unless otherwise stated)

Particulars of the Group's associates and jointly controlled entity at the date of statement of financial position are as follows:

Name	Percentage of equity interest attributable to the Group: 30 June 2009 (unaudited) %	Percentage of equity interest attributable to the Group: 31 December 2008 (audited) %	Place of incorporation/ registration	Principal activities
Associates:				
Listed investment directly held:				
Standard Bank Group Limited ("StandardBank") (i)	20.12	20.07	Republic of South Africa	Commercial banking
Unlisted investment indirectly held:				
China Ping An Insurance (Hong Kong) Company Limited (ii)	18.06	18.01	Hong Kong	General insurance
IEC Investments Limited (iii)	28.89	28.82	Hong Kong	Investment company
Jointly controlled entity:				
Unlisted investment indirectly held:				
Jiangxi Poyanghu Industry Investment Management Company Limited (iv)	50.00	—	Jiangxi, the PRC	Investment and management company

(i) On 3 April 2009, the Bank was allotted 7,984,815 ordinary shares of Standard Bank pursuant to the scrip dividend schemes of Standard Bank. As at 30 June 2009, the equity interests held by the Bank in Standard Bank increased to 20.12%.

(ii) The shareholding of a 25% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group.

(iii) The shareholding of a 40% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group.

(iv) Jiangxi Poyanghu Industry Investment Management Company Limited is registered as a jointly controlled entity of ICBCI Investment Management (Jiangxi) Limited, a wholly-owned subsidiary of ICBC International. The percentage of ownership interest disclosed represents the effective percentage held by the Group.

	30 June 2009 (unaudited)	31 December 2008 (audited)
Market value of listed investment	24,245	18,460

(In RMB millions, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2008	74,645	2,667	1,794	21,936	1,760	102,802
Additions	2,990	5,101	1,090	5,457	227	14,865
Acquisition of a subsidiary	183	—	—	34	1	218
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(510)	(65)	(20)	(704)	(377)	(1,676)
At 31 December 2008 and 1 January 2009 (audited)	79,067	5,331	2,888	27,326	1,620	116,232
Additions	362	1,071	262	666	9	2,370
Transfers	515	(645)	1	136	—	7
Disposals	(190)	(62)	(174)	(501)	(98)	(1,025)
At 30 June 2009 (unaudited)	79,754	5,695	2,977	27,627	1,531	117,584
Accumulated depreciation and impairment:						
At 1 January 2008	8,709	149	674	11,757	1,247	22,536
Depreciation charge for the year	3,531	—	375	4,075	209	8,190
Impairment losses	16	—	—	—	—	16
Disposals	(252)	(7)	(13)	(684)	(354)	(1,310)
At 31 December 2008 and 1 January 2009 (audited)	12,004	142	1,036	15,148	1,102	29,432
Depreciation charge for the period (note 9)	2,056	—	304	2,325	83	4,768
Disposals	(105)	(23)	(120)	(495)	(97)	(840)
At 30 June 2009 (unaudited)	13,955	119	1,220	16,978	1,088	33,360
Net carrying amount:						
At 31 December 2008 (audited)	67,063	5,189	1,852	12,178	518	86,800
At 30 June 2009 (unaudited)	65,799	5,576	1,757	10,649	443	84,224

As at 30 June 2009, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB5,338 million (31 December 2008: RMB5,601 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX

Deferred income tax assets and liabilities as at the date of statement of financial position are as follows:

Deferred income tax assets

	At 1 January 2009	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	At 30 June 2009 (unaudited)
Allowances for impairment losses	11,903	(3,698)	—	8,205
Changes in fair value of available-for-sale investments	(2,925)	—	1,111	(1,814)
Changes in fair value of financial instruments at fair value through profit or loss	(991)	1,053	—	62
Early retirement benefits	2,589	(520)	—	2,069
Accrued salaries	—	2,657	—	2,657
Others	170	41	—	211
Total	10,746	(467)	1,111	11,390

	At 1 January 2008	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	At 31 December 2008 (audited)
Allowances for impairment losses	4,671	7,232	—	11,903
Changes in fair value of available-for-sale investments	695	—	(3,620)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	—	(991)
Early retirement benefits	3,125	(536)	—	2,589
Others	521	(351)	—	170
Total	5,833	8,533	(3,620)	10,746

(In RMB millions, unless otherwise stated)

Deferred income tax liabilities

	At 1 January 2009	Charged/ (credited) to income statement	Charged/ (credited) to other comprehensive income	At 30 June 2009 (unaudited)
Allowances for impairment losses	—	(17)	—	(17)
Changes in fair value of available-for-sale investments	—	—	92	92
Others	16	(13)	—	3
Total	16	(30)	92	78

	At 1 January 2008	Charged/ (credited) to income statement	Charged/ (credited) to other comprehensive income	At 31 December 2008 (audited)
Allowances for impairment losses	(13)	13	—	—
Changes in fair value of available-for-sale investments	315	—	(315)	—
Others	35	(19)	—	16
Total	337	(6)	(315)	16

25. OTHER ASSETS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Interest receivable	52,518	52,584
Repossessed assets	2,017	2,206
Land use rights	22,900	23,037
Settlement accounts	10,410	8,202
Goodwill	4,897	4,891
Precious metal	2,723	2,819
Others	17,127	12,518
	112,592	106,257

(In RMB millions, unless otherwise stated)

26. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2009 (unaudited)	31 December 2008 (audited)
Structured deposits	(i)	11,655	2,551
Notes payable	(ii)	2,609	2,629
Certificates of deposit	(iii)	1,024	2,386
		15,288	7,566

Notes:

(i) The fair value of structured deposits as at 30 June 2009 was RMB4 million in excess of the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (31 December 2008: RMB6 million below).

(ii) The notes were issued in September 2004 by ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, at a coupon rate of 4.125% per annum and maturing on 16 September 2009. The amount of fair value in excess of the amount that the Group would be contractually required to pay to the holders of these notes upon maturity amounted to RMB19 million as at 30 June 2009 (31 December 2008: RMB41 million above).

(iii) The certificates of deposit are all issued by ICBC (Asia) to financial institutions and retail customers at fixed or floating rates. The amount of fair value in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity amounted to RMB18 million as at 30 June 2009 (31 December 2008: RMB33 million above).

There were no significant changes in the credit spread of the Bank and ICBC (Asia) and therefore the amounts of changes in fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the year/period presented and cumulatively as at 30 June 2009 and 31 December 2008.

Certain structured deposits, notes payable and certificates of deposit have been matched with derivatives as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values will be recorded in the income statement.

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Money market takings	39,930	53,647
Deposits	971,328	592,607
	1,011,258	646,254

(In RMB millions, unless otherwise stated)

28. REPURCHASE AGREEMENTS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Analysed by counterparty:		
Banks	6,877	4,648
Analysed by collateral:		
Securities	1,130	200
Bills	3,685	3,841
Loans	2,062	607
	6,877	4,648

29. DUE TO CUSTOMERS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Demand deposits:		
Corporate customers	3,002,232	2,575,763
Personal customers	1,758,569	1,444,430
Time deposits:		
Corporate customers	1,833,978	1,482,438
Personal customers	2,837,810	2,604,785
Others	100,528	116,030
	9,533,117	8,223,446

30. SUBORDINATED BONDS

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB35,000 million through open market bidding in 2005, these subordinated bonds were traded in the bond market among banks in the same year. The Group has not had any defaults of principal, interest or other breaches with respect to the subordinated bonds during the period (six months ended 30 June 2008: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
05 ICBC 01 Bond	19 August 2005	RMB100	3.11%	29 August 2005	29 August 2015	30 September 2005	RMB13,000 million	(i)
05 ICBC 02 Bond	19 August 2005	RMB100	3.77%	6 September 2005	6 September 2020	11 October 2005	RMB13,000 million	(ii)
05 ICBC 03 Bond	19 August 2005	RMB100	Base rate +1.05%	14 September 2005	14 September 2015	11 October 2005	RMB9,000 million	(iii)

Notes:

(i) The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter.

(iii) The base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates in the last 10 trading days prior to its coupon payment date. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest margin of the bonds will increase by 1% thereafter.

31. OTHER LIABILITIES

	30 June 2009 (unaudited)	31 December 2008 (audited)
Interest payable	93,298	90,252
Settlement accounts	49,275	37,295
Early retirement benefits	8,277	10,355
Salaries, bonuses, allowances and subsidies payables	9,562	8,252
Sundry tax payables	5,617	7,117
Bank drafts	1,944	4,415
Payables for bonds purchased	507	1,700
Others	21,869	17,732
	190,349	177,118

32. SHARE CAPITAL

	30 June 2009		31 December 2008	
	Number of shares (millions) (unaudited)	Nominal value (unaudited)	Number of shares (millions) (audited)	Nominal value (audited)
Registered, issued and fully paid:				
H shares of RMB1 each	83,057	83,057	83,057	83,057
A shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	334,019	334,019

Except for the dividends for H shares which are payable in HK$, all of the H shares and A shares rank pari passu with each other in respect of dividends.

Share appreciation rights plan

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the date of this report, no share appreciation rights have been granted.

33. RESERVES

(a) Capital reserve

Capital reserve mainly include share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year determined under generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

The Bank's overseas entities appropriate their profits to the surplus reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale investments.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(In RMB millions, unless otherwise stated)

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and a jointly controlled entity other than the items listed above.

34. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Other comprehensive income/(loss) (after-tax):		
Available-for-sale investments:		
Changes in fair value recorded in other comprehensive income	(1,123)	(4,376)
Transfer to income statement arising from disposal/impairment	(1,120)	1,616
	(2,243)	(2,760)
Cash flow hedges:		
Losses arising during the period	(1)	(4,080)
Share of other comprehensive income/(loss) of associates and jointly controlled entity	(1,061)	420
Foreign currency translation differences	5,543	(3,148)
	2,238	(9,568)

	Six months ended 30 June					
	2009 (unaudited)			2008 (unaudited)		
	Amount before tax	Income tax	Amount after tax	Amount before tax	Income tax	Amount after tax
Related tax impact on other comprehensive income/(loss):						
Net loss on available-for-sale investments	(3,262)	1,019	(2,243)	(3,742)	982	(2,760)
Net loss on cash flow hedges	(1)	—	(1)	(4,080)	—	(4,080)
Share of other comprehensive income/(loss) of associates and jointly controlled entity	(1,061)	—	(1,061)	420	—	420
Foreign currency translation differences	5,543	—	5,543	(3,148)	—	(3,148)
	1,219	1,019	2,238	(10,550)	982	(9,568)

(In RMB millions, unless otherwise stated)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	30 June 2009 (unaudited)	30 June 2008 (unaudited)
Cash on hand	14	44,453	42,904
Balances with central banks other than restricted deposits	14	139,930	114,294
Nostro accounts with banks and other financial institutions with original maturity of three months or less		82,591	36,514
Placements with banks and other financial institutions with original maturity of three months or less		79,564	100,632
Reverse repurchase agreements with original maturity of three months or less		63,095	12,193
		409,633	306,537

36. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the date of statement of financial position, the Group had capital commitments as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Authorised, but not contracted for	1,421	1,687
Contracted, but not provided for	4,105	1,658
	5,526	3,345

As at 30 June 2009, the Group entered into agreements in relation to the acquisition of equity interests in subsidiaries at a total consideration of approximately RMB2,400 million.

(b) Operating lease commitments

At the date of statement of financial position, the Group leased certain of its premises under operating lease arrangements. The total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Within one year	2,354	2,146
After one year but not more than five years	5,508	5,178
After five years	1,856	1,658
	9,718	8,982

(In RMB millions, unless otherwise stated)

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and credit card limits.

The Group provides letters of credit and financial guarantees 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 credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the date of statement of financial position had the counterparties failed to perform as contracted.

	30 June 2009 (unaudited)	31 December 2008 (audited)
Letters of credit issued	143,251	113,253
Guarantees issued	216,625	217,071
Acceptances	337,283	206,632
Loan commitments with original maturity of:		
Not more than one year	111,196	144,585
More than one year	117,926	94,102
Undrawn credit card limit	173,401	160,830
	1,099,682	936,473

	30 June 2009 (unaudited)	31 December 2008 (audited)
Credit risk weighted amounts of credit commitments	448,394	385,049

The credit risk weighted amounts refer to the amounts computed in accordance with the rules promulgated by the CBRC and depend on the status of the counterparties and the maturity profile. The risk weights ranged from 0% to 100% for credit commitments.

(In RMB millions, unless otherwise stated)

(d) Legal proceedings

There were a number of legal proceedings outstanding against the Bank and/or its subsidiaries as at the date of statement of financial position.

	30 June 2009 (unaudited)	31 December 2008 (audited)
Claimed amounts	2,604	3,292

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2009, the Bank had underwritten and sold bonds with an accumulated amount of RMB133,868 million (31 December 2008: RMB151,345 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

At the date of statement of financial position, the amount of unexpired underwriting obligations was as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Underwriting obligations	—	1,000

(In RMB millions, unless otherwise stated)

37. DESIGNATED DEPOSITS AND LOANS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Designated deposits	225,505	237,432
Designated loans	224,813	236,755

The designated deposits represent funds that depositors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

The difference between designated deposits and designated loans represents the undesignated amount of deposits, which is included in amounts due to customers.

38. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for the repurchase agreements and derivative contracts. As at 30 June 2009, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB6,948 million (31 December 2008: RMB4,648 million).

39. FIDUCIARY ACTIVITIES

The Group provides custody and asset management services to third parties. Revenue from such activities is included in "Fee and commission income" set out in note 4 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

(In RMB millions, unless otherwise stated)

40. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

(a) Shareholders with significant influence

(i) The MOF

As at 30 June 2009, the MOF directly owned approximately 35.33% (31 December 2008: approximately 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds. Details of the material transactions are as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Balances at end of the period/year:		
The PRC government bonds and the special government bond	532,996	482,614
MOF receivable (note 21(a)(iii))	142,773	142,773

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Transactions during the period:		
Subscription of PRC government bonds	83,485	42,590
Redemption of PRC government bonds	31,704	10,558
Interest income on PRC government bonds	8,079	8,763
Interest income on MOF receivable	2,153	2,910

	%	%
Interest rate range during the period is as follows:		
MOF receivable	3	3
Bond investments	2.29 to 6.34	1.93 to 7.3

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. Enterprises under the control, joint control or significant influence of the MOF are considered not as related parties of the Group.

(In RMB millions, unless otherwise stated)

(ii) Huijin

As at 30 June 2009, Central SAFE Investments Limited ("Huijin") directly owned approximately 35.41% (31 December 2008: approximately 35.41%) of the issued share capital of the Bank. Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investor's rights and obligations in certain banks and financial institutions.

In addition to the above, the Group also entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. Details of the material transactions are as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Balances at end of the period/year:		
Deposits	27,765	35,089
Interest payable	18	103

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Transactions during the period:		
Interest expense on deposits	359	557

	%	%
Interest rate range during the period is as follows:		
Deposits	0.01 to 4.1	0.7 to 4.3

(In RMB millions, unless otherwise stated)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the period conducted with these banks and financial institutions, and the corresponding balances as at 30 June 2009 are as follows:

	30 June 2009 (unaudited)	**31 December 2008 (audited)**
Balances at end of the period/year:		
Debt securities purchased	455,282	441,321
Due from these banks and financial institutions	19,049	38,894
Derivative financial assets	338	564
Due to these banks and financial institutions	56,155	41,508
Derivative financial liabilities	265	400

	Six months ended 30 June	
	2009 (unaudited)	**2008 (unaudited)**
Transactions during the period:		
Interest income from debt securities purchased	7,658	259
Interest income from amounts due from these banks and financial institutions	40	362
Interest expense on amounts due to these banks and financial institutions	468	393

	%	**%**
Interest rate ranges during the period are as follows:		
Debt securities purchased	1.3 to 5.2	2.0 to 8.3
Due from these banks and financial institutions	0.0001 to 5.4	0.0001 to 7.3
Due to these banks and financial institutions	0.0001 to 5.7	0.0001 to 6.5

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(In RMB millions, unless otherwise stated)

(iii) Goldman Sachs Group Inc.

Significant transactions during the period conducted with Goldman Sachs Group Inc. ("Goldman Sachs") and the corresponding balances as at 30 June 2009 are as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Balance at end of the period/year:		
Debt securities purchased	1,978	2,035

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Transactions during the period:		
Interest income from debt securities purchased	34	76

	%	%
Interest rate range during the period is as follows:		
Debt securities purchased	1.1 to 6.0	2.3 to 7.6

The major transactions between the Group and Goldman Sachs comprised debt securities purchased, as well as the interest income arising from those transactions. In the opinion of management, the transactions between the Group and Goldman Sachs were conducted under normal commercial terms and conditions.

(In RMB millions, unless otherwise stated)

(iv) National Council for Social Security Fund

As at 30 June 2009, the Group's shares held by National Council for Social Security Fund (the "SSF") have been persistently lower than 5% during the past 12 months. The SSF no longer has significant influence over the Group, so it ceases to be a related party of the Group from this period.

(b) Subsidiaries

	30 June 2009 (unaudited)	31 December 2008 (audited)
Balance at end of the period/year:		
Debt securities purchased	9,310	8,372
Due from banks and financial institutions	43,658	12,577
Derivative financial assets	213	120
Due to banks and financial institutions	10,009	3,205
Derivative financial liabilities	301	157

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Transactions during the period:		
Interest income from debt securities purchased	70	150
Interest income from amounts due from banks and financial institutions	59	289
Interest income from derivatives	55	124
Interest expense on amounts due to banks and financial institutions	116	660
Interest expense on derivatives	46	97

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.9 to 5.4	2.8 to 5.4
Due from banks and financial institutions	0.01 to 1.9	0.01 to 5.3
Due to banks and financial institutions	0.01 to 5.7	0.3 to 5.3

The major transactions between the Bank and its subsidiaries mainly comprised debt securities, deposits and placement with and from banks and other financial institutions, derivatives, as well as the interest income and expense arising from those transactions. In the opinion of management, the transactions between the Bank and its subsidiaries were conducted under normal commercial terms and conditions.

(c) Associates and jointly controlled entity

	30 June 2009 (unaudited)	31 December 2008 (audited)
Balances at end of the period/year:		
Due from an associate	613	453
Loan to an associate	465	—
Due to associates	3	24

No transactions were conducted between the Group and its jointly controlled entity during the period.

The major transactions between the Group and its associates mainly comprised deposits and placements with and from banks and other financial institutions, loans and the corresponding income and expenses. In the opinion of management, the transactions between the Group and its associates were conducted under normal commercial terms and conditions. As the amounts of income and expenses are not material, they have not been separately disclosed.

(d) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Short-term employment benefits	5,695	7,185
Post-employment benefits	355	302
	6,050	7,487

Companies or corporations in which the key management of the Group, or their close relatives, are shareholders or key management personnel who are able to exercise control or significant influence, are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the period are as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Loans	182	—

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted on terms and conditions similar to those offered to other unrelated customers. Save as disclosed above, the amount and volume of other transactions are not significant to the Group, hence no further disclosure is made.

(e) Annuity Plan

Apart from the obligations for defined contributions to the Annuity Plan, no transactions were conducted between the Group and the Annuity Plan during the period (six months ended 30 June 2008: Nil).

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its numerous authorities, affiliates or other organisations (collectively the "state-owned entities"). During the period, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank balances, entrusted lending, the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

41. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations. The treasury conducts money market or repurchase transactions, debt instruments investments, and the holding of derivative positions, for its own accounts or on behalf of customers.

Others

This represents the head office ("HO") assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(In RMB millions, unless otherwise stated)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal charges are referred to as "internal net interest income/expense". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on utilisation of assets. Income taxes are managed on a group basis and are not allocated to operating segments.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2009 (unaudited)					
External net interest income/(expense)	84,337	(23,803)	55,504	—	116,038
Internal net interest income/(expense)	(17,168)	55,841	(38,673)	—	—
Net fee and commission income	17,303	10,403	38	—	27,744
Other operating income, net	281	1	3,618	400	4,300
Operating income	84,753	42,442	20,487	400	148,082
Operating expenses	(26,206)	(18,988)	(6,912)	(942)	(53,048)
Impairment losses on:					
Loans and advances to customers	(6,601)	(2,647)	—	—	(9,248)
Others	(55)	—	(896)	(13)	(964)
Operating profit/(loss)	51,891	20,807	12,679	(555)	84,822
Share of profits and losses of associates and a jointly controlled entity	—	—	—	966	966
Profit before tax	51,891	20,807	12,679	411	85,788
Income tax expense					(19,064)
Profit for the period					66,724
Other segment information:					
Depreciation	2,127	1,691	889	61	4,768
Amortisation	327	221	134	4	686
Capital expenditure	1,358	1,047	565	34	3,004
As at 30 June 2009 (unaudited)					
Segment assets	4,432,591	1,023,022	5,908,558	70,436	11,434,607
Investments in associates and a jointly controlled entity	—	—	—	33,880	33,880
Property and equipment	35,077	27,943	14,637	6,567	84,224
Other non-current assets	14,101	7,810	4,932	5,409	32,252
Segment liabilities	5,047,685	4,680,073	1,077,443	8,965	10,814,166
Other segment information:					
Credit commitments	926,281	173,401	—	—	1,099,682

(In RMB millions, unless otherwise stated)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2008 (unaudited)					
External net interest income/(expense)	89,690	(14,504)	56,599	—	131,785
Internal net interest income/(expense)	(33,466)	56,086	(22,620)	—	—
Net fee and commission income	14,171	10,205	104	—	24,480
Other operating income/(expense), net	1,231	(97)	(3,884)	1,441	(1,309)
Operating income	71,626	51,690	30,199	1,441	154,956
Operating expenses	(24,861)	(17,669)	(7,137)	(3,526)	(53,193)
Impairment losses on:					
Loans and advances to customers	(11,870)	(1,778)	—	—	(13,648)
Others	(211)	—	(4,454)	(2)	(4,667)
Operating profit/(loss)	34,684	32,243	18,608	(2,087)	83,448
Share of profits and losses of associates	—	—	—	963	963
Profit/(loss) before tax	34,684	32,243	18,608	(1,124)	84,411
Income tax expense					(19,532)
Profit for the period					64,879
Other segment information:					
Depreciation	1,683	1,222	755	385	4,045
Amortisation	269	206	126	37	638
Capital expenditure	1,108	799	501	263	2,671
As at 31 December 2008 (audited)					
Segment assets	3,706,953	878,988	5,105,568	65,637	9,757,146
Investments in associates	—	—	—	28,421	28,421
Property and equipment	36,532	24,739	15,652	9,877	86,800
Other non-current assets	14,674	6,669	5,280	5,865	32,488
Segment liabilities	4,280,441	4,147,162	715,448	7,465	9,150,516
Other segment information:					
Credit commitments	775,643	160,830	—	—	936,473

(b) Geographical information

The Group operates principally in Mainland China with branches located in different provinces, autonomous regions and municipalities directly under the Government. The Group also has branches and subsidiaries operating outside Mainland China in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Indonesia, Moscow, Doha, Dubai, Sydney and New York.

The distribution of the geographical areas is as follows:

Mainland China

(i) Head Office: the HO business division (including institutions directly controlled by the HO and their offices);

(ii) Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo and Suzhou;

(iii) Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

(iv) Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

(v) Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

(vi) Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

(vii) Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Mainland China, and domestic and overseas subsidiaries.

(In RMB millions, unless otherwise stated)

	Mainland China									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2009 (unaudited)										
External net interest income	56,920	18,073	10,823	4,570	8,305	13,116	1,709	2,522	—	116,038
Internal net interest income/(expense)	(51,631)	8,482	5,764	20,676	7,161	6,423	3,241	(116)	—	—
Net fee and commission income	1,151	6,794	4,509	5,624	3,913	3,589	1,275	889	—	27,744
Other operating income/(expense), net	5,188	(974)	239	(139)	(436)	(65)	187	300	—	4,300
Operating income	11,628	32,375	21,335	30,731	18,943	23,063	6,412	3,595	—	148,082
Operating expenses	(3,556)	(9,792)	(6,230)	(10,173)	(8,629)	(9,638)	(3,780)	(1,250)	—	(53,048)
Impairment losses on:										
Loans and advances to customers	(204)	248	(1,228)	(3,515)	(2,018)	(1,595)	(336)	(600)	—	(9,248)
Others	(862)	(3)	(2)	(15)	13	(34)	(23)	(38)	—	(964)
Operating profit	7,006	22,828	13,875	17,028	8,309	11,796	2,273	1,707	—	84,822
Share of profits and losses of associates and a jointly controlled entity	—	—	—	—	—	—	—	966	—	966
Profit before tax	7,006	22,828	13,875	17,028	8,309	11,796	2,273	2,673	—	85,788
Income tax expense										(19,064)
Profit for the period										66,724
Other segment information:										
Depreciation	544	794	563	771	779	849	417	51	—	4,768
Amortisation	235	110	42	61	94	100	29	15	—	686
Capital expenditure	831	661	264	324	308	363	65	188	—	3,004
As at 30 June 2009 (unaudited)										
Assets by geographical areas	6,086,650	2,316,442	1,554,650	2,840,398	1,452,980	1,567,730	705,184	346,286	(5,447,103)	11,423,217
Investments in associates and a jointly controlled entity	—	—	—	—	—	—	—	33,880	—	33,880
Property and equipment	7,521	16,577	9,789	14,334	12,277	14,642	8,309	775	—	84,224
Other non-current assets	5,951	6,209	2,303	4,005	5,511	4,821	2,465	987	—	32,252
Unallocated assets										11,390
Total assets										11,434,607
Liabilities by geographical areas	5,646,987	2,290,962	1,539,442	2,821,116	1,444,433	1,555,379	703,150	245,505	(5,447,103)	10,799,871
Unallocated liabilities										14,295
Total liabilities										10,814,166
Other segment information:										
Credit commitments	191,774	266,474	110,027	236,006	75,761	73,284	32,057	114,299	—	1,099,682

(In RMB millions, unless otherwise stated)

	Mainland China									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2008 (unaudited)										
External net interest income	59,546	23,445	13,191	8,015	9,939	12,834	2,391	2,424	—	131,785
Internal net interest income/(expense)	(38,604)	6,202	5,215	14,632	5,091	4,533	3,327	(396)	—	—
Net fee and commission income	2,510	5,447	3,260	4,520	3,207	3,118	1,444	974	—	24,480
Other operating income/(expense), net	(6,802)	1,191	2,184	169	804	674	381	90	—	(1,309)
Operating income	16,650	36,285	23,850	27,336	19,041	21,159	7,543	3,092	—	154,956
Operating expenses	(5,139)	(9,896)	(6,480)	(8,976)	(8,350)	(9,052)	(4,110)	(1,190)	—	(53,193)
Impairment losses on:										
Loans and advances to customers	(104)	(3,201)	(2,738)	(3,990)	(1,756)	(1,860)	115	(114)	—	(13,648)
Others	(4,522)	23	102	(16)	(14)	(2)	(217)	(21)	—	(4,667)
Operating profit	6,885	23,211	14,734	14,354	8,921	10,245	3,331	1,767	—	83,448
Share of profits and losses of associates	—	—	—	—	—	—	—	963	—	963
Profit before tax	6,885	23,211	14,734	14,354	8,921	10,245	3,331	2,730	—	84,411
Income tax expense										(19,532)
Profit for the period										64,879
Other segment information:										
Depreciation	415	676	498	672	666	695	382	41	—	4,045
Amortisation	209	97	39	60	95	84	28	26	—	638
Capital expenditure	1,017	396	275	289	200	333	60	101	—	2,671
As at 31 December 2008 (audited)										
Assets by geographical areas	5,229,411	2,003,485	1,174,627	2,402,081	1,245,770	1,342,482	609,063	302,138	(4,562,657)	9,746,400
Investments in associates	—	—	—	—	—	—	—	28,421	—	28,421
Property and equipment	7,599	16,930	10,114	14,848	12,791	15,151	8,670	697	—	86,800
Other non-current assets	5,816	6,056	2,470	4,371	5,468	5,040	2,278	989	—	32,488
Unallocated assets										10,746
Total assets										9,757,146
Liabilities by geographical areas	4,825,553	1,952,978	1,145,838	2,365,629	1,226,264	1,318,006	604,331	236,696	(4,562,657)	9,112,638
Unallocated liabilities										37,878
Total liabilities										9,150,516
Other segment information:										
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	—	936,473

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors has the ultimate responsibility for the Bank's risk management and oversees the risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President of the Bank supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee at the HO level. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Bank's Chief Risk Officer assists the President to supervise and manage various risks of the Bank.

The Bank has also assigned departments monitoring financial risks within the Bank, including the Credit Management Department to monitor credit risk; the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks; and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department at the HO is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on the Bank's credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an ISDA Master Agreement, a China Inter-bank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Inter-bank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivatives activities. Each of these master agreements provides the contractual framework within which derivatives dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance 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. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous Groups of Loans Not Considered Individually Significant

For homogeneous groups of loans, the Group uses an analysis of historical trends of probability of default and the amount of the consequential loss, as well as an evaluation of current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually Assessed Loans with No Objective Evidence of Impairment

When no impairment can be identified for individual loans, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows, these loans are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This loss covers those loans that were impaired at the date of statement of financial position but which would not be individually identified as impaired until some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether in management's experience, these indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

(In RMB millions, unless otherwise stated)

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly collateralised by bills, loans or investment securities;
- For commercial lending, mainly collateralised by charges over land and properties and other assets of the borrowers; and
- For retail lending, mainly collateralised by mortgages over residential properties.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to settle the outstanding claim. In general, the Group does not occupy repossessed assets for business use.

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the date of statement of financial position, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2009 (unaudited)	**31 December 2008 (audited)**
Balances with central banks	1,604,488	1,652,999
Due from banks and other financial institutions	176,872	168,363
Financial assets held for trading	30,329	32,163
Financial assets designated at fair value through profit or loss	1,300	1,459
Derivative financial assets	6,867	15,721
Reverse repurchase agreements	943,284	163,493
Loans and advances to customers	5,300,116	4,436,011
Financial investments		
— Receivables	1,163,169	1,162,769
— Held-to-maturity debt securities	1,273,141	1,314,320
— Available-for-sale debt securities	644,146	528,829
Others	77,466	70,780
	11,221,178	9,546,907
Credit commitments	1,099,682	936,473
Total credit risk exposure	12,320,860	10,483,380

(In RMB millions, unless otherwise stated)

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. Besides, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

By geographical segment

The following tables break down the Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical segment.

30 June 2009 (unaudited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,448,370	38,238	19,852	54,467	10,881	21,699	7,380	3,601	1,604,488
Due from banks and other financial institutions	60,139	15,903	23,245	4,620	11,001	7,232	2,958	51,774	176,872
Financial assets held for trading	24,488	—	—	—	—	—	—	5,841	30,329
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,300	1,300
Derivative financial assets	1,662	725	1,000	1,155	335	452	571	967	6,867
Reverse repurchase agreements	917,457	19,172	3,345	1,759	835	200	—	516	943,284
Loans and advances to customers	116,691	1,300,282	783,462	1,004,755	717,832	878,537	312,152	186,405	5,300,116
Financial investments									
— Receivables	1,157,169	—	—	—	—	—	6,000	—	1,163,169
— Held-to-maturity debt securities	1,195,186	19,569	11,418	38,774	161	140	1,083	6,810	1,273,141
— Available-for-sale debt securities	490,362	38,612	10,460	42,345	6,982	8,665	3,753	42,967	644,146
Others	39,466	7,600	4,259	5,822	4,821	5,871	1,915	7,712	77,466
	5,450,990	1,440,101	857,041	1,153,697	752,848	922,796	335,812	307,893	11,221,178
Credit commitments	191,774	266,474	110,027	236,006	75,761	73,284	32,057	114,299	1,099,682
Total credit risk exposure	5,642,764	1,706,575	967,068	1,389,703	828,609	996,080	367,869	422,192	12,320,860

The compositions of each geographical segment above are set out in note 41(b).

(In RMB millions, unless otherwise stated)

31 December 2008 (audited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	2,294	1,652,999
Due from banks and other financial institutions	112,429	13,411	1,855	6,078	2,658	469	130	31,333	168,363
Financial assets held for trading	23,358	—	—	2,004	—	—	—	6,801	32,163
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,459	1,459
Derivative financial assets	6,640	2,078	1,296	1,529	974	875	460	1,869	15,721
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	—	—	1,301	163,493
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	183,112	4,436,011
Financial investments									
— Receivables	1,156,769	—	—	—	—	—	6,000	—	1,162,769
— Held-to-maturity debt securities	1,143,359	38,665	22,815	99,658	373	441	4,280	4,729	1,314,320
— Available-for-sale debt securities	389,763	32,990	15,336	30,581	7,898	9,981	11,273	31,007	528,829
Others	40,303	5,312	2,946	6,324	3,904	4,960	1,143	5,888	70,780
	4,648,056	1,243,327	717,925	1,012,419	614,846	744,117	296,424	269,793	9,546,907
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	936,473
Total credit risk exposure	4,833,161	1,458,640	811,105	1,212,000	669,779	791,184	314,656	392,855	10,483,380

The compositions of each geographical segment above are set out in note 41(b).

(In RMB millions, unless otherwise stated)

By industry segment

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 42 (a)(iv) to the financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Manufacturing	815,320	777,249
Transportation and logistics	801,784	707,482
Power generation and supply	547,055	516,771
Water, environment and public utility management	493,757	275,649
Property development	454,643	386,141
Leasing and commercial services	271,368	203,977
Retail, wholesale and catering	236,061	204,272
Science, education, culture and sanitation	73,611	71,036
Construction	66,130	61,843
Others	220,212	192,213
Subtotal for corporate loans	3,979,941	3,396,633
Personal mortgage and business loans	835,773	729,611
Others	151,656	119,434
Subtotal for personal loans	987,429	849,045
Discounted bills	469,099	326,316
	5,436,469	4,571,994

(In RMB millions, unless otherwise stated)

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Neither past due nor impaired	5,293,692	4,413,241
Past due but not impaired	44,112	54,271
Impaired	98,665	104,482
	5,436,469	4,571,994
Allowance for impairment losses	(136,353)	(135,983)
	5,300,116	4,436,011

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as "Pass" or "Special mention" under the five-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the date of statement of financial position.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the date of statement of financial position:

	30 June 2009 (unaudited)			31 December 2008 (audited)		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,675,947	34,471	1,710,418	1,294,007	38,479	1,332,486
Guaranteed loans	842,971	46,031	889,002	765,169	60,053	825,222
Loans secured by mortgages	1,764,893	61,076	1,825,969	1,514,766	74,788	1,589,554
Pledged loans	842,786	25,517	868,303	638,410	27,569	665,979
	5,126,597	167,095	5,293,692	4,212,352	200,889	4,413,241

(In RMB millions, unless otherwise stated)

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the date of statement of financial position:

30 June 2009 (unaudited)

	Corporate loans	Personal loans	Total
Past due for:			
Less than one month	6,196	26,590	32,786
One to two months	508	5,623	6,131
Two to three months	46	4,127	4,173
Over three months	464	558	1,022
Total	7,214	36,898	44,112
Fair value of collateral held	9,610	85,935	95,545

31 December 2008 (audited)

	Corporate loans	Personal loans	Total
Past due for:			
Less than one month	7,740	34,229	41,969
One to two months	95	6,421	6,516
Two to three months	313	5,144	5,457
Over three months	18	311	329
Total	8,166	46,105	54,271
Fair value of collateral held	11,101	99,619	110,720

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair value of collateral that the Group holds relating to loans individually determined to be impaired as at 30 June 2009 amounted to RMB25,355 million (31 December 2008: RMB25,833 million). The collateral consists of land and properties, equipment and others.

(In RMB millions, unless otherwise stated)

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectibility of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Renegotiated loans and advances to customers	19,612	25,246
Impaired loans and advances to customers included in above	17,625	22,020

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB820 million (six months ended 30 June 2008: RMB1,989 million). Such collateral mainly comprise land and buildings and equipment.

(iv) Debt securities

The total credit risk exposures of debt securities are summarised as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
Neither past due nor impaired	3,099,303	3,008,066
Impaired (i)		
Available-for-sale debt securities, at fair value	7,709	24,565
Held-to-maturity debt securities, at amortised cost	6,990	8,622
Less: Allowance for impairment losses for held-to-maturity debt securities	(1,917)	(1,713)
	12,782	31,474
	3,112,085	3,039,540

(i) Impaired debt securities are all determined based on individual assessments. In determining whether a debt securities is impaired, the Group considers the evidence of loss event and the decreases in estimated future cash flows. The majority of the Group's impaired debt securities are U.S. mortgage-backed securities, whose fair value decline over the period is due to the deterioration in the underlying mortgage performance. No collateral was held by the Group as security of the impaired debt securities.

(In RMB millions, unless otherwise stated)

Neither past due nor impaired

The credit risk of debt securities mainly arise from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuer are generally subject to different degrees of credit risk.

The following tables present an analysis of debt securities which are neither past due nor impaired by types of issuer and investments:

30 June 2009 (unaudited)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held-for-trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	800,563	702,606	341,504	2,425	—	1,847,098
Policy banks	47,000	486,441	118,353	4,652	—	656,446
Public sector entities	—	22,859	29,246	2,076	177	54,358
Banks and other financial institutions	315,606	41,322	55,707	5,565	406	418,606
Corporate entities	—	14,840	91,627	15,611	717	122,795
	1,163,169	1,268,068	636,437	30,329	1,300	3,099,303

31 December 2008 (audited)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held-for-trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	800,563	756,824	319,156	5,447	182	1,882,172
Policy banks	47,000	468,680	81,514	3,933	—	601,127
Public sector entities	—	23,117	15,485	1,832	176	40,610
Banks and other financial institutions	315,206	43,936	42,592	6,132	548	408,414
Corporate entities	—	14,854	45,517	14,819	553	75,743
	1,162,769	1,307,411	504,264	32,163	1,459	3,008,066

(In RMB millions, unless otherwise stated)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base and the diversification of funding sources;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(i) Analysis of the remaining maturity of the Group's assets and liabilities as at the date of statement of financial position is set out below:

30 June 2009 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iv)	Total
Assets:								
Cash and balances with central banks	184,383	—	—	—	—	—	1,464,558	1,648,941
Due from banks and other financial institutions (i)	37,348	565,618	238,202	277,497	1,491	—	—	1,120,156
Financial assets held for trading	—	738	2,431	3,540	18,755	4,865	24	30,353
Financial assets designated at fair value through profit or loss	—	68	—	205	594	433	—	1,300
Derivative financial assets	147	427	639	1,079	2,534	2,041	—	6,867
Loans and advances to customers	9,640	299,866	504,593	1,329,951	1,481,791	1,640,520	33,755	5,300,116
Investments								
— Receivables	—	—	—	864,592	203,967	94,610	—	1,163,169
— Held-to-maturity debt securities	—	16,365	15,080	271,565	603,764	361,294	5,073	1,273,141
— Available-for-sale investments	—	25,313	89,807	77,209	334,659	109,449	12,041	648,478
— Investments in associates and a jointly controlled entity	—	—	—	—	—	—	33,880	33,880
Property and equipment	—	—	—	—	—	—	84,224	84,224
Others	32,062	11,193	13,283	24,366	6,424	2,834	33,820	123,982
Total assets	263,580	919,588	864,035	2,850,004	2,653,979	2,216,046	1,667,375	11,434,607
Liabilities:								
Financial liabilities designated at fair value through profit or loss	200	10,890	3,220	667	308	3	—	15,288
Derivative financial liabilities	10	412	593	1,547	2,942	2,193	—	7,697
Due to banks and other financial institutions (ii)	872,018	37,988	38,840	67,273	2,016	—	—	1,018,135
Due to customers (iii)	4,861,330	629,965	823,588	2,596,970	613,731	7,818	—	9,533,402
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	76,142	12,320	24,672	65,965	18,769	6,776	—	204,644
Total liabilities	5,809,700	691,575	890,913	2,732,422	637,766	51,790	—	10,814,166
Net liquidity gap	(5,546,120)	228,013	(26,878)	117,582	2,016,213	2,164,256	1,667,375	620,441

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(iv) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(In RMB millions, unless otherwise stated)

31 December 2008 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iv)	Total
Assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,436	71,588	16,492	1,445	—	—	331,856
Financial assets held for trading	—	2,196	8,271	13,881	6,004	1,811	19	32,182
Financial assets designated at fair value through profit or loss	—	—	—	71	515	873	—	1,459
Derivative financial assets	4	1,197	4,852	2,505	3,489	3,674	—	15,721
Loans and advances to customers	9,624	195,162	388,501	1,300,790	1,182,466	1,313,697	45,771	4,436,011
Investments								
— Receivables	—	—	—	—	1,068,559	94,210	—	1,162,769
— Held-to-maturity debt securities	—	21,229	39,652	152,574	769,870	324,086	6,909	1,314,320
— Available-for-sale investments	—	35,439	47,052	133,293	226,172	62,308	33,316	537,580
— Investments in associates	—	—	—	—	—	—	28,421	28,421
Property and equipment	—	—	—	—	—	—	86,800	86,800
Others	28,327	8,477	2,889	5,063	33,179	8,829	30,239	117,003
Total assets	490,682	467,136	562,805	1,624,669	3,291,699	1,809,488	1,510,667	9,757,146
Liabilities:								
Financial liabilities held for trading	—	4,268	—	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	—	537	860	5,351	682	136	—	7,566
Derivative financial liabilities	—	1,885	1,152	2,572	4,055	3,948	—	13,612
Due to banks and other financial institutions (ii)	529,713	44,244	32,299	41,593	3,053	—	—	650,902
Due to customers (iii)	4,177,866	608,284	742,760	2,099,041	590,151	6,070	—	8,224,172
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	106,684	6,761	17,844	62,658	14,680	6,369	—	214,996
Total liabilities	4,814,263	665,979	794,915	2,211,215	612,621	51,523	—	9,150,516
Net liquidity gap	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(iv) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from this analysis. For example: demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(In RMB millions, unless otherwise stated)

30 June 2009 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	184,383	—	—	—	—	—	1,464,558	1,648,941
Due from banks and other financial institutions (i)	37,413	566,367	239,229	278,049	1,520	—	—	1,122,578
Financial assets held for trading	—	748	2,506	4,270	20,569	5,271	24	33,388
Financial assets designated at fair value through profit or loss	—	71	8	267	778	1,507	—	2,631
Loans and advances to customers (ii)	16,269	352,291	563,329	1,604,800	2,136,796	2,576,241	86,471	7,336,197
Investments	—	45,409	117,718	1,283,639	1,292,262	678,327	74,221	3,491,576
Others	28,808	—	—	—	—	—	—	28,808
	266,873	964,886	922,790	3,171,025	3,451,925	3,261,346	1,625,274	13,664,119

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated term.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

30 June 2009 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities designated at fair value through profit or loss	200	10,895	3,275	679	326	3	—	15,378
Due to banks and other financial institutions (i)	872,022	38,072	39,066	68,581	2,177	—	—	1,019,918
Due to customers (ii)	4,861,330	641,598	839,784	2,618,322	594,010	7,282	—	9,562,326
Subordinated bonds	—	—	984	90	2,455	35,982	—	39,511
Others	77,203	224	6,059	16,104	6,136	6,610	—	112,336
	5,810,755	690,789	889,168	2,703,776	605,104	49,877	—	10,749,469
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	21	5	(19)	(526)	(152)	—	(671)
Derivative financial instruments settled on gross basis:								
Total inflow	1,212	165,544	54,547	203,064	28,817	6,204	—	459,388
Total outflow	(1,338)	(166,364)	(54,575)	(203,679)	(28,855)	(5,113)	—	(459,924)
	(126)	(820)	(28)	(615)	(38)	1,091	—	(536)

(i) Includes repurchase agreements.

(ii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2008 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,756	71,968	17,101	1,499	—	—	333,219
Financial assets held for trading	—	2,242	8,544	14,585	6,727	2,029	19	34,146
Financial assets designated at fair value through profit or loss	—	7	13	138	764	1,860	—	2,782
Loans and advances to customers (ii)	13,407	235,546	446,130	1,488,713	1,690,615	2,075,869	87,111	6,037,391
Investments	—	60,301	99,391	353,923	2,271,101	589,478	122,043	3,496,237
Others	21,686	—	—	—	—	—	—	21,686
	487,820	501,852	626,046	1,874,460	3,970,706	2,669,236	1,488,365	11,618,485

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated term.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

31 December 2008 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities held for trading	—	4,314	—	—	—	—	—	4,314
Financial liabilities designated at fair value through profit or loss	—	548	926	5,464	724	139	—	7,801
Due to banks and other financial institutions (i)	529,713	44,560	32,619	42,606	3,194	—	—	652,692
Due to customers (ii)	4,177,866	622,010	763,755	2,172,977	641,797	6,863	—	8,385,268
Subordinated bonds	—	—	184	1,078	5,046	39,975	—	46,283
Others	62,203	274	7,699	40,269	7,982	6,301	—	124,728
	4,769,782	671,706	805,183	2,262,394	658,743	53,278	—	9,221,086
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(2)	55	17	(618)	(274)	—	(822)
Derivative financial instruments settled on gross basis:								
Total inflow	56	101,649	136,745	187,782	15,719	11,769	—	453,720
Total outflow	(52)	(102,610)	(132,966)	(188,053)	(15,787)	(11,769)	—	(451,237)
	4	(961)	3,779	(271)	(68)	—	—	2,483

(i) Includes repurchase agreements.

(ii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of commitments.

	Repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
30 June 2009 (unaudited)								
Off-balance sheet credit commitments	407,230	85,068	189,456	270,618	95,229	52,081	—	1,099,682
31 December 2008 (audited)								
Off-balance sheet credit commitments	580,601	49,585	110,948	146,304	19,124	29,911	—	936,473

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign exchange exposure mainly comprises exposures from the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from commodity or stock prices in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk (''VaR'') analysis is a major tool used by the Bank since the second quarter of 2008 to measure and monitor the market risk of its trading portfolios at the HO level. The following sections include a VaR analysis by risk type of the Group's trading portfolios at HO level and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

(i) VaR of trading portfolios

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a given level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of the VaR by risk type of the Bank's trading portfolios at HO level (including investments held for trading and foreign exchange transactions) is as follows:

	Six months ended 30 June 2009 (unaudited)			
	30 June 2009	**Average**	**Highest**	**Lowest**
Interest rate risk	68	74	137	49
Foreign exchange risk	42	73	126	30
Total portfolio VaR	71	110	212	56

	Second quarter of 2008 (unaudited)			
	30 June 2008	**Average**	**Highest**	**Lowest**
Interest rate risk	59	62	90	34
Foreign exchange risk	26	42	83	21
Total portfolio VaR	65	78	103	44

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was diversification effect due to the correlation amongst the risk factors, the individual VaR did not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the given range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

(ii) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in US$, HK$ and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to US$ is managed under a floating exchange rate system. RMB has appreciated over US$ over the years. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

The Group manages its currency risk through various means including entering into hedging activities that are available to the Group.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	30 June 2009 (unaudited)	31 December 2008 (audited)	30 June 2009 (unaudited)	31 December 2008 (audited)
US$	-1%	23	(85)	(23)	(20)
HK$	-1%	17	115	(168)	(199)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of US$ and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

A breakdown of the assets and liabilities analysed by currency is as follows:

30 June 2009 (unaudited)

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,634,031	8,150	2,383	4,377	1,648,941
Due from banks and other financial institutions (i)	1,023,089	65,291	10,578	21,198	1,120,156
Financial assets held for trading	23,465	2,947	3,580	361	30,353
Financial assets designated at fair value though profit or loss	—	1,023	277	—	1,300
Derivative financial assets	2,689	1,961	69	2,148	6,867
Loans and advances to customers	4,982,394	185,569	107,343	24,810	5,300,116
Investments	2,957,607	83,637	4,572	72,852	3,118,668
Property and equipment	83,526	198	208	292	84,224
Others	113,793	1,888	6,528	1,773	123,982
Total assets	10,820,594	350,664	135,538	127,811	11,434,607
Liabilities:					
Financial liabilities designated at fair value through profit or loss	11,103	3,205	833	147	15,288
Derivative financial liabilities	3,012	4,167	113	405	7,697
Due to banks and other financial institutions (ii)	921,748	66,684	14,187	15,516	1,018,135
Due to customers (iii)	9,228,815	173,551	92,340	38,696	9,533,402
Subordinated bonds	35,000	—	—	—	35,000
Others	188,341	7,968	2,024	6,311	204,644
Total liabilities	10,388,019	255,575	109,497	61,075	10,814,166
Net position	432,575	95,089	26,041	66,736	620,441
Off-balance sheet credit commitments	787,617	183,309	90,483	38,273	1,099,682

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2008 (audited)

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,658,951	28,603	2,482	2,988	1,693,024
Due from banks and other financial institutions (i)	186,957	114,093	8,369	22,437	331,856
Financial assets held for trading	25,321	2,764	3,570	527	32,182
Financial assets designated at fair value though profit or loss	—	1,191	265	3	1,459
Derivative financial assets	9,870	4,010	83	1,758	15,721
Loans and advances to customers	4,160,103	154,282	98,545	23,081	4,436,011
Investments	2,888,888	84,997	8,471	60,734	3,043,090
Property and equipment	86,089	289	138	284	86,800
Others	99,679	9,488	6,735	1,101	117,003
Total assets	9,115,858	399,717	128,658	112,913	9,757,146
Liabilities:					
Financial liabilities held for trading	—	4,268	—	—	4,268
Financial liabilities designated at fair value through profit or loss	17	5,740	1,220	589	7,566
Derivative financial liabilities	6,527	5,845	166	1,074	13,612
Due to banks and other financial institutions (ii)	562,264	69,828	6,470	12,340	650,902
Due to customers (iii)	7,913,378	176,924	99,861	34,009	8,224,172
Subordinated bonds	35,000	—	—	—	35,000
Others	200,225	6,781	2,192	5,798	214,996
Total liabilities	8,717,411	269,386	109,909	53,810	9,150,516
Net position	398,447	130,331	18,749	59,103	606,630
Off-balance sheet credit commitments	651,059	186,979	58,800	39,635	936,473

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

(iii) Interest rate risk

The Group's interest rate risk arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, based on the financial assets and financial liabilities held at period/year end subject to re-pricing within the coming period, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges at period/year end for the effects of the assumed changes in interest rates.

	Sensitivity of net interest income		**Sensitivity of equity**	
Change in basis points	**30 June 2009 (unaudited)**	**31 December 2008 (audited)**	**30 June 2009 (unaudited)**	**31 December 2008 (audited)**
+100 basis points	(14,771)	(16,116)	(13,771)	(9,143)
-100 basis points	14,771	16,116	14,398	9,536

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

30 June 2009 (unaudited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,499,609	—	—	—	149,332	1,648,941
Due from banks and other financial institutions (i)	841,064	277,365	1,491	—	236	1,120,156
Financial assets held for trading	4,442	4,027	17,425	4,435	24	30,353
Financial assets designated at fair value through profit or loss	68	205	594	433		1,300
Derivative financial assets	—	—	—	—	6,867	6,867
Loans and advances to customers	1,804,674	3,495,442	—	—	—	5,300,116
Investments	245,531	1,374,831	976,618	483,476	38,212	3,118,668
Property and equipment	—	—	—	—	84,224	84,224
Others	4,039	—	—	—	119,943	123,982
Total assets	4,399,427	5,151,870	996,128	488,344	398,838	11,434,607
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,525	755	5	3	—	15,288
Derivative financial liabilities	—	—	—	—	7,697	7,697
Due to banks and other financial institutions (ii)	950,536	66,179	1,173	—	247	1,018,135
Due to customers (iii)	6,188,234	2,596,970	613,731	7,818	126,649	9,533,402
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	204,644	204,644
Total liabilities	7,162,295	2,663,904	627,909	20,821	339,237	10,814,166
Interest rate mismatch	(2,762,868)	2,487,966	368,219	467,523	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2008 (audited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,557,854	—	—	—	135,170	1,693,024
Due from banks and other financial institutions (i)	313,776	15,873	1,445	—	762	331,856
Financial assets held for trading	12,100	14,930	3,975	1,158	19	32,182
Financial assets designated at fair value through profit or loss	414	662	144	239	—	1,459
Derivative financial assets	—	—	—	—	15,721	15,721
Loans and advances to customers	1,505,061	2,930,950	—	—	—	4,436,011
Investments	236,136	462,106	1,892,257	415,419	37,172	3,043,090
Property and equipment	—	—	—	—	86,800	86,800
Others	—	—	—	—	117,003	117,003
Total assets	3,625,341	3,424,521	1,897,821	416,816	392,647	9,757,146
Liabilities:						
Financial liabilities held for trading	4,268	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	2,537	5,024	5	—	—	7,566
Derivative financial liabilities	—	—	—	—	13,612	13,612
Due to banks and other financial institutions (ii)	606,258	43,593	453	—	598	650,902
Due to customers (iii)	5,382,269	2,098,647	590,151	6,070	147,035	8,224,172
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	214,996	214,996
Total liabilities	6,004,332	2,147,264	603,609	19,070	376,241	9,150,516
Interest rate mismatch	(2,378,991)	1,277,257	1,294,212	397,746	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and subordinated bonds for which their fair values have not been presented or disclosed above:

	Carrying value	Fair value
30 June 2009 (unaudited):		
Receivables	1,163,169	1,167,108
Held-to-maturity debt securities	1,273,141	1,308,275
Subordinated bonds	35,000	35,034
31 December 2008 (audited):		
Receivables	1,162,769	1,169,135
Held-to-maturity debt securities	1,314,320	1,361,027
Subordinated bonds	35,000	35,166

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(a) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the bases of pricing models or discounted cash flows.

(b) The fair values of held-to-maturity debt securities and subordinated bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets

Balances with central banks
Due from banks and other financial institutions
Reverse repurchase agreements
Loans and advances to customers
Other financial assets

Liabilities

Due to banks and other financial institutions
Repurchase agreements
Due to customers
Other financial liabilities

(In RMB millions, unless otherwise stated)

44. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

1) Acquisition of shares in The Bank of East Asia (Canada) and disposal of shares in ICEA Finance

On 4 June 2009, the Bank entered into an agreement with The Bank of East Asia, Limited ("BEA") on acquiring a 70% equity interest in The Bank of East Asia (Canada) from BEA, at a consideration of CA$80 million (equivalent to approximately RMB471 million). One year after the completion of the acquisition, the Bank will have an option to acquire an additional 10% equity interest in the Bank of East Asia (Canada) from BEA, and BEA will have an option to require the Bank to purchase all the remaining shares of the Bank of East Asia (Canada) held by BEA. On the same day, the Bank entered into another agreement with BEA on disposal of a 75% equity interest in ICEA Finance to BEA, at a consideration of HK$372 million (equivalent to approximately RMB328 million). The above transactions are inter-conditional and have not been completed as at the date of approval of these financial statements.

2) The merger of Seng Heng Bank and Macau Branch

Pursuant to the Executive Order No. 30/2009 issued by Chief Executive of the Macau Special Administrative Region of PRC on 2 July 2009, the merger of Seng Heng Bank and Macau branch of the Bank has been approved and became effective on 11 July 2009. Subsequent to the merger, Seng Heng Bank undertakes all the business operations, assets and liabilities of Macau branch, and is renamed as "Industrial and Commercial Bank of China (Macau) Limited" hereafter.

3) Issuance of subordinated bonds

With the approval of the CBRC and the PBOC, the Bank issued subordinated bonds in an amount of RMB40 billion in the China national inter-bank bond market during the period from 16 July to 20 July 2009. The proceeds from this issue of subordinated bonds is used to replenish the Bank's supplementary capital in accordance with applicable laws and as approved by the regulatory authorities.

Related information of the subordinated bonds issued is as follows:

Name	Issue price	Coupon rate	Tenure	Issue amount	Redemption right for the issuer
Type 1	RMB100	3.28%	10 years	RMB10,500 million	The end of the fifth year
Type 2	RMB100	4.00%	15 years	RMB24,000 million	The end of the tenth year
Type 3	RMB100	Base rate +0.58%	10 years	RMB55,000 million	The end of the fifth year

The benchmark interest rate for the bonds is the one-year lump-sum deposit and withdrawal time deposit rate published by the PBOC which is applicable on the first date of issue and the value date in each interest-bearing year.

The Bank has the option to redeem the bonds above at the respective dates when the redemption right come into effect. If the Bank does not exercise its redemption right, the annual coupon rate for the last five interest-bearing years of all three types of bonds will increase by 300 basis points from the initial issuing rate of interest or the initial basic interest margin.

45. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

46. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 August 2009.

(In RMB millions, unless otherwise stated)

(a) Differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

A reconciliation of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP is set out below.

	Six months ended 30 June	
	2009	**2008**
Profit for the period attributable to equity holders of the parent company under PRC GAAP	66,313	64,531
Adjustment of revaluation surplus on assets disposed of	111	—
Profit for the period attributable to equity holders of the parent company under IFRSs	66,424	64,531

	30 June 2009	**31 December 2008**
Equity attributable to equity holders of the parent company under PRC GAAP	616,416	603,183
Reversal of revaluation surplus	(479)	(508)
Equity attributable to equity holders of the parent company under IFRSs	615,937	602,675

During the Group's restructuring, the Group performed revaluation on certain assets pursuant to relevant requirements, with the revaluation surplus recognised in the capital reserve in the financial statements prepared under PRC GAAP. Under IFRSs, certain assets were carried at cost and the revaluation surplus was reversed. Upon disposal or when such assets are impaired, adjustments on recognition of the revaluation surplus and impairment loss were reversed accordingly. In addition, for the available-for-sale equity investments included in these assets, when they meet the specific conditions to be measured at fair value under IFRSs, the adjustments on reversal of revaluation surplus were made to the investment revaluation reserve.

(b) Liquidity ratios

	30 June 2009	**31 December 2008**
RMB current assets to RMB current liabilities	27.97%	33.30%
Foreign currency current assets to foreign currency current liabilities	81.17%	83.48%

The liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations other than RMB

	US$	HK$	Others	Total
As at 30 June 2009				
Spot assets	350,466	135,158	93,937	579,561
Spot liabilities	(255,575)	(109,497)	(61,075)	(426,147)
Forward purchases	177,567	18,340	28,013	223,920
Forward sales	(274,058)	(27,484)	(69,748)	(371,290)
Net option position	(68)	8	59	(1)
Net long/(short) position	(1,668)	16,525	(8,814)	6,043
Net structural position	198	380	33,874	34,452
As at 31 December 2008				
Spot assets	399,428	128,357	84,492	612,277
Spot liabilities	(269,386)	(109,909)	(53,810)	(433,105)
Forward purchases	161,629	8,863	29,381	199,873
Forward sales	(281,214)	(13,177)	(59,274)	(353,665)
Net option position	(1)	4	(7)	(4)
Net long position	10,456	14,138	782	25,376
Net structural position	289	301	28,421	29,011

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- fixed assets and premises, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(In RMB millions, unless otherwise stated)

(d) Capital management

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

	30 June 2009	31 December 2008
Core capital adequacy ratio	9.97%	10.75%
Capital adequacy ratio	12.09%	13.06%
Components of capital base		
Core capital:		
Share capital	334,019	334,019
Reserves	243,347	205,668
Minority interests	4,504	3,955
Total core capital	581,870	543,642
Supplementary capital:		
General provisions for loan impairment	88,739	82,834
Subordinated bonds	35,000	35,000
Other supplementary capital	2,952	4,164
Total supplementary capital	126,691	121,998
Total capital base before deductions	708,561	665,640
Deductions (i) :		
Unconsolidated equity investments	(17,783)	(19,499)
Goodwill	(23,581)	(20,579)
Others (ii)	(2,869)	(5,529)
Net capital base	664,328	620,033
Core capital base after deductions (i)	547,963	510,549
Risk weighted assets and market risk capital adjustment	5,494,937	4,748,893

(i) Pursuant to the relevant regulations, the core capital base after deductions was derived by applying 50%, 100% and 50% of deductions in the unconsolidated equity investments, goodwill and others, respectively.

(ii) Others represent investments in asset backed securities according to the CBRC regulations.

(In RMB millions, unless otherwise stated)

(e) 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.

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions, debt securities held for trading, financial assets designated at fair value through profit or loss, held-to-maturity debt securities and available-for-sale debt securities.

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 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.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2009:				
Asia Pacific excluding Mainland China	53,720	8,827	124,182	186,729
— of which attributed to Hong Kong	17,599	5,290	88,779	111,668
Europe	45,694	549	30,167	76,410
North and South America	28,272	11,109	30,422	69,803
Total	127,686	20,485	184,771	332,942
As at 31 December 2008:				
Asia Pacific excluding Mainland China	78,947	4,570	132,305	215,822
— of which attributed to Hong Kong	36,794	1,097	97,946	135,837
Europe	66,368	396	25,443	92,207
North and South America	47,577	19,373	6,989	73,939
Total	192,892	24,339	164,737	381,968

(In RMB millions, unless otherwise stated)

(f) Loans and advances to customers

(i) Analysis by industry sector

30 June 2009

	Gross loans and advances to customers	Loans covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively Assessed	Total
Manufacturing	815,320	320,504	39,973	41,049	23,859	14,910	38,769
Transportation and logistics	801,784	210,412	8,851	8,918	4,251	12,482	16,733
Power generation and supply	547,055	84,823	6,939	7,295	2,797	8,498	11,295
Water, environment and public utility management	493,757	85,620	417	664	280	8,482	8,762
Property development	454,643	336,355	9,950	7,635	3,383	5,763	9,146
Leasing and commercial services	271,368	81,431	1,615	1,725	909	5,276	6,185
Retail, wholesale and catering	236,061	132,545	14,392	14,069	7,256	3,819	11,075
Science, education, culture and sanitation	73,611	7,162	1,277	1,582	813	872	1,685
Construction	66,130	25,279	1,562	1,749	1,142	775	1,917
Others	220,212	36,393	2,975	3,134	1,876	2,737	4,613
Subtotal for corporate loans	3,979,941	1,320,524	87,951	87,820	46,566	63,614	110,180
Personal mortgage and business loans	835,773	790,266	37,546	—	—	16,876	16,876
Others	151,656	113,282	10,138	—	—	3,941	3,941
Subtotal for personal loans	987,429	903,548	47,684	—	—	20,817	20,817
Discounted bills	469,099	469,099	—	—	—	5,356	5,356
Total	5,436,469	2,693,171	135,635	87,820	46,566	89,787	136,353
Current market value of collateral held against the covered portion of overdue loans and advances*							135,888
Covered portion of overdue loans and advances*							63,727
Uncovered portion of overdue loans and advances*							71,908

* Loans and advances are classified as overdue when either the principal or interest is overdue. For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans would be classified as overdue.

(In RMB millions, unless otherwise stated)

31 December 2008

	Gross loans and advances to customers	Loans covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	777,249	327,846	45,869	45,251	29,196	12,959	42,155
Transportation and logistics	707,482	222,993	8,233	9,517	4,497	12,261	16,758
Power generation and supply	516,771	98,357	7,131	7,672	2,877	8,973	11,850
Property development	386,141	282,284	8,892	8,051	3,807	9,645	13,452
Water, environment and public utility management	275,649	74,411	858	1,781	572	4,806	5,378
Retail, wholesale and catering	204,272	109,294	13,655	14,000	8,384	3,180	11,564
Leasing and commercial services	203,977	65,278	1,505	1,887	938	3,360	4,298
Science, education, culture and sanitation	71,036	11,757	1,747	1,965	881	1,225	2,106
Construction	61,843	23,917	1,587	1,575	949	1,545	2,494
Others	192,213	32,371	3,328	3,112	1,958	2,825	4,783
Subtotal for corporate loans	3,396,633	1,248,508	92,805	94,811	54,059	60,779	114,838
Personal mortgage and business loans	729,611	696,671	46,501	—	—	15,133	15,133
Others	119,434	66,687	9,418	—	—	3,317	3,317
Subtotal for personal loans	849,045	763,358	55,919	—	—	18,450	18,450
Discounted bills	326,316	326,316	—	—	—	2,695	2,695
Total	4,571,994	2,338,182	148,724	94,811	54,059	81,924	135,983
Current market value of collateral held against the covered portion of overdue loans and advances*							149,023
Covered portion of overdue loans and advances*							95,322
Uncovered portion of overdue loans and advances*							53,402

* Loans and advances are classified as overdue when either the principal or interest is overdue. For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans would be classified as overdue.

(In RMB millions, unless otherwise stated)

(ii) Overdue loans and advances to customers

	30 June 2009	31 December 2008
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	10,598	9,231
Between 6 and 12 months	13,096	8,487
Over 12 months	62,691	70,162
Total	86,385	87,880
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.2%	0.2%
Between 6 and 12 months	0.2%	0.2%
Over 12 months	1.2%	1.5%
Total	1.6%	1.9%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans would be classified as overdue.

(iii) Overdue and impaired loans and advances to customers by geographical segment

30 June 2009

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	3,478	321	263	347	278	1,771
Yangtze River Delta	21,447	13,395	5,412	14,582	6,681	20,936
Pearl River Delta	19,364	10,475	5,511	11,033	5,988	13,140
Bohai Rim	26,488	16,356	8,057	16,953	8,746	18,103
Central China	20,631	11,976	5,728	12,817	6,771	12,921
Western China	26,091	16,981	7,886	19,386	9,912	15,786
Northeastern China	14,320	10,455	7,234	11,509	7,489	6,306
Overseas and others	3,816	550	323	1,193	701	824
Total	135,635	80,509	40,414	87,820	46,566	89,787

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	2,943	319	250	319	250	1,725
Yangtze River Delta	21,030	10,654	5,874	14,057	7,664	20,683
Pearl River Delta	22,941	12,309	7,070	12,797	7,474	12,192
Bohai Rim	28,564	16,179	9,821	16,605	10,482	15,841
Central China	24,656	13,654	7,282	14,581	8,309	11,303
Western China	29,243	18,215	8,328	22,109	10,526	13,958
Northeastern China	17,402	12,694	8,408	13,279	8,922	5,531
Overseas and others	1,945	684	277	1,064	432	691
Total	148,724	84,708	47,310	94,811	54,059	81,924

(iv) Rescheduled loans and advances to customers

	30 June 2009		31 December 2008	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	19,612	0.4%	25,246	0.6%
Less: Rescheduled loans and advances overdue for more than three months	(14,253)	(0.3%)	(18,984)	(0.4%)
Rescheduled loans and overdue for less than three months	5,359	0.1%	6,262	0.2%

(g) Overdue placements with banks and other financial institutions

	30 June 2009	31 December 2008
Gross placements with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	34	36
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.04%	0.03%

(In RMB millions, unless otherwise stated)

(h) Non-bank Mainland China exposures

	30 June 2009	31 December 2008
On-balance sheet exposure	6,592,923	5,466,374
Off-balance sheet exposure	902,978	805,117
	7,495,901	6,271,491
Individually assessed allowance for impairment losses	46,952	53,787

Save as disclosed above, exposures to other non-bank counterparties outside Mainland China where the credit is granted for use in Mainland China are considered insignificant to the Group.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

SHIBOR	Shanghai Interbank Offered Rate
HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
Allianz	Allianz Group
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its controlling subsidiaries
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
Seng Heng Bank	Seng Heng Bank Limited
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
ICEA	ICEA Finance Holdings Limited
ICBC International	ICBC International Holdings Limited
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Huijin	Central SAFE Investments Limited
American Express	American Express Company
JP Morgan	JPMorgan Chase & Co.
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSE Listing Rules	Listing Rules of the Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance prescribed by the Government of Hong Kong Special Administrative Region
CASs	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

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