中信银行
CHINA CITIC BANK

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2009 Interim Report

Our Commitment
Your Trust

Faith keeps the torch alive, reliance ensures commitment for good, confidence makes dreams come true. Over the past two decades, defying all hardships and striving to progress, the Bank seized the opportunities with persistence and tackled the challenges with endurance. Complying with commitment and winning trust, the Bank innovated products with diversified culture and improved quality with positive attitude. The Bank learned advantages from others and conducted specialized business. Moreover, the Bank expanded its business scope with strategic vision and promoted a sound development with confidence. The Bank's wish: a win-win cooperation with you to embrace a better future.

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Financial Highlights

Operating Performance

Unit: in RMB million

Item	**January to June 2009**	January to June 2008	January to December 2008	Year-on-year change (%)
Operating income	**17,155**	20,360	40,372	(15.74)
Profit before taxation	**9,363**	11,203	17,780	(16.42)
Net profit attributable to shareholders	**7,052**	8,429	13,354	(16.34)
Net operating cash flow	**(101,835)**	97,304	140,231	—
Basic earnings per share (RMB)	**0.18**	0.22	0.34	(18.18)
Diluted earnings per share (RMB)	**0.18**	0.22	0.34	(18.18)
Net operating cash flow per share (RMB)	**(2.61)**	2.49	3.59	—

Profitability Indicators

Item	**January to June 2009**	January to June 2008	January to December 2008	Year-on-year change
Return on average assets (ROAA)	**1.09%**	1.58%	1.21%	(0.49)
Return on average equity (ROAE)	**14.46%**	19.35%	14.86%	(4.89)
Cost-to-income ratio	**30.77%**	31.46%	32.93%	(0.69)
Credit cost	**0.29%**	0.46%	0.84%	(0.17)
Net interest spread	**2.32%**	3.21%	3.11%	(0.89)
Net interest margin	**2.47%**	3.42%	3.33%	(0.95)

Scale Indicators

Unit: in RMB million

Item	**30 June 2009**	31 December 2008	31 December 2007	Compared with 2008 year-end (%)
Total assets	**1,401,797**	1,188,152	1,011,186	17.98
Total loans and advances to customers	**988,748**	664,924	575,208	48.70
Total liabilities	**1,302,414**	1,092,491	927,095	19.22
Total deposits from customers	**1,173,347**	943,335	779,999	24.38
Total equity attributable to shareholders	**99,379**	95,658	84,086	3.89
Net asset value per share attributable to shareholders (RMB)	**2.55**	2.45	2.15	4.08

Asset Quality Indicators

Item	30 June 2009	31 December 2008	31 December 2007	Compared with 2008 year-end
NPL ratio	**0.99%**	1.36%	1.48%	(0.37)
Provision coverage ratio	**150.05%**	150.03%	110.01%	0.02
Allowance for impairment of loans to total loans ratio	**1.49%**	2.04%	1.62%	(0.55)

Capital Adequacy Indicators

Item	30 June 2009	31 December 2008	31 December 2007	Compared with 2008 year-end
Capital adequacy ratio	**12.04%**	14.32%	15.27%	(2.28)
Core capital adequacy ratio	**10.45%**	12.32%	13.14%	(1.87)
Total equity to total assets ratio	**7.09%**	8.05%	8.32%	(0.96)

Discrepancies between Chinese and International Accounting Standards

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

Unit: in RMB million

	Net asset		Net profit	
	30 June 2009	31 December 2008	**January to June 2009**	January to June 2008
Amount in the financial report compiled according to the International Financial Reporting Standards (IFRS)	**99,379**	95,658	**7,052**	8,429
Difference arising from buildings and property on revaluation	**(492)**	(492)	**—**	(3)
Difference arising from equipment and other assets as calculated by historical cost	**172**	177	**(5)**	(9)
Amount in the financial report compiled according to the Accounting Standards for Business Enterprises of China	**99,059**	95,343	**7,047**	8,417

Please refer to the "Unaudited Supplementary Financial Information" in the Group's interim report for details.

Corporate Information

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

Legal Advisors:

PRC Law Legal Advisor:	King & Wood PRC Lawyers
Hong Kong Law Legal Advisor:	Freshfields Bruckhaus Deringer
Auditors:	KPMG Huazhen Accounting Firm 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China 100738 KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong

Share Registar:

A-share	Shanghai Branch of China Securities Depository & Clearing Corporation Limited, 6th Floor, China Insurance Mansion, No. 166, Lu Jia Zui East Road, Pudong New Area, Shanghai
H-share	Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, No. 18 Queen's Road East, Wan Chai, Hong Kong

Places Where Shares are Listed, Stock Name and Stock Codes:

A-share Shanghai Stock Exchange	CNCB 601998
H-share Hong Kong Stock Exchanges and Clearing Ltd.	CITIC Bank 0998

Other Relevant Information:

Date of First Registration:	7 April 1987
Date of Changing Registration:	31 December 2006
Authority of First Registration and Changing Registration:	State Administration for Industry and Commerce, PRC
Registration Number of Business License:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5
Places Where Interim Report is Prepared:	Office of the Board of Directors of China CITIC Bank

Report of the Board of Directors

Economic, Financial and Regulatory Environment

In the first half of 2009, thanks to a variety of stimulus policies unveiled by governments all over the world, the plunge of the global economy has been effectively controlled. Developed economies such as U.S., Europe and Japan have gradually bottomed out, and emerging market-economies and developing countries began to restore stabilization and recover gradually. The international financial markets became stable, the principal stock indices and the bulk commodity prices rebounded sharply. The principal bond yields hit a record low and has now rebounded, while the volatility of the exchange rates of principal currencies has narrowed down, and large-scale financial institutions began to be profitable. Currently, the global economy still faces uncertainties due to its weak foundation, though there are signs of recovery and stabilization.

In the first half of 2009, under a series of macro-economic control policies, China's economy became increasingly more positive and stabilized. China's GDP for the first half of 2009 was RMB13,986.2 billion, with a year-on-year growth rate of 7.1%; fixed-assets investment kept increasing rapidly with the investment structure improved, evidenced by the total investment in fixed-assets of RMB9,132.1 billion for the first half of 2009, with a year-on-year growth rate of 33.5%; the domestic consumption maintained a stable growth, the aggregate retail sales of consumer goods in the first half of 2009 reached RMB5,871.1 billion, with a year-on-year growth rate of 15.0%; the import and export situation remained severe, reaching the total figure of USD946.12 billion in the first half of 2009, with a year-on-year decline of 23.5%; the trade surplus was USD96.94 billion, representing a year-on-year decline of 1.3%; the price index stayed at a low level, resulting in a year-on-year decline of 1.1% of the consumer price index (CPI), and 5.9% of the production price index (PPI).

China's financial industry was stable as a whole, and it played an increasingly important role in economic development. The balance of broad money (M2) as of 30 June 2009 was RMB56,890 billion, representing a year-on-year growth rate of 28.46%, while the balance of narrow money (M1) was RMB19,320 billion, representing a year-on-year growth rate of 24.79%; the balance of various RMB loans of financial institutions was RMB37,740 billion, representing a year-on-year growth rate of 34.44%; the balance of various deposits was RMB56,630 billion, representing a year-on-year growth rate of 29.02%. RMB maintained stable, the mid-price against USD was RMB6.8319 on 30 June 2009; the stock market had a great rebound, and the aggregate market capitalization of SSE and Shenzhen Stock Exchange (SZSE) on 30 June 2009 totalled RMB20,144.806 billion, increased by 66% compared with that at the end of the previous year. Although the net interest margin narrowed down sharply and had a relatively large negative effect on the domestic banking sector, the expansion of credit scale and the optimization of assets and liabilities structure still maintained a sustained impetus to the steady development of banking industry.

In the first half of 2009, aiming at "secure growth, expand domestic demand and adjust structure", the Chinese government continued to implement the proactive fiscal policies and a moderately loosened monetary policy, discussed and promulgated revitalization plans for ten key industries, and successively launched a series of regional revitalization plans. Such policies have effectively facilitated China's economy to restore stabilization and growing momentum. Currently, although the macro-economy has become gradually stable, the economic recovery foundation is not so solid enough. Therefore, the economic situation is still severe.

Financial Statement Analysis

Overview

In the first half of 2009, the Group achieved rapid development in all businesses with asset quality continuously improved, costs and expenses effectively controlled and business and income structure more reasonable. Although it was affected by the global economic crisis to some extent, the Bank maintained a good overall operation and achieved the economic returns as expected.

In the first half of 2009, the Group realized the net profit of RMB7.052 billion, a decrease of RMB1.377 billion or down by 16.34% year on year, the total assets reached RMB1.401797 trillion, an increase of RMB213.645 billion or up by 17.98% compared with that at the end of the previous year, the total liabilities rose to RMB1.302414 trillion, growing by RMB209.923 billion or up by 19.22% compared with that at the end of the previous year, the total shareholders' equity (the minority equity was excluded) was RMB99.379 billion, rising by RMB3.721 billion or up by 3.89% compared with that at the end of the previous year.

Comprehensive Income Statement Analysis

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Net interest income	**15,014**	18,228	(3,214)	(17.63)
Net non-interest income	**2,141**	2,132	9	0.42
Operating expenses	**(6,528)**	(7,735)	(1,207)	(15.60)
Loss on asset impairment	**(1,264)**	(1,422)	(158)	(11.11)
Profit before tax	**9,363**	11,203	(1,840)	(16.42)
Income tax	**(2,311)**	(2,774)	(463)	(16.69)
Net profit	**7,052**	8,429	(1,377)	(16.34)
Other comprehensive income	**—**	(274)	274	—
Total amount of comprehensive income	**7,052**	8,155	(1,103)	(13.53)

Net Interest Income

The net interest income of the Group was affected by both the difference between interest-earning assets yield and interest-bearing liabilities cost rate, and the average balance of interest-earning assets and interest-bearing liabilities. In the first half of 2009, the net interest income of the Group was RMB15.014 billion, a decrease of RMB3.214 billion, down by 17.63%.

The average balance and average interest rates of the interest-earning assets and interest-bearing liabilities of the Group are set out as follows:

Unit: in RMB million

	First half of 2009			First half of 2008			2008		
	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/ cost rate (%)
Interest earning assets									
Loans and advances to customers	**820,331**	**20,382**	**5.01**	619,698	22,318	7.20	637,895	45,460	7.13
Investment in debt securities	**185,889**	**3,065**	**3.33**	211,539	3,901	3.69	216,594	8,097	3.74
Deposits with Central Bank	**147,968**	**998**	**1.36**	124,473	1,051	1.69	135,135	2,245	1.66
Deposits and placements with banks and non-bank financial institutions	**34,906**	**119**	**0.69**	33,432	403	2.41	34,090	754	2.21
Amounts under resale agreements	**35,395**	**330**	**1.88**	76,247	1,426	3.74	59,894	2,311	3.86
Subtotal	**1,224,489**	**24,894**	**4.10**	1,065,389	29,099	5.46	1,083,608	58,867	5.43
Interest-bearing liabilities									
Deposits from customers	**1,031,601**	**9,015**	**1.76**	774,386	8,902	2.30	810,579	18,866	2.33
Deposits and placements from banks and non-bank financial institutions	**71,510**	**578**	**1.63**	172,109	1,526	1.77	152,243	3,099	2.04
Amounts under repurchase agreements	**3,769**	**22**	**1.19**	8,517	123	2.89	5,622	177	3.15
Others(1)	**12,141**	**265**	**4.39**	12,067	320	5.30	12,033	634	5.27
Subtotal	**1,119,021**	**9,880**	**1.78**	967,079	10,871	2.25	980,477	22,776	2.32
Net interest income		**15,014**			18,228			36,091	
Net spread(2)			**2.32**			3.21			3.11
Net interest margin(3)			**2.47**			3.42			3.33

Notes: (1) Including the issued subordinated debts and trading financial liabilities.

(2) Equal to the difference between average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The changes of net interest income of the Group affected by the alteration of the scale and interest rates are shown as follows, the changes caused by the combined influence of scale factor and interest rate factor is also reflected in the alteration of the interest rate.

Unit: in RMB million

	First half of 2009 compared with first half of 2008			2008 compared with 2007		
	Scale factor	**Interest rate factor**	**Total**	Scale factor	Interest rate factor	Total
Assets						
Loans and advances to customers	**7,223**	**(9,159)**	**(1,936)**	6,433	6,461	12,894
Investment in debt securities	**(473)**	**(363)**	**(836)**	2,118	773	2,891
Deposits with Central Bank	**199**	**(252)**	**(53)**	812	100	912
Deposits and placements with banks and non-bank financial institutions	**18**	**(302)**	**(284)**	242	(198)	44
Amounts under resale agreements	**(764)**	**(332)**	**(1,096)**	727	(95)	632
Variation of interest income	**6,203**	**(10,408)**	**(4,205)**	10,332	7,041	17,373
Liabilities						
Deposits from customers	**2,958**	**(2,845)**	**113**	3,346	2,847	6,193
Deposits and placements from banks and non-bank financial institutions	**(890)**	**(58)**	**(948)**	809	577	1,386
Amounts under repurchase agreements	**(69)**	**(32)**	**(101)**	(72)	(95)	(167)
Others	**2**	**(57)**	**(55)**	(4)	44	40
Variation of interest expenses	**2,001**	**(2,992)**	**(991)**	4,079	3,373	7,452
Variation of net interest income	**4,202**	**(7,416)**	**(3,214)**	6,253	3,668	9,921

Interest Income

In the first half of 2009, the Group generated an interest income of RMB24.894 billion, a decrease of RMB4.205 billion or down by 14.45%. The major factors to the decrease of interest income are: though the scale of interest-earning assets (particularly the loans and advances to customers) is growing, this effect is still not sufficient to offset that from the fall of average yield of interest-earning assets. The average balance of interest-earning assets of the Group increased from RMB1.065389 trillion in the first half of 2008 to RMB1.224489 trillion in the first half of 2009, a growth of RMB159.1 billion or up by 14.93%; the average yield of interest-earning assets fell from 5.46% in the first half of 2008 to 4.10% in the first half of 2009, down by 1.36 percentage points.

Interest Income from Loans and Advances to Customers

The income from loans and advances to customers was the biggest part of the interest income of the Group. In the first half of 2009 and the first half of 2008, this income from loans and advances to customers accounted for 81.88% and 76.70%, respectively, of the total interest income of the Group.

The tables below set out the average balance, interest income and average yield of the composite parts of the loans and advances to customers of the Group during the reporting period classified by the term structure and business types.

Classified based on term structure

Unit: in RMB million

	First half of 2009		
	Average balance	Interest income	Average interest rate (%)
Short-term Loans	**543,531**	**12,783**	**4.74**
Including: Discounted bills	**141,156**	**1,550**	**2.21**
Long and medium-term loans	**268,533**	**7,463**	**5.60**
Loans overdue	**8,267**	**136**	**3.32**
Total	**820,331**	**20,382**	**5.01**

Classified based on business type

Unit: in RMB million

	First half of 2009			First half of 2008			2008		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	**589,025**	**16,392**	**5.61**	501,775	17,854	7.12	509,776	36,189	7.10
Discounted bills	**141,156**	**1,550**	**2.21**	39,323	1,730	8.80	46,839	3,586	7.66
Personal loans	**90,150**	**2,440**	**5.46**	78,600	2,734	6.96	81,280	5,685	6.99
Total of loans and advances to customers	**820,331**	**20,382**	**5.01**	619,698	22,318	7.20	637,895	45,460	7.13

In the first half of 2009, the Group's income from loans and advances to customers was RMB20.382 billion, a decrease of RMB1.936 billion or down by 8.67% year on year. The major reason is that the decrease of the average yield of the loans and advances to customers dropped from 7.20% in the first half of 2008 to 5.01% in the first half of 2009, the effect of which is hardly offset by that of the growth of average balance of loans and advances to customers.

The fall of average yield of the loans can be attributed to the following factors: (1) Central Bank lowered the benchmark interest rate of loans to customers for five consecutive times since September 2008, the accumulated impact of which was reflected in the reporting period; and (2) the bill discount rate fell dramatically due to the market reasons.

Interest Income from Investments in Debt Securities

In the first half of 2009, the interest income from investment in debt securities was about RMB3.065 billion, a year-on-year decrease of RMB836 million or down by 21.43%. The main reason is that: (1) the average balance of investment in debt securities decreased by RMB25.65 billion year on year or down by 12.13%; and (2) the average yield dropped from 3.69% in the first half of 2008 to 3.33% in the first half of 2009.

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

Interest Income from Deposits with Central Bank

In the first half of 2009, the Group's interest income from deposits with Central Bank was RMB998 million, decreasing by RMB53 million or down by 5.04%. The main reason is that though the average balance of deposits with Central Bank keeps increasing, its effect cannot offset that of the decrease in the average yield.

The balance of deposits with Central Bank rose by RMB23.495 billion over that of the first half of 2008, growing by 18.88%. The main reason is that the balance of statutory deposit reserve increased along with the increased deposits from customers. The average yield fell from 1.69% in the first half of 2008 to 1.36% in the first half 2009 since Central Bank lowered the statutory deposit reserve ratio for four consecutive times since September 2008, the proportion of average balance of excess reserve to the average balance of deposits with Central Bank rose slightly year on year.

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

In the first half of 2009, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB119 million, decreasing by RMB284 million or 70.47%. The main reason is that the fall of average yield from 2.41% in the first half of 2008 to 0.69% in the first half of 2009 could hardly be offset by the increase of the average balance. The major contributor to the fall of average yield of deposits and placements with banks and non-bank financial institutions is the drop of money market interest rate.

Interest Income from Amounts under Resale Agreements

In the first half of 2009, the Group's interest income from amounts under resale agreements was RMB330 million, decreasing by RMB1.096 billion or down by 76.86% year on year. The main reason is that the average balance of amounts under resale agreements decreased by RMB40.852 billion, and the average yield dropped from 3.74% in the first half of 2008 to 1.88% in the first half of 2009. The decrease of the average balance of amounts under resale agreements is mainly subject to the requirements of liquidity management.

Interest Expense

In the first half of 2009, the interest expense of the Group was RMB9.88 billion, decreasing by RMB991 million or down by 9.12% year on year. The decrease of interest expenses is mainly attributed to the fall of average cost rate of interest-bearing liabilities and the effect of which offset the scale increase of interest-bearing liabilities. The Group's average balance of interest-bearing liabilities increased from RMB967.079 billion in the first half of 2008 to RMB1.119021 trillion in the first half of 2009, growing by RMB151.942 billion or up by 15.71%; the average cost rate of interest-bearing liabilities dropped from 2.25% in the first half of 2008 to 1.78% in the first half of 2009.

Interest Expense on Deposits from Customers

Deposits from customers are the primary source of the Group's capital. In the first half of 2009 and 2008, the interest expense on deposits from customers accounted for 91.24% and 81.89% of the total interest expenses of the Group respectively.

The table below sets out the average balance of corporate deposit and personal deposit, interest expense and average cost rate of the Group during the specified periods classified by products.

Unit: in RMB million

	First half of 2009			First half of 2008			2008		
	Average balance	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposit									
Time deposit	**477,525**	**6,049**	**2.55**	351,979	6,175	3.51	367,979	13,011	3.54
Demand deposit	**376,095**	**1,207**	**0.65**	325,613	1,649	1.01	335,619	3,346	1.00
Subtotal	**853,620**	**7,256**	**1.71**	677,592	7,824	2.31	703,598	16,357	2.32
Personal deposit									
Time deposit	**145,608**	**1,704**	**2.36**	66,794	967	2.90	77,711	2,320	2.99
Demand deposit	**32,373**	**55**	**0.34**	30,000	111	0.74	29,270	189	0.65
Subtotal	**177,981**	**1,759**	**1.99**	96,794	1,078	2.23	106,981	2,509	2.35
Total deposits from customers	**1,031,601**	**9,015**	**1.76**	774,386	8,902	2.30	810,579	18,866	2.33

In the first half of 2009, the Group's interest expense was RMB9.015 billion, increasing by RMB113 million or up by 1.27% year on year. The major contributor is the RMB257.215 billion increase of average balance of deposits from customers and the effect of which offset the 0.54 percentage point fall of average cost rate.

In the first half of 2009, the major reasons for the 0.54 percentage point fall of average cost rate of deposits from customers over the first half of 2008 are: (1) Central Bank lowered the benchmark interest rate of deposits from customers for some consecutive times since October 2008, and the accumulated effect has been reflected in the reporting period; (2) The Group, through exercising effective liability management, lowered the proportion of daily average balance of RMB negotiated deposits (the average cost of which is higher than other deposits) to the daily average balance of corporate deposits from 4.27% in the first half of 2008 to 1.11% in the first half of 2009.

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

In the first half of 2009, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was RMB578 million, lowered by RMB948 million or down by 62.12% year on year. The main reason is that the average balance of deposits and placements from banks and non-bank financial institutions decreased by RMB100.599 billion or down by 58.45%. At the same time, the average cost rate dropped from 1.77% to 1.63%. The decrease of average balance shall be attributed to the substantial shrinkage of the deposit of transaction settlement fund from clients of securities companies impacted by the current financial crisis and the adjustment of asset and liability structure leading to a reduction of high-cost inter-bank deposits. The fall of average cost rate is caused by the fall of inter-bank deposit interest rate.

Interest Expense on Other Borrowed Funds

In the first half of 2009, the Group's interest expense on funds borrowed from Central Bank and bonds issued was RMB265 million, decreasing by RMB55 million or down by 17.19% year on year. The main reason for such reduction is the fall of average cost rate. The average cost rate fell from 5.30% in the first half of 2008 to 4.39% in the first half of 2009, the main reason for which is that the interest rate of the subordinated bonds issued by the Group in 2004 is the floating interest rate and is subject to the change of market interest rate.

Net Interest Margin and Net Interest Spread

In the first half of 2009, although the Group strived for improving the assets and liabilities management level and scaling down the proportion of high-cost liabilities, its effect was not sufficient for offsetting the impact of the interest rate cuts by Central Bank for some consecutive times. As a result, the net interest margin of the Group fell from 3.42% in the first half of 2008 to 2.47% in the first half of 2009, down by 0.95 percentage point, and the net interest spread in the first half of 2009 dropped from 3.21% in the first half of 2008 to 2.32% in the first half of 2009, down by 0.89 percentage point.

Based on the analysis of related factors, the decrease of the net interest margin mainly came from the decrease in the yield of credit products and the increase of the proportion of time deposits in deposit structure.

Net Non-Interest Income

In the first half of 2009, the Group realized the net non-interest income of RMB2.141 billion, increasing by RMB9 million year on year or up by 0.42%, the net non-interest income of the first half of 2009 and 2008 accounted for 12.48% and 10.47% of the operating income respectively.

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Net fee and commission income	**1,658**	1,381	277	20.06
Net gains from trading securities	**434**	483	(49)	(10.14)
Net (losses)/gains from investment securities	**(69)**	88	(157)	—
Other operating income	**118**	180	(62)	(34.44)
Total net non-interest income	**2,141**	2,132	9	0.42

Net Fee and Commission Income

In the first half of 2009, the Group realized the net fee and commission income of RMB1.658 billion, increasing by RMB277 million or up by 20.06% year on year, in which the fee and commission income was RMB1.868 billion, up by 20.44%. The main reason for the increase is that the Group made great efforts to develop intermediary business, and the income from items such as bank card fees, agency fees and commission, guarantee fees and consultancy and advisory fees increased.

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Bank card fees	**515**	367	148	40.33
Agency fees and commission	**284**	141	143	101.42
Guarantee fees	**317**	196	121	61.73
Consultancy and advisory fees	**380**	313	67	21.41
Commission for wealth management services	**170**	183	(13)	(7.10)
Constrains settlement fees	**144**	198	(54)	(27.27)
Custodian and other trusted service commissions	**49**	111	(62)	(55.86)
Others	**9**	42	(33)	(78.57)
Subtotal	**1,868**	1,551	317	20.44
Fees and commission expenses	**(210)**	(170)	(40)	23.53
Net fee and commission income	**1,658**	1,381	277	20.06

Net Gains from Trading

During the first half of 2009, the Group's net gains from trading were RMB434 million. Most of them were from gains due to the re-valuation of trading debt securities and derivatives in current period and net gains from foreign exchange settlement and sale.

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Net grains/(losses) from foreign exchange trading	**230**	(184)	414	—
Debt securities	**39**	99	(60)	(60.61)
Derivatives	**137**	546	(409)	(74.91)
Financial liabilities measured at fair value through profit or loss	**28**	22	6	27.27
Total	**434**	483	(49)	(10.14)

Net (Losses) Gains from Investment Debt Securities

The Group's net losses from investment debt securities in the first half of 2009 was RMB69 million, reduced by RMB157 million from RMB88 million of net income in the first half of 2008, which is due to the losses from available-for-sale assets of the Group.

Asset Impairment Losses

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Loans and advances to customers	**1,176**	1,413	(237)	(16.77)
Off-balance sheet credit commitments	**43**	(16)	59	—
Investments	**46**	8	38	475.00
Others *(Note)*	**(1)**	17	(18)	—
Total of asset impairment losses	**1,264**	1,422	(158)	(11.11)

Notes: Including the impairment loss of repossessed assets and other assets.

Operating Expenses

Unit: in RMB million

	January to June 2009	January to June 2008	Year-on-year increase/decrease	Year-on-year growth rate (%)
Staff cost	**2,557**	3,865	(1,308)	(33.84)
Property and equipment expenses and amortization	**1,145**	939	206	21.94
Other business and administrative fees	**1,576**	1,601	(25)	(1.56)
Subtotal	**5,278**	6,405	(1,127)	(17.60)
Business tax and surcharges	**1,250**	1,330	(80)	(6.02)
Total operating expenses	**6,528**	7,735	(1,207)	(15.60)
Cost-to-income ratio	**38.05%**	37.99%	0.06	
Adjusted cost-to-income ratio (business tax and surcharges excluded)	**30.77%**	31.46%	(0.69)	

In the first half of 2009, the operating expense of the Group were RMB6.528 billion, decreasing by RMB1.207 billion or down by 15.60% year on year. The decrease resulted from the joint effect of the following reasons: (1) the reasonable provision had been made for the staff cost in the first half of 2009 in accordance with the requirement of the MOF to include wages in expenses, and the amount of provision decreased compared with that of the same period of the previous year; (2) the Group expanded its institution network and outlets due to the fast business growth, which increased the expenditures on properties and equipment and amortization cost accordingly; and (3) in the first half of 2009, the Group reduced the expenses in advertisement, business entertainment, transportation and business travel, which were effective. Other expenses decreased compared with those of the same period of the previous year.

In the first half of 2009, the cost-to-income ratio of the Group was 30.77%, dropping by 0.69 percentage point, which shall mainly be attributed to the Group's effective cost control.

Income Tax Analysis

In the first half of 2009, the income tax expense of the Group was RMB2.311 billion, decreasing by RMB463 million or down by 16.69% year on year. The effective tax rate of the Group was 24.68%, dropping by 0.08 percentage point from the figure of the first half of 2008.

Balance Sheet Analysis

Unit: in RMB million

	30 June 2009	31 December 2008	Compared with the previous year-end	
			Increase/decrease	Growth rate (%)
Total loans and advances to customers	**988,748**	664,924	323,824	48.70
Less: Provisions for loan losses	**14,693**	13,572	1,121	8.26
Net loans and advances to customers	**974,055**	651,352	322,703	49.54
Investment (1)	**193,724**	198,223	(4,499)	(2.27)
Cash and deposits with Central Bank	**159,224**	206,936	(47,712)	(23.06)
Net amount of deposits and placements with banks and non-bank financial institutions	**22,756**	50,446	(27,690)	(54.89)
Amounts held under resale agreements	**30,786**	57,698	(26,912)	(46.64)
Other assets (2)	**21,252**	23,497	(2,245)	(9.55)
Total assets	**1,401,797**	1,188,152	213,645	17.98
Deposits from customers	**1,173,347**	943,335	230,012	24.38
Deposits and placements from banks and non-bank financial institutions	**80,479**	109,568	(29,089)	(26.55)
Amounts sold under repurchase agreements	**13,094**	957	12,137	1,268.23
Subordinated debts/bonds issued	**12,000**	12,000	—	—
Other liabilities (3)	**23,494**	26,631	(3,137)	(11.78)
Total liabilities	**1,302,414**	1,092,491	209,923	19.22

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

(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, deferred income tax assets and other assets.

(3) Including financial liabilities held for trading, derivative financial liabilities, staff remuneration payable, tax and fee payable, interest payables, estimated liabilities, deferred income tax liabilities and other liabilities.

The majority of the Group's assets is loans and advances to customers. As of 30 June 2009, the loans and advances to customers after deducting the provision for loan losses accounted for 69.49% of the total assets of the Group.

Loan Business

As of 30 June 2009, the Group's total loans and advances to customers reached RMB988.748 billion, an increase of RMB323.824 billion or up by 48.70% compared with that at the end of the previous year.

Please refer to "Risk Management" in this interim report for details on loan business analysis.

Investment Business

Investment Portfolio Analysis

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Held-to-maturity debt securities	**95,755**	**49.4**	105,151	53.1	(9,396)	(8.94)
Available-for-sale debt securities	**89,654**	**46.3**	84,900	42.8	4,754	5.60
Debt securities measured at fair value through profit or loss	**7,888**	**4.1**	7,755	3.9	133	1.72
Total debt securities	**193,297**	**99.8**	197,806	99.8	(4,509)	(2.28)
Available-for-sale equity investment	**427**	**0.2**	417	0.2	10	2.40
Total investments	**193,724**	**100.0**	198,223	100.0	(4,499)	(2.27)
Including: Market capitalization of listed securities in held-to-maturity debt securities	**3,826**		3,229			

Classification of Debt Securities Investment

As of 30 June 2009, the Group's investment in debt securities was RMB193.297 billion, decreasing by RMB4.509 billion or down by 2.28% compared with that of the previous year-end, the main reason for which is the decrease of the investment in Central Bank notes.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Government	**47,055**	**24.3**	42,860	21.7	4,195	9.79
People's Bank of China	**42,786**	**22.1**	78,042	39.4	(35,256)	(45.18)
Policy banks	**31,737**	**16.4**	32,627	16.5	(890)	(2.73)
Other banks and financial institutions	**22,555**	**11.7**	11,895	6.0	10,660	89.62
Public entities outside Chinese mainland	**11,639**	**6.0**	7,639	3.9	4,000	52.36
Others	**37,525**	**19.5**	24,743	12.5	12,782	51.66
Total investment in debt securities	**193,297**	**100.0**	197,806	100.0	(4,509)	(2.28)

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Domestic	**156,213**	**80.8**	166,878	84.4	(10,665)	(6.39)
Overseas	**37,084**	**19.2**	30,928	15.6	6,156	19.90
Total debt securities	**193,297**	**100.0**	197,806	100.0	(4,509)	(2.28)

Breakdown of Significant Financial Debt Securities Investment

The table below shows the breakdown of financial debt securities investments with a book value exceeding RMB1 billion (inclusive) held by the Group as of 30 June 2009.

Unit: in RMB million

Name	**Book value**	**Purchase date**	**Maturity date**	**Annualized interest rate (%)**
Debt securities 1	6,900	12 October 2007	12 October 2010	3.95
Debt securities 2	5,000	7 September 2007	7 September 2010	3.71
Debt securities 3	3,000	9 March 2007	9 March 2010	3.07
Debt securities 4	3,000	13 July 2007	13 July 2010	3.60
Debt securities 5	2,650	20 February 2008	20 February 2015	3.01
Debt securities 6	2,062	18 May 2009	14 May 2012	1.71
Debt securities 7	1,637	13 May 2009	11 May 2012	1.77
Debt securities 8	1,540	22 May 2009	21 August 2009	Zero Coupon Bonds
Debt securities 9	1,500	24 April 2008	21 April 2013	3.69
Debt securities 10	1,442	4 June 2009	—	Open-End Fund
Debt securities 11	1,300	25 March 2008	20 March 2018	4.07
Debt securities 12	1,200	13 February 2008	13 February 2015	3.95
Debt securities 13	1,090	21 September 2000	21 September 2010	4.61
Debt securities 14	1,050	8 April 2008	8 April 2013	2.74
Debt securities 15	1,000	23 April 2009	21 April 2012	2.35
Debt securities 16	1,000	15 February 2008	15 February 2011	2.63
Debt securities 17	1,000	17 March 2008	22 February 2011	4.56
Debt securities 18	1,000	21 May 2009	21 May 2014	2.74
Debt securities 19	1,000	5 June 2009	10 September 2009	Zero Coupon Bonds
Debt securities 20	1,000	5 June 2009	17 September 2009	Zero Coupon Bonds
Debt securities 21	1,000	25 August 2008	21 August 2009	4.79
Total debt securities	**40,371**			

Investment Quality Analysis

Changes in the Provision for Investment Impairment Losses

Unit: in RMB million

	First half of 2009	2008
Beginning balance	**744**	12
Accruals during the period	**46**	739
Write-offs	**—**	(7)
Transferred in	**—**	—
Transferred out (Note)	**(224)**	—
Ending balance	**566**	744
Including: provisions for available-for-sale investment impairment	**357**	521
provisions for held-to-maturity investment impairment	**209**	223

Note: During the first half of 2009, the transferred out includes the amount of provisions for debt securities overdue impairment transferred out to bad-debt provisions.

As of 30 June 2009, the Bank held the foreign currency denominated debt securities with a total value of USD6.922 billion (equivalent to RMB47.292 billion). As at the end of the reporting period, the Bank held the foreign currency denominated MBS of USD807 million (equivalent to RMB5.516 billion), accounting for 2.85% of the foreign currency denominated debt securities of the Bank, in which 97% of them were prime residential mortgage-backed securities (RMBS). The Bank held ALT-A RMBS of USD18 million (equivalent to RMB126 million). The Bank has made the impairment provision of USD12 million (equivalent to RMB79 million) in total. The Bank did not hold any sub-prime RMBS.

The Bank held RMBS of USD732 million (equivalent to RMB5.004 billion) secured by Fannie Mae and Freddie Mac, and held the agency debt of USD35 million (equivalent to RMB239 million) issued by Fannie Mae and Freddie Mac. The Bank held the relevant debt securities with the total par value of USD79 million (equivalent to RMB538 million) issued by Leman Brothers, for which the Bank has made the full provision for the impairment losses of these debt securities.

Adhering to the principle of prudence, the Bank has made the provision of USD103 million (equivalent to RMB703 million) for foreign currency denominated debt securities investment impairment losses.

Derivative Classification and Fair Value Analysis

Unit: in RMB million

	30 June 2009			31 December 2008		
		Fair value			Fair value	
	Nominal principal	**Assets**	**Liabilities**	Nominal principal	Assets	Liabilities
Interest rate derivatives	**143,595**	**1,811**	**(1,831)**	188,022	2,921	(3,376)
Currency derivatives	**155,227**	**1,843**	**(1,554)**	130,168	2,423	(2,141)
Credit derivatives	**1,075**	**12**	**(27)**	1,089	13	(62)
Total	**299,897**	**3,666**	**(3,412)**	319,279	5,357	(5,579)

On-Balance Sheet Interest Receivables

The table below shows the variations of the Group's interest receivables.

Unit: in RMB million

	31 December 2008	Increase during the current period	Recovery during the current period	**30 June 2009**
Loan interest receivables	1,436	20,382	(20,366)	**1,452**
Interest receivables from debt securities	2,496	3,065	(3,531)	**2,030**
Other interest receivables	9	1,447	(1,453)	**3**
Total	3,941	24,894	(25,350)	**3,485**

Deposits from Customers

As of 30 June 2009, the total deposits from customers of the Group were RMB1.173347 trillion, increasing by RMB230.012 billion over that of RMB943.335 billion as at the end of 2008, up by 24.38%. The balance of corporate deposits of the Group rose by RMB207.281 billion over that at the end of the previous year. However, the negotiated deposits decreased by RMB1.16 billion from RMB7.97 billion on 31 December 2008 to RMB6.81 billion on 30 June 2009, the main reason for such decrease is that the Group reduced the corporate negotiated deposits whose average cost is higher than the overall corporate deposits. As of 30 June 2009, the total personal deposits of the Group increased by RMB22.731 billion, up by 13.33%, which is mainly due to the significant increase of personal time deposits.

Unit: in RMB million

			Compared with the previous year-end	
	30 June 2009	31 December 2008	Increase/ decrease	Growth rate (%)
Corporate deposits				
Demand deposits	**464,230**	384,024	80,206	20.89
Time deposits	**515,868**	388,793	127,075	32.68
Negotiated deposits	**6,810**	7,970	(1,160)	(14.55)
Non-negotiated deposits	**509,058**	380,823	128,235	33.67
Subtotal	**980,098**	772,817	207,281	26.82
Personal deposits				
Demand deposits	**36,678**	40,456	(3,778)	(9.34)
Time deposits	**156,571**	130,062	26,509	20.38
Subtotal	**193,249**	170,518	22,731	13.33
Total deposits from customers	**1,173,347**	943,335	230,012	24.38

Deposit Breakdown by Type of Currency

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
RMB	**1,124,131**	**95.8**	906,909	96.1	217,222	23.95
Foreign currencies	**49,216**	**4.2**	36,426	3.9	12,790	35.11
Total	**1,173,347**	**100.0**	943,335	100.0	230,012	24.38

Deposit Breakdown by Geographical Location

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Bohai Rim (Note)	**388,811**	**33.1**	333,188	35.3	55,623	16.69
Yangtze River Delta Area	**332,288**	**28.3**	266,905	28.3	65,383	24.50
Pearl River Delta Area and Western Coast of Taiwan Straits	**158,922**	**13.5**	131,051	13.9	27,871	21.27
Central Region	**145,266**	**12.4**	100,026	10.6	45,240	45.23
Western Region	**110,497**	**9.4**	81,001	8.6	29,496	36.41
Northeastern Region	**37,563**	**3.3**	31,164	3.3	6,399	20.53
Total Deposits from customers	**1,173,347**	**100.0**	943,335	100.0	230,012	24.38

Notes: Including the headquarters.

Deposit Breakdown by Remaining Maturity

The table below shows the breakdown of deposits from customers by the remaining maturities indicated as of 30 June 2009.

Unit: in RMB million

	Repayable-on-demand		Less than 3 months		Between 3 and 12 months		Between 1 and 5 years		More than 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	472,059	92.7	294,731	79.8	181,060	72.7	28,111	68.2	4,137	100.0	980,098	83.5
Personal deposits	37,381	7.3	74,723	20.2	68,014	27.3	13,129	31.8	2	0.0	193,249	16.5
Total	509,440	100.0	369,454	100.0	249,074	100.0	41,240	100.0	4,139	100.0	1,173,347	100.0

Shareholders' Equity

Please refer to the Group's "Financial Report — Unaudited Consolidated Interim Financial Information — Consolidated statement of changes in equity — unaudited" for the changes in the shareholders' equity during the reporting period.

Major Off-Balance Sheet Items

As of the end of the reporting period, the major off-balance sheet items and balances are set out below.

Unit: in RMB million

	30 June 2009	31 December 2008
Credit commitment		
— Bank acceptance	**325,390**	222,158
— Letters of guarantee	**48,286**	44,886
— Letters of credit	**32,372**	29,515
— Irrevocable loan commitment	**11,623**	7,270
— Credit card undertaking	**34,437**	32,608
Subtotal	**452,108**	336,437
Operating leasing commitment	**3,910**	3,531
Capital commitment	**118**	296
Pledged assets	**13,098**	965
Total	**469,234**	341,229

Supplementary Financial Indicators

Major Indicators [1]	**Regulatory standard (%)**	**Figures of the Bank (%)**		
		30 June 2009	31 December 2008	31 December 2007
Liquidity ratio				
In which: RMB	≥25	**38.74**	51.37	38.90
Foreign currencies	≥25	**105.77**	83.24	110.01
Loan/deposit ratio [2]				
Including: RMB	≤75	**85.72**	73.29	74.40
Foreign currencies	≤85	**56.00**	45.65	68.82

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

(2) When the loan/deposit ratio is calculated, the loan includes the discounted bills. In early 2009, the CBRC readjusted some of the regulatory policies for credit and allowed those small and medium-sized commercial banks with adequate capital and high coverage ratio to exceed the regulatory level for loan-to-deposit ratio conditionally.

Capital Adequacy Ratio (CAR)

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

Unit: in RMB million

	30 June 2009	31 December 2008	31 December 2007
Total capital before deduction	**113,873**	106,969	95,261
Including: Total core capital	**98,874**	92,042	81,939
Total supplementary capital	**14,999**	14,927	13,322
Deducting: Unconsolidated equity investment	**101**	99	90
Net capital	**113,772**	106,870	95,171
Net core capital	**98,824**	91,993	81,894
Risk-weighted assets	**945,333**	746,547	623,300
Core CAR	**10.45%**	12.32%	13.14%
CAR	**12.04%**	14.32%	15.27%

Major Accounting Estimates and Assumption

The Group will make some accounting estimates and assumption when it adopts the accounting policies for determining relevant assets, liabilities and profit/loss of the reporting period and preparing the financial statements complying with the International Financial Reporting Standards (IFRS). The accounting estimates and assumptions made by the Group are based on the historical experience and reasonable prediction on future events, and will be assessed continuously. The estimates and assumptions made by the Group have properly reflected the financial status of the Group. The major aspects of the foundation for preparing the financial statements of the Group affected by the estimates and judgments are: recognition and measurement of financial instruments (the provision for loan impairment and bad debts write off, the classification of debt securities and equity investments, transactional investment, the measurement of fair value of financial instruments designated at fair value through profit and loss, the measurement of fair value of available-for-sale investment, measurement of fair value of derivative instruments), the affirmation of actuarial obligations for pension and welfare and the recognition of deferred income tax and income tax expenses, etc.

Measurement of Fair Value

The Bank measures the fair value of financial instruments in accordance with the "Price Determination Method for financial instruments of CNCB in Treasury and Capital Market". The methods of determining the fair value include financial media quotations, the open or independent appraisal technology, counterparty or third-party inquiry method. The Bank adopts the active market quotations first in principle for measuring fair values. For financial instruments without active market, the latest market trading quotes shall be applied. For financial instruments with no market quotes, the fair value shall be determined through appraisal or inquiry method.

The Bank strictly executes the internal control for fair value measurement. The business department, risk management department and accounting department will, based on the business needs, jointly recognize the method and source of determining the fair value of the financial instruments. The accounting department will, in accordance with the requirements of accounting standards for enterprises, complete an independent valuation of fair values and prepare valuation reports regularly. The risk management department will review the various appraisal reports and supervise the implementation. The relevant system and method for the measurement of fair value are approved by the Bank's Market Risk Management Commission.

Items Measured at Fair Value Held

Unit: in RMB million

Item	Beginning balance	Profit/loss from changes in fair value in the current period	Accumulated changes in fair value recognized in equity	Provision drawn in the current period	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss of the current period	7,533	48	—	—	8,142
Including: Derivative instruments Note	(222)	136	—	—	254
2. Available-for-sale financial assets	85,317	—	(148)	(46)	90,081
Subtotal of financial assets	92,850	48	(148)	(46)	98,223
Financial liabilities					
1. Financial liabilities held for trading purpose	(2,639)	33	—	—	(1,898)
Including: Structured deposits measured at fair value	(2,500)	28	—	—	(1,728)
Total	90,211	81	(148)	(46)	96,325

Note: The derivative instruments are the net amount of derivative financial assets minus the derivative financial liabilities.

Foreign Currency Denominated Financial Assets and Liabilities Held

Unit: in RMB million

Item	Beginning balance	Profit/loss of fair value changes in the current period	Accumulated changes in fair value recognized in equity	Provision drawn in the current period	Ending balance
Financial assets					
1. Financial assets measured at fair values through profit or loss in the current period	176	(467)	—	—	1,345
Including: Derivative instruments Note	(101)	(463)	—	—	(713)
2. Available-for-sale financial assets	21,239	—	(276)	(46)	37,304
3. Held-to-maturity investments	11,827	—	—	—	8,914
Subtotal of financial assets	33,242	(467)	(276)	(46)	47,563
Financial liabilities					
1. Financial liabilities held for trading purpose	(2,500)	32	—	—	(1,821)
Including: Structured deposits measured at fair values	(2,361)	27	—	—	(1,651)
Total	30,742	(435)	(276)	(46)	45,742

Notes: The derivative instrument is the net amount of derivative financial assets minus the derivative financial liabilities.

Discrepencies between Chinese and International Accounting Standards

The table below is the standards discrepancy reconciliation statement of net asset and net profit attributable to the equity shareholders of the Bank under Chinese and international accounting standards.

Unit: in RMB million

	Net asset		Net profit	
	30 June 2009	31 December 2008	**January to June 2009**	January to June 2008
Amounts revealed by the financial report prepared in accordance with the IFRS	**99,379**	95,658	**7,052**	8,429
Difference arising from building and property on revaluation	**(492)**	(492)	**—**	(3)
Difference arising from equipment and other assets as calculated by historical cost	**172**	177	**(5)**	(9)
Amounts in the financial report prepared in accordance with the "Accounting Standard for Business Enterprises of China"	**99,059**	95,343	**7,047**	8,417

Please refer to "Unaudited Supplementary Financial Information" in the Group's interim financial report for details.

Segment Reporting

Business Segment

The Group maintained the leading position in corporate banking business. In the first half of 2009, as for the corporate banking business, the treasury business and the personal banking business, the corporate banking business contributed an operating profit of RMB8.619 billion to the Group's operating profits accounting for 88.93% in the total of the three; the treasury business contributed RMB827 million to the Group's operating profits accounting for 8.53% in the total of the three; the personal banking business contributed RMB246 million to the Group's operating profits accounting for 2.54% in the total of the three.

Geographical Segment

The Yangtze River Delta area, the Pearl River Delta area, the Western Coast of Taiwan Straits and the Bohai Rim area have always been the major contributors to the income and profit growth of the Group. In the first half of 2009, the total operating profit from those regions contributed RMB5.663 billion to the operating profits of the Group, accounting for 60.48% of the overall operating profit. In recent years, the Group also achieved a relatively fast growth of business in Central Region, Western Region and Northeastern Region; the operating profit from these regions in the first half of 2009 was RMB2.049 billion, accounting for 21.88% of the total operating profits of the Group.

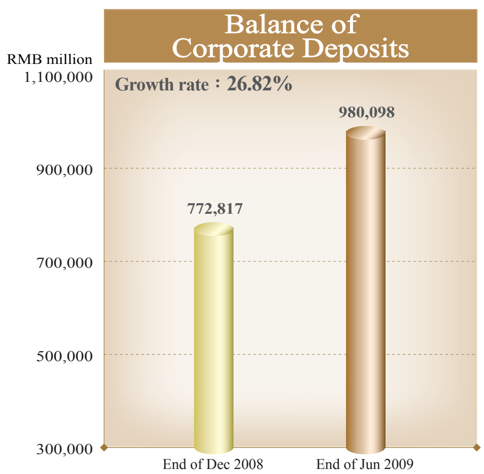
Business Overview

Corporate Banking Business

The Bank proactively optimized the development model of corporate banking business, strengthening the interactions between the headquarters and branches, coordination of main business lines, connection of regional networks, and the relations with other financial subsidiaries within CITIC Group, the Bank actively created synergies and provided enterprises, financial institutions and government clients with extensive and high-quality corporate banking products and services. Thus, the corporate banking business of the Bank continued to develop rapidly. As of 30 June 2009, the balance of deposits from over 2,820 strategic clients totalled RMB425.251 billion, an increase of 38.13% compared with that at the end of the previous year, accounting for 43.39% of the total corporate deposits; the balance of loans stood at RMB325.551 billion, and increased by 37.79% as compared with that at the end of the previous year, accounting for 36.55% of the total corporate loans.

Corporate Deposit Business

The Bank actively optimized the corporate deposit growth model, strengthened its efforts to expand low-cost and high-quality corporate deposits and settlement deposits, and promoted the use of electronic services in the marketing of corporate settlement deposit by developing new products in cash management and corporate Internet banking products. The Bank's corporate deposit business sustained a rapid and stable growth. As of 30 June 2009, the balance of corporate deposit was RMB980.098 billion and increased by 26.82% over that at the end of the previous year, accounting for 83.53% of the total deposits. Based on a solid cooperation with institutional clients, the Bank grasped the market opportunities where the government implemented proactive fiscal policies, increased direct government investments and transfer payments. In addition, the Bank held "CITIC Bank Cooperation Forum for Bank's Fiscal Payment" to enhance its marketing to local fiscal departments and budgetary divisions, and expanded the Bank's institutional clients deposits. As of 30 June 2009, the balance of institutional clients from fiscal and tax sectors was RMB226.07 billion, an increase of RMB35.913 billion compared with that at the end of the previous year or up by 18.87%, accounting for 23.07% of the total corporate deposits of the Bank.

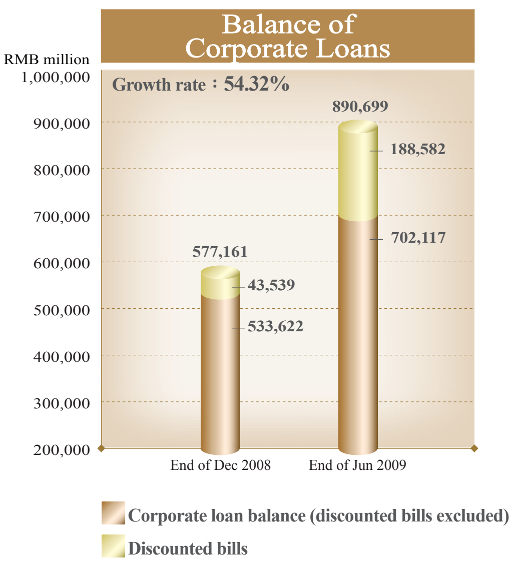


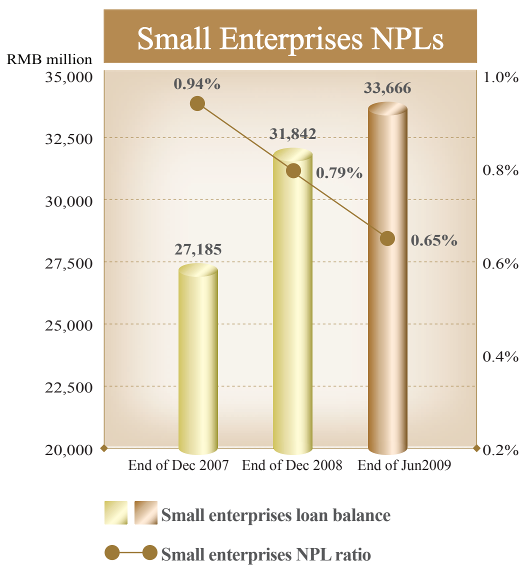
Financial Institutions Business

The Bank actively promoted the development of financial peers' cooperation platform. Based on developing products such as credit extension, third-party depository services, corporate wealth management, fund and insurance products agency and so on, the Bank strengthened the cooperation with banks, securities firms, trust companies, fund management companies, insurance companies and other financial companies, and enlarged the core customer group from financial peers. As of 30 June 2009, the Bank had about 200 core clients from financial institutions, executed third-party depository service agreements with 67 securities firms, and opened 6,913 institutional accounts for securities firm clients. Observing the changes in the external operation environment and based on the principles of "controllable risk with pursuit of revenues", the Bank continuously improved the pricing and authorizing mechanism for deposits of financial institutions, actively adjusted the peer asset-liability structure and constructed the Bank's own profit earning model for financial institutions business. As of the end of June 2009, the Bank has taken initiatives to reduce the amount of high-cost financial institutions deposits by RMB68.933 billion, the deposit balance of financial institutions was 74.559 billion, the average cost of financial institution deposits has reduced from 1.97% at the end of previous year to 1.61%.

Corporate Loan Business

According to the loan guideline of "ensuring quality, highlighting returns, adjusting structure and developing steadily", the Bank grasped market opportunities brought by the investment of the central and local governments as well as a serials of supporting policies of regulatory authorities, strengthened its effort in marketing to key investment projects supported by national policies, such as transportation, telecommunications, energy, urban infrastructure and ecological and environmental protection. For major projects with large investments, controlled risks and remarkable economic returns, the Bank actively joined in by establishing inter-branch syndicated loans to expand the proportion of the loans issued by the Bank and promote the continuous, stable and rapid development of the corporate loan business. As of 30 June 2009, the Bank's corporate loan balance was RMB890.699 billion (including discounted bills), an increase of 54.32% compare to that at the end of the previous year; the balance for bill discount was RMB188.582 billion, an increase of 333.13% compared with that at the end of the previous year.





The Bank continued to promote the construction of specialized system of small enterprises financial business and gradually establish the headquarters-branch-sub-branch three-level specialized operation organization for small enterprises financial business. Thereby, the Bank had the capability of better serving the superior small-enterprise clients in industrial chains, industrial clusters and specialized markets and developing financial business for small enterprises step by step. During the reporting period, the Small-Enterprise Financial Center of the Headquarters has been set up, and the number of the pilot branches has expanded to 15. As of 30 June 2009, our small-enterprise clients totalled 7,151, an increase of 473 or 7.08% clients compared with that of the previous year-end; the total credit granting amount was RMB63.966 billion, an increase of RMB11.371 billion or up by 21.62% compared with that at the end of the previous year; the loan balance was RMB33.666 billion, an increase of RMB1.824 billion or up by 5.73% compared with that of the previous year-end; the non-performing loan ratio for small enterprises business was 0.65%, reducing by 0.14 percentage point than that at the previous year-end.

Non-interest Income Products and Business

The Bank maintained the income growth of traditional businesses, such as domestic and international settlement, acceptance and guarantee and commitments. Meanwhile, it greatly promoted the development of emerging businesses, such as cash management, investment banking, third-party depositary service and enterprise annuity, thereby continuously improved the proportion of non-interest income of corporate banking business to the total income. During the first half of 2009, the net non-interest income of the corporate business was RMB1.298 billion, a year-on-year increase of 9.44% and accounting for 60.63% of the total net non-interest income of the Bank.

International Settlement Business

The international settlement amount was USD56.88 billion during the reporting period, a decrease of 21.1% year on year. But the decrease of the international settlement amount was lower than the 23.5% down-sizing of the national foreign exchange receiving and payment during the same period. The Bank attached great importance to the coordinated development of business scale and returns. During the reporting period, the non-interest income of international business reached RMB490 million, decreasing 4.4% year on year, while its growth rate was higher than that of its business scale expansion. Therefore, the Bank’s strategy of increasing intermediary business earnings has generated initial success.

Investment Banking Business

The Bank made great effort to expand the investment banking business, such as bond underwriting, syndicated loans, export credit, domestic factoring, asset management and financial consulting and so on; and all investment banking businesses realized a stable and balanced development. During the first half of 2009, the net non-interest income of investment banking business was RMB433 million, accounted for 33.36% of the net non-interest income of the corporate banking business. Thereinto, the growth rate of bond underwriting fees and structured financing commission charges reached as high as 129.91% and 89.12% respectively, and the asset scale of structured financing reached RMB35.555 billion, an increase of 38.4% compared with that at the end of the previous year. According to the Bloomberg statistics, the Bank’s ranking of the amount of syndicated loans arranged by foreign and domestic banks in China had rapidly rose to the fourth place; the accumulated underwriting of short-term financing bonds has exceeded RMB90 billion, maintaining the fourth place among all the leading underwriters. Thanks to the good performance in bond underwriting, structured financing, assets management, financial consulting etc., the Bank won the award of “2009 China Best Investment Banking Business among Commercial Banks” by Securities Times.

Asset Custody Service

The Bank timely adjusted its business structure and actively explored the opportunity for business innovation evidenced by the increase in asset custody business in such a hard environment. Both of the size and the amount of asset custody products increased. As of 30 June 2009, the size of custody asset reached RMB67.91 billion, an increase of 41.88% compared with that of the previous year-end; the amount of custody products was 163, an increase of 64.65% compared with that of the previous year-end. In terms of enterprise annuity, the number of accumulated contracted clients was 168, with the total scale of RMB3.272 billion, an increase of 44.84% compared with that of the previous year-end. During the reporting period, the bank was selected one of seven members of Asset Custody Standing Committees of China Banking Association, and successfully obtained SAS70 audit report containing unqualified opinions issued by Ernst & Young, which is an overall affirmation for the validity of internal control of asset custody business of the Bank from an independent third-party. At the same time, our leading "Custody Internet Banking" system was successfully put in operation, which was among the top ones within financial industry.

Cash Management and Corporate Internet Banking Business

The bank enhanced the integration and innovation of products, and promoted a "new generation of cash management service platform — enterprise financial expert", covering five trading service systems of Internet Banking 6.0, Cash Management 4.0, Multi-bank Cash Management System MBS, Bank-corporate Express System 3.0 and SWIFT solution and three supporting service systems of mobile banking, telephone banking and corporate Internet Banking Community. These systems comprised a relatively perfect cash management service system, and the cash management business service capability and market influence of the Bank were improved greatly. As of 30 June 2009, the number of projects and clients of cash management of the Bank were 877 and 5,495 respectively, an increase of 145 and 1,059 compared with that of the previous year-end, achieving the trade volume of RMB1.8 trillion. The number of new corporate Internet banking accounts was 12,385, with the realized trade volume of RMB2.6029 trillion and the substitution rate of 19.44%, an increase of 2.84 percentage points compared with that of the previous year-end.

Retail Banking Business

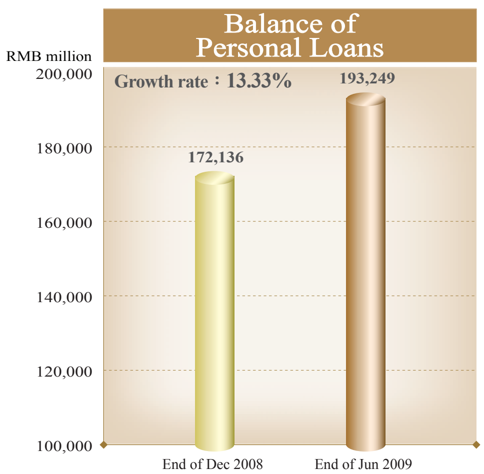
In the first half of 2009, while actively responding to the uncertainties of the macro-economy, the Bank, with the aim of developing a retail banking with comprehensive functions, accelerated the development of the retail banking business as the main business line by emphasizing 5 major aspects of payroll agency service, wealth management business, bank card business and personal loan business. These measures effectively improved the development capability of retail banking business of the Bank. The liability business had a rapid development adapting to market changes. The Bank's capability of accessing to markets and acquiring customers was further enhanced. The asset business maintained a good momentum of growth under the loosened credit policy. The intermediary business with wealth management as the main area maintained the rapid growth momentum, and the overall business structure was rationalized gradually. During the first half of 2009, the operating income of retail banking business amounted to RMB2.56 billion, down by 18.73% year on year and accounting for 14.92% of the Bank's total operating income; the decrease of the Bank's operating income of retail banking business was mainly attributed to the fall of spread due to the interest rate policy in the first half of 2009, the net non-interest income of retail banking business amounted to RMB709 million, up by 23.95% year on year and accounting for 33.12% of the total non-interest income of the Bank.

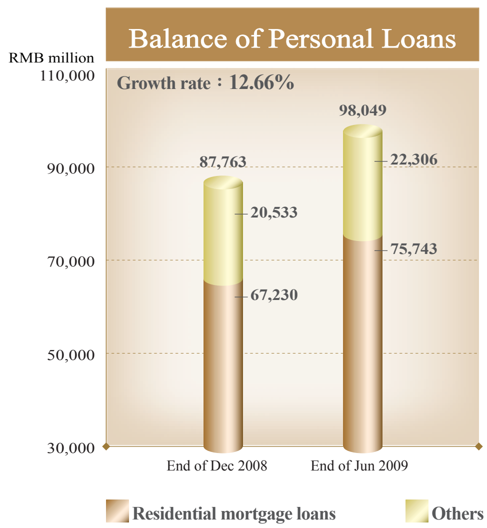
Retail AUM[1]

In the first half of 2009, in view of the highly volatile domestic macro-economic environment, the Bank, focusing on providing all-dimension financial service to satisfy the various demands of customers, gave full play to the competitive edge of wealth management products on the one hand and enhanced the basic work of deposit marketing on the other. As of 30 June 2009, the Bank's balance of retail AUM increased by 7.35% to RMB254.683 billion compared with that at the end of the previous year, of which the balance of personal deposits increased by 13.33% to RMB193.249 billion compared with that at the end of the previous year.

Retail Consumer Credit Business

In the first half of 2009, complying with the policy instructions of stimulating consumer consumption and domestic demand, the Bank timely grasped the rebound of real estate market opportunities in some regions to optimize the mortgage loan approval process for new houses and second-hand houses, introduced personal integrated consumer credit service projects,





1 Retail Assets under Management (AUM) refer to the total value of the saving deposits and wealth management assets of personal customers managed by the Bank.

such as "Fang Yi Bao" to promote the Bank to be back on the track of rapid development in terms of personal loan business. As of 30 June 2009, the balance of personal loans reached RMB98.049 billion, up by 11.72% compared with that at the end of the previous year, of which, the balance of mortgage loans amounted to RMB75.743 billion, up by 12.66% compared with that at the end of the previous year.

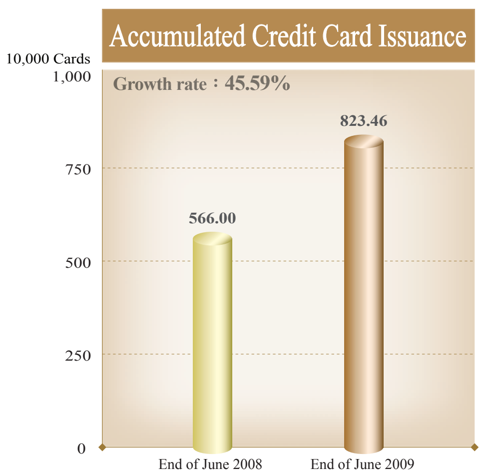
The Bank won the award of "2008 The Most Popular Real Estate Financial Credit Institutions" at the Ninth Chinese Real Estate Development Annual Meeting held by "Soufun.com". The second-hand house express business of the Bank won the "The Outstanding Financial Marketing in China" award in the seventh selection of best marketing award for the year 2008 to 2009 co-sponsored by The Economic Observer journal and The Hong Kong Management Association.

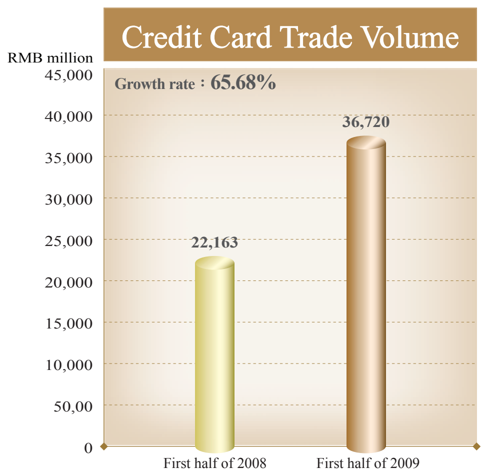
In addition, the Bank strengthened its effort on building personal loan management system, and defined the operation and management structure with personal loan center as the core for branches. The personal loan center of branches is in charge of the management of the whole retail loan granting process. Its function is separated from marketing function and subject to the management of retail banking department and risk management department, which lays a solid foundation for the Bank to improve its retail credit risk management capability and promote all sorts of retail credit products.

Wealth Management and Private Banking Business

In the first half of 2009, according to the development trend in wealth management market, the Bank took advantage of the financial platform of CITIC Group, and focused on developing low-risk and fixed-income products, such as credit and bond, etc and thus met the market demands. But the issuance of IPO based wealth management products was influenced due to the changes of IPO policy. Therefore, the sales volume of wealth management products decreased slightly year on year. During the first half of 2009, 125 foreign currency and RMB denominated wealth management products were sold, and the sales volume equaled to RMB27.606 billion, which decreased by 72.86% year on year.

In the first half of 2009, the Bank vigorously expanded the fund and insurance sales agency business by adding over 20 funds to its agency business and further enriched the product lines. As at the end of the reporting period, the Bank had established the agency relationships with all the fund management companies in China, with the number of funds sold on agency basis of over 460 and the total sales volume of RMB4.44 billion, up by 35.66% year on year. As for insurance sales agency business,





the Bank established the cooperation with CITIC-Prudential Life Insurance Co., Ltd., Ping An Insurance (Group) Company of China Limited and China Life Insurance Company Limited, etc., and sold about 100 insurance products with a total premium of RMB470 million in the first half of 2009, an increase of 151% year on year.

As of 30 June 2009, the number of the Bank's wealth management customer reach 791,300, an increase of 25,500 compared with that of the previous year-end; the number of VIP customers with total value of AUM in our bank of more than RMB50 thousand was 98,100, representing an increase of 10,500 compared with that of the previous year-end; the balance of VIP AUM was RMB144.295 billion, an increase of 14% compared with that of the previous year-end.

The Bank provided private banking services to the high-end clients whose AUM in our bank exceeded RMB8 million. Currently, the Bank has comprehensively launched private banking services in 24 branches, and established the direct marketing system with Beijing and Shenzhen wealth management centers as key centers, which covered most regions in Eastern, Northern, Southern, Northwestern, Northeastern and Southwestern parts of China.

As at the end of the reporting period, the Bank had more than 3,700 private banking clients. The private banking center of the Bank became the first one to offer six private banking services in domestic market, including the commercial banking service, the wealth management service, the international asset inheriting planning service, the integrated credit granting service, the investment banking consulting service and the family value-added service, thus building a product and service development system with its own specialized features. Given the pioneering performance of its private banking services, the Bank successively won several awards such as “China Best Private Banking Award” in the General Billboard for Wealth Management in China 2008 selection activity and “The Most Innovating Private Banking in 2008” in “The Second General Billboard for Wealth Management in China” sponsored by Qianjing Magazine.

Credit Card Business

In the first half of 2009, the Bank took proactive measures to promote the steady growth of credit card business based on the business strategy set early this year, namely “consolidating advantages, controlling risks, advancing step by step and developing scientifically”. As of 30 June 2009, the Bank had issued a total of 8.2346 million credit cards, of which, 683,200 were issued in the first half of 2009 with a year-on-year growth rate of 45.59%. The trade volume of credit card transactions is 36.720 billion in the first half of 2009, evidencing an increase of 65.68%. The loan balance of the credit cards was up by 69.55% year on year to RMB11.416 billion; the credit card business income was RMB978 million, a year-on-year increase of 83.44%, and the Bank generated a profit before tax of RMB129 million.

In the first half of 2009, the Bank focused on optimizing the customer structure and credit structure in its credit card business, and prevented two aspects, namely customer introduction and risk management, from the influence of economic uncertainties. In terms of customer introduction, the Bank's Credit Card Center made efforts to facilitate sales model transmission and conduct marketing to quality customers by adjusting access policy and credit line policy. The proportion of Gold Card and Platinum Card customers exceeded 43% in the total new issued credit cards in the first half of 2009. In terms of risk management, the Credit Card Center specially established an Asset Management Department (AMD) to be in charge of the asset collection and set up regional risk management and collection teams in over 31 sub-centers consisted of more than 100 employees in order to effectively control risks.

Meanwhile, our bank has made progress in credit card business innovation and customer operation. As for business innovation, VISA Infinite Card and MasterCard World Card were launched, platinum credit card service was upgraded, and CITIC — Xiamen Airlines joint-name credit card was issued; CITIC Magic Card became the only brand that won “The Most Popular Women Credit Card Brand of 2009” awarded by China Industry Union; the Customer Service Department won the “Chinese Best Call Center Prize” awarded by Professional Committee on Customer Management of China Information Promotion Union and CCCS Customer Contact Center Standard Committee in the fourth successive year. As for customer operation, the Bank set up the Customer Operation Center to provide organizational and systemic guarantee in deepening customer operation, and arranged over 150 localized marketing activities and facilitate consumption effectively.

Treasury and Capital Market Business

The Bank provides funding products and services to corporate and individual clients, and engages in the asset management and transaction of its own funds. Through being involved in dealing with trading and sales products, such as foreign exchange, fixed-income products and derivative products, the Bank provides services like risk management and financing to its clients. Asset Management mainly refers to the investment and trading of securities and bonds.

In the first half of 2009, the Bank re-adjusted its structure of domestic and foreign currencies denominated assets, which led to a large amount of growth of spread income in asset management compared with that of the same period of the previous year. However, the Bank's operating income of treasury and capital market business decreased to some extent on year-on-year basis due to the influence from the shrinkage of the international financial market, the down-sizing of the foreign trade resulting in the Bank's decrease of foreign exchange trade volume and the huge narrowing-down of agency business spread due to the intensified marketing competition of simple products. As of 30 June 2009, the operating income of treasury and capital market business was RMB1.134 billion, a year-on-year decrease of 43.47% and accounting for 6.61% of the Bank's total operating income. The non-interest income of this business was RMB136 million, a year-on-year decrease of 85.96% and accounting for 6.35% of the Bank's total net non-interest income.

Trading and Sales

During the first half of 2009, the Bank continued to closely implement the strategy of "Simple Products, Efficient Marketing" and further enriched products and optimized customer structure. Meanwhile, the Bank, based on domestic market, actively exercised its market-making strategy, developed transactions such as foreign exchange transaction and RMB denominated debt securities transaction and promoted the wealth management business. The Bank enhanced its effort to make full use of its operation model of "trading and sales" and realized the coordination and joint development of trading and sales. In such disadvantageous market environment, the Bank effectively consolidated the customer base and ensured a sustained profit-making of the fee-based income business.

Foreign Exchange Business

In the first half of 2009, in the face of the shrinking international trade and severe turbulence in international foreign exchange market, the Bank maintained the prudent operation in foreign exchange business, strengthened its risk control and actively enlarged the customer base by various measures.

In the first half of 2009, the market share of the Bank's foreign exchange settlement and sales was 3.74%, ranking among the top ones in domestic small and medium-sized joint-stock commercial banks in terms of foreign exchange business. In the context of the inactive domestic inter-bank foreign exchange market on the whole, the Bank, as a market-maker, maintained its leading position in foreign exchange trade volume and held its traditional advantage in foreign exchange business. In 2009, the Bank was awarded "The Best Domestic Foreign Exchange Service Provider" for the fourth consecutive year by Asia Money.

Business of RMB Denominated Bond and Interest Rate Market Making Business

In order to conform to the market-oriented reform on interest rate, the Bank further strengthened its business relating to RMB denominated bonds and interest rate derivatives market-making, and actively continued to provide the market with transaction liquidity. The bond business has ranked the forefront in financial industry, and the interest rate derivatives business maintained a relatively high market share. Therefore, the Bank built a very positive image as a market-maker.

In the first half of 2009, yields from RMB interest rate market restored the growth momentum gradually and the inter-bank bond index began to fall. Facing the severe market development trend, the Bank adjusted strategy on RMB denominated bonds and derivatives transaction immediately, and, on the premise of strictly controlling risks, created a good income in transactions record in the negative bond market by seeking market opportunities.

Wealth Management and Derivative Product Transactions

In the first half of 2009, the Bank launched wealth management products linking with gold. Their sales volume made a breakthrough with some of them taking the lead in domestic market. In the first half of 2009, the Bank mainly issued the fix-income wealth management products, and their market performance was quite prudent. At the mean time, the Bank actively managed the existing QDII wealth management products realizing the big rebound of QDII product net value since the year beginning, which was well received by the market.

In the first half of 2009, the Bank promoted the derivative business prudently and provided professional services to customers with simple standardized products, and the trade volume and profit have increased significantly over the same period of the previous year. Meanwhile, the Bank strictly controlled the risks in transactions of derivatives products and effectively protected the interests of customers and the Bank.

Asset Management

In the first half of 2009, the world's governments took active measures to respond to the global financial crisis, some major economies began to recover and the credit market began to restore. But great uncertainties still remain in the development prospects of economy and market. As the Chinese government had adopted a proactive fiscal policy and a moderately loosened monetary policy, the macro-economy gradually stepped up in the first quarter after striking the bottom, while the bond market saw a decline by a large margin. Under such circumstances, the Bank made decisions scientifically, maintained the balance among safety, liquidity and profitability, and improved the efficiency of asset management.

The Bank made a reasonable adjustment to the foreign currency asset structure. While actively reducing the high expected risk assets, the Bank increased its investment proportion in low-risk bonds such as government bonds, thereby improving the overall risk resistance capability of the assets. In the second half of 2009, the Bank will continue to follow the changes in the market, maintain the relatively short duration and appropriately adjust the industry distribution.

In the first half of 2009, the Bank's investment scale of its RMB investment account increased to some extent. By conducting a very prudent investment strategy, the Bank mitigated the adverse effect of market turbulence.

Integrated Financial Services Platform of CITIC Group

CITIC Group have financial subsidiaries engaged in banking, securities brokerage, fund management, trust, insurance and futures businesses, and many of these subsidiaries are flagship in their respective business sectors. Based on this integrated financial services platform, the Bank is gradually building up its unique competitive advantages.

Speeding up its Internationalization

In the first half of 2009, the Bank's acquisition of 70.32% equity of CIFH, a controlled subsidiary of CITIC Group, was approved at the annual general meeting for 2008. This acquisition, upon completion, will be helpful for the Bank to integrate the domestic and overseas financial resources, make full use of the synergy between CIFH and the Bank to further improve the Bank's competitiveness and shareholders' interest. At present, this acquisition has been submitted to regulatory authorities for approval.

Providing Comprehensive Financial Solutions

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

— Medium-term notes underwriting. The Bank, together with CITIC Securities acted as the lead underwriters of enterprises, have issued and underwritten a total of RMB7.8 billion of medium-term notes.

— Corporate trust wealth management products issuance. The Bank aligned with CITIC Trust to make several issuance of corporate trust wealth management plans, valued at RMB900 million in total, exclusively for the investment in quality bonds, trust equity and money market instruments, so as to provide comprehensive investment and financing services to the high-end strategic clients of the Bank.

Promoting Extensive Sharing of Customer Base

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

— Institutional clients: A total of 4,296 institutional customers were also the customers of the securities companies under CITIC Group. They opened the customer transaction settlement capital collection accounts, which created a daily average balance of RMB4.124 billion, and contributed a total custody and handling fee of RMB1.7762 million.

— Personal clients: The Bank gained 21,300 new third-party personal depository personal customers through the securities companies under CITIC Group.

Conducting Cross Design and Cross-selling

— Cooperation in developing and selling wealth management products. The Bank continued to enhance the cooperation with CITIC Trust, China AMC, CITIC-Prudential Fund, CITIC Securities, China Securities and CITIC-Prudential Life Insurance under CITIC Group for market development and product innovation. In the first half of 2009, through cooperation with the financial subsidiaries of CITIC Group, the Bank issued 47 financial products and achieved a sales volume of RMB15.366 billion.

— Exerting the advantages of the custody business platform. The Bank continued the comprehensive cooperation in product development, industrial (venture capital) fund business platform establishment and custody market development with CITIC Securities, CITIC Trust, China Securities, CITIC Capital, CITIC Splendid Capital, China AMC, CITIC Industry Investment Fund Management and CIFL. As of 30 June 2009, the custody business between the Bank and various subsidiaries of the CITIC Group had reached a total of RMB39.94 billion, an increase of 23% compared with that at the end of the previous year.

Cooperation with the Strategic Investor

In the first half of 2009, the Bank and its strategic investor, BBVA, further deepened the strategic partnership in corporate banking, investment banking, international business, treasury and capital market business, private banking and human resources training. The Senior Management of both parties held regular meetings through the Strategic Cooperation Committee, ensuring the smooth communication mechanism and jointly promoting an in-depth cooperation in various dimensions.

Investment Banking Business The two parties were actively involved in exploring business opportunities in export credits, sub-loans and acquisition loans, providing overall financial solutions to the strategic customers in terms of cross-border investment and financing.

Annuity Business Both parties conducted in-depth discussions in cooperation areas such as annuity product design, customer platform construction, marketing and promotion methods as well as annuity forum organization and put forward proposals for cooperation.

International Business The Bank introduced forfeiting, engaged in risk participation business with BBVA and cooperated with the French Foreign Trade Bank in dealing with the non-letter of credit related accounts receivable buy-out products. The business volume achieved USD13.45 million between the two parties.

Treasury and Capital Market Business The Bank established the “Task Force” by leveraging on the successful experience of BBVA in the global market and identified the strategic goal of “establishing and perfecting product core competitiveness, improving profitability, increasing the contribution rate of treasury and capital market business to the Bank business income, maintaining and lifting the position in domestic market:, in an effort to realize the universal sharing of the business system and marketing network by strengthening the cooperation in product and marketing, and provide comprehensive treasury and capital market services for customers.

Auto Financing Business The two parties have signed the framework agreement for strategic cooperation. At present, the Bank and BBVA are conducting communication and discussions in areas of speeding up business procedure optimization, risk management and IT system development in the hope of laying a solid foundation for the next step of cooperation.

Private Banking Business The two parties have signed the strategic cooperation agreement. The Bank will introduce international advanced private banking management model and experience in a comprehensive way, and directly learn from BBVA its advanced experience in product research and development, IT system construction, risk management and personnel training.

Human Resources During the reporting period, the Bank has organized 11 BBVA training programs covering 162 persons/time, which further enhanced the Bank’s training for core talents.

Distribution Channels

Branches

In the first half of 2009, the Bank continued to strengthen the layout of its branches in Beijing, Shanghai and other major cities. At the same time, by firmly grasping the opportunity of national policy adjustment for industrial development, the Bank moderately increased its investment in branches in the middle, western and north-eastern regions, which optimized the strategic layout of the branches. In the first half of 2009, the Bank successfully opened three branches in Xiangfan, Lanzhou and Guiyang, and 19 sub-branches were established and put in operation.

As of 30 June 2009, the number of the total outlets of the Bank had reached 565, including 30 tier-one branches, 23 tier-two branches, 511 sub-branches, and 1 finance company.

Self-Service Outlets and Self-Service Terminals

Self-Service Outlets and Self-Service Terminals

In the first half of 2009, while strengthening its effort in guarding against security risks for the self-service banking transactions, the Bank kept increasing self-service outlets and self-service terminals distribution network, so as to increase the transaction replacement rate. As of 30 June 2009, the Bank had owned 880 self-service banking centers and 3,032 self-service terminals (including ATMs, integrated CDMs and CRSs), representing an increase of 6.54% and 8.79% respectively compared with that at the end of the previous year.

Mobile Banking

To expand the retail banking business channels and provide customers with more convenient services, the Bank successfully launched mobile banking version 1.0 in early 2009, which made it available for customers to access to the business such as inquiries, money transfer, payment, credit card repayment services, etc., marking a breakthrough in the Bank's electronic banking development.

Internet Banking

In corporate Internet banking, the Bank completed the development and operation of corporate Internet banking version 6.0, thus optimizing the business processes, expanding such functional modules as credit business and custody business. And at the same time, the Bank started the Phase III establishment of corporate Internet banking community, which brought about features including on-line customer service, brand promotion, on-line marketing, Bonus Point Return Scheme etc. The Bank focused on creating an integrated service platform of corporate Internet banking. During the first half of 2009, the Bank had 12,396 new corporate Internet accounts, realized a transaction volume of RMB2.6029 trillion, and achieved the account replacement rate of 19.44%, an increase of 2.84 percentage points compared with that at the end of the previous year.

In personal Internet banking, by adhering to the development strategy of "increasing technology replacement rate", the Bank launched personal Internet banking version 5.2, adding new functions including steady wealth management plan, third-party custody reserved transfers and payment, savings government bonds management, mobile banking supporting functions, paper gold business and inquiry of enterprise annuity etc. The Bank has signed co-operation agreements with 20 on-line payment platforms and direct merchants, and the contracted merchants under third-party payment platforms were more than 1.2 million, realizing a market coverage of over 98%. As the on-line shopping environment improved, the consumption became more active and the trade volume increased significantly. In the first half of 2009, the number of licensed personal Internet banking customers reached 1.4626 million, a rise of 35.89% compared with the end of the previous year. The personal Internet banking transaction volume reached RMB77.482 billion, equivalent to 3.12 times year on year.

Telephone Banking

The Bank provides 24 hours daily telephone banking service for clients through its telephone banking hotline of 95558 throughout the country. During the reporting period, the Bank further expanded the on-line transaction, telemarketing and the internal management functions. Based on the integration with services such as VIP wealth management, Internet banking, personal loans, debit cards etc, the Bank had built a concentrated customer operation platform. Through setting up the VIP service hotline of 10105558, the Bank provided the customized services and active care for VIP customers whose AUM in the Bank exceeded RMB500,000, including VIP boarding in airports, auto rescue services, reservation for golf, and green channel to medical services. The telephone banking system enriched the concentrated operation functions, and carried out services such as Money Gram authorization and concentrated approval of DIY credit card.

Information Technology

In the first half of 2009, the Bank made continuous efforts to construct the application system; further promoted the precise and professional IT management; continued improving the IT risk control capability; initiated the long and medium-term IT planning and information security planning, so as to enable the IT system to continuously support the business development.

In order to meet the customer demand and improve the operating efficiency and scientific decision-making capability, the Bank continued to increase its investment for accelerating the construction of IT system. A number of important systems have been completed and some of them have been put in operations, including the concentrated accounts processing, group cash management, corporate Internet banking version 6.0, bank-corporate express ODS system version 3.0 and integrated wealth management platform etc.

In terms of precise and professional IT management, by standardizing the IT project approval, exercising the implementation process management and introducing the cost sharing mechanism, the Bank further improved the management system of technology projects. Through specialization and cross-department process optimization, the Bank improved the level of technology application in providing service and improving working efficiency. Through the establishment and improvement of norms, standards and processes, the quality of project delivery and the safety of production system operation were upgraded.

On the basis of the comprehensive risk assessment, the Bank has worked out the information security plan for the next three years, and developed the security management system framework and work plan. The Bank made a comprehensive assessment on the status of IT application in the Bank through IT diagnosis and identified the core services demand of the Bank for the next three to five years. The above work established a good foundation for planning and blueprint formulating.

Risk Management

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

Credit Risk Management

Corporate Loans Risk Management

To tackle the impact of the global financial crisis, the Chinese government exercised the proactive fiscal policy and moderately loosened monetary policy, by proposing the RMB4 trillion investment package to boost the domestic demand and required the financial sector to enhance its support to the national economic development. In response to the highly volatile macro-economic situation, the Bank, based on its operation target of "ensuring profit, controlling risks and promoting development", established the credit guideline of "ensuring quality, highlighting returns, adjusting the structure and developing steadily". The Bank appropriately expanded its lending under the condition of prudent operation, and made effort to grant credit in the first phase of the chosen quality projects in order to support the national economic development and ensure the accomplishment of the Bank's business and operation plan.

— The Bank optimized its loan issuance structure. In the first half of this year, the Bank actively supported the construction of infrastructure in the fields of transportation and energy to comply with the government program to boost the domestic demand; prudentially supported the projects funded by the government by adhering to the principle of "controlling the total credit, selecting quality projects, lending appropriately and insisting on compliance". The Bank actively supported those public undertakings with cash flows such as water and gas areas, appropriately supported the land reserve centers that were capable of implementing land collateral located in economically developed cities, strictly controlled its loans to conglomerate corporations engaging in investment and financing business and strictly controlled the credit granting to high-energy consumption and high pollution industries including steel industry and the real estate industry.

— The Bank improved the credit approval quality and customer service efficiency. Firstly, the Bank continued to enhance the management on credit to different industries and improve relevant process and policies, and fostered relevant experts; secondly, the Bank set the time limit for examining the credit granting business for strategic customers, and gave priority to the relevant application process; thirdly, the Bank appropriately expanded the credit authorization limit of branches to low-risk business and quality clients with high credit scores.

— The Bank actively promoted the implementation of the New Basel Capital Accord. With the initiative of implementing the New Basel Capital Accord, the Bank had submitted the application for making effort to implement the New Basel Capital Accord in 2011 to the CBRC. The Bank's customer rating system had been put in operation at the end of June 2007, which complied with the basic requirements of the New Basel Capital Accord. In addition, the Bank's corporate debt rating and exposure at default measurement project and the retail rating project will be put in use at the end of 2009, when the credit risk is expected to be rated with the first-class internal rating method.

Risk Management on Small Enterprise Loans

In the first half of 2009, the coastal areas of China have been severely affected by the global financial crisis. In such a context, the Bank worked hard constantly to improve the management on risk of small enterprises through various means.

— The Small Enterprise Financing Center was set up in the headquarters, and a Risk Control Department affiliated to the center was established for monitoring the credit risk of small enterprises throughout the Bank.

— The loans to the small enterprises were mainly located in the Yangtze River Delta, Pearl-River Delta and Bohai Rim areas where the economy was relatively developed, the small enterprises were active, the credit culture of general public was satisfying and the branches had good credit control capability.

— The Bank controlled the access for enterprises, and the loans were mainly granted to the quality and growing small enterprises, such as the prudent small enterprises with quite good self-compensation of cash from both foreign and domestic trade, supporting developed leading enterprises with core technology and the growing small enterprises with promising prospect, etc.

— The loans to the small enterprise was usually secured by mortgage, pledge or compulsory guarantee to control the risk, through the Bank's cooperation with the local guarantee companies and through other means, such as joint-guarantee by enterprises.

— The Bank put emphasis on the non-financial indicators and the face-to-face interview system. Based on the non-financial information, such as the tax payments, electricity and water consumption, the Bank grasped an overall picture of the actual business performance of enterprises. As for the customers applying for credit for the first time, the Bank required the head of the Marketing Department to conduct interviews with the principal of the enterprise so as to have an objective knowledge of the enterprise.

— The Bank increased the frequency of post-lending inspections. The Bank conducted more frequent inspections to the post-lending conditions of the small enterprises, and started the early warning and response mechanism for those enterprises with negative signs in their business performance.

— The Bank assessed the credit risk of small enterprises on annual basis to work out a list of customers from which the Bank need to withdraw and formulate the withdrawal plan so as to keep on optimizing small customer structure through dynamic adjustments.

Risk Management on Personal Loans

In the first half of 2009, in the face of uncertainties in macro-economy, the Bank attached great importance to the personal credit risk management. To this end, the Bank further improved the personal credit risk management system and enhanced its efforts to monitor the quality of retail loans and to recover NPLs.

— The Bank defined the management structure with the Retail Banking Department as the competent department in charge of the operation management and the execution of personal loans and the credit centers of branches as the core. The personal credit risk management system of the whole Bank was further unified and improved.

— The Bank circulated regularly the personal credit asset quality of the whole Bank to urge the branches to enhance their management on the quality of personal credit assets.

— The Bank placed more concerns to the branches whose NPL increased. The headquarters and branches discussed the NPL recovering plan together.

Risk Management on Credit Card Business

In the first half of 2009, the Credit Card Center of the Bank actively consolidated its business to respond to the changes in macro-economy, by making research on the cause of risks, focusing on risk control during the whole procedure as the core task and emphasizing the optimization of client structure and the adjustment of credit structure.

— The Bank promoted the strategic transformation of sales model, actively developed low-risk and low-cost marketing channels, such as database marketing, to attract high quality target clients.

— The Bank sped up the clients structure optimization, adjusted the access policy and the initial credit line with the aim of introducing middle and high-end clients, implemented a prudential client introduction policy, and put forward a series of high quality special introduction cases, so as to promote the proportion of middle and high-end clients. In 2009, the proportion of newly introduced middle and high-end clients has risen substantially, and the application scoring has upgraded steadily.

— In terms of collection management, the Bank established the Asset Management Center specialized in asset collection management and the collection policy implementation by setting up regional risk management and collection teams under each asset management center throughout the country.

— The Bank carried out the risk management on stock clients and carried out the special rectification for the cash-out risk. In 2009, the proportion of cash-out client has decreased gradually, and the proportion of the normal instalment loan and the general transaction loan has increased steadily.

— Focusing on cracking down on the counterfeit application, the Bank established the whole-process fraud risk prevention system with presale, credit approval and post-sale fraud investigation as main working areas, and enhanced the risk management on the whole process. During the first half of 2009, the ratio of suspected fraud of the new clients that received cards has declined gradually.

— The Bank developed various risk quantitative techniques such as behaviour scoring, return scoring and collection scoring, etc., developed and calculated risk management indicators which comply with the requirement of new Basel Capital Accord, such as probability of default (PD), loan loss given default (LGD) and exposure at default (EAD,) etc, in order to improve its technique in quantifying risks.

Risk Management on Treasury Operations

— The Bank prudentially carried out the securities investment operation and agency business. In terms of RMB denominated bond investment business, the Bank selected high quality enterprises in the industry under the Bank's credit policy as major investment objective; in terms of the foreign currency denominated bond investment, the Bank strengthened its risk management and prudentially selected the investees: in respect of agency business, the Bank adhered to the principle of strict risk control, took high quality enterprises with high credit rating as key targeted clients and conducted in-depth analysis of customer applicability.

— The Credit Risk Management Committee of the headquarters made the annual credit policy, and established an investment researching group composed of dealers, strategy analysts and risk managers to select counterparties and investees, so as to create a top-down and bottom-up mechanism for investment decision-making At the same time, the Bank has set up a post-deal assessment system to evaluate the operating efficiency of investment decisions on a periodical basis for improvement.

— The Bank further intensified the market monitoring and reporting mechanism and the emergency response mechanism.

Loan Monitoring and Post-Lending Management

In the first half of 2009, the credit management faced the extraordinary difficult and complicated environment. On the one hand, to ensure the profit and promote the growth, the Bank's credit business developed steadily and rapidly amidst the state's macro-economic regulation and implementation of economic stimulation package. On the other hand, to control the risk, the Bank took measures to tackle the financial crisis, defuse the credit risk and ensure the continuous optimization of credit asset quality. The measures taken by the Bank are mainly as follows:

— The Bank adhered to the principle of "lending after implementing credit granting pre-conditions" and intensified the review and control of the key steps during the lending process, such as mortgage registration, guarantees and seals verification. By implementing the credit granting pre-conditions and examining guarantees, the Bank prevented and eliminated the credit risk effectively. In addition, the Bank standardized the management on the pledge of accounts receivable and guarantee items and international trade financing lending operation, and intensified the supervision and management on the lending center of the branches in different areas.

— Then Bank continued to intensify the risk early-warning and improved the capability to spot and defuse the credit risk. To tackle the impact of domestic and foreign economic crisis, the Bank conducted risk examination on the credit to the resource-based industries with high energy consumption, high pollution, foreign trade enterprises, private enterprises and shipbuilding enterprises, the credit to the guarantor, loan pledged by toll collecting right of grade-2 highway and the credit to the small and medium-sized enterprises.

— The Bank formulated the asset quality control plan for 2009 to guide and encourage the branches to control and recover NPLs, regularly reported the branches' implementation of credit asset quality control plans, and took risk-defusing measures promptly to the loans with potential risk.

— The Bank advanced its effort to conduct credit inspections and corrections. The Bank examined the whole bank's credit operation and carried out the specialized inspections to the real estate loans, notes, group customers and risk classification, and timely corrected the problems so as to ensure that the credit risk can be "found, tackled and defused at early stage".

— The Bank further advanced and improved the recovery and management of mature loans. The Bank quarterly collected and analyzed the mature loan recovery plans of branches. The Bank stepped up its efforts to recover the loans overdue, and on a monthly basis, the Bank collected and analyzed the repayments of principals and interests for the overdue loans, and put forward the requirements for the problems identified.

— The Bank further improved and perfected the credit asset risk classification system and segmented the original five classes into 11 classes. Moreover, the Bank required branches to closely compare the post-lending inspection results with the risk classification, and strengthen the management and assessment on the quality control work.

— The Bank advanced the building of IT system and improved the credit management system. The Bank developed and launched the customer risk early-warning system, started the construction of the loans tracking system and intensified the construction of credibility investigation system so as to improve the accuracy and efficiency of the early-warning.

— The Bank strengthened the management on group customers and associated enterprises. The Bank improved the management on the group customers' lending, advanced the set-up of the branch-in-charge mechanism, and put in place a group customer risk early-warning system. In addition, the Bank regulated the procedures of credit assessment and approval for associated enterprises, strictly controlled the authorization of credit approval and used system tools for strengthening monitoring and early warning.

Credit Risk Analysis

Distribution of Loans

As of 30 June 2009, the Group's total loans reached RMB988.748 billion, an increase of RMB323.824 billion or up by 48.7% compared with RMB664.924 billion on 31 December 2008.

The Group continuously optimized the geographical distribution of credit assets, which resulted in a coordinated loan growth in all regions. The Group has been placing strong emphasis on the Eastern coastal region where the economy was most developed, such as the Yangtze River Delta, Bohai Rim and Pearl River Delta. As of 30 June 2009 and 31 December 2008, the proportion of loan balance of these three regions to the total loans to customers was 74.1% and 74.4% respectively. And the amount of loans to Bohai Rim and the Yangtze River Delta grew faster, increased by RMB119.88 billion and RMB80.208 billion respectively compared with that at the end of the previous year.

Concentration of Loans by Geographical Locations

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion(%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Bohai Rim (Note)	**308,188**	**31.2**	188,308	28.3	119,880	63.7
Yangtze River Delta	**285,878**	**28.9**	205,670	31.0	80,208	39.0
Pearl River Delta and Western coast of Taiwan Straits	**138,409**	**14.0**	100,366	15.1	38,043	37.9
Central Region	**121,939**	**12.3**	74,566	11.2	47,373	63.5
Western Region	**98,649**	**10.0**	72,068	10.8	26,581	36.9
Northeastern region	**35,271**	**3.6**	23,536	3.5	11,735	49.9
Hong Kong	**414**	**0.0**	410	0.1	4	1.0
Total loans	**988,748**	**100.0**	664,924	100.0	323,824	48.7

Note: Including the headquarters.

Concentration of Loans by Products

As of 30 June 2009, the balance of corporate loans (discounted bills excluded) granted by the Group amounted to RMB702.117 billion, representing an increase of RMB168.495 billion or up by 31.6% compared with that at the end of the previous year; personal loans amounted to RMB98.049 billion, representing an increase of RMB10.286 billion or up by 11.7% compared with that at the end of the previous year; and discounted bills were RMB188.582 billion, representing an increase of RMB145.043 billion or up by 333.1% compared with that at the end of the previous year.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Corporate loans	**702,117**	**71.0**	533,622	80.3	168,495	31.6
Personal loans	**98,049**	**9.9**	87,763	13.2	10,286	11.7
Discounted bills	**188,582**	**19.1**	43,539	6.5	145,043	333.1
Total loans and advances to customers	**988,748**	**100.0**	664,924	100.0	323,824	48.7

Personal Loans Structure

In the first half of 2009, the Group endeavored to develop the personal residential mortgage loans and credit card business. Residential mortgage loans and credit card loans witnessed an increase of 12.7% and 2.5% respectively from that at the end of the previous year.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Residential mortgage loans	**75,743**	**77.3**	67,230	76.6	8,513	12.7
Credit card loans	**11,416**	**11.6**	11,141	12.7	275	2.5
Others	**10,890**	**11.1**	9,392	10.7	1,498	15.9
Total personal loans	**98,049**	**100.0**	87,763	100.0	10,286	11.7

Concentration of Loans by Sectors

In the first half of 2009, the Group gave top priority to providing support for the energy and transportation sectors, and strictly controlled the loans granted to real estate industry. Meanwhile, in response to the challenges of global financial crisis, the Bank strengthened the segmentation and management of manufacturing industry, enhanced the monitoring of risks in the industries with excessive or potentially excessive production capacity or more subject to the tremendous influence from macro-economic control, and effectively controlled the risks in these industries.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Manufacturing	**200,776**	**28.6**	163,164	30.6	37,612	23.1
Transportation, warehousing and postal services	**84,583**	**12.0**	62,938	11.8	21,645	34.4
Production and supply of electricity, gas and water	**69,359**	**9.9**	57,199	10.7	12,160	21.3
Real estate	**41,316**	**5.9**	42,225	7.9	(909)	(2.2)
Wholesale and retail	**65,946**	**9.4**	48,855	9.2	17,091	35.0
Water conservancy, environment and public utility management	**65,418**	**9.3**	36,592	6.9	28,826	78.8
Leasing and commercial services	**38,549**	**5.5**	31,396	5.9	7,153	22.8
Construction	**33,088**	**4.7**	23,739	4.4	9,349	39.4
Public and social organizations	**44,843**	**6.4**	22,004	4.1	22,839	103.8
Finance	**5,070**	**0.7**	2,328	0.4	2,742	117.8
Other customers	**53,169**	**7.6**	43,182	8.1	9,987	23.1
Total corporate loans	**702,117**	**100.0**	533,622	100.0	168,495	31.6

As of 30 June 2009, the total corporate loans granted by the Group to the top five sectors accounted for 69.2% in the total corporate loans. In terms of the increment structure, the top five sectors with the fastest loan growth were manufacturing, water conservancy, environment and public utility, public and social organizations, transportation, warehousing and postal services as well as wholesale and retail during the reporting period. The growth of the loans to the five sectors compared with that at the end of the previous year were RMB37.612 billion, RMB28.826 billion, RMB22.839 billion, RMB21.645 billion and RMB17.091 billion respectively. The total balance of loans to real estate sector decreased by RMB909 million compared with that at the end of the previous year.

Breakdown of Loans by Types of Currency

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
RMB denominated loans	**961,218**	**97.2**	647,279	97.3	313,939	48.5
Foreign currency denominated loans	**27,530**	**2.8**	17,645	2.7	9,885	56.0
Total	**988,748**	**100.0**	664,924	100.0	323,824	48.7

Breakdown of Loans by Types of Guarantee

With a view to accommodating to the highly uncertain changes of macro-economy, the Group continued to adhere to the "high quality industries, high quality enterprises, mainstream markets and mainstream customers" strategy in the first half of 2009 and enhanced the credit support to high-quality customers, and the proportion of balance of unsecured loans was 27.5%, maintaining at the same level with that at the end of the previous year.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Variation	Growth rate (%)
Unsecured loans	**271,450**	**27.5**	190,835	28.7	80,615	42.2
Guaranteed loans	**235,616**	**23.8**	191,214	28.8	44,402	23.2
Collateral loans	**233,729**	**23.6**	178,185	26.8	55,544	31.2
Pledged loans	**59,371**	**6.0**	61,151	9.2	(1,780)	(2.9)
Subtotal	**800,166**	**80.9**	621,385	93.5	178,781	28.8
Discounted bills	**188,582**	**19.1**	43,539	6.5	145,043	333.1
Total	**988,748**	**100.0**	664,924	100.0	323,824	48.7

Maturity Profile of Loans

The table below sets out the loan products of the Group as of 30 June 2009 by the remaining maturities.

Unit: in RMB million

	Less than 1 year	1 to 5 years	More than 5 years	Repayable on demand(1)	Undated(2)	Total
Corporate loans	496,308	136,421	59,031	818	9,539	702,117
Personal loans	22,501	22,284	49,988	1,327	1,949	98,049
Discounted bills	188,540	—	—	—	42	188,582
Total loans	707,349	158,705	109,019	2,145	11,530	988,748

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

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

Concentration of Borrowers for Corporate Loans

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

	Regulatory standard	**30 June 2009**	30 June 2008	31 December 2008	31 December 2007
Percentage of loans to the largest single customer (%)	≤10	**4.19**	2.92	4.21	3.41
Percentage of loans to the top 10 customers (%)	≤50	**28.69**	21.93	23.95	25.03

Unit: in RMB million

	Industry	30 June 2009 Balance	Percentage in total loans (%)	Percentage in regulatory capital (%)
Borrower A	Public management and social institutions	**4,767**	**0.48**	**4.19**
Borrower B	Production and supply of electricity, gas and water	**4,700**	**0.48**	**4.13**
Borrower C	Public management and social institutions	**4,390**	**0.44**	**3.86**
Borrower D	Transportation, warehousing and postal services	**3,117**	**0.32**	**2.74**
Borrower E	Information transmission, computer services and software	**3,000**	**0.30**	**2.64**
Borrower F	Production and supply of electricity, gas and water	**2,950**	**0.30**	**2.59**
Borrower G	Transportation, warehousing and postal services	**2,640**	**0.27**	**2.32**
Borrower H	Real estate	**2,500**	**0.25**	**2.20**
Borrower I	Water conservancy, environment and public facility management	**2,300**	**0.23**	**2.02**
Borrower J	Manufacturing	**2,280**	**0.23**	**2.00**
Total		**32,644**	**3.30**	**28.69**

Based on emphasizing expanding domestic demand, the Bank continued to adhere to the "high quality industries, high quality enterprises, mainstream market and mainstream customers" strategy, and enhanced the credit support to high-quality infrastructure construction projects and high-quality customers. The balance of loans to the top ten corporate customers was RMB32.644 billion, accounting for 3.3% of the total loans, and its proportion to the regulatory capital increased by 4.74 percentage points compared with that of the previous year-end.

Loan Quality

Five-category Classification of Loans

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

In the first half of 2009, the Group continued to implement a centralized management over the risk classification of credit assets. The headquarters supervised and managed the classification, and the tier-one branches were responsible for examining and confirming the risk classification of loans. In the process of classifying credit assets, the Group took into consideration all the factors affecting the quality of credit assets, made judgment based on the core standard of "possibility of asset recovery and the level of loss" and ratified the class of loan by running through the procedures of providing initial opinion from competent department of branches based on post-lending inspection, initial confirmation by credit management departments of branches, examination by risk officers of branches and final confirmation by the headquarters. Dynamic classification adjustment was made to the loans undergoing material changes in risk condition.

As of 30 June 2009, the total amount of NPLs of the Group confirmed under the regulatory classification standard of loans amounted to RMB9,792 million, an increase of RMB746 million from the previous year. The NPL ratio of the Group was 0.99%, representing a decrease of 0.37 percentage point from that at the end of the previous year.

In the complicated economic and financial environment in the first half of 2009, the Bank maintained the stability of asset quality by re-adjusting the credit granting structure and enhancing loan management while achieving 48.7% of scale expansion. As of 30 June 2009, the normal loans increased by RMB326.998 billion or up by 51% compared with that at the end of the previous year. And the special mention loans decreased by RMB3.92 billion or down by 1.1 percentage points compared with that at the end of the previous year, the reason for which is that the Bank intensified its effort to withdraw from loans with potential risks, which shows that the potential risks have been greatly reduced. Then NPL ratio was 0.99%, which has reduced to a historic low. The NPL amount only increased by RMB746 million, which was just a slight growth. No systematic and large-scale NPLs occurred. The Bank will use comprehensive methods including recovery, bad-debt write-off and collateral in kind to further enhance its effort to dispose NPLs to effectively control the NPL growth.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Normal	**968,461**	**97.9**	641,463	96.4	326,998	51.0
Special mention	**10,495**	**1.1**	14,415	2.2	(3,920)	(27.2)
Sub-standard	**1,526**	**0.2**	1,001	0.2	525	52.4
Doubtful	**6,377**	**0.6**	6,948	1.0	(571)	(8.2)
Loss	**1,889**	**0.2**	1,097	0.2	792	72.2
Total loans	**988,748**	**100.0**	664,924	100.0	323,824	48.7
Performing loans	**978,956**	**99.01**	655,878	98.64	323,078	49.3
Non-performing loans	**9,792**	**0.99**	9,046	1.36	746	8.2

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

Migration of Loans

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

	30 June 2009	31 December 2008	31 December 2007
Migration ratio of normal (%)	**0.44**	1.42	1.20
Migration ratio of special mention (%)	**4.67**	6.94	6.12
Migration ratio of sub-standard (%)	**14.78**	39.03	54.04
Migration ratio of doubtful (%)	**7.95**	19.28	5.86
Migration ratio of performing loans to non-performing loans (%)	**0.22**	0.36	0.28

Loans Overdue

As of 30 June 2009, the loans overdue was almost the same with that at the end of the previous year, and the balance of loans overdue and NPLs remained at the similar level. The Bank paid attention to the management on loans overdue as always and effectively controlled the growth of loans overdue by enhancing its efforts in building risk mitigation and recovery mechanism.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Increase/ decrease	Growth rate (%)
Loans repayable on demand	**975,562**	**98.7**	651,736	98.0	323,826	49.7
Loans overdue[1]:						
1–90 days	**4,059**	**0.4**	5,628	0.8	(1,569)	(27.9)
91–180 days	**1,830**	**0.2**	1,238	0.2	592	47.8
181 days or above	**7,297**	**0.7**	6,322	1.0	975	15.4
Sub-total	**13,186**	**1.3**	13,188	2.0	(2)	0
Total loans	**988,748**	**100.0**	664,924	100.0	323,824	48.7
Loans overdue for 91 days or above	**9,127**	**0.9**	7,560	1.2	1,567	20.7
Restructured loans[2]	**4,910**	**0.5**	5,365	0.8	(455)	(8.5)

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

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

Breakdown of Non-performing Loans by Types of Customer

Base on the reality where the credit grew rapidly during the first half of 2009, the Bank put forward the credit principle of “active management and prudential management”. At the end of the reporting period, while achieving the 31.58% growth rate of corporate loans, the Bank maintained the stability of asset quality with 0.33 percentage point of NPL ratio. The increase of personal NPL is mainly due to the growing NPL in credit card business.

Unit: in RMB million

	30 June 2009			31 December 2008			Compared with the previous year-end	
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)	Decrease/ increase	Growth rate (%)
Corporate loans	**8,620**	**88.0**	**1.23**	8,326	92.0	1.56	294	3.5
Personal loans	**1,130**	**11.6**	**1.15**	720	8.0	0.82	410	56.9
Discounted bills	**42**	**0.4**	**0.02**	—	—	—	42	—
Total	**9,792**	**100.0**	**0.99**	9,046	100.0	1.36	746	8.2

Distribution of Personal Non-performing Loans

As of 30 June 2009, affected by the macro-economy, the credit card NPL increased by RMB357 million, which is the high-risk and high-yield features of banking industry. The Bank effectively controlled the newly occurred NPL from credit card by exercising a tightened credit grant policy, enhancing its capability of managing sales channel risks and improving a series of measures such as approval procedure. As of 30 June 2009, the growing trend of credit card NPLs was contained, and the monthly newly emerged NPL amount decreased quarter on quarter.

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Decrease/ increase	Growth rate (%)
Credit card loans	**655**	**58.0**	298	41.4	357	119.8
Residential mortgage Loans	**238**	**21.0**	187	26.0	51	27.3
Others	**237**	**21.0**	235	32.6	2	0.9
Total personal loan	**1,130**	**100.0**	720	100.0	410	56.9

Breakdown of Non-performing Loans by Geographical Locations

Affected by the domestic and word economic environment, the NPL amount of Yangtze Rive Delta Area where the export companies and private enterprises are concentrated increased by RMB358 million compared with that at the end of the previous year, while the NPL ratio was 0.9%, a decrease of 0.18 percentage point compared with that at the end of the previous year, which is lower than the average level of the whole bank. The asset quality of the Bank remained stable, and in particular, the asset quality kept improving in the Pear River Delta area, which shows that the Bank is capable of respond to the complicated economic and financial environment effectively with good management.

Unit: in RMB million

	30 June 2009			31 December 2008			Compared with the previous year-end	
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)	Decrease/ increase	Growth rate (%)
Yangtze River Delta	**2,585**	**26.4**	**0.90**	2,227	24.6	1.08	358	16.1
Bohai Rim(Note)	**3,954**	**40.4**	**1.28**	3,519	38.9	1.87	435	12.4
Pearl River Delta and Western coast of Taiwan Straits	**1,368**	**14.0**	**0.99**	1,372	15.2	1.37	(4)	(0.3)
Central Region	**608**	**6.2**	**0.50**	624	6.9	0.84	(16)	(2.6)
Western Region	**797**	**8.1**	**0.81**	870	9.6	1.21	(73)	(8.4)
Northeastern Region	**480**	**4.9**	**1.36**	434	4.8	1.84	46	10.6
Hong Kong	**—**	**—**	**—**	—	—	—	—	—
Total loans to customers	**9,792**	**100.0**	**0.99**	9,046	100.0	1.36	746	8.2

Note: (1) Including the headquarters.

Breakdown of Corporate Non-performing Loans by Sectors

The Bank actively re-adjusted the credit structure and adhered to the principle of "quality industry and quality enterprise, mainstream market and mainstream customers". Thus, the Bank maintained the stable loan quality. The NPL of financial industry decreased by RMB66 million, the NPL of real estate industry decreased by RMB58 million and the NPL of electricity and water production and supply industry decreased by RMB45 million compared with that at the end of the previous year. Affected most by the external environment, the NPL of manufacturing industry and whole and retail industry only increased by RMB221 million and RMB155 million respectively compared with that at the end of the previous year.

Unit: in RMB million

	30 June 2009			31 December 2008			Compared with the previous year-end	
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)	Decrease/ increase	Growth rate (%)
Manufacturing	**4,521**	**52.4**	**2.25**	4,300	51.5	2.64	221	5.1
Wholesale and retail	**1,421**	**16.5**	**2.15**	1,266	15.2	2.59	155	12.2
Real estate	**663**	**7.7**	**1.60**	721	8.7	1.71	(58)	(8.0)
Leasing and commercial services	**367**	**4.3**	**0.95**	372	4.5	1.18	(5)	(1.3)
Production and supply of electricity, gas and water	**234**	**2.7**	**0.34**	279	3.4	0.49	(45)	(16.1)
Finance	**191**	**2.2**	**3.77**	257	3.1	11.04	(66)	(25.7)
Transportation and warehousing	**120**	**1.4**	**0.14**	122	1.5	0.19	(2)	(1.6)
Construction	**107**	**1.2**	**0.32**	93	1.1	0.39	14	15.1
Water conservancy, environment and public utilities management	**15**	**0.2**	**0.02**	18	0.2	0.05	(3)	(16.7)
Public and social organizations	**—**	**—**	**—**	—	—	—	—	—
Other customers	**981**	**11.4**	**1.85**	898	10.8	2.08	83	9.2
Total corporate NPLs	**8,620**	**100.0**	**1.23**	8,326	100.0	1.56	294	3.5

Provisions for Loan Losses Analysis

Changes in Provisions for Loan Losses

The Group timely set aside adequate provisions for loan losses on the principle of prudentially and conformed to reality. The provisions for loan losses include provision evaluated based on single item and on portfolio.

As of 30 June 2009, the balance of provisions for loan losses of the Group was RMB14.693 billion, representing an increase of RMB1.121 billion from RMB13.572 billion as at the end of the previous year, which were mainly for the increment of normal loans.

As of 30 June 2009, the ratios of the Group's total provisions for loan impairment losses to the total non-performing loans and to total loans and advances to customers were 150.05% and 1.49%, respectively.

The table below sets forth the changes in the Group's provisions for loan impairment losses and advances to customers:

Unit: in RMB million

	30 June 2009	31 December 2008
Beginning balance	**13,572**	9,342
Accrual of the year[1]	**1,176**	5,379
Reversal of impairment allowances[2]	**(58)**	(160)
Transfer out[3]	**—**	(72)
Write-offs	**(14)**	(931)
Recoveries of loans written off in previous years	**17**	14
Ending balance	**14,693**	13,572

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

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

(3) Including the provision for loan losses released after the loans are converted to repossessed assets.

Breakdown of Provisions for Loan Losses by Types of Customer

Unit: in RMB million

	30 June 2009			31 December 2008			Compared with the previous year-end	
	Balance	**Proportion (%)**	**Coverage (%)**	Balance	Proportion (%)	Coverage (%)	Decrease/ increase	Growth rate (%)
Corporate loans	**13,443**	**91.5**	**155.95**	12,669	93.3	152.15	774	6.1
Personal loans	**1,214**	**8.3**	**107.43**	842	6.2	116.98	372	44.2
Discounted bills	**36**	**0.2**	**85.71**	61	0.5	—	(25)	(41.0)
Total	**14,693**	**100.0**	**150.05**	13,572	100.0	150.03	1,121	8.3

Market Risk Management

While managing the market risk, the Bank introduced a strict limit approval authorization management system to control the potential market risk loss within the acceptable levels and ensure the stability of the Bank's returns. The Market Risk Committee of the Bank is responsible for formulating the market risk management policies and procedures, approving new products and risk limit. The Budget and Finance Department is responsible for the daily work of market risk management. The Treasury and Capital Market Department is responsible for implementing the policies and procedures of market risk management to ensure that the market risk be controlled within the limit set by the Market Risk Committee.

Interest Rate Risk Management

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

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

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

Interest Rate Risk Analysis

In the first half of 2009, the Bank closely followed the interest rate trends and exercised the concentrated management on the interest rate risk by implementing Funds Transfer Pricing (FTP), adjusted the re-pricing period at appropriate times. At the same time, the Bank optimized the limit management of the investment operations and the operating mechanism of the Market Risk Committee, so as to make active efforts to control the interest rate risk of investment operations. The Bank's interest rate gap status is set out in the following table.

Unit: in RMB million

Items	Non-interest bearing	Less than 3 months	3 months to 1 Year	1 year to 5 years	More than 5 years	Total
Total assets	25,044	709,220	569,234	77,542	20,757	1,401,797
Total liabilities	27,105	975,244	251,391	39,041	9,633	1,302,414
Interest rate gap	(2,061)	(266,024)	317,843	38,501	11,124	99,383

Exchange Rate Risk Management

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

As to the exchange rate risk of foreign currency capital, the Bank established a dedicated capital hedging portfolio, and mitigated exchange loss mainly through enhancing the use of foreign currency capital and hedging of foreign currency capital.

As to the exchange rate risk of foreign exchange trading exposure, the Bank conducts the foreign exchange business prudentially. The headquarters conducted a concentrated management of foreign exchange position squaring. The Treasury and Capital Market Department of the Bank's headquarters, through squaring in the market or hedging, controls the exchange rate risk exposure within the limit set by the Market Risk Committee.

Exchange Rate Risk Analysis

In the first half of 2009, the RMB against USD exchange rate fluctuated with a narrow margin and the exposure was always controlled within the acceptable level. The Bank's foreign exchange exposure status is set out in the following table.

Unit: in RMB million

Items	USD	Others	Total
On-balance sheet position	26,305	286	26,591
Off-balance sheet position	(24,501)	1,720	(22,781)
Total	1,804	2,006	3,810

Liquidity Risk

Liquidity Risk Management

The liquidity risk of the Bank is mainly caused by the duration structure mismatch between assets and liabilities, customers' early or centralized drawing of money and providing capital for loans, trading, investment and other operating activities.

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

Liquidity Risk Analysis

In the first half of 2009, Central Bank continued to implement the moderately loosened monetary policy and expand the monetary supply through open market operations. Thus, the market maintained an adequate liquidity. Pursuant to the annual management objective, the Bank strived a balanced development of assets and liabilities, actively prevented the possible liquidity risk caused by the changes of internal factors under the loosened external market condition and kept on optimizing the liquidity risk management procedures and improving the liquidity risk management system. The liquidity management was effective, the risk was under effective control, and all operations were carried out normally and smoothly. At the same time, the Bank paid attention to improve the returns on liquidity management. Since the beginning of this year, the Bank, in accordance with the difference of market interest rates, made efforts to strengthen the dynamic adjustment to the liquidity mix and assets structure. The profitability of liquidity management was improved significantly while the resistance to the liquidity risk was enhanced steadily.

The Bank continued to identify measure and monitor liquidity gap through maturity gap analysis. As of 30 June 2009, the liquidity gap of less than three months recorded negative figure, while that of other terms of maturity was positive. The demand deposits and time deposits payable on demand took up a large proportion of the Bank's deposits, which led to the negative gap of such term of maturity. The table below illustrates the liquidity gap of the Bank:

Unit: in RMB million

	Repayment on Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
30 June 2009	(511,514)	(94,300)	243,091	198,638	129,718	133,750	99,383

Internal Control and Operational Risk Management

Internal Control

Pursuant to the relevant laws and regulations and in light of the asset structure, operations and business features, the Bank established an internal control structure mainly composed of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management with the participation of all staff of the Bank. The Board of Director is responsible for formulating the basic internal control system and supervising its implementation; the Risk Management Committee and the Audit and Related Party Transactions Control Committee under the Board of Directors perform the corresponding duties of internal control and management, and the internal audit department makes assessment on the effectiveness of the internal control system.

During the reporting period, the Bank was in compliance with the requirements of the five state ministries under the State Council, including the MOF and so on, employed an internationally famous accounting firm as the external advisor, set up a full-time project team and actively advanced the implementation of the "Basic Standard for Enterprise Internal Control". Proceeding from the 5 internal control factors including control environment, risk identification and assessment, internal control measures, information communication and feedback, and supervision, assessment and rectification, the Bank conducted an overall examination on the internal control procedures, grasped the material defects in the internal control and identified the important risks of the Bank and relevant risk control conditions. To address the problem, the Bank has taken some practical and feasible rectification measures to lower risks. The Bank also recorded the whole internal control procedures in standard format documents to promote the standardization and normalization of the operation of all business areas and business procedures. The Bank put in place and perfected a scientific and sustainable internal control assessment method and tools to create favorable conditions for sustainable improvement of internal control management.

During the reporting period, the Bank closely followed the situation at home and abroad and perfected the risk identification and continuous monitoring means in a comprehensive way. The Bank improved the credit risk assessment and measurement means, applied the corporate client credit risk rating system, improved the credit early-warning mechanism and strengthened the management of credit limit to group clients; expanded the functions of the Market Risk Management Committee to improve the decision-making efficiency, intensified the transaction risk and market capitalization reporting system, strengthened the check-and-balance among the different positions and the coordination of functions, perfected the market risk authorization management mechanism and method, set up the professional operational risk management system, improved the operational risk management procedures and explored the professional means of operational risk management.

Internal Audit

The internal auditor is responsible for the supervision and evaluation of the risk management of the Bank, the adequacy and effectiveness of internal control across the Bank and reports to the Board of Directors, the Board of Supervisors, and the senior management in this regard. The Audit and Related Party Transactions Control Committee and the Internal Audit Committee of the Bank are responsible for the management of internal audit. The Bank intensified the internal audit with emphasis on the prevention of adverse incidents and operational risks, took rectification measures and innovated the audit methodology to strengthen the capability of internal audit department in performing duties and responsibilities and to continue to enhance the quality and value of the audit.

During the reporting period, the Bank launched the specialized inspections on the financial incomes and expenditures, notes and credit business and no-notice audit[1] on operational risks on the counter of all tier-1 branches, and made efforts to implement all the above work. By making great efforts, the Bank rectified all the problems identified by the CNAO during the whole bank audit. All the incompliant loans spotted in the previous year have been recovered or corrected.

The Bank enhanced the application of audit technology and further optimize the on-site audit information system to promote the IT application, standard procedures and normalization. The Bank actively used the off-site audit information system to carry out the off-site audit and monitoring to provide the effective data support to the on-site audit, which helped improve the efficiency and effectiveness of the on-site audit.

The Bank was perfecting its internal audit system gradually. It intensified the audit system development, strengthened the audit planning and quality control, and kept on improving the internal audit management.

Compliance Management

The Bank made active efforts to promote the construction of the overall risk management system by establishing and perfecting the compliance risk management framework to provide the guarantee for the legitimate and compliant operation. To this end, the Bank took the following measures:

— The Bank constructed the compliance risk management organization system of the headquarters and branch outlets in accordance with the principle of "step by step and gradual accomplishment".

— The Bank formulated the "Compliance Policies of China CITIC Bank" and the "Compliance Management Procedures of China CITIC Bank" to further promote and standardize the compliance risk management of the whole Bank.

— The Bank started the construction of compliance risk management information system to provide the IT basis for compliance risk management.

— The Bank assessed the compliance related rules and regulations at the level of the headquarters so as to improve the compliance and practicality of the rules and regulations and to ensure that the rules and regulations can meet the needs for operation and management, business expansion and compliant operation.

— The Bank closely followed the economic situation and the changes of state laws and regulations, reviewed the compliance of the new business, new products, the management measures of business and operational procedures to prevent the non-compliance risk.

— The bank provided compliance training and made effort to cultivate the compliance culture to establish the value of faithful and just compliance risk management.

1 "No-notice" audit refers to the on-spot audit without notification in advance.

Operational Risk

The Bank has fully complied with the requirements of the "Guideline on Management of Operational Risk of Commercial Banks" promulgated by China Banking Regulatory Commission and strengthened the construction of operational risk management system. The Bank set up its Operational Risk Management Department in charge of operational risk management and coordination within the whole bank, so as to improve the independence and authority of operational risk management. At the same time, the Bank established a professional team for operational risk management to comprehensively identify the operational risk points and actively explore the management means.

During the reporting period, the Bank launched an event of "100-day risk inspection" focusing on preventing adverse incidents and operational risks, ensuring safety". In this event, the Bank identified 4 million lots of operations with a total amount of RMB14 trillion; formulated more than 40 sets of rules and regulations for relevant business lines, which laid a solid foundation for enhancing operational risk management; the Bank strengthened the construction of IT system by introducing an concentrated accounting system throughout the Bank, which enhanced the capability to prevent the operational risks in accounting.

During the reporting period, no internal and external cases or material operational risk incidents happened.

Anti-Money Laundering

In the first half of 2009, the Bank faithfully fulfilled its obligation of anti-money laundering in accordance with the "Anti-Money Laundering Law" and relevant provisions. The major measures adopted are as follows:

— The Bank continued to optimize the anti-money laundering system to track cross-currency transfer transactions and the customer information in accordance with the requirements of regulatory authorities. At the same time, the Bank assessed the functions of the system on a periodical basis to improve the stability and efficiency of the system;

— The Bank improved the classification of customer risk, including grading the customers' risk level based on the features of customers and accounts, taking into account the factors such as geographical location, operations, industry and whether the customer is a foreign government head or not. At the same time, the Bank continuously adjusted the risk grading in appropriate time;

— The Bank strengthened the anti-money laundering training for employees. The headquarters and branches adopted various forms to provide training in anti-money laundering internal control system, customer identification system and relevant provisions of regulatory authorities to further improve the employees' awareness and skills of anti-money laundering.

— The Bank faithfully implemented the system for monitoring, judging, recording, analyzing and reporting anti-money laundering activities, and closely followed the flow and purpose of the funds of doubtful transactions in money laundering and terrorism financing.

Capital Management

The capital management of the Bank aims to ensure the capital adequacy ratio in compliance with the regulatory requirements in all time, maintain strong capital base and determine asset growth plan in view of capital adequacy to achieve the balance of risks, returns and business development, and pursue a maximization of shareholders' value on the premise of risk control.

To realize the above objectives, the Bank has practiced the following capital management strategies: (1) regularly monitoring and setting goals on achieving a reasonable capital adequacy ratio and maintaining growth of the risk asset at a reasonable pace; (2) taking effective measures to give prominence to the capital control mechanism, so as to improve capital efficiency. The Bank implemented the performance assessment system focusing on the "economic profit" and the "risk capital return" and realized the optimized allocation and dynamic monitoring of economic capital throughout the Bank and among the products by making use of the economic capital allocation system, with a view to fulfilling the target of maximizing capital return on a continuous and steady basis; (3) applying various capital tools to optimize capital amount and structure so as to lower the financing cost.

At the same time, in order to accomplish the above strategies completely, the Bank is accelerating the development of risk measurement technology and expanding the application of capital management in the fields of product pricing, performance assessment and business planning, etc. so as to enhance the role of economic capital in guiding the operations of the whole Bank.

Investment

On 27 April 2007, the Bank launched the IPO of 2.302 billion A shares and 5.618 billion H shares, with the unit issuing price of RMB5.80 for A shares and HKD5.86 for H shares. After exchange rate adjustment, the issuing prices of A and H shares were consistent. The Bank raised a total capital of approximately RMB44.836 billion by issuing A and H shares (deducting the issuing and listing costs). As at the end of the reporting period, all the raised capital, in accordance with the approvals by China Banking Regulatory Commission and China Securities Regulatory Commission, was used for supplementing the capital of the Bank to improve the capital adequacy ratio and risk resistance ability.

There was no significant project invested with the funds from the Bank's non-fund raising activities.

Outlook

As of the end of the reporting period, the accomplishment of the Bank's plan made at the beginning of 2009 is as follows:

— The full-year target for domestic and foreign currency denominated deposits from customers is about RMB1,096 billion. The accomplishment for the target is RMB1,173.347 billion, achieving 107.06% of the full-year target.

— The full-year target for foreign currency denominated loans is about RMB785 billion. The accomplishment for the target is RMB988.748 billion, achieving 125.96% of the full-year target.

The economy recovery and the steady macro-economic control policies provided a good opportunity for the development of banks. But uncertainties of internal and external situations are still presenting challenges for banks' operation and management. In the second half of 2009, China CITIC Bank will continue to strengthen its studies and judgment on the macro-economic and financial situation, to grasp opportunities brought by the economy recovery. The Bank will thoroughly implement macro-economic control measures, reasonably expand credit scale, optimize the credit structure and implement the customer policy of "some loans shall be ensured and some loans shall be reduced, holding entrance and withdrawal mechanism". The development of new businesses such as asset custody, wealth management, investment banking and private banking will be speeded up to increase the proportion of net non-interest income while reinforcing our traditional predominant businesses. The overall management on credit risks, market risks, operational risks and liquidity risks will be strengthened and perfected, the operational risks will be closely monitored, and the compliance and internal control systems will be strengthened so that the assets quality could be constantly improved. In the complicated external operating environment, the Bank is confident to realize the coordinated development of efficiency, quality and scale, and thus laid a solid foundation for long-term development.

Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Shares

Information on Changes in Shares

Unit: share

	Before Changes		New Share	Increase/	After Changes	
	Shares	Percentage (%)	Issued	Decrease(+,-)	Shares	Percentage (%)
1. Shares Held by the State	0	—		—	0	—
2. Shares Held by State-Owned Legal Persons	24,329,608,919	62.33		0	24,329,608,919	62.33
3. Shares Held by Other Domestic Investors,						
Including:						
Shares Held by Domestic Non-state-Owned Legal Persons	0	—		0	0	—
Shares Held by Domestic Natural Persons	0	—		0	0	—
4. Shares Held by Foreign Investors,						
Including:		—				
Shares Held by Foreign Legal Persons	1,609,906,176	4.12		1,938,203,570	3,548,109,746	9.09
Shares Held by Foreign Natural Persons	0	—		0	0	—
Total Shares Subject to Restrictions on Sale:	25,939,515,095	66.45		1,938,203,570	27,877,718,665	71.42
1. RMB-denominated Ordinary Shares	2,301,932,654	5.90		0	2,301,932,654	5.90
2. Domestic Listed Foreign Shares	0	—		0	0	—
3. Overseas Listed Foreign Shares	10,791,896,305	27.65		-1,938,203,570	8,853,692,735	22.68
4. Others	0	—		0	0	—
Total Shares Not Subject to Restrictions on Sale:	13,093,828,959	33.55		-1,938,203,570	11,155,625,389	28.58
Total Shares Issued	39,033,344,054	100.00		0	39,033,344,054	100.00

Shareholders

Total Number of Shareholders

As of 30 June 2009, the Bank's total number of Shareholders were 496,123 accounts, including 447,154 accounts for A-share and 48,969 accounts for H-share. (The shareholdings of the shareholders of H shares are calculated with reference to the number of shares listed in the Bank's share register maintained in the H share registrar.)

Shareholding of the Top 10 Shareholders

Unit: share

No.	Name of Shareholders	Nature of Shareholder	Type of Shares	Total shares held	Percentage of Shareholding (%)	Shares Subject to Restrictions on Sale	Increase or Decrease of Shares in reporting period	Share Being Pledged or Frozen
1	CITIC Group	State-owned	A-share	24,329,608,919	62.33	24,329,608,919	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign Capital	H-share	6,102,318,765	15.63	0	-8,887,090	Unknown
3	BBVA	Foreign Capital	H-share	3,930,657,746	10.07	3,548,109,746	1,938,203,570	0
4	GIL	Foreign Capital	H-share	1,924,344,454	4.93	0	-1,938,203,570	0
5	China Construction Bank	State-owned	H-share	168,599,268	0.43	0	0	Unknown
6	Mizuho Corporate Bank	Foreign Capital	H-share	68,259,000	0.17	0	0	Unknown
7	National Council for Social Security Fund	State-owned	H-share	68,259,000	0.17	0	0	Unknown
8	PICC Property and Casualty Company Limited	State-owned	H-share	68,259,000	0.17	0	0	Unknown
9	China Life Insurance (Group) Company	State-owned	H-share	34,129,000	0.09	0	0	Unknown
10	China Life Insurance Company Limited	State-owned	H-share	34,129,000	0.09	0	0	Unknown

As of 30 June 2009, GIL is a wholly-owned subsidiary of CITIC Group and China Life Insurance Company Limited is a controlled subsidiary of China Life Insurance (Group) Company. Besides, the Bank is not aware of the affiliated relations among the above shareholders. The five cornerstone investors of H shares, including Mizuho Corporate Bank, National Council for Social Security Fund, PICC Property and Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Company Limited, undertake to notify the Bank in written before they sell any H shares purchased pursuant to the placing agreement after the end of the lock-up period.

Shareholding of the Top 10 non-restricted shareholders

Unit: Share

No.	Name of Shareholders	Number of Shares not subject to restrictions on sale	Type of Shares
1	Hong Kong Securities Clearing Company Nominees Limited	6,102,318,765	H-share
2	GIL	1,924,344,454	H-share
3	BBVA	382,548,000	H-share
4	China Construction Bank	168,599,268	H-share
5	Mizuho Corporate Bank	68,259,000	H-share
6	National Council for Social Security Fund	68,259,000	H-share
7	PICC Property and Casualty Company Limited	68,259,000	H-share
8	China Life Insurance (Group) Company	34,129,000	H-share
9	China Life Insurance Company Limited	34,129,000	H-share
10	China State Shipbuilding Corporation	29,310,000	A-share

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

Shareholding of the Top 10 restricted shareholders

Unit: Share

Name of Shareholders	Restricted Shares at the Beginning of the reporting period	Shares Relieved during the reporting period	Increase of Restricted Shares during the reporting period	Restricted Shares at the End of the reporting period	Reasons of Restrictions	Expiry Date of Restrictions
CITIC Group	24,329,608,919	—	—	24,329,608,919	Company's Undertaking [1]	28 April 2010
BBVA	1,502,763,281	—	—	1,502,763,281	Company's Undertaking [2]	2 March 2010
	107,142,895	—	1,938,203,570	2,045,346,465	Company's Undertaking [3]	Expiry date [4]
Total	25,939,515,095	—	1,938,203,570	27,877,718,665	—	—

Note: (1) On 27 April 2007 when the Bank was listed, CITIC Group made commitment that within 36 months since the Bank's A shares had been listed on SSE, CITIC Group shall not transfer or authorize others to manage its directly or indirectly held A shares at the Bank. Nor shall the Bank purchase these A shares from CITIC Group. But those transferred to H shares which are approved by the CSRC or any securities approval institutions authorized by the State Council shall not be restricted by the above-mentioned 36 months lock-up period.

(2) On 1 March 2007, CITIC Group transferred its 1,502,763,281 to BBVA. BBVA made commitment that it shall abide by the restriction that BBVA shall not transfer these initial close shares that were settled on 1 March 2007 prior to the end of the third anniversary of the purchase date.

(3) According to the expressly agreed terms related to lock-up period in the Investor Rights Agreement entered into among China CITIC Bank, CITIC Group and BBVA on 22 November 2008 and according to the expressly agreed revisions related to lock-up period in the Framework Agreement entered into among CITIC Group, GIL and BBVA, on 3 June 2008, BBVA shall abide by the agreed terms regarding share restrictions.

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

The Listing Date of Shares Subject to Restrictions on Sale

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

Eligible for Trading	Increase of Unlocked Shares	Number of Remaining Shares Subject to Restrictions on Sale	Number of Remaining Shares not Subject to Restrictions on Sale	Description
Note (1)	2,045,346,465	25,832,372,200	13,200,971,854	unlocked from a portion of H shares held by BBVA
2 March 2010	1,502,763,281	24,329,608,919	14,703,735,135	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	0	39,033,344,054	unlocked from A shares held by CITIC Group

Note (1): the same with note (4) of the "Shareholding of the Top 10 restricted shareholders".

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

Eligible for Trading	Increase of Unlocked Shares	Number of Remaining Shares Subject to Restrictions on Sale	Number of Remaining Shares Not Subject to Restrictions on Sale	Description
2 March 2010	1,502,763,281	26,374,955,384	12,658,388,670	unlocked from a portion of H shares held by BBVA
Note (1)	2,045,346,465	24,329,608,919	14,703,735,135	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	0	39,033,344,054	unlocked from A shares held by CITIC Group

Note (1): the same with note (4) of the "Shareholding of the Top 10 restricted shareholders".

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

Eligible for Trading	Increase of Unlocked Shares	Number of Remaining Shares Subject to Restrictions on Sale	Number of Remaining Shares Not Subject to Restrictions on Sale	Description
2 March 2010	1,502,763,281	26,374,955,384	12,658,388,670	unlocked from a portion of H shares held by BBVA
28 April 2010	24,329,608,919	2,045,346,465	36,987,997,589	unlocked from A shares held by CITIC Group
Note (1)	2,045,346,465	0	39,033,344,054	unlocked from a portion of H shares held by BBVA

Note (1): the same with note (4) of the "Shareholding of the Top 10 restricted shareholders".

Interests and Short Positions of Substantial Shareholders and Other Persons

According to the register records maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance, as of 30 June 2009, the following substantial shareholders and other persons had the following interests and short positions in shares and underlying shares of the Bank:

Name of Shareholders	Number of Shares of Held	Shareholding Percentage of Total Issued Share Capital (%)	Type of Shares
BBVA	9,759,705,434(L) 3,809,655,735(S)	78.70(L) 30.72(S)	H-share
BBVA	24,329,608,919(L)	91.36(L)	A-share
CITIC Group	3,809,655,735(L) 1,924,344,454(S)	30.72(L) 15.52(S)	H-share
CITIC Group	24,402,891,019(L)	91.38(L)	A-share
Lehman Brothers (Asia) Holdings Company Limited	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers (Asia) Company Limited	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Asia-pacific (Singapore) Holdings Company Limited	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Barclays Global Investors UK Holdings Limited	629,653,439(L) 5,708,000(S)	5.08(L) 0.05(S)	H-share
Barclays PLC	629,653,439(L) 5,708,000(S)	5.08(L) 0.05(S)	H-share

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

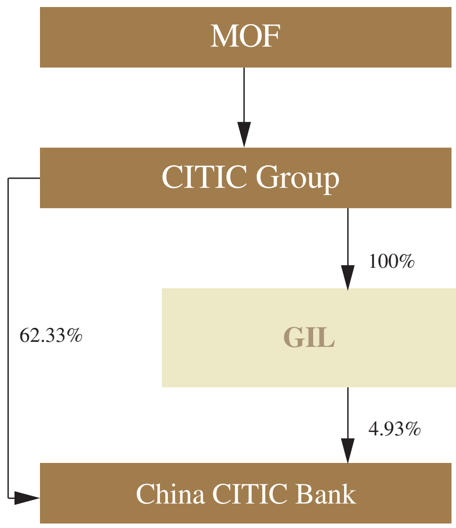
Save for disclosed above, as of 30 June 2009, no other interests or short positions of any person or company in shares or underlying shares of the Bank were required to be recorded in the register maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance under sections II and III of Part XV of the Securities and Futures Ordinance.

Controlling Shareholders and De Facto Controller of the Bank

CITIC Group is the controlling shareholder and de facto controller of the Bank. There was no change in shareholders and de facto controller of the Bank within the reporting period.

CITIC Group, with the initiation and approval by Mr. Deng Xiaoping, the chief architect of China's Reform and Opening-up and the State Council, was established in October 1979 by Mr. Rong Yiren, former Vice Chairman of China as the first window corporate. CITIC Group is a large-scale leading multinational state-owned enterprise based in China, whose investment focuses on industries such as financial services, information technology, energy sources and heavy industry. At present, it has business presences in Hong Kong, America, Canada and Australia. After numerous changes in capital, the registered capital of CITIC Group as of 30 June 2009 was RMB30 billion, and its legal representative was Mr. Kong Dan.

As at the end of the reporting period, CITIC Group directly held the Bank's 24,329,608,919 A shares which represented 62.33% of the total share capital and 1,924,344,454 H shares through GIL, representing 4.93% of the total share capital. CITIC Group held a total of 67.26% of the Bank's shares.



Directors, Supervisors, Senior Management and Staff

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

Board of Directors

Name	Title	Name	Title
Mr. Kong Dan	Chairman, Non-executive director	Mr. Guo Ketong	Non-executive director
Mr. Chang Zhenming	Vice chairman, Non-executive director	Mr. José Ignacio Goirigolzarri	Non-executive director
Dr. Chen Xiaoxian	Executive director, President	Dr. Bai Chong-En	Independent non-executive director
Mr. Dou Jianzhong	Non-executive director	Dr. Ai Hongde	Independent non-executive director
Mr. Ju Weimin	Non-executive director	Dr. Xie Rong	Independent non-executive director
Mr. Zhang Jijing	Non-executive director	Mr. Wang Xiangfei	Independent non-executive director
Mr. Wu Beiying	Executive director, Executive vice-president	Mr. Li Zheping	Independent non-executive director
Ms. Chan Hui Dor Lam Doreen	Non-executive director		

Board of Supervisors

Name	Title	Name	Title
Mr. Wang Chuan	Chairman of the Board of Supervisors	Mr. Zheng Xuexue	Supervisor
Mr. Wang Shuanlin	Vice chairman of the Board of Supervisors	Mr. Lin Zhengyue	Employee supervisor
Ms. Zhuang Yumin	External supervisor	Mr. Li Gang	Employee supervisor
Ms. Luo Xiaoyuan	External supervisor	Mr. Deng Yuewen	Employee supervisor

Senior Management

Name	Title	Name	Title
Dr. Chen Xiaoxian	Executive director, President	Mr. Cao Bin	Secretary of the Committee for Discipline Inspection of CPC
Mr. Wu Beiying	Executive director, Executive vice president	Mr. Wang Lianfu	Chairman of the Trade Union (vice president level)
Dr. Ou Yang Qian	Vice president	Mr. Cao Guoqiang	Assistant president
Dr. Zhao Xiaofan	Vice president, General manager of the Bank's Beijing branch	Mr. Zhang Qiang	Assistant president
Mr. Su Guoxin	Vice president	Mr. Luo Yan	Secretary to the Board of Directors
Mr. Cao Tong	Vice president		

Changes in Shares Held by Directors, Supervisors and Senior Management

In 2008, Ms. Chan Hui Dor Lam Doreen, Director of the Bank, originally held 2,974,689 shares of CIFH. After the cancellation of those shares, in accordance to the arrangement of the relevant agreement during the privatization of CIFH, she was given some 2,974,689 corresponding H shares of CITIC bank, as a consideration of the cancellation. Within the reporting period, there were no changes in the number of shares at the Bank held by Ms. Chan Hui Dor Lam Doreen. Except for Ms. Chan Hui Dor Lam Doreen, no other directors, supervisors and senior management of the Bank held any shares of the Bank.

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

Through deliberation at the 2008 annual general meeting, the members of the second Board of Directors of the Bank were approved. They are: Mr. Kong Dan, Mr. Chang Zhenming, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Zhang Jijing, Mr. Wu Beiying, Ms. Chan Hui Dor Lam Doreen, Mr. Guo Ketong, Mr. José Ignacio Goirigolzarri, Mr. José Andrés Barreiro, Dr. Bai Chong-En, Dr. Ai Hongde, Dr. Xie Rong, Mr. Wang Xiangfei and Mr. Li Zheping. The qualification of Mr. José Andrés Barreiro is to be verified by China Banking Regulatory Commission.

Through deliberation at the 2008 annual general meeting, the members of the second Board of Supervisors of the Bank were approved. The non-employee supervisors are Mr. Wang Chuan, Mr. Wang Shuanlin, Mr. Zheng Xuexue, Ms. Zhuang Yumin, and Ms. Luo Xiaoyuan.

Through deliberation at the first meeting, the second Board of Directors appointed Dr. Chen Xiaoxian as president, Mr. Wu Beiying as executive vice president and person-in-charge of risk, Dr. Ou Yang Qian, Dr. Zhao Xiaofan, Mr. Su Guoxin and Mr. Cao Tong as vice president, Mr. Cao Guoqiang as assistant president and person-in-charge of finance, Mr. Zhang Qiang as assistant president, and Mr. Luo Yan as secretary to the Board of Directors.

Staff Profile

According to the principle of effective motivation and strict restriction and effective coordination, the Bank promoted the improvements of human resource management system. The Bank strengthened the adjustment and allocation of management staff in branch outlets and the headquarters, promoted cadres exchange, improved the assessment and appointment mechanism and reserved talents; built up a standard professional and technical posts grading sequence and expanded development opportunities for employees, so as to enhance the professional and technical knowledge of the team; formulated the human resource plan in a scientific way, improved the recruitment work and optimized personnel structure; improved the system, optimized the workflow and standardized the institution management; further completed the salary, benefit and insurance system and intensified the incentive function; promoted knowledge training and business exchange and built a human resource work appraisal mechanism for business lines, so as to improve the professional service capability. As of 30 June 2009, the Bank had 21,928 employees, 543 more that that of the previous the year end.

Corporate Governance

During the reporting period, the Bank has complied with relevant laws and regulations such as Company law of the People's Republic of China, Securities Law of the People's Republic of China and Law of the People's Republic of China on Commercial Banks, and improved its corporate governance structure based on its situation. The Bank has established a management structure composed of the General Meeting, the Board of Directors, the Board of Supervisors and the senior management, namely, the structure of "three meetings and one management level". Besides, the Bank also clearly clarified the duties of each party in the above-mentioned management structure, directors, supervisors and senior management, by identifying provisions in the Articles of Association and the Rules of Procedure of the "three meetings, one management level", in order to achieve the integration of rights, obligations and interests, and established a scientific and efficient mechanism for decision-making, policies implementation and supervision. Therefore, the Bank's decision-making body, implementing body and supervising body can perform their own duties, work together and restrict each other.

During the reporting period, the Bank has further improved its systems based on domestic and overseas regulations, including firstly formulating the Policy of Compliance of China CITIC Bank Corporation Limited and accelerating the building of compliant risk management system and establishing an effective compliant risk management mechanism; secondly formulating the Evaluation Measures of the Board of Directors of China CITIC Bank Corporation Limited on the Duty Performance of Directors and Senior Management and the Evaluation Measures of the Board of Supervisors of China CITIC Bank Corporation Limited on the Duty Performance of Directors, Supervisors and Senior Management and enhancing the restrictive and supervisory mechanism on the Bank's directors, supervisors and senior management and urging them to fully perform their own duties and pursue a standardized and efficient operation of the Board of Directors and the Board of Supervisors; thirdly promulgating the Work System of Independent Directors of China CITIC Bank Corporation Limited to give full play to the supervisory function of independent directors and protect the legitimate rights and interests of all shareholders, especially the minority shareholders.

General Meeting, Board of Directors and Board of Supervisors

During the reporting period, one general meeting, five meetings of the Board of Directors and five meetings of the Board of Supervisors have been held by the Bank according to the regulations stipulated in the articles of association. All of the above-mentioned meetings were held in line with the procedures stated in relevant laws, regulations and rules in the articles of association.

General Meeting

The general meeting is the organ of power of the Bank. During the reporting period, the Bank held the 2008 Annual General Meeting, strictly in line with the public listing rules of both Shanghai and Hong Kong. The shares held by the A and H shareholders who have attended the meeting and their authorized representatives amounted to 83.35% of the total shares. The General Meeting made decisions upon significant matters of the Bank according to the law, and considered and approved such matters as the report of the Board of Directors of 2008, the report of the Board of Supervisors of 2008, the annual financial statements of 2008, the profit distribution plan of 2008, the financial budget of 2009, the amendments to the articles of association, the election and re-election of directors and non-employee supervisors of the second term, the engagement of external auditors and the auditors' fee, and the acquisition of 70.32% equity of CIFH. By doing so, the General Meeting managed to safeguard the legitimate rights and interests of all shareholders and ensured the lawful exercise of the rights and duties by shareholders, which is significant for promoting the long-term, solid and sustainable development of the Bank.

Board of Directors

The Board of Directors is the decision-making body of the Bank, who is responsible for implementing the decisions made at the General Meeting, makes the Bank's key principles, policies and developing strategies, decides long and medium-term operating plans and investment plans, determines the annual financial budget plan, financial statements and the profit distribution plan, and appoints senior management, etc. During the reporting period, the Board of Directors completed its member election for the second term. 15 directors of the first Board were elected to continue to perform the duty of directors and Mr. José Andrés Barreiro[1] was the new elected non-executive director. Therefore, the Board of Directors of the Bank consists of 16 members, including 2 executive directors, 9 non-executive directors and 5 independent non-executive directors and Mr. Kong Dan as chairman.

During the reporting period, the Board of Directors has held 5 meetings in total (including voting by correspondence), in which 30 proposals were approved, including the report of the Board of Directors of 2008, annual report of 2008, remuneration proposal for senior management of 2008, the compliance policies, the financial budget of 2009, the first quarterly report of 2009, the profit distribution plan of 2008, the engagement of external auditors, the proposal of nomination of directors for the second Board of Directors, the acquisition of 70.32% shares of CIFH and the amendments to the articles of association. Besides, the Board of Directors has also listened to the report on the Bank's business operation submitted by the senior management, and listened reports by related business departments on the cooperation between the Bank and its strategic investor.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the General Meeting. It supervises the performance of the Board of Directors and senior management to improve the Bank's internal control system, inspects and monitors the Bank's financial activities and examines the risk control on the Bank's operational decision-making. As at the end of the reporting period, the Board of Supervisors of the Bank consists of eight supervisors, including two external supervisors, and three employee supervisors. The composition of the Board of Supervisors complies with the statutory requirements and the articles of association of the Bank. During the reporting period, the members of the second Board of Supervisors were elected, while all non-employee supervisors of the first Board of Supervisors were re-appointed as the members of the second Board of Supervisors. Therefore, the Board of Supervisors consists of eight members, including two external supervisors, three shareholder's representative supervisors, three employee supervisors, and Mr. Wang Chuan as chairman.

During the reporting period, the Board of Supervisors of the Bank held five meetings, and discussed and approved six proposals, including the annual work report of the Board of Supervisors, the candidate list of the second Board of Supervisors, the annual report of 2008 and the first quarterly report of 2009 etc. In addition, the Board of Supervisors supervised and examined the Bank's operation and management by sitting in on meetings of the Board of Directors, making field study in some branches, considering various documents and listening reports from senor management.

1 The qualifications of Mr. José Andrés Barreiro are to be approved by the CBRC.

Senior Management

Senior management is the executive body of the Bank and is accountable to the Board of Directors. It reports to the Board of Directors or the specialized committees under the Board of Directors and is subject to the supervision of the Board of Directors and the Board of Supervisors. During the reporting period, the Bank's senior management were appointed by the Board of Directors and comprised 11 members, including one president, seven vice presidents (including vice president level), two assistant presidents, and one secretary to the Board of Directors. Responsibilities and authorities of the Bank's senior management and Board of Directors are strictly defined and separated. The senior management, according to the scope of authority defined by the Board of Directors, makes decisions on business management, operation and so on.

Information Disclosure

Good information disclosure performance is critical to improve the operation transparency and build a better market image for the Bank. The Bank placed great importance to information disclosure, strictly following the regulations of the listing venues and adhering to the principles of high standards, strict compliance, and extensive information disclosure to impartiality safeguard the interests of investors and shareholders from home and abroad.

During the reporting period, the Bank has complied with the laws, regulations required by domestic and overseas regulators and the listing rules of the listing venues. Considering the policies formulated by the Bank including the Regulatory Measures on Information Disclosure Management System of China CITIC Bank Corporation Limited, Internal Reporting System for Significant Information of China CITIC Bank Corporation Limited and the Implementation Measures for the Regulatory Measures on Information Disclosure Management System of China CITIC Bank Corporation Limited, the Bank identified an effective procedure for internal information reporting, review and disclosure, and continued to enhance the information disclosure management. During the reporting period, the Bank has disclosed more than 20 announcements in the overseas and domestic markets.

Management of Investor Relations

In the first half of 2009, the Bank's investor relations management continued to improve and was well received by the market.

The Bank strictly adhered to the supervision requirements and continuously improved its daily management of investor relations. Besides complying with the principles of compliance, confidentiality, fairness and high-efficiency, the Bank continuously improved the investor relations management system, standardized the procedures and increased the working standard and took more initiative to interact with investors.

The Bank has carried out comprehensive and active communications with investors to propagate investment values of our bank. Except for the activities such as the large-scaled regular results announcement press conference, global investors conference calls and media communications, the Bank also organized special road shows concerning the equity acquisition of CIFH, in order to strengthen communications with investors, analysts and the media, which won the Bank recognition and trust from the market. At the same time, the Bank actively strengthened its daily communication with investors, built up a brand-new network platform and improved multiple communication channels. In the first half the year, the Bank has organized nearly 70 meetings, including one-on-one meetings, more than 10 conference calls, dealt with hundreds of hotline inquiries and thousands of letters from investors.

Significant Events

Profits Distribution Status, Implementation Status of Proposals of Transferring Public Accumulation Funds for Increasing of Share Capital and Proposal of New Stock Issuing

As approved at the 2008 annual general meeting held on 29 June 2009, the Bank has distributed dividends for the period from 1 January 2008 to 31 December 2008, in cash, to H-share holders who appeared on the share register on 29 June 2009 and A-share holders who appeared on the share register on 22 July 2009. A dividend of RMB0.0853 (tax included) per share and a total dividend of RMB3.33 billion was distributed. In the interim of 2009, the Bank has no plan of dividends distribution, proposal of transferring public accumulation funds for increasing of share capital or proposal on new stock issuing.

Purchase, Sale or Redemption of Shares of the Bank

During the reporting period, the Bank or its affiliates didn't purchase, sale or redeem any shares of the Bank.

Material Acquisitions, Disposals or Restructuring of Assets

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

Material Contracts and Performance

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

The guarantee business is one of the off-balance-sheet items in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within the approved business scope of the Bank.

There was no significant cash management event entrusted by the Bank.

Appropriation of Funds by Substantial Shareholders

There was no appropriation of funds by the Bank's substantial shareholders.

Material Litigations and Arbitrations

The Bank has been involved in several lawsuits during its daily operation. Most of these lawsuits were sought by the Bank to enforce loan repayment. Besides, there were also lawsuits regarding disputes with clients. As at 30 June 2009, the Bank was involved in 53 lawsuits with the disputed amount exceeding RMB30 million (either as plaintiff or defendant), with a total disputed amount of RMB2.683 billion; there are 71 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendants, with a total dispute amount of RMB472 million.

The management of the Bank are of the view that such litigations would not have any material impact on the operating results and the financial situation of the Bank.

Significant Related Party Transactions

When entering into related party transactions, the Bank only entered into such transactions on normal commercial terms, the terms available to the related parties are no more favorable than those available to independent third parities of the same kind of transactions.

Related Party Transaction of Assets Disposal and Acquisition

The Bank entered into a share purchase agreement with China CITIC Group and GIL on 8 May 2009. Pursuant to the agreement, the Bank agreed to purchase 70.32% interest in CIFH held by GIL for a cash consideration of HKD13.563 billion. The cash consideration of HKD13.563 billion was confirmed after discussing many factors which include but not limited to: estimated value of CIFH when being privatized in November 2008; its long-term growth potential; synergy gained from of the business integration with CIFH as well as the reasons and benefits of acquisition. If CIFH issued new shares to its shareholders before the close of the deal, the Bank agreed to buy these shares from GIL at cost price.

The net asset value of CIFH attributable to GIL as of 31 December 2008 (after taking into account the capital reduction and distribution payment) was approximately HKD9,485 million. The consideration for the CIFH acquisition was above the net asset value of CIFH attributable to GIL as of 31 December 2008 (after taking into account the capital reduction and distribution payment) by approximately HKD4,078 million, or equivalent to approximately 43%. In other words, the consideration equalled to 1.43 times of the net asset value of CIFH attributable to GIL. Despite the consideration for the CIFH acquisition being at a premium to the unaudited net asset value of CIFH attributable to GIL, after taking into account the fact that the consideration for the CIFH acquisition was on a price to book multiple similar to that incurred by GIL in connection with the CIFH privatisation proposal, and based on the benefits above, the Board of Directors of the Bank considered that the CIFH acquisition was on normal commercial terms and fair and reasonable and in the interests of the shareholders as a whole. The meeting of the Board of Directors held on 8 May 2009 and the 2008 annual general meeting of the Bank held on 29 June 2009 have approved the acquisition. The Bank has submitted application to domestic and overseas regulatory authority such as China Banking Regulatory Commission and Hong Kong Monetary Authority to obtain their approval for the acquisition. Currently, the application is subject to the approval of the regulatory authorities.

Related Party Transactions of Credit Extension

As at the end of the reporting period, the loan balance extended by the Bank to related parties was RMB6,233 million. The risks of loans granted to the related parties are classified as normal, the loan amount, structure and quality would not have material impact on the normal operation of the Bank. The following table sets forth the loans granted by the Bank to the shareholders holding 5% or more of the shares of the Bank as at the end of the reporting period:

Unit: in RMB million

Name of Shareholder	Percentage of shareholding (%)	Loan balance as of 30 June 2009	Loan balance as of 31 December 2007
CITIC Group	67.26	380	380
BBVA	10.07	0	0

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

Continuing Related Party Transactions of Non-Credit Extension

The Bank conducted transactions with its connected persons in the ordinary and usual course of our business. The Bank entered into continuing connected transaction agreements with CITIC Group and its associates in 2008. As of 30 June 2009, the implementation for these continuing agreements are as follows:

Third-Party Escrow Service

On 4 November 2008, the Bank entered into the Third-Party Escrow Service Framework Agreement with CITIC Group. The third-party escrow services provided by the Bank shall be made on terms no more favorable to CITIC Group and its associates than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The annual cap for the transactions under the Third-Party Escrow Service Framework Agreement for the year 2009 was RMB68 million. The actual amount incurred as of 30 June 2009 was RMB2 million.

Investment Product Agency Sales Service

On 4 November 2008, the Bank entered into the Investment Product Agency Sales Service Framework Agreement with CITIC Group. The agency sale services to be provided by the Bank shall be made on terms no more favorable to CITIC Group and its associates than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement for the year 2009 was RMB66 million. The actual amount incurred as of 30 June 2009 was RMB41 million.

Asset Custody Service

On 4 November 2008, the Bank entered into the Asset Custody Service Framework Agreement with CITIC Group. The asset custody services to be provided by the Bank shall be made on terms no more favorable to CITIC Group and its associates than those available to independent third parties. The current custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. The annual cap for the transactions under the Asset Custody Service Framework Agreement for the year 2009 was RMB65 million. The actual amount incurred as of 30 June 2009 was RMB31 million.

Loan Asset Transfer

On 4 November 2008, the Bank entered into the Loan Asset Transfer Framework Agreement with CITIC Group. The Loan Asset Transfer Framework Agreement shall be made on terms no more favorable to CITIC Group and its associates than those available to independent third parties.

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

The annual cap for the transactions under the Loan Asset Transfer Framework Agreement for the year 2009 was RMB210 billion. The actual amount incurred as of 30 June 2009 was RMB2 billion.

Wealth Management Service

On 4 November 2008, the Bank entered into the Wealth Management Service Framework Agreement with CITIC Group.

The Bank shall be made on terms not more favorable to CITIC Group and its associates than those available to comparable independent third parties. The wealth management fees payable to CITIC Group and its associates by the Bank shall be determined based on the relevant market rates and subject to review on a periodic basis.

The annual cap for the transactions under the Wealth Management Service Framework Agreement for the year 2009 was RMB1.7 billion. The actual amount incurred as of 30 June 2009 was RMB32 million.

Investment in Securities

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

Unit: RMB

No.	Stock Code	Abbreviation	Initial Investment Amount	Shareholding Percentage	Book Value at the End of Period	Loss/income during the reporting period	Book Value at the Beginning of Period	Changes in equity during the reporting period	Accounting title	Source
1	00762	China Unicom (HK)	15,795,000.00	—	8,103,502.21	—	7,348,182.66	755,319.55	Financial assets available-for-sale	Cash purchase
2	V	VISA Card	—	—	10,089,903.30	—	8,406,233.36	1,683,669.94	Financial assets available-for-sale	Acquire for free
	Total		15,795,000.00	—	18,193,405.51	—	15,754,416.02	2,438,989.49	—	—

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

Name of Object Company	Initial Investment amount *(RMB)*	Shares Held *(Share)*	Shareholding Percentage	Book Value at the End of Period *(RMB)*	Loss/income during the reporting period *(RMB)*	Changes in equity during the reporting period *(RMB)*	Accounting title	Source
China UnionPay Co., Ltd	70,000,000.00	87,500,000	4.24%	113,750,000.00	2,975,000	—	Long-term equity investment	Cash purchase

Note: Apart from the above mentioned equity investment, as at the end of the reporting period, CIFL, a subsidiary of the Bank, held a private fund with the net value equalling to RMB295 million.

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

During the reporting period, neither the Bank, the Board of Directors, any Directors, Senior Management nor shareholders or de facto controller of the Bank was subject to any investigation of authorized agency, judicial department, inspect discipline department or CSRC, administrative punishment, banning the entry to securities markets, criticism by notice, circulation, identification as inappropriate candidate, punishment by other administrative departments, public reprimand from any stock exchanges, or was subject to any punishment that imposes material impact on the Bank's operating activities from other regulatory authorities, or was subject to the punishment by regulatory authorities, which may exert significant impact on the Bank.

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

Shareholders made no new undertakings during the reporting period, and the undertakings within the reporting period are the same as the contents disclosed in the 2008 annual report. The Bank is not aware of any violation of their undertakings by shareholders with shareholding of 5% or above at the Bank.

Interests and Short Positions, Related Shares and Title to Debt Held by Directors, Supervisors and Senior Management

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

Name of Director	The Associated Shareholding Corporation	Nature of Interests	Type/Number of Shares	Percentage in the Share Capital issued	Execution Period
Kong Dan	CITIC Resources Holdings Limited	Personal interests	20,000,000 shares(L) options	0.33%	7 March 2008– 6 March 2012
Chang Zhenming	CITIC Pacific Limited	Personal interests	500,000 shares(L) options	0.01%	16 October 2007– 15 October 2012
Chan Hui Dor Lam Doreen	China CITIC Bank Corporation Limited	Personal interests	2,974,689 shares(L) H shares	0.02%	—
Zhang Jijing	CITIC Resources Holdings Limited	Personal interests	10,000,000 shares(L) options	0.17%	2 June 2006– 1 June 2010
		Family interests	28,000 shares(L) H shares	—	—

Note: (L) stands for long position

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

Compliance with Code on Corporate Governance Practices under the Listing Rules of The Stock Exchange of Hong Kong Limited

The Bank is striving for maintain a high level of corporate governance practices. During the first half of 2009, the Bank kept complying with the rules stipulated in the Code on Corporate Governance Practices, which is Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited, and complied with the best practices recommended by the Code on Corporate Governance Practices.

Securities Trading by Directors and Supervisors

The securities trading by directors and supervisors of the Bank complies with the Model Code for Securities Transactions by Directors of Listed Issuers, which is Appendix 10 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

After special check with all directors and supervisors, the Bank confirms that all directors and supervisors have fully complied with the above rules during the first half of 2009.

Explanations to Modifications of Business Plan

During the reporting period, save as disclosed, the Bank has made no modifications to the business plan.

Audit and Related Party Transaction Control Committee

The Audit and Related Party Transaction Control Committee of the Bank has worked together with Senior Management to review the accounting policies and practices implemented in the Bank, discussed matters of internal control and financial report and reviewed the interim report of the Bank. Both are of the view that the accounting policies adopted for the financial statement are the same as those adopted for preparation of the Group's financial statements for the year ended 31 December 2008.

CAR: 12.04%

The Banker: 67th among the "Top 1000 Global Banks" and 6th among Chinese banks in tier-1 capital.
A solid foundation for development.

Independent Auditors' Report

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

Introduction

We have reviewed the interim financial report of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 85 to 175 which comprise the consolidated and Bank statements of financial position as at 30 June 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

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

27 August 2009

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009
(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2009	2008
	Note	**Unaudited**	Unaudited
Interest income		**24,894**	29,099
Interest expense		**(9,880)**	(10,871)
Net interest income	3	**15,014**	18,228
Fee and commission income		**1,868**	1,551
Fee and commission expense		**(210)**	(170)
Net fee and commission income	4	**1,658**	1,381
Net trading gain	5	**434**	483
Net (loss)/gain from investment securities	6	**(69)**	88
Other operating income, net		**118**	180
Operating income		**17,155**	20,360
Operating expenses	7	**(6,528)**	(7,735)
Impairment losses on			
— loans and advances to customers	8	**(1,176)**	(1,413)
— others	8	**(88)**	(9)
Profit before tax		**9,363**	11,203
Income tax	9	**(2,311)**	(2,774)
Net profit		**7,052**	8,429

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Consolidated Statement of Comprehensive Income (continued)

For the six months ended 30 June 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2009	2008
		Unaudited	Unaudited
Net profit		**7,052**	8,429
Other comprehensive income:			
Available-for-sale financial assets			
Net losses arising during the period		**(136)**	(376)
Reclassification adjustments for net loss included in profit or loss		**134**	17
Exchange difference on translating foreign operations		**(1)**	(3)
Total other comprehensive income		**(3)**	(362)
Income tax relating to components of other comprehensive income	23(b)	**3**	88
Other comprehensive income for the period net of tax		**—**	(274)
Total comprehensive income for the period		**7,052**	8,155
Net profit attributable to:			
— Equity shareholders of the Bank		**7,052**	8,429
— Minority interests		**—**	—
		7,052	8,429
Total comprehensive income attributable to:			
— Equity shareholders of the Bank		**7,051**	8,155
— Minority interests		**1**	—
		7,052	8,155
Basic and diluted earnings per share (RMB)	10	**0.18**	0.22

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2009 Unaudited**	31 December 2008 Audited
Assets			
Cash and deposits with central bank	11	**159,224**	206,936
Deposits with banks and non-bank financial institutions	12	**15,445**	31,303
Placements with banks and non-bank financial institutions	13	**7,311**	19,143
Trading financial assets	14	**7,888**	7,755
Positive fair value of derivatives	15	**3,666**	5,357
Financial assets held under resale agreements	16	**30,786**	57,698
Interest receivable	17	**3,485**	3,941
Loans and advances to customers	18	**974,055**	651,352
Available-for-sale financial assets	19	**90,081**	85,317
Held-to-maturity investments	21	**95,755**	105,151
Fixed assets	22	**9,095**	9,129
Intangible assets		**133**	118
Deferred tax assets	23	**1,743**	2,068
Other assets	24	**3,130**	2,884
Total assets		**1,401,797**	1,188,152
Liabilities			
Deposits from banks and non-bank financial institutions	26	**74,559**	108,605
Placements from banks and non-bank financial institutions	27	**5,920**	963
Trading financial liabilities	28	**1,898**	2,639
Negative fair value of derivatives	15	**3,412**	5,579
Financial assets sold under repurchase agreements	29	**13,094**	957
Deposits from customers	30	**1,173,347**	943,335
Accrued staff costs	31	**4,051**	5,170
Taxes payable	32	**1,624**	3,788
Interest payable	33	**6,444**	6,427
Provisions	34	**50**	50
Subordinated debts/bonds issued	35	**12,000**	12,000
Other liabilities	36	**6,015**	2,978
Total liabilities		**1,302,414**	1,092,491

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position (continued)

As at 30 June 2009

(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2009 Unaudited	31 December 2008 Audited
Equity			
Share capital	37	**39,033**	39,033
Capital reserve	38	**36,525**	36,525
Investment revaluation reserve		**(121)**	(121)
Properties revaluation reserve		**487**	487
Surplus reserve	39	**2,161**	2,161
General reserve	40	**7,716**	7,716
Retained earnings		**13,586**	9,864
Exchange difference		**(8)**	(7)
Total equity attributable to equity shareholders of the Bank		**99,379**	95,658
Minority interests		**4**	3
Total equity		**99,383**	95,661
Total liabilities and equity		**1,401,797**	1,188,152

Approved and authorised for issue by the board of directors on 27 August 2009.

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Statement of Financial Position

As at 30 June 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2009 Unaudited	31 December 2008 Audited
Assets			
Cash and deposits with central bank		**159,224**	206,936
Deposits with banks and non-bank financial institutions		**15,438**	31,298
Placements with banks and non-bank financial institutions		**8,022**	19,900
Trading financial assets		**7,888**	7,755
Positive fair value of derivatives		**3,666**	5,357
Financial assets held under resale agreements		**30,854**	57,767
Interest receivable		**3,484**	3,943
Loans and advances to customers		**973,641**	650,942
Available-for-sale financial assets		**89,832**	85,077
Held-to-maturity investments		**95,657**	105,044
Investment in subsidiaries	20	**33**	33
Fixed assets		**9,071**	9,106
Intangible assets		**133**	118
Deferred tax assets		**1,741**	2,065
Other assets		**3,112**	2,836
Total assets		**1,401,796**	1,188,177
Liabilities			
Deposits from banks and non-bank financial institutions		**74,559**	108,605
Placements from banks and non-bank financial institutions		**5,920**	963
Trading financial liabilities		**1,898**	2,639
Negative fair value of derivatives		**3,413**	5,579
Financial assets sold under repurchase agreements		**13,094**	957
Deposits from customers		**1,173,357**	943,342
Accrued staff costs		**4,050**	5,168
Taxes payable		**1,626**	3,791
Interest payable		**6,443**	6,427
Provisions		**50**	50
Subordinated debts/bonds issued		**12,000**	12,000
Other liabilities		**5,998**	2,969
Total liabilities		**1,302,408**	1,092,490

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Statement of Financial Position (continued)

As at 30 June 2009

(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2009 Unaudited	31 December 2008 Audited
Equity		
Share capital	**39,033**	39,033
Capital reserve	**36,525**	36,525
Investment revaluation reserve	**(81)**	(72)
Properties revaluation reserve	**487**	487
Surplus reserve	**2,161**	2,161
General reserve	**7,716**	7,716
Retained earnings	**13,547**	9,837
Total equity	**99,388**	95,687
Total liabilities and equity	**1,401,796**	1,188,177

Approved and authorised for issue by the board of directors on 27 August 2009.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	President	Assistant President	Head of Budget and Finance Department

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 – Unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Capital reserve	Investment revaluation reserve	Properties revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2009		39,033	36,525	(121)	487	2,161	7,716	9,864	(7)	3	95,661
Movements during the period											
(I) Total comprehensive income for the period		—	—	—	—	—	—	7,052	(1)	1	7,052
(II) Profit appropriation											
1. Appropriations to surplus reserve	39	—	—	—	—	—	—	—	—	—	—
2. Appropriations to general reserve	40	—	—	—	—	—	—	—	—	—	—
3. Appropriations to shareholders	41	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 30 June 2009		39,033	36,525	(121)	487	2,161	7,716	13,586	(8)	4	99,383

	Note	Share capital	Capital reserve	Investment revaluation reserve	Properties revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2008		39,033	36,525	(98)	156	829	3,731	3,915	(5)	5	84,091
Movements during the period											—
(I) Total comprehensive income for the period		—	—	(271)	—	—	—	8,429	(3)	—	8,155
(II) Profit appropriation											
1. Appropriations to surplus reserve	39	—	—	—	—	—	—	—	—	—	—
2. Appropriations to general reserve	40	—	—	—	—	—	—	—	—	—	—
3. Appropriations to shareholders	41	—	—	—	—	—	—	(2,088)	—	—	(2,088)
As at 30 June 2008		39,033	36,525	(369)	156	829	3,731	10,256	(8)	5	90,158

	Note	Share capital	Capital reserve	Investment revaluation reserve	Properties revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Minority interests	Total Equity
As at 1 January 2008		39,033	36,525	(98)	156	829	3,731	3,915	(5)	5	84,091
Movements during the year											
(I) Total comprehensive income for the year		—	—	(23)	331	—	—	13,354	(2)	(2)	13,658
(II) Profit appropriation											
1. Appropriations to surplus reserve	39	—	—	—	—	1,332	—	(1,332)	—	—	—
2. Appropriations to general reserve	40	—	—	—	—	—	3,985	(3,985)	—	—	—
3. Appropriations to shareholders	41	—	—	—	—	—	—	(2,088)	—	—	(2,088)
As at 31 December 2008		39,033	36,525	(121)	487	2,161	7,716	9,864	(7)	3	95,661

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2009
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Operating activities		
Profit before tax	**9,363**	11,203
Adjustments for:		
— Revaluation gain on investments and derivatives	**(81)**	(568)
— Investment gains	**(54)**	(186)
— Net loss on disposal of fixed assets	**1**	—
— Unrealised foreign exchange loss	**4**	628
— Impairment losses	**1,264**	1,422
— Depreciation and amortisation	**506**	391
— Interest expense on subordinated debts/bonds issued	**261**	319
	11,264	13,209
Changes in operating assets and liabilities:		
Decrease/(increase) in deposits with central bank	**(20,982)**	(30,303)
Increase in deposits with banks and non-bank financial institutions	**(820)**	(465)
Increase in placements with banks and non-bank financial institutions	**(637)**	(1,669)
(Increase)/decrease in trading financial assets	**(71)**	1,908
Decrease in financial assets held under resale agreements	**26,912**	73,301
Increase in loans and advances to customers	**(323,867)**	(58,604)
Decrease/(increase) in other operating assets	**1,828**	(787)
(Decrease)/increase in deposits from banks and non-bank financial institutions	**(34,041)**	32,773
Increase in placements from banks and non-bank financial institutions	**5,000**	6,682
Decrease in trading financial liabilities	**(708)**	(2,954)
Increase/(decrease) in financial assets sold under repurchase agreements	**12,140**	(4,361)
Increase in deposits from customers	**230,249**	65,207
Income tax paid	**(4,002)**	(4,294)
(Decrease)/increase in other operating liabilities	**(4,100)**	7,661
Net cash flows from operating activities	**(101,835)**	97,304

The notes on pages 94 to 175 form part of this unaudited interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2009 Unaudited	Six months ended 30 June 2008 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**109,244**	242,562
Proceeds from disposal of fixed assets, land use rights and other assets		**25**	63
Payments on acquisition of investments		**(108,716)**	(294,882)
Payments on acquisition of fixed assets, land use rights and other assets		**(575)**	(604)
Cash received from equity investment income		**3**	—
Net cash flows from investing activities		**(19)**	(52,861)
Financing activities			
Cost of issuing shares paid		**—**	(22)
Interest paid on subordinated debts/bonds issued		**(522)**	(572)
Dividends paid		**—**	(2,088)
Net cash flows from financing activities		**(522)**	(2,682)
Net (decrease)/increase in cash and cash equivalents		**(102,376)**	41,761
Cash and cash equivalents as at 1 January		**168,649**	90,545
Effect of exchange rate changes on cash and cash equivalents		**(25)**	(951)
Cash and cash equivalents as at 30 June	42	**66,248**	131,355
Cash flows from operating activities include:			
Interest received		**24,857**	28,471
Interest paid, excluding interest expense on subordinated debts/bonds issued		**(9,342)**	(8,671)

The notes on pages 94 to 175 form part of this unaudited interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

1 Corporate information

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

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

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

For the purpose of the interim financial report, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

The results and affairs of the Bank's subsidiaries have been consolidated into the financial report of the Group. The particulars of the Bank's principal subsidiary as at 30 June 2009 are set out below:

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

The interim financial report were approved by the board of directors of the Bank on 27 August 2009.

2 Basis of preparation

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

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

The interim financial report contain selected explanatory notes, which provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial report for the year ended 31 December 2008. The selected notes do not include all of the information and disclosures required for a full set of financial report prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual financial report for the year ended 31 December 2008.

2 Basis of preparation (Continued)

(2) Significant accounting policies

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

— IAS 1 (revised 2007) *Presentation of financial statements*;

— Amendments to IAS 27 *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*;

— Improvements to IFRSs (2008);

— IFRS 8 *Operating segments*;

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

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

IFRS 8 Operating segments replaces IAS 14 Segment Reporting. The identification of segments is no longer required to be two sets of segments — one based on related products and services, and the other on geographical areas and to be regarded one set as primary segments and the other as secondary segments. The measurement of segment information is no more required to be prepared in conformity with the accounting policies adopted for preparing financial report. IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 clarifies the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. The Group has prepared and presented segment report in accordance with the requirements of IFRS 8 in the interim financial report.

The Group has not adopted any new IFRSs not yet effective for the current period.

The accounting policies adopted by the Group for the interim financial report are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2008. The developments of IFRSs mentioned above have no material impact on the accounting policies of the Group.

(Expressed in millions of Renminbi unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2009	2008
Interest income arises from:		
Deposits with central bank	**998**	1,051
Deposits with banks and non-bank financial institutions	**76**	113
Placements with banks and non-bank financial institutions	**43**	290
Financial assets held under resale agreements	**330**	1,426
Loans and advances to customers (note (i))		
— corporate loans	**16,392**	17,854
— personal loans	**2,440**	2,734
— discounted bills	**1,550**	1,730
Investments in debt securities (note (ii))	**3,065**	3,901
	24,894	29,099
Interest expense arises from:		
Balance due to central bank	**—**	(1)
Deposits from banks and non-bank financial institutions	**(543)**	(1,461)
Placements from banks and non-bank financial institutions	**(35)**	(65)
Financial assets sold under repurchase agreements	**(22)**	(123)
Deposits from customers	**(9,015)**	(8,902)
Subordinated debts/bonds issued	**(261)**	(319)
Others	**(4)**	—
	(9,880)	(10,871)
Net interest income	**15,014**	18,228

Notes:

(i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired loans and advances to customers of RMB58 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB94 million).

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

(Expressed in millions of Renminbi unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2009	2008
Fee and commission income		
Bank card fees	**515**	367
Consultancy and advisory fees	**380**	313
Guarantee fees	**317**	196
Agency fees and commission (note(i))	**284**	141
Commission for wealth management services	**170**	183
Settlement fees	**144**	198
Commission for custodian business	**49**	111
Others	**9**	42
Total	**1,868**	1,551
Fee and commission expense	**(210)**	(170)
Net fee and commission income	**1,658**	1,381

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

5 Net trading gain

	Six months ended 30 June	
	2009	2008
Dealing profit/(loss)		
— debt securities	**39**	99
— foreign currencies	**230**	(184)
— derivatives	**137**	546
— financial liabilities designated at fair value through profit and loss	**28**	22
Total	**434**	483

6 Net (loss)/gain from investment securities

	Six months ended 30 June	
	2009	2008
Net gain from sale of available-for-sale securities	**54**	140
Net revaluation loss transferred from equity on disposal	**(134)**	(17)
Others	**11**	(35)
Total	**(69)**	88

(Expressed in millions of Renminbi unless otherwise stated)

7 Operating expenses

	Six months ended 30 June	
	2009	2008
Staff costs		
— salaries and bonuses	**1,567**	3,082
— welfare expenses	**136**	181
— social insurance	**264**	127
— housing fund	**138**	122
— housing allowance	**71**	54
— defined contribution retirement schemes	**58**	42
— supplementary retirement benefits	**(3)**	(1)
— labor union expenses and employee education expenses	**70**	108
— others	**256**	150
Subtotal	**2,557**	3,865
Property and equipment expense		
— rent and property management expenses	**414**	366
— depreciation	**340**	288
— electronic equipment operating expenses	**72**	60
— maintenance	**56**	42
— others	**97**	80
Subtotal	**979**	836
Business tax and surcharges (note (i))	**1,250**	1,330
Amortisation expenses	**166**	103
Other expenses	**1,576**	1,601
Total	**6,528**	7,735

Note: (i) Business tax of 5% is levied primarily on interest income from loans and advances to customers, interest income from bonds investment other than Chinese government bonds, and fee and commission income.

The surcharges, which include education surcharges and city construction tax, are charged at 3% and between 1% and 7% of business tax paid respectively.

(Expressed in millions of Renminbi unless otherwise stated)

8 Impairment losses on assets

	Six months ended 30 June	
	2009	2008
Impairment losses charge on		
— Loans and advances to customer	**1,176**	1,413
— Off-balance sheet credit commitments	**43**	(16)
— Investments	**46**	8
— Others	**(1)**	17
Total	**1,264**	1,422

9 Income tax

(a) Recognised in the income statement

	Six months ended 30 June	
	2009	2008
Current tax		
— Mainland China	**1,983**	2,481
— Hong Kong	**—**	1
Deferred tax (Note 23(b))	**328**	292
Total	**2,311**	2,774

(Expressed in millions of Renminbi unless otherwise stated)

9 Income tax (Continued)

(b) Reconciliation between tax expense and accounting profit

	Six months ended 30 June	
	2009	2008
Profit before tax	**9,363**	11,203
Income tax calculated at statutory tax rate	**2,341**	2,801
Tax impact of non-deductible expenses		
— Others (note (i))	**97**	101
Tax impact of non-taxable income		
— Interest income from PRC government bonds	**(126)**	(128)
— Others	**(1)**	—
Total	**(127)**	(128)
Income tax	**2,311**	2,774

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

10 Earnings per share

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

	Six months ended 30 June	
	2009	2008
Earnings:		
Consolidated net profit for the year attributable to shareholders of the Bank	**7,052**	8,429
Shares:		
Weighted average number of shares in issue or deemed to be in issue (million)	**39,033**	39,033
Earnings per share (RMB)	**0.18**	0.22

Earnings per share information for the six months ended 30 June 2009 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the year.

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2009 and 2008.

(Expressed in millions of Renminbi unless otherwise stated)

11 Cash and deposits with central bank

	30 June 2009	31December 2008
Cash	**3,365**	3,693
Deposits with central bank		
— Statutory deposit reserve funds (note (i))	**115,118**	94,254
— Surplus deposit reserve funds (note (ii))	**39,325**	107,677
— Fiscal deposits reserve funds	**1,416**	1,312
Subtotal	**155,859**	203,243
Total	**159,224**	206,936

Notes: (i) The Bank places statutory deposit reserves with the People's Bank of China (the "PBOC"). The statutory deposit reserves are not available for use in the Bank's daily business.

As at 30 June 2009, the statutory deposit reserve placed with the PBOC was calculated at 13.5% (as at 31 December 2008: 13.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2008: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

12 Deposits with banks and non-bank financial institutions

(a) Analysed by locations and types of counterparties

	Note	30 June 2009	31 December 2008
In Mainland China			
— Banks		**9,481**	7,725
— Non-bank financial institutions		**305**	235
Subtotal		**9,786**	7,960
Outside Mainland China			
— Banks		**5,659**	23,343
Gross balance		**15,445**	31,303
Less: Allowances for impairment losses	25	**—**	—
Net balance		**15,445**	31,303

(Expressed in millions of Renminbi unless otherwise stated)

12 Deposits with banks and non-bank financial institutions (Continued)

(b) Analysed by remaining maturity

	Note	**30 June 2009**	31 December 2008
Demand deposits		**13,876**	29,192
Time deposits with remaining maturity			
— within one month		**910**	650
— between one month and one year		**659**	1,461
		1,569	2,111
Gross balance		**15,445**	31,303
Less: Allowances for impairment losses	25	**—**	—
Net balance		**15,445**	31,303

(Expressed in millions of Renminbi unless otherwise stated)

13 Placements with banks and non-bank financial institutions

(a) Analysed by locations and types of counterparties

	Note	30 June 2009	31 December 2008
In Mainland China			
— Banks		**6,285**	15,823
— Non-bank financial institutions		**667**	167
Subtotal		**6,952**	15,990
Outside Mainland China			
— Banks		**502**	3,296
Gross balance		**7,454**	19,286
Less: Allowances for impairment losses	25	**(143)**	(143)
Net balance		**7,311**	19,143

(b) Analysed by remaining maturity

	Note	30 June 2009	31 December 2008
Within one month		**6,686**	15,254
Between one month and one year		**563**	4,032
More than one year		**205**	—
Gross balance		**7,454**	19,286
Less: Allowances for impairment losses	25	**(143)**	(143)
Net balance		**7,311**	19,143

(Expressed in millions of Renminbi unless otherwise stated)

14 Trading financial assets

	Note	30 June 2009	31 December 2008
Held for trading purpose	(i)	**7,751**	7,619
Financial assets designated at fair value through profit and loss	(ii)	**137**	136
Total		**7,888**	7,755

(i) Held for trading purpose debt securities at fair value and analysed by locations and types of the issuing entities

	30 June 2009	31 December 2008
In Mainland China		
— Government	**50**	324
— PBOC	**2,073**	1,134
— Policy banks	**1,312**	2,513
— Corporate entities	**3,626**	3,506
Outside Mainland China		
— Government	**690**	142
Total	**7,751**	7,619
Listed outside Hong Kong	**94**	95
Unlisted	**7,657**	7,524
Total	**7,751**	7,619

(ii) Financial assets designated at fair value to profit and loss

	30 June 2009	31 December 2008
Outside Mainland China		
— Banks and other financial institutions	**137**	136
Total	**137**	136
Unlisted	**137**	136
Total	**137**	136

(Expressed in millions of Renminbi unless otherwise stated)

15 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary between a wide range of customers for structuring deals to produce risk management products to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses derivatives (principally foreign exchange options and swaps, and interest rate swaps) in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity groupings based on the remaining periods to settlement and the corresponding fair values at the balance sheet date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

	30 June 2009						
	Notional amounts with remaining life of					**Fair values**	
	Less than three months	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	**22,273**	**43,793**	**67,499**	**10,030**	**143,595**	**1,811**	**(1,831)**
Currency derivatives	**94,257**	**57,942**	**3,028**	**—**	**155,227**	**1,843**	**(1,554)**
Credit derivatives	**68**	**239**	**631**	**137**	**1,075**	**12**	**(27)**
Total	**116,598**	**101,974**	**71,158**	**10,167**	**299,897**	**3,666**	**(3,412)**

(Expressed in millions of Renminbi unless otherwise stated)

15 Derivatives (Continued)

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives	43,656	67,153	68,200	9,013	188,022	2,921	(3,376)
Currency derivatives	55,769	69,961	3,829	609	130,168	2,423	(2,141)
Credit derivatives	—	239	666	184	1,089	13	(62)
Total	99,425	137,353	72,695	9,806	319,279	5,357	(5,579)

Credit risk weighted amounts

	30 June 2009	31 December 2008
Interest rate derivatives	**1,111**	1,373
Currency derivatives	**879**	1,021
Credit derivatives	**43**	44
Total	**2,033**	2,438

The credit risk weighted amount of the bank has been computed in accordance with the rules set by China Banking Regulatory Commission ("CBRC"), and depends on the status of the counterparty and the maturity characteristics of the instrument.

(Expressed in millions of Renminbi unless otherwise stated)

16 Financial assets held under resale agreements

(a) Analysed by locations and types of counterparties

	Note	30 June 2009	31 December 2008
In Mainland China			
— PBOC		—	12,630
— Banks		23,641	41,140
— Non-bank financial institutions		6,869	3,618
— Corporate entities		238	310
Subtotal		30,748	57,698
Outside Mainland China			
— Banks		38	—
Gross balance		30,786	57,698
Less: Allowances for impairment losses	25	—	—
Net balance		30,786	57,698

(b) Analysed by remaining maturity

	Note	30 June 2009	31 December 2008
Within one month		25,433	43,365
Between one month and one year		5,205	14,088
More than one year		148	245
Gross balance		30,786	57,698
Less: Allowances for impairment losses	25	—	—
Net balance		30,786	57,698

(Expressed in millions of Renminbi unless otherwise stated)

16 Financial assets held under resale agreements (Continued)

(c) Analysed by collateral

	30 June 2009	31 December 2008
— Debt securities	**38**	27,050
— Bills	**23,029**	26,721
— Loans and receivables	**7,719**	3,927
Total	**30,786**	57,698

17 Interest receivable

	Note	**30 June 2009**	31 December 2008
Debt securities		**2,030**	2,496
Loans and advances to customers		**1,452**	1,436
Others		**3**	9
Gross balance		**3,485**	3,941
Less: Allowance for impairment losses	25	**—**	—
Net balance		**3,485**	3,941

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers

(a) Analysed by nature

	Note	**30 June 2009**	31 December 2008
Corporate loans			
— Loans		**702,117**	533,622
— Discounted bills		**188,582**	43,539
Personal loans			
— Residential mortgages		**75,743**	67,230
— Credit cards		**11,416**	11,141
— Others		**10,890**	9,392
Gross loans and advances to customers		**988,748**	664,924
Less:	25	**(14,693)**	(13,572)
— Individual impairment allowances		**(6,382)**	(6,490)
— Collective impairment allowances		**(8,311)**	(7,082)
Net loans and advances to customers		**974,055**	651,352

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

(b) Analysed by legal form of borrowers

	Note	**30 June 2009**	31 December 2008
Corporate loans to			
— State-owned enterprises		**287,375**	186,987
— Joint-stock enterprises		**284,736**	229,692
— Foreign invested enterprises		**74,097**	67,820
— Private enterprises		**44,191**	37,123
— Collectively-controlled enterprises		**6,906**	5,479
— Others		**4,812**	6,521
Subtotal		**702,117**	533,622
Personal loans			
— Residential mortgages		**75,743**	67,230
— Credit cards		**11,416**	11,141
— Others		**10,890**	9,392
Subtotal		**98,049**	87,763
Discounted bills		**188,582**	43,539
Gross loans and advances to customers		**988,748**	664,924
Less: Impairment allowances	25	**(14,693)**	(13,572)
Net loans and advances to customers		**974,055**	651,352

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

(c) Analysed by assessment method of allowances for impairment losses

	30 June 2009				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	4,878	—	191	5,069	3.77%
— non-financial institutions	974,078	1,130	8,471	983,679	0.98%
	978,956	1,130	8,662	988,748	0.99%
Less: Impairment allowances against loans and advances to					
— financial institutions	(55)	—	(168)	(223)	
— non-financial institutions	(7,370)	(886)	(6,214)	(14,470)	
	(7,425)	(886)	(6,382)	(14,693)	
Net loans and advances to					
— financial institutions	4,823	—	23	4,846	
— non-financial institutions	966,708	244	2,257	969,209	
	971,531	244	2,280	974,055	

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

(c) Analysed by assessment method of allowances for impairment losses (continued)

	31 December 2008				
	Loans and advances for which allowances are collectively assessed (note (i))	Impaired loans and advances (note (ii)) for which allowances are collectively assessed	Impaired loans and advances (note (ii)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	2,071	—	257	2,328	11.04%
— non-financial institutions	653,807	720	8,069	662,596	1.33%
	655,878	720	8,326	664,924	1.36%
Less: Impairment allowances against loans and advances to					
— financial institutions	(34)	—	(191)	(225)	
— non-financial institutions	(6,528)	(520)	(6,299)	(13,347)	
	(6,562)	(520)	(6,490)	(13,572)	
Net loans and advances to					
— financial institutions	2,037	—	66	2,103	
— non-financial institutions	647,279	200	1,770	649,249	
	649,316	200	1,836	651,352	

Notes:

(i) Loans and advances to customers assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (representing corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; that is the portfolios of homogeneous loans and advances (representing personal loans and advances which are graded substandard, doubtful or loss).

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

(c) Analysed by assessment method of allowances for impairment losses (continued)

Notes: (Continued)

(iii) The definitions of the loan classification as stated above are described in Note 47(a).

(iv) As at 30 June 2009, the loans and advances for which the impairment allowances were individually assessed amounted to RMB8,662 million (as at 31 December 2008: RMB8,326 million). The covered portion and uncovered portion of these loans and advances were RMB1,456 million (as at 31 December 2008: RMB923 million) and RMB7,206 million (as at 31 December 2008: RMB7,403 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,659 million (as at 31 December 2008: RMB1,003 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The individual impairment allowances made against these loans and advances were RMB6,382 million (2008: RMB6,490 million).

(d) Movements of allowances for impairment losses

	Six months ended 30 June 2009			
	Loans and Advances for which allowances are collectively assessed	Impaired loans and advances		
		for which allowances are collectively assessed	for which allowances are Individually Assessed	Total
As at 1 January	6,562	520	6,490	13,572
Charge for the period				
— new impairment allowances charged to income statement	863	380	517	1,760
— impairment allowances released to income statement	—	—	(584)	(584)
Unwinding of discount	—	—	(58)	(58)
Transfers out	—	—	—	—
Write-offs	—	(14)	—	(14)
Recoveries of loans and advances previously written off	—	—	17	17
As at 30 June	7,425	886	6,382	14,693

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

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

	Year ended 31 December 2008			
	Loans and Advances for which allowances are collectively assessed	Impaired loans and advances: for which allowances are collectively assessed	Impaired loans and advances: for which allowances are individually assessed	Total
As at 1 January	3,622	299	5,421	9,342
Charge for the year				
— new impairment allowances charged to income statement	2,940	257	2,806	6,003
— impairment allowances released to income statement	—	—	(624)	(624)
Unwinding of discount	—	—	(160)	(160)
Transfers out	—	—	(72)	(72)
Write-offs	—	(36)	(895)	(931)
Recoveries of loans and advances previously written off	—	—	14	14
As at 31 December	6,562	520	6,490	13,572

(Expressed in millions of Renminbi unless otherwise stated)

18 Loans and advances to customers (Continued)

(e) Overdue loans analysed by overdue period

	30 June 2009				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**737**	**844**	**556**	**1,364**	**3,501**
Guaranteed loans	**826**	**981**	**989**	**1,160**	**3,956**
Loans with pledged assets	**2,496**	**1,598**	**656**	**979**	**5,729**
— Loans secured by tangible assets	**2,381**	**1,592**	**616**	**977**	**5,566**
— Loans secured by monetary assets	**115**	**6**	**40**	**2**	**163**
Total	**4,059**	**3,423**	**2,201**	**3,503**	**13,186**

	31 December 2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,214	346	372	654	2,586
Guaranteed loans	1,157	898	910	1,086	4,051
Loans with pledged assets	3,257	714	838	1,742	6,551
— Loans secured by tangible assets	2,916	628	767	1,652	5,963
— Loans secured by monetary assets	341	86	71	90	588
Total	5,628	1,958	2,120	3,482	13,188

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

(Expressed in millions of Renminbi unless otherwise stated)

19 Available-for-sale financial assets

	Note	30 June 2009	31 December 2008
Debt securities	(a)	**89,654**	84,900
Equity investments	(b)	**427**	417
Total		**90,081**	85,317

(a) Debt securities:

Analysed by locations and types of the issuing entities

	30 June 2009	31 December 2008
In Mainland China		
— Government	**4,769**	1,311
— PBOC	**17,583**	35,402
— Policy banks	**8,632**	7,233
— Banks and non-bank financial institutions	**3,749**	540
— Other entities	**25,964**	19,952
Outside Mainland China		
— Government	**10,055**	14,674
— Policy banks	**44**	156
— Banks and non-bank financial institutions	**10,934**	3,631
— Public entities	**7,599**	1,765
— Other corporate entities	**325**	236
Total	**89,654**	84,900
Listed in Hong Kong	**5,630**	537
Listed outside Hong Kong	**14,640**	3,493
Unlisted	**69,384**	80,870
Total	**89,654**	84,900

(Expressed in millions of Renminbi unless otherwise stated)

19 Available-for-sale financial assets (Continued)

(b) Equity investments

	30 June 2009	31 December 2008
Other equity investments	427	417
Total	427	417
Listed in Hong Kong	8	7
Listed outside Hong Kong	10	9
Unlisted	409	401
Total	427	417

20 Investment in subsidiary

	Note	30 June 2009	31 December 2008
Investment in subsidiary	(i)	33	33

Note: (i) Investment in subsidiary represents investment in CIFL.

(ii) The Bank entered into a Share Purchase Agreement (the "Agreement") with CITIC Group and CITIC Group's wholly owned subsidiary, Gloryshare Investments Limited ("Goryshare"), on 8 May 2009, pursuant to which the Bank has agreed to acquire a 70.32% interest in CITIC International Financial Holdings Limited ("CIFH") for a cash consideration of approximately HKD13,563 million from Gloryshare (the "Proposed Acquisition"). The Proposed Acquisition was approved in the Annual General Meeting of the Bank held on 29 June 2009.

Completion of the Proposed Acquisition is subject to the approval of all relevant regulators in Mainland China and Hong Kong and third party consents (if any) that are required to be obtained prior to completion. As at 30 June 2009, the Bank has not yet obtained the required approval or consents (if any) in connection with the above Proposed Acquisition.

Completion of the Proposed CIFH Acquisition is expected to take place in or around October 2009. However, if the completion cannot be achieved before 31 December 2009, none of the parties to the Agreement is obliged to complete the Proposed Acquisition, subject to further agreement and consent of all parties.

(Expressed in millions of Renminbi unless otherwise stated)

21 Held-to-maturity investments

Analysed by locations and types of the issuing entities:

	Note	30 June 2009	31 December 2008
In Mainland China			
— Government		**31,423**	26,341
— PBOC		**23,130**	41,506
— Policy banks		**21,708**	22,636
— Banks and non-bank financial institutions		**5,573**	4,234
— Other entities		**6,621**	246
Outside Mainland China			
— Government		**68**	68
— Policy banks		**41**	89
— Banks and non-bank financial institutions		**2,371**	3,577
— Public sector entities		**4,040**	5,874
— Other corporate entities		**989**	803
Gross balance		**95,964**	105,374
Less: Allowance for impairment losses	25	**(209)**	(223)
Net balance		**95,755**	105,151
Listed in Hong Kong		**197**	197
Listed outside Hong Kong		**3,634**	3,156
Unlisted		**91,924**	101,798
Net balance		**95,755**	105,151
Market value of listed securities		**3,826**	3,229

During the six months ended 30 June 2009, the Group disposed certain impaired held-to-maturity debt securities with an amortised cost of RMB260 million.

In 2008, the Group made no disposals or reclassifications of held-to-maturity investments into available-for-sale financial assets.

(Expressed in millions of Renminbi unless otherwise stated)

22 Fixed assets

	Bank premises	Construction in progress	Computer equipment and others	Total
Cost or valuation:				
As at 1 January 2009	**7,514**	**126**	**3,474**	**11,114**
Additions	**12**	**28**	**268**	**308**
Disposals	**—**	**—**	**(53)**	**(53)**
As at 30 June 2009	**7,526**	**154**	**3,689**	**11,369**
Accumulated depreciation and impairment losses:				
As at 1 January 2009	**—**	**—**	**(1,985)**	**(1,985)**
Depreciation charges	**(135)**	**—**	**(205)**	**(340)**
Disposals	**—**	**—**	**51**	**51**
As at 30 June 2009	**(135)**	**—**	**(2,139)**	**(2,274)**
Net carrying value:				
As at 1 January 2009	**7,514**	**126**	**1,489**	**9,129**
As at 30 June 2009 (note (i))	**7,391**	**154**	**1,550**	**9,095**

Note: (i) As at 30 June 2009, the net book value of the Group's bank premises for which the registration procedures for ownership had not been completed was approximately RMB544 million (as at 31 December 2008: RMB574 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Analysed by remaining term of leases

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

	30 June 2009	31 December 2008
Long term leases (over 50 years), held in Hong Kong	**23**	23
Medium term leases (10–50 years), held in the PRC	**7,503**	7,491
Total	**7,526**	7,514

(Expressed in millions of Renminbi unless otherwise stated)

22 Fixed assets (Continued)

(b) Valuation

The bank premises of the Group were revalued as at 31 December 2008 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of valuer, Jones Lang Lasalle Sallmanns Limited.

The revaluation surpluses have been transferred to the properties revaluation reserve of the Group.

Had these bank premises been carried at cost less accumulated depreciation, the carrying amounts would have been RMB4,915 million as at 30 June 2009 (as at 31 December 2008: RMB4,981 million).

23 Deferred tax assets/(liabilities)

(a) Analysed by nature

	30 June 2009		31December 2008	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Allowances for loans and advances to customers	**5,098**	**1,274**	7,176	1,794
— Fair value adjustments	**(148)**	**(37)**	260	65
— Others	**2,023**	**506**	836	209
Total	**6,973**	**1,743**	8,272	2,068

(Expressed in millions of Renminbi unless otherwise stated)

23 Deferred tax assets/(liabilities) (Continued)

(b) Analysed by movements

	Impairment loss on loans and advances to customers	Fair value Note (i)	Others	Total deferred tax assets/ (liabilities)
As at 1 January 2009	**1,794**	**65**	**209**	**2,068**
Recognised in income statement	**(520)**	**(105)**	**297**	**(328)**
Recognised in equity	**—**	**3**	**—**	**3**
As at 30 June 2009	**1,274**	**(37)**	**506**	**1,743**
As at 1 January 2008	908	(13)	46	941
Recognised in income statement	886	73	163	1,122
Recognised in equity	—	5	—	5
As at 31 December 2008	1,794	65	209	2,068

Notes: (i) Unrealised gains or losses arising from fair value adjustments for securities and derivatives are subject to tax when realised.

(ii) The Group did not have significant unrecognised deferred tax arising at the balance sheet date.

24 Other assets

	30 June 2009	31 December 2008
Land use rights	**522**	528
Repossessed assets	**365**	411
Others	**2,243**	1,945
Total	**3,130**	2,884

(Expressed in millions of Renminbi unless otherwise stated)

25 Movements of allowances for impairment losses

	Six months ended 30 June 2009					
	As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	143	—	—	—	—	143
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—
Loans and advances to customers	13,572	1,760	(584)	(41)	(14)	14,693
Available-for-sale financial assets	521	46	—	(210)	—	357
Held-to-maturity investments	223	—	—	(14)	—	209
Repossessed assets	390	—	—	(39)	—	351
Other assets-others	493	—	(1)	145	—	637
Gross balance	15,342	1,806	(585)	(159)	(14)	16,390

(Expressed in millions of Renminbi unless otherwise stated)

25 Movements of allowances for impairment losses (Continued)

	Year ended 31 December 2008					
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	146	—	(3)	—	—	143
Financial assets held under resale agreements	—	—	—	—	—	—
Interest receivable	12	—	—	(12)	—	—
Loans and advances to customers	9,342	6,003	(624)	(218)	(931)	13,572
Available-for-sale financial assets	—	521	—	—	—	521
Held-to-maturity investments	12	218	—	—	(7)	223
Repossessed assets	317	22	—	51	—	390
Other assets-others	302	283	(58)	(18)	(16)	493
Gross balance	10,131	7,047	(685)	(197)	(954)	15,342

Note: In addition to the allowances for impairment losses above, the Group also provided allowances for losses of off-balance sheet commitments. Please refer to Note 8.

(Expressed in millions of Renminbi unless otherwise stated)

26 Deposits from banks and non-bank financial institutions

Analysed by locations and types of counterparty

	30 June 2009	31 December 2008
In Mainland China		
— Banks	**22,096**	26,695
— Non-bank financial institutions	**52,463**	81,910
Total	**74,559**	108,605

27 Placements from banks and non-bank financial institutions

Analysed by locations and types of counterparty

	30 June 2009	31 December 2008
In Mainland China		
— Banks	**5,205**	205
— Non-bank financial institutions	**715**	758
Total	**5,920**	963

28 Trading financial liabilities

	30 June 2009	31 December 2008
Structured deposits designated at fair value through profit or loss	**1,728**	2,500
Short position in debt securities	**170**	139
Total	**1,898**	2,639

(Expressed in millions of Renminbi unless otherwise stated)

29 Financial assets sold under repurchase agreements

(a) Analysed by location and types of counterparty

	30 June 2009	31 December 2008
In Mainland China		
— Banks	4,300	300
Outside Mainland China		
— Banks	5,720	657
— Non-bank financial institutions	3,074	—
Subtotal	8,794	657
Total	13,094	957

(b) Analysed by collateral

	30 June 2009	31 December 2008
Debt securities	12,794	657
Loans and advances to customers	300	300
Total	13,094	957

(Expressed in millions of Renminbi unless otherwise stated)

30 Deposits from customers

	30 June 2009	31 December 2008
Demand deposits		
— Corporate customers	**460,844**	373,597
— Personal customers	**36,678**	40,456
Subtotal	**497,522**	414,053
Time and call deposits		
— Corporate customers	**515,868**	388,793
— Personal customers	**156,571**	130,062
Subtotal	**672,439**	518,855
Outward remittance and remittance payables	**3,386**	10,427
Total	**1,173,347**	943,335

Note: Deposits from customers include:

	30 June 2009	31 December 2008
Pledged deposits		
— Acceptances	**202,796**	116,876
— Letters of credit	**4,615**	5,060
— Guarantees	**3,637**	3,449
— Others	**9,482**	7,425
Total	**220,530**	132,810

(Expressed in millions of Renminbi unless otherwise stated)

31 Accrued staff costs

		Six months ended 30 June 2009			
	Note	As at 1 January	Accrual for the period	Payment for the period	As at 30 June
Salaries and bonuses		**4,938**	**1,567**	**(2,658)**	**3,847**
Welfare expenses		**—**	**136**	**(136)**	**—**
Social insurance	(i)	**5**	**264**	**(265)**	**4**
Housing fund		**—**	**138**	**(138)**	**—**
Housing allowances		**—**	**71**	**(71)**	**—**
Defined contribution retirement schemes	(ii)	**4**	**58**	**(58)**	**4**
Supplementary retirement benefits	(iii)	**42**	**(3)**	**1**	**40**
Labor union expenses and employee education expenses		**181**	**70**	**(95)**	**156**
Others		**—**	**256**	**(256)**	**—**
Total		**5,170**	**2,557**	**(3,676)**	**4,051**

Notes:

(i) Social insurance

Social insurance includes cost of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labour and social security, the Group joins a statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) Defined contribution retirement schemes

In addition to the above statutory retirement plan, the Group's employees have joined its defined contribution retirement schemes (the "scheme") which was established by the Group. The scheme is managed by the CITIC Group. The Group has made annuity contributions at 3% of its employee's gross wages. For the six months ended 30 June 2009, the Group made annuity contribution amounting to RMB0.58 million (six months ended 30 June 2008: RMB0.41 million).

The Group's employees based in Hong Kong join statutory fund scheme with certain contribution ratio pursuant to the relevant laws and regulations.

(iii) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its qualified employees in Mainland China. Both current staff and retired staff have joined this supplementary retirement benefits. The balance at the balance sheet date represents the present value of un-contributed fund.

The Group's obligations in respect of the supplementary retirement benefits as at the balance sheet date based on the projected unit credit actuarial cost method were reviewed by qualified staff (a member of Society of Actuaries in America) of an external independent actuary: Mercer.

In addition to the plans mentioned above in 31(i) and 31(ii), the Group has no other material retirement or post retirement benefits for employees.

(Expressed in millions of Renminbi unless otherwise stated)

32 Taxes payable

	30 June 2009	31 December 2008
Income tax	**926**	2,936
Business tax and surcharges	**695**	847
Others	**3**	5
Total	**1,624**	3,788

33 Interest payable

	30 June 2009	31 December 2008
Deposits from customers	**6,351**	6,096
Others	**93**	331
Total	**6,444**	6,427

34 Provisions

	30 June 2009	31 December 2008
Litigation provisions	**50**	50

Movement of provisions:

	Six months ended 30 June 2009	Year ended 31 December 2008
As at 1 January	**50**	40
Charge for the period/year	**—**	10
Payments made	**—**	—
As at 30 June/31 December	**50**	50

(Expressed in millions of Renminbi unless otherwise stated)

35 Subordinated debts/bonds issued

The carrying value of the Group's subordinated debts/bonds issued at the balance sheet date represents:

	Note	**30 June 2009**	31 December 2008
Subordinated floating rate debts maturing			
— in June 2010	(i)	**4,778**	4,778
— in July 2010	(i)	**602**	602
— in September 2010	(i)	**300**	300
— in June 2010	(ii)	**320**	320
Subordinated fixed rate bonds maturing			
— in June 2016	(iii)	**4,000**	4,000
— in June 2021	(iv)	**2,000**	2,000
Total nominal value		**12,000**	12,000

Notes:

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

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

(iii) The interest rate per annum on the subordinated fixed rate bonds is 3.75%. The Group has an option to redeem the debts on 22 June 2011. If they are not redeemed early, the interest rate of the debts will increase in June 2011 to 6.75% per annum for the next five years.

(iv) The interest rate per annum on the subordinated fixed rate bonds is 4.12%. The Group has an option to redeem the debts on 22 June 2016. If they are not redeemed early, the interest rate of the debts will increase in June 2016 to 7.12% per annum for the next five years.

36 Other liabilities

	30 June 2009	31 December 2008
Dividends payable	**3,330**	9
Settlement accounts	**881**	1,254
Bond issuance and redemption payable	**318**	79
Dormant accounts	**199**	204
Payment and collection clearance accounts	**125**	205
Others	**1,162**	1,227
Total	**6,015**	2,978

(Expressed in millions of Renminbi unless otherwise stated)

37 Share capital

	30 June 2009	31 December 2008
Listed in Mainland China (A Share)	**26,631**	26,631
Listed in Hong Kong (H Share)	**12,402**	12,402
Total	**39,033**	39,033

All A shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

38 Capital reserve

	30 June 2009	31 December 2008
Share premium	**36,916**	36,916
others	**(391)**	(391)
Total	**36,525**	36,525

39 Surplus reserve

	Six months ended 30 June 2009	Year ended 31 December 2008
As at 1 January	**2,161**	829
Profit appropriation to statutory surplus reserve	**—**	1,332
As at 30 June/31 December	**2,161**	2,161

Surplus reserve includes statutory and discretionary surplus reserve.

Under relevant PRC Laws, the Bank is required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued in 2006 by the Ministry of Finance of the PRC (the "MOF") (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve fund balance reaches 50% of the registered capital. After making appropriations to the statutory surplus reserve, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in general meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(Expressed in millions of Renminbi unless otherwise stated)

40 General reserve

	Six months ended 30 June 2009	Year ended 31 December 2008
As at 1 January	**7,716**	3,731
Profit appropriation to general reserve	**—**	3,985
As at 30 June/31 December	**7,716**	7,716

In accordance with the relevant rules and regulations promulgated by the MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against its assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The Bank is required to set aside the required general reserve within a transitional period of approximately three years, but no more than five years, from 1 July 2005.

41 Profit appropriations

In accordance with the resolution approved in the Annual General Meeting of the Bank on 29 June 2009, a total amount of approximately RMB3,330 million (RMB85 cents per 10 shares) will be distributed in the form of cash dividend to the Bank's shareholders on 29 July 2009.

42 Notes to consolidated statement of cash flows

Cash and cash equivalents

	30 June 2009	30 June 2008
Cash	**3,365**	3,476
Cash equivalent:		
— Surplus deposit reserve funds	**39,325**	28,933
— Deposits with banks and non-bank financial institutions due within three months when acquired	**13,886**	13,266
— Placements with banks and non-bank financial institutions due within three months when acquired	**6,518**	14,702
— Investment debt securities due within three months when acquired	**3,154**	70,978
Subtotal	**62,883**	127,879
Total	**66,248**	131,355

(Expressed in millions of Renminbi unless otherwise stated)

43 Commitments and contingent liabilities

(a) Credit commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amount reflected in the table for guarantees and letters of credit represents the maximum potential loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	30 June 2009	31 December 2008
Contractual amount		
Loan commitments		
— with an original maturity of under one year	**694**	442
— with an original maturity of one year or over	**10,929**	6,828
Subtotal	**11,623**	7,270
Guarantees	**48,286**	44,886
Letters of credit	**32,372**	29,515
Acceptances	**325,390**	222,158
Credit card commitments	**34,437**	32,608
Total	**452,108**	336,437

These commitments and contingent liabilities have off-balance sheet credit risk. Before the commitments are fulfilled or expire, management assess and make allowances, which are recorded in other liabilities, for any probable losses accordingly. As the facilities may expire without being drawn upon, the total of the contractual amounts is not representative of expected future cash outflows.

(Expressed in millions of Renminbi unless otherwise stated)

43 Commitments and contingent liabilities (Continued)

(b) Credit risk weighted amount

	30 June 2009	31 December 2008
Credit risk weighted amount of contingent liabilities and commitments	**144,505**	138,149

The Bank' credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

(c) Capital commitments

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

	30 June 2009	31 December 2008
Purchase of property and equipment		
— Contracted for	**76**	252
— Authorized but not contracted for	**42**	44

(d) Operating lease commitments

The Group leases certain properties under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases for premises were as follows:

	30 June 2009	31 December 2008
Within one year	**640**	675
After one year but within two years	**633**	596
After two years but within three years	**634**	509
After three years but within five years	**977**	796
After five years	**1,026**	955
Total	**3,910**	3,531

(Expressed in millions of Renminbi unless otherwise stated)

43 Commitments and contingent liabilities (Continued)

(e) Outstanding litigations and disputes

As at 30 June 2009, the Group was the defendant in certain pending litigations with gross claims of RMB472 million (as at 31 December 2008: RMB276 million). Based on the opinion of internal and external legal counsels of the Group, the possible loss of these litigations is recognised as other liability and provisions. The Group believes that these accruals are reasonable and adequate.

(f) Underwriting obligations

The Group has underwriting commitments of PRC bonds of RMB100 million as at 30 June 2009 (31 December 2008: Nil).

(g) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the balance sheet date:

	30 June 2009	31 December 2008
Redemption obligations	**6,399**	6,418

(h) Provision against commitments and contingent liabilities

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

(Expressed in millions of Renminbi unless otherwise stated)

44 Pledged assets

(a) Financial assets pledged as collaterals

The following assets have been pledged as security for assets and securities sold under repurchase agreements. These transactions are conducted under terms that are usual and customary to standard lending. The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the balance sheet date.

	30 June 2009	31 December 2008
Debt securities	**12,798**	665
Loans and advances to customers	**300**	300
Total	**13,098**	965

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2009, the fair value of collateral held for resale agreements by the Group which was permitted to sell or repledge in the absence of default for the transactions is RMB39 million (31 December 2008: Nil).

45 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Entrusted assets are not assets of the Group and are not recognised on the balance sheet. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in the income statement as fee income.

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

	30 June 2009	31 December 2008
Entrusted loans	**39,442**	34,787
Entrusted funds	**39,442**	34,787

(Expressed in millions of Renminbi unless otherwise stated)

45 Transactions on behalf of customers (Continued)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans and IPO shares. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the income statement as commission income.

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

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

	30 June 2009	31 December 2008
Investments under wealth management services	**42,704**	49,478
Funds from wealth management services	**42,704**	49,478

Amongst the above funds from wealth management service, RMB30,784 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 30 June 2009 (as at 31 December 2008: RMB24,467 million).

46 Segment reporting

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

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

For the purposes of management reporting, The Group comprises the following main business segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions and repurchase transactions, and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currencies for its own account. The treasury carries out customer driven transactions on derivatives and foreign currency trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of subordinated debts/bonds issued.

Others and unallocated

These represent equity investments, head office and subsidiaries assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(Expressed in millions of Renminbi unless otherwise stated)

46 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2009				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income	11,076	692	3,246	—	15,014
Internal net interest income/(expense)	1,224	1,159	(2,248)	(135)	—
Net interest income/(expense)	12,300	1,851	998	(135)	15,014
Net fee and commission income/(expense)	966	709	35	(52)	1,658
Net trading gain/(loss)	326	—	112	(4)	434
Net operating loss from investment securities	—	—	(69)	—	(69)
Other operating income, net	6	—	58	54	118
Operating income/(expense)	13,598	2,560	1,134	(137)	17,155
Operating expenses					
— depreciation and amortisation	(241)	(231)	(19)	(15)	(506)
— others	(3,615)	(1,986)	(242)	(179)	(6,022)
Impairment losses	(1,123)	(97)	(46)	2	(1,264)
Profit/(loss) before tax	8,619	246	827	(329)	9,363
Capital expenditure	211	213	18	14	456

	30 June 2009				
Segment assets	1,010,220	122,963	261,857	6,757	1,401,797
Segment liabilities	989,717	197,490	109,255	5,952	1,302,414
Off-balance sheet credit commitments	417,671	34,437	—	—	452,108

(Expressed in millions of Renminbi unless otherwise stated)

46 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2008				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income/(expense)	12,628	1,804	3,853	(57)	18,228
Internal net interest income/(expense)	2,099	774	(2,816)	(57)	—
Net interest income/(expense)	14,727	2,578	1,037	(114)	18,228
Net fee and commission income/(expense)	746	570	122	(57)	1,381
Net trading gain/(loss)	351	—	759	(627)	483
Net operating gain from investment securities	—	—	88	—	88
Other income	89	2	—	89	180
Operating income/(expense)	15,913	3,150	2,006	(709)	20,360
Operating expenses					
— depreciation and amortisation	(179)	(182)	(16)	(14)	(391)
— others	(4,293)	(2,422)	(383)	(246)	(7,344)
Impairment losses	(1,317)	(80)	—	(25)	(1,422)
Profit/(loss) before tax	10,124	466	1,607	(994)	11,203
Capital expenditure	268	249	23	19	559

	31 December 2008				
Segment assets	684,950	106,346	391,681	5,175	1,188,152
Segment liabilities	779,781	175,529	128,492	8,689	1,092,491
Off-balance sheet credit commitments	303,829	32,608	—	—	336,437

46 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 23 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiary, China International Finance Limited, is registered and operating in Hong Kong.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou and Xiamen;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang and Jinan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning and Hohhot;

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

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

— "Hong Kong" region refers to the Hong Kong Special Administrative Region where the subsidiary of the Bank is located.

(Expressed in millions of Renminbi unless otherwise stated)

46 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2009									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	3,719	1,754	2,169	1,439	1,593	397	3,933	10	—	15,014
Internal net interest income/(expense)	454	240	830	195	(4)	43	(1,782)	24	—	—
Net interest income	4,173	1,994	2,999	1,634	1,589	440	2,151	34	—	15,014
Net fee and commission income	365	184	400	171	96	37	403	2	—	1,658
Net trading gain	98	46	180	21	8	3	78	—	—	434
Net operating (loss)/gain from investment securities	—	—	—	—	—	—	(77)	8	—	(69)
Other operating income	30	16	38	10	4	2	18	—	—	118
Operating income	4,666	2,240	3,617	1,836	1,697	482	2,573	44	—	17,155
Operating expenses										
— depreciation and amortisation	(115)	(50)	(97)	(42)	(49)	(11)	(142)	—	—	(506)
— others	(1,773)	(1,008)	(1,369)	(725)	(612)	(208)	(294)	(33)	—	(6,022)
Impairment losses	(385)	(72)	9	(135)	(105)	(79)	(497)	—	—	(1,264)
Profit before tax	2,393	1,110	2,160	934	931	184	1,640	11	—	9,363
Capital expenditure	42	61	85	26	54	21	167	—	—	456

	30 June 2009									
Segment assets	385,253	193,132	495,047	161,487	141,649	46,066	683,358	879	(705,074)	1,401,797
Segment liabilities	382,052	191,056	491,673	159,666	139,946	45,514	596,783	798	(705,074)	1,302,414
Off-balance sheet credit commitments	129,542	50,059	115,604	67,972	35,566	18,928	34,437	—	—	452,108

(Expressed in millions of Renminbi unless otherwise stated)

46 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2008									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	4,561	1,812	2,686	1,633	1,640	550	5,337	9	—	18,228
Internal net interest income/(expense)	382	750	1,974	120	(162)	(43)	(3,009)	(12)	—	—
Net interest income/(expense)	4,943	2,562	4,660	1,753	1,478	507	2,328	(3)	—	18,228
Net fee and commission income	270	135	328	121	95	29	403	—	—	1,381
Net trading gain	117	86	177	31	10	6	56	—	—	483
Net operating (loss)/gain from investment securities	(3)	(3)	(26)	(3)	—	—	123	—	—	88
Other operating income	39	13	61	7	4	4	43	9	—	180
Operating income	5,366	2,793	5,200	1,909	1,587	546	2,953	6	—	20,360
Operating expenses										
— depreciation and amortisation	(98)	(37)	(81)	(28)	(26)	(7)	(114)	—	—	(391)
— others	(1,769)	(1,008)	(1,496)	(662)	(514)	(189)	(1,706)	—	—	(7,344)
Impairment losses	(409)	(41)	(206)	(72)	(503)	(138)	(53)	—	—	(1,422)
Profit before tax	3,090	1,707	3,417	1,147	544	212	1,080	6	—	11,203
Capital expenditure	62	48	326	35	27	16	45	—	—	559

	31 December 2008									
Segment assets	345,595	172,307	464,662	131,638	112,405	40,852	438,152	891	(518,350)	1,188,152
Segment liabilities	311,164	152,247	413,507	119,886	102,304	37,565	473,332	836	(518,350)	1,092,491
Off-balance sheet credit commitments	102,930	36,891	81,338	49,359	20,801	12,510	32,608	—	—	336,437

47 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk:** credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk:** the exposure to market variables such as interest rates, exchange rates and equity markets.

— **Liquidity risk:** where Group is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

— **Operational risk:** the risk arising from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents a decrease in the asset value attributable to the lowering of ratings for issuers of debt securities held by the Group.

Credit business

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

47 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful, and loss loans are considered to be impaired loans and advances, when one or more event demonstrates there is objective evidence of impairment and causes losses. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' abilities to service their loans are in question as they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or no principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying amount of each financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	30 June 2009	31 December 2008
Balances with central banks	**155,859**	203,243
Deposits with bank and non-bank financial institutions	**15,445**	31,303
Placements with banks and non-bank financial institutions	**7,311**	19,143
Trading financial assets	**7,888**	7,755
Positive fair value of derivatives	**3,666**	5,357
Financial assets held under resale agreements	**30,786**	57,698
Interest receivable	**3,485**	3,941
Loans and advances to customers	**974,055**	651,352
Available-for-sale financial assets	**89,654**	84,900
Held-to-maturity investments	**95,755**	105,151
Other financial assets	**1,392**	1,109
Subtotal	**1,385,296**	1,170,952
Credit commitments	**452,108**	336,437
Maximum credit risk exposure	**1,837,404**	1,507,389

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and investments are as follows:

	Note	30 June 2009			
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Carrying amount		8,662	167	—	649
Allowance for impairment		(6,382)	(143)	—	(560)
Net balance		2,280	24	—	89
— Collectively assessed					
Carrying amount		1,130	—	—	—
Allowance for impairment		(886)	—	—	—
Net balance		244	—	—	—
Overdue but not impaired	(1)				
Carrying amount		3,883	—	—	—
Within which					
— Less than 3 months		3,523	—	—	—
— 3 months to 1 year		360	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(227)	—	—	—
Net balance		3,656	—	—	—
Neither overdue nor impaired					
Carrying amount		975,073	22,732	30,786	193,208
Allowance for impairment	(2)	(7,198)	—	—	—
Net balance		967,875	22,732	30,786	193,208
Net balance of total assets		**974,055**	**22,756**	**30,786**	**193,297**

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and investments are as follows: (Continued)

		31 December 2008			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Carrying amount		8,326	167	—	1,138
Allowance for impairment		(6,490)	(143)	—	(738)
Net balance		1,836	24	—	400
— Collectively assessed					
Carrying amount		720	—	—	—
Allowance for impairment		(520)	—	—	—
Net balance		200	—	—	—
Overdue but not impaired					
Carrying amount	(1)	5,394	—	—	—
Within which					
— Less than 3 months		4,907	—	—	—
— 3 months to 1 year		481	—	—	—
— Over 1 year		6	—	—	—
Allowance for impairment		(237)	—	—	—
Net balance		5,157	—	—	—
Neither overdue nor impaired					
Carrying amount		650,484	50,422	57,698	197,406
Allowance for impairment	(2)	(6,325)	—	—	—
Net balance		644,159	50,422	57,698	197,406
Net balance of total assets		651,352	50,446	57,698	197,806

47 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and investments are as follows: (Continued)

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

As at 30 June 2009, the above loans and advances which were overdue but not impaired and which were subject to individual assessment were 1,737 RMB million (as at 31 December 2008: 2,484 million). The covered portion and uncovered portion of these loans and advances were RMB593 million (as at 31 December 2008: 1,295 million) and RMB1,144 million (as at 31 December 2008: 1,189 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB947 million (as at 31 December 2008: 1,786 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(2) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	30 June 2009			31 December 2008		
		%	Loans and advances secured by collaterals		%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	200,776	20.3	56,956	163,164	24.5	48,260
— Transportation, storage and postal services	84,583	8.6	17,373	62,938	9.5	16,811
— Production and supply of electric power, gas and water	69,359	7.0	8,095	57,199	8.6	9,654
— Wholesale and retail	65,946	6.7	25,460	48,855	7.3	21,119
— Water, environment and public utility management	65,418	6.6	16,917	36,592	5.5	7,483
— Public management and social organizations	44,843	4.5	24,152	22,004	3.3	8,954
— Real estate	41,316	4.2	27,442	42,225	6.4	27,514
— Rent and business services	38,549	3.9	14,084	31,396	4.7	9,740
— Construction	33,088	3.3	7,462	23,739	3.6	7,090
— Financing	5,070	0.5	1,404	2,328	0.4	842
— Other customers	53,169	5.4	8,104	43,182	6.5	6,009
Subtotal	702,117	71.0	207,449	533,622	80.3	163,476
Personal loans	98,049	9.9		87,763	13.2	
Discounted bills	188,582	19.1		43,539	6.5	
Gross loans and advances to customers	988,748	100		664,924	100	
Less: Impairment allowances	(14,693)			(13,572)		
Net loans and advances to customers	974,055			651,352		

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

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

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

	30 June 2009				
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**	**Impairment charged to income statement during the year**	**Impaired loan written off during the year**
Manufacturing	**4,521**	**3,152**	**2,041**	**169**	**—**

	31 December 2008				
	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances	Impairment charged to income statement during the year	Impaired loan written off during the year
Manufacturing	4,300	3,256	1,768	1,589	424

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	30 June 2009			31 December 2008		
		%	Loans and advances secured by collaterals		%	Loans and advances secured by collaterals
Yangtze River Delta	285,878	28.9	89,202	205,670	31.0	65,865
Bohai Rim (including Head Office)	308,188	31.2	69,495	188,308	28.3	58,310
Pearl River Delta and West Strait	138,409	14.0	48,571	100,366	15.1	42,653
Central	121,939	12.3	34,287	74,566	11.2	26,849
Western	98,649	10.0	38,856	72,068	10.8	36,149
Northeastern	35,271	3.6	12,469	23,536	3.5	9,286
Hong Kong	414	—	220	410	0.1	224
Total	988,748	100	293,100	664,924	100	239,336

See Note 46(b) for the definitions of geographical segments.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

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

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

	30 June 2009		
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**
Yangtze River Delta	**2,585**	**1,411**	**2,284**
Bohai Rim (including Head Office)	**3,954**	**2,492**	**2,976**
Pearl River Delta and West Strait	**1,368**	**1,026**	**1,069**
Central	**608**	**488**	**945**
Western	**797**	**626**	**733**

	31 December 2008		
	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances
Yangtze River Delta	2,227	1,396	1,942
Bohai Rim (including Head Office)	3,519	2,500	2,567
Pearl River Delta and West Strait	1,372	1,048	945
Central	624	554	612
Western	870	677	752

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	Note	**30 June 2009**	31 December 2008
Unsecured loans		**271,450**	190,835
Guaranteed loans		**235,616**	191,214
Secured loans		**293,100**	239,336
— Tangible assets other than monetary assets		**233,729**	178,185
— Monetary assets		**59,371**	61,151
Subtotal		**800,166**	621,385
Discounted bills		**188,582**	43,539
Gross loans and advances to customers		**988,748**	664,924
Less:	24	**(14,693)**	(13,572)
— Individual impairment allowances		**(6,382)**	(6,490)
— Collective impairment allowances		**(8,311)**	(7,082)
Net loans and advances to customers		**974,055**	651,352

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(a) Credit risk (Continued)

(vi) 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	**4,910**	**0.49%**	5,365	0.81%
Less:				
— rescheduled loans and advances but overdue more than 3 months	**2,808**	**0.28%**	2,835	0.43%
— Rescheduled loans and advances overdue less than 3 months	**2,102**	**0.21%**	2,530	0.38%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. Rescheduled loans and advances are required to be graded at a minimum of substandard and subject to an observation period of six months, until when no upgrade to a higher loan classification is considered.

(b) Market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments, as well as from balance sheet or structural positions. Market risk arises from adverse movement in market rates including interest rates, foreign exchange rates and stock prices etc. as well as their volatility. Market risk would arise from both the Group's trading and non-trading business. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Group's exposure to the volatility inherent in financial instruments.

47 Financial risk management (Continued)

(b) Market risk (Continued)

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures, setting risk exposure limits and approving new products. The Budget and Finance Department is responsible for the day-to-day tasks of managing market risk, including formulating procedures to identify, assess, measure and control market risks. The Treasury and Capital Markets Department is responsible for managing the Group's investment portfolios, conducting proprietary and customer-driven transactions, implementing market risk management policies and rules and ensuring that risk levels are within set limits.

The use of derivatives for proprietary trading and their sale to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

Sensitivity analysis and foreign currency exposure analysis are the key methods used by the Group to measure and monitor the market risk of its trading business. Gap analysis is the key method used by the Group to monitor the market risk of its non-trading business.

The Group applies a wide range of sensitivity analyses to assess the potential impact on the Group's earnings as a result of a set of forward-looking movements in market prices and the result is regularly reviewed.

Foreign currency exposure analysis is a method to measure the effect on the Group's net earnings by foreign exchange rate changes. The Group calculates individual foreign currency exposure for both net spot and net forward positions. All the individual foreign currency exposures are then aggregated to form an overall exposure. Foreign currency exposure limits are set for individual currencies as well as the overall level. The Group also distinguishes between trading and non-trading foreign currency exposures.

Gap analysis is a technique to project future cash flows in order to quantify the differences, for a range of future dates, between assets and liabilities.

Currently, the Group is upgrading its market risk management information system to monitor its overall market risk through new Assets and Liability Management (ALM) and Fund Transfer Pricing (FTP) systems.

(c) Interest rate risk

The Group's interest rate exposures mainly comprise those originating in its commercial banking structural interest rate exposure, and trading positions. The Budget and Finance Department is responsible for overall interest rate risk management.

The structural interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. The Budget and Finance Department manages the structural interest rate risk primarily through gap analysis and interest rate sensitivity analysis.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(c) Interest rate risk (Continued)

The majority of interest rate risk from the Group's trading positions arises from the Treasury's investment portfolios. Sensitivity related limits such as Price Value of a Basis Point (PVBP) and duration, as well as stop loss limits and concentration limit, are the main tools adopted by the Budget and Finance Department to manage trading interest rate risk.

Interest rate risk limits are determined by the Market Risk Committee, which is comprised of senior management. The Budget and Finance Department monitors interest rate risk and reports to the Market Risk Committee on both a regular and ad hoc basis as the need arises.

The following tables indicate the effective interest rates for the period and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities at the balance sheet date.

		30 June 2009					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.36%	159,224	3,365	155,859	—	—	—
Deposits with banks and non-bank financial institutions	0.64%	15,445	—	14,967	478	—	—
Placements with banks and non-bank financial institutions	0.81%	7,311	—	6,606	500	205	—
Financial assets held under resale agreements	1.88%	30,786	—	29,020	1,749	17	—
Loans and advances to customers (note (ii))	5.01%	974,055	—	441,796	517,290	13,655	1,314
Investments (note (iii))	3.33%	193,724	427	60,972	49,217	63,665	19,443
Others		21,252	21,252	—	—	—	—
Total assets		1,401,797	25,044	709,220	569,234	77,542	20,757
Liabilities							
Deposits from banks and non-bank financial institutions	1.61%	74,559	—	72,032	2,527	—	—
Placements from banks and non-bank financial institutions	2.09%	5,920	—	5,205	—	—	715
Financial assets sold under repurchase agreements	1.19%	13,094	—	12,794	—	300	—
Deposits from customers	1.76%	1,173,347	3,611	879,213	248,864	38,741	2,918
Subordinated debts/bonds issued	4.39%	12,000	—	6,000	—	—	6,000
Others		23,494	23,494	—	—	—	—
Total liabilities		1,302,414	27,105	975,244	251,391	39,041	9,633
Asset-liability gap		99,383	(2,061)	(266,024)	317,843	38,501	11,124

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(c) Interest rate risk (Continued)

		31 December 2008					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.66%	206,936	3,693	203,243	—	—	—
Deposits with banks and non-bank financial institutions	1.40%	31,303	—	31,293	10	—	—
Placements with banks and non-bank financial institutions	2.92%	19,143	—	19,031	112	—	—
Financial assets held under resale agreements	3.86%	57,698	—	53,727	3,726	245	—
Loans and advances to customers (note (ii))	7.13%	651,352	—	447,236	196,527	5,901	1,688
Investments (note (iii))	3.74%	198,223	416	54,560	85,012	41,231	17,004
Others		23,497	23,497	—	—	—	—
Total assets		1,188,152	27,606	809,090	285,387	47,377	18,692
Liabilities							
Deposits from banks and non-bank financial institutions	1.97%	108,605	—	98,822	9,783	—	—
Placements from banks and non-bank financial institutions	3.90%	963	—	—	205	—	758
Financial assets sold under repurchase agreements	3.16%	957	—	657	—	300	—
Deposits from customers	2.33%	943,335	10,637	686,224	209,337	34,289	2,848
Subordinated debts/bonds issued	5.26%	12,000	—	6,000	—	—	6,000
Others		26,631	26,631	—	—	—	—
Total liabilities		1,092,491	37,268	791,703	219,325	34,589	9,606
Asset-liability gap		95,661	(9,662)	17,387	66,062	12,788	9,086

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB5,939 million as at 30 June 2009 (as at 31 December 2008: RMB6,828 million).

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

47 Financial risk management (Continued)

(c) Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 30 June 2009 and 31 December 2008.

	30 June 2009		31 December 2008	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
Increase/(Decrease) in annualized net interest income (in millions of RMB)	**276**	**(276)**	(669)	669

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing, commercial bank operations and foreign currency capital related structural exposures. The foreign currency exposures arising in branch daily operations are aggregated to Treasury and Capital Markets Department through back to back transactions.

The Treasury and Capital Markets Department manages the currency risk within the limits approved by the Market Risk Committee by closing the exposure positions through external market transactions.

The Group manages other currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(d) Currency risk (Continued)

The exposures at the balance sheet date were as follows:

	30 June 2009			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	151,016	7,788	420	159,224
Deposits with banks and non-bank financial institutions	7,492	4,280	3,673	15,445
Placements with banks and non-bank financial institutions	6,563	746	2	7,311
Financial assets held under resale agreements	30,135	612	39	30,786
Loans and advances to customers	947,408	25,504	1,143	974,055
Investments	146,605	41,963	5,156	193,724
Others	18,055	1,252	1,945	21,252
Total assets	1,307,274	82,145	12,378	1,401,797
Liabilities				
Deposits from banks and non-bank financial institutions	70,716	2,674	1,169	74,559
Placements from banks and non-bank financial institutions	5,000	279	641	5,920
Financial assets sold under repurchase agreements	4,300	8,744	50	13,094
Deposits from customers	1,124,131	40,897	8,319	1,173,347
Subordinated debts/bonds issued	12,000	—	—	12,000
Others	18,335	3,246	1,913	23,494
Total liabilities	1,234,482	55,840	12,092	1,302,414
Net on-balance sheet position	72,792	26,305	286	99,383
Credit commitments	404,456	37,923	9,729	452,108
Derivatives (note(i))	23,025	(24,501)	1,720	244

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(d) Currency risk (Continued)

	31 December 2008			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	203,456	3,043	437	206,936
Deposits with banks and non-bank financial institutions	6,453	22,922	1,928	31,303
Placements with banks and non-bank financial institutions	15,730	3,411	2	19,143
Financial assets held under resale agreements	57,698	—	—	57,698
Loans and advances to customers	634,489	15,837	1,026	651,352
Investments	164,880	29,694	3,649	198,223
Others	21,338	1,593	566	23,497
Total assets	1,104,044	76,500	7,608	1,188,152
Liabilities				
Deposits from banks and non-bank financial institutions	86,344	20,910	1,351	108,605
Placements from banks and non-bank financial institutions	—	205	758	963
Financial assets sold under repurchase agreements	300	174	483	957
Deposits from customers	906,909	30,229	6,197	943,335
Subordinated debts/bonds issued	12,000	—	—	12,000
Others	21,345	3,290	1,996	26,631
Total liabilities	1,026,898	54,808	10,785	1,092,491
Net on-balance sheet position	77,146	21,692	(3,177)	95,661
Credit commitments	290,381	36,457	9,599	336,437
Derivatives (note(i))	15,399	(17,098)	1,893	194

Note: (i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

47 Financial risk management (Continued)

(d) Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 30 June 2009 and 31 December 2008, the results of the Group's interest rate sensitivity analysis on the assets and liabilities at the same date.

	30 June 2009		31 December 2008	
	Change in foreign currency exchange rate (in basis point)		Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(6)**	**6**	(5)	5

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates (benchmark rates) against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows for the Group to meet all financial commitment and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings in full amounts as they mature, or to meet other obligations for payments, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis according to the Group's liquidity objectives by the Treasury under the direction of the Asset and Liability Committee. It is responsible for ensuring that the Group has adequate liquidity for RMB and foreign currency operations.

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(e) Liquidity risk (Continued)

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly or irregularly stress tests its liquidity position. In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the balance sheet date.

	30 June 2009						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite	Total
Assets							
Cash and balances with central bank	42,690	—	—	—	—	116,534	159,224
Deposits with banks and non-bank financial institutions	13,876	1,091	478	—	—	—	15,445
Placements with banks and non-bank financial institutions	—	6,520	563	205	—	23	7,311
Financial assets held under resale agreements	—	28,049	2,589	148	—	—	30,786
Loans and advances to customers	2,081	245,254	457,126	157,236	108,259	4,099	974,055
Investment securities	1,985	37,051	39,514	82,427	32,230	517	193,724
Others	778	3,359	819	2,237	810	13,249	21,252
Total assets	61,410	321,324	501,089	242,253	141,299	134,422	1,401,797
Liabilities							
Deposits from banks and non-bank financial institutions	61,858	10,218	2,483	—	—	—	74,559
Placements from banks and non-bank financial institutions	—	5,205	—	—	715	—	5,920
Financial assets sold under repurchase agreements	—	12,794	—	300	—	—	13,094
Deposits from customers	509,440	369,454	249,074	41,240	4,139	—	1,173,347
Subordinated debts/bonds issued	—	—	5,098	902	6,000	—	12,000
Others	1,626	17,953	1,343	1,173	727	672	23,494
Total liabilities	572,924	415,624	257,998	43,615	11,581	672	1,302,414
(Short)/Long position	(511,514)	(94,300)	243,091	198,638	129,718	133,750	99,383

(Expressed in millions of Renminbi unless otherwise stated)

47 Financial risk management (Continued)

(e) Liquidity risk (Continued)

	31 December 2008						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite	Total
Assets							
Cash and balances with central bank	111,370	—	—	—	—	95,566	206,936
Deposits with banks and non-bank financial institutions	29,192	2,101	10	—	—	—	31,303
Placements with banks and non-bank financial institutions	3,387	15,620	112	—	—	24	19,143
Financial assets held under resale agreements	—	53,727	3,726	245	—	—	57,698
Loans and advances to customers	3,378	135,007	306,155	109,925	93,072	3,815	651,352
Investment securities	542	39,284	71,702	54,421	31,458	816	198,223
Others	1,080	2,425	2,560	3,273	1,113	13,046	23,497
Total assets	148,949	248,164	384,265	167,864	125,643	113,267	1,188,152
Liabilities							
Deposits from banks and non-bank financial institutions	72,139	23,183	12,783	500	—	—	108,605
Placements from banks and non-bank financial institutions	—	—	205	—	758	—	963
Financial assets sold under repurchase agreements	—	657	—	300	—	—	957
Deposits from customers	429,415	263,757	210,098	36,197	3,868	—	943,335
Subordinated debts/bonds issued	—	—	—	6,000	6,000	—	12,000
Others	1,996	18,049	2,774	2,332	764	716	26,631
Total liabilities	503,550	305,646	225,860	45,329	11,390	716	1,092,491
(Short)/Long position	(354,601)	(57,482)	158,405	122,535	114,253	112,551	95,661

47 Financial risk management (Continued)

(f) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address comprehensively the operational risk inherent in all key products, activities, processes and systems. Key controls include:

— authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;

— the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;

— systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;

— promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;

— cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

— the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;

— the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and

— the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

47 Financial risk management (Continued)

(f) Operational risk (Continued)

In addition to the above, the Bank's Compliance and Internal Audit Department, which directly reports to the Audit and Related Party Transactions Committee, examines and independently evaluates its risk management policies and procedures and internal controls. Audit and Related Party Transactions Committee is under the direct supervision of the Executive Management Committee led by the President of the Bank.

The Audit and Related Party Transactions Committee determines the frequency and priority of audits of the Bank's different operating units and branches based on their assessment of the level of risk of those units and branches.

48 Capital Adequacy Ratio

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with "Regulation Governing Capital Adequacy of Commercial Banks" issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong or other regions and countries. The capital of the Bank is analyzed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and minority interests, after the deduction of dividends declared after the balance sheet date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions and subordinated debts/bonds issued.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on- and off-balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Bank is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Bank's sound operations and risk management capability. The Bank's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Bank's operating situations.

The Bank considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

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

(Expressed in millions of Renminbi unless otherwise stated)

48 Capital Adequacy Ratio (Continued)

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

	30 June 2009	31 December 2008
Core capital adequacy ratio (note(i))	**10.45%**	12.32%
Capital adequacy ratio (note(ii))	**12.04%**	14.32%
Components of capital base		
Core capital:		
— Share capital	**39,033**	39,033
— Capital reserve	**36,916**	36,916
— Investment revaluation reserve	**(81)**	(72)
— Surplus reserve and general reserve	**9,877**	9,877
— Retained earnings (note(iii))	**13,323**	6,288
— Fair value change of trading financial assets (note(iv))	**(194)**	—
Total Core Capital	**98,874**	92,042
Supplementary capital:		
— General provision for loans and advances	**7,425**	6,527
— Fair value change of trading financial assets (note(iv))	**194**	—
— Subordinated debts/bonds issued	**7,380**	8,400
Total supplementary capital	**14,999**	14,927
Total capital base before deductions	**113,873**	106,969
Deductions:		
— Unconsolidated equity investments	**101**	99
Total capital base after deductions	**113,772**	106,870
Core capital base after deductions (note(i))	**98,824**	91,993
Risk weighted assets	**945,333**	746,547

Note:

(i) According to relevant regulation, 50 percent unconsolidated non-bank financial institutes' investments should be deducted when we calculate core capital base.

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

(iii) According to the *Announcement on Calculating CAR after Implementing Accounting Standards for Business Enterprises (2006) of Banking and Financial Institutions* issued by China Banking Regulatory Commission on 10 November 2007, unrealized accumulated profit for trading financial instruments fair value through profit and loss should be deducted from core capital and included in supplementary capital instead.

(Expressed in millions of Renminbi unless otherwise stated)

49 Fair value

(a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

Amounts due from central bank, banks and other financial institutions

Amounts due from central bank, banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The following table summarises the carrying values and the fair values of held-to-maturity debt securities which are not presented on the balance sheet at their fair values.

	Carrying values		**Fair values**	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008
Held-to-maturity debt securities	**95,755**	105,151	**96,788**	106,588

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the balance sheet date except for subordinated debts/bonds issued, of which the carrying values and fair values are presented as below:

	Carrying values		**Fair values**	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008
Subordinated debts/bonds issued	**6,000**	6,000	**5,992**	6,023

(Expressed in millions of Renminbi unless otherwise stated)

50 Related parties

The Group's related parties include the Group's subsidiaries, CITIC Group and its subsidiaries, and the Group's strategic investor, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA").

CITIC Group, the majority shareholder of the Group, is a state-owned company established in the PRC in 1979. CITIC Group's core businesses include operations in the financial, industrial and service industries in the PRC and internationally.

BBVA is a multinational financial service company registered in Spain. BBVA mainly engages in retail banking, asset management, private banking and wholesale banking operations. BBVA acquired additional shares of the Group during the six months ended 30 June 2009 and as at 30 June 2009, BBVA held 10.07% of the Group's outstanding shares (31 December 2008: 5.10%). BBVA is considered a related party of the Group with significant influence.

(a) Related party transactions

During the relevant periods, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Interest rates on loans and deposits are required to be set in accordance with the benchmark rates set and relevant regulations issued by the PBOC.

Transactions during the relevant periods and the corresponding balances outstanding at the balance sheet dates are as follows:

	Six months ended 30 June2009			
	Ultimate holding company	Fellow Subsidiaries	BBVA	Subsidiaries (note(i))
Interest income	23	172	—	1
Fee and commission income and other income	—	123	—	—
Interest expense	(52)	(123)	—	—
Net trading gain/(loss)	48	(6)	16	(4)
Other service fees	—	(61)	—	(29)

50 Related parties (Continued)

(a) Related party transactions (Continued)

	Six months ended 30 June2008		
	Ultimate holding company	Fellow Subsidiaries	Subsidiaries (note(i))
Interest income	21	130	13
Fee and commission income and other income	—	9	—
Interest expense	(186)	(523)	—
Other service fees	—	(12)	(7)

(Expressed in millions of Renminbi unless otherwise stated)

50 Related parties (Continued)

(a) Related party transactions (Continued)

	30 June 2009			
	Ultimate holding company	Fellow subsidiaries	BBVA	Subsidiaries (note(i))
Assets				
Gross amounts of loans and advances to customers	380	5,853	—	—
Less: Individual impairment allowances	—	—	—	—
Net loans and advances to customers	380	5,853	—	—
Gross amounts of deposits and placements with banks and non-bank financial institutions	—	91	—	713
Less: Impairment allowances	—	(8)	—	—
Net amounts of deposits and placements with banks and non-bank financial institutions	—	83	—	713
Investments	454	611	—	87
Financial assets held under resale agreements	—	—	—	68
Other assets	55	53	53	1
Liabilities				
Deposits from customers	11,440	2,734	—	11
Amounts of deposits and placements from banks and non-bank financial institutions	—	9,866	—	—
Other liabilities	19	71	33	1
Off-balance sheet transactions				
Guarantees and letters of credit	240	479	—	—
Acceptances	—	630	—	—
Guarantees for loans to third parties	—	3,511	—	—
Nominal amount of derivatives	3,125	3,750	5,035	68

(Expressed in millions of Renminbi unless otherwise stated)

50 Related parties (Continued)

(a) Related party transactions (Continued)

	31 December 2008		
	Ultimate holding company	Fellow Subsidiaries	Subsidiaries (note(i))
Assets			
Gross amounts of loans and advances to customers	380	5,351	—
Less: Individual impairment allowances	—	—	—
Net loans and advances to customers	380	5,351	—
Gross amounts of deposits and placements with banks and non-bank financial institutions	—	84	759
Less: Impairment allowances	—	(8)	—
Net amounts of deposits and placements with banks and non-bank financial institutions	—	76	759
Investments	374	542	87
Financial assets held under resale agreements	—	—	68
Other assets	5	97	3
Liabilities			
Deposits from customers	7,063	3,284	7
Amounts of deposits and placements from banks and non-bank financial institutions	—	14,913	—
Other liabilities	21	123	—
Off-balance sheet transactions			
Guarantees and letters of credit	240	602	—
Acceptances	—	872	—
Guarantees for loans to third parties	—	3,798	—
Nominal amount of derivatives	282	4,350	—

Notes:

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

(ii) The Bank purchased RMB2,000 million loans from CITIC Trust during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil)

50 Related parties (Continued)

(b) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, Supervisors and Executive Officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. In the opinion of the Directors, other than the those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 30 June 2009 to Directors, supervisors and executive officers amounted to RMB22.05 million (as at 31 December 2008: RMB22.65 million).

The aggregate of the compensations in respect of directors, supervisors and senior executives during the six months ended 30 June 2009 amounted to RMB17.39 million (six months ended to June 2008: RMB21.02 million).

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

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China.

The Group has also established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group also pays supplementary retirement benefits for its qualified employees in Mainland China (Note 31(iii)).

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

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

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations (“state-owned entities”).

50 Related parties (Continued)

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

Transactions with other state-owned entities include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

51 Possible impact of amendments, new standards and interpretations issued but not yet affective

Up to the date of issuing this financial report, a number of new standards, amendments to standards and interpretations are not yet affective for the six months ended 30 June 2009, and have not been applied in preparing this consolidated financial report.

The Group is in the process of assessing the impact of these new standards, amendments and interpretations, if any. So far the Group has concluded that the adoption is unlikely to have a significant impact on the Group's results of operations and financial position.

52 Comparative figures

Certain comparative figures have been re-classified to conform with current period's presentation.

53 Events after the Balance Sheet Date

Up to the date of this interim financial report, the Group had no material events for disclosure after the balance sheet date.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

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

(a) Reconciliation between the financial report prepared under International Financial Reporting Standards ("IFRS") and relevant accounting rules and regulations in the PRC ("PRC GAAP")

		Six months ended 30 June	
	Note	**2009**	2008
Net Profit			
Net profit attributable to equity shareholders of the Bank under IFRS		**7,052**	8,429
Adjustments for depreciation, amortisation and disposal arising from fixed assets and other assets revaluation	(i)	**(5)**	(12)
Net profit attributable to equity shareholders of the Bank shown in the financial report under PRC GAAP		**7,047**	8,417

	Note	**30 June 2009**	31 December 2008
Equity			
Equity attributable to equity shareholders of the Bank under IFRS		**99,379**	95,658
Adjustments for difference arising from fixed assets and other assets revaluation	(i)	**(320)**	(315)
Equity attributable to equity shareholders of the Bank shown in the financial report under PRC GAAP		**99,059**	95,343

Note: (i) Adjustments for difference arising from fixed assets and other assets revaluation

Pursuant to the relevant PRC rules and regulations with respect to the restructuring of China CITIC Bank, the fixed assets and other assets (including equity investment, repossessed assets and intangible assets) of the Bank as at 31 December 2005 were revalued by China Enterprise Appraisal Company Limited on a depreciated replacement cost or a comparable market basis as appropriate. The revalued amount was adopted for these assets as deemed cost from the date of revaluation and thereafter, with the revaluation surplus being recognised in the capital reserve. The depreciation and amortization of these assets is calculated to write off the deemed cost over the estimated useful life.

In the financial report prepared under IFRS, such assets are carried at cost less impairment losses and the revaluation surplus was not recorded accordingly, except for the property of the Bank, which is stated in the balance sheet at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Increases in the carrying amount arising on the revaluation of each property are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement. These revaluations are performed on a regular basis.

As the depreciation of equipment and amortization of other assets in the financial report under PRC GAAP are calculated on deemed cost after revaluation, it is different from those under IFRS, which are calculated on historical cost.

(Expressed in millions of Renminbi unless otherwise stated)

(b) Liquidity ratios

	30 June 2009	31 December 2008
RMB current assets to RMB current liabilities	**38.74%**	51.37%
Foreign currency current assets to foreign currency current liabilities	**105.77%**	83.24%

The above liquidity ratios were calculated based on the financial report under PRC GAAP with reference to the revised formula issued by China Banking Regulatory Commission ("CBRC") in 2006.

(c) Currency concentrations

	30 June 2009			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**82,145**	**3,502**	**8,877**	**94,524**
Spot liabilities	**(55,840)**	**(4,806)**	**(7,286)**	**(67,932)**
Forward purchases	**56,942**	**5,921**	**21,973**	**84,836**
Forward sales	**(81,443)**	**(3,058)**	**(23,116)**	**(107,617)**
Net long/(short) position	**1,804**	**1,559**	**448**	**3,811**

	31 December 2008			
	US Dollars	HK Dollars	Others	Total
Spot assets	110,836	657	6,949	118,442
Spot liabilities	(54,808)	(2,536)	(8,249)	(65,593)
Forward purchases	48,259	1,912	17,952	68,123
Forward sales	(65,357)	(478)	(17,493)	(83,328)
Net long/(short) position	38,930	(445)	(841)	37,644

(Expressed in millions of Renminbi unless otherwise stated)

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

For the purpose of these unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical areas is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2009			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**3,989**	**73**	**1,199**	**5,261**
— *of which attributed to Hong Kong*	**2,546**	**73**	**996**	**3,615**
Europe	**7,322**	**6,365**	**35**	**13,722**
North and South America	**8,513**	**15,845**	**601**	**24,959**
	19,824	**22,283**	**1,835**	**43,942**

	31 December 2008			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	5,256	—	616	5,872
— *of which attributed to Hong Kong*	4,108	—	409	4,517
Europe	5,179	614	36	5,829
North and South America	23,875	21,909	592	46,376
	34,310	22,523	1,244	58,077

(Expressed in millions of Renminbi unless otherwise stated)

(e) Overdue loans and advances to customers by geographical segments

	30 June 2009		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	**285,878**	**2,211**	**2,585**
Bohai Rim (include Head Office)	**308,188**	**3,656**	**3,954**
Pearl River Delta and West Strait	**138,409**	**1,528**	**1,368**
Central	**121,939**	**594**	**608**
Western	**98,649**	**733**	**797**
Northeastern	**35,271**	**405**	**480**
Hong Kong	**414**	**—**	**—**
Total	**988,748**	**9,127**	**9,792**

	31 December 2008		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	205,670	1,134	2,227
Bohai Rim (include Head Office)	188,308	3,249	3,519
Pearl River Delta and West Strait	100,366	1,658	1,372
Central	74,566	634	624
Western	72,068	558	870
Northeastern	23,536	327	434
Hong Kong	410	—	—
Total	664,924	7,560	9,046

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss (see Note 47(a) of the Group's financial report for the core definitions of the loan classification)); or

— collectively: that is portfolios of homogeneous loans and advances (including retail loans and advances which are graded substandard, doubtful or loss).

(Expressed in millions of Renminbi unless otherwise stated)

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	30 June 2009	31 December 2008
Gross amounts due from banks and other financial institutions which have been overdue	**167**	167
As a percentage of total gross amounts due from banks and other financial institutions	**0.31%**	0.15%

Note: All overdue amounts have been overdue over 12 months.

(ii) Gross amounts of overdue loans and advances to customers

	30 June 2009	31 December 2008
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**1,854**	1,238
— between 6 and 12 months	**1,569**	720
— over 12 months	**5,704**	5,602
Total	**9,127**	7,560
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.19%**	0.19%
— between 6 and 12 months	**0.16%**	0.11%
— over 12 months	**0.57%**	0.84%
Total	**0.92%**	1.14%

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(ii) Gross amounts of overdue loans and advances to customers (Continued)

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

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

— Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 30 June 2009, the loans and advances to customers of RMB7,833 million (as at 31 December 2008: RMB6,655 million) and RMB1,294 million (as at 31 December 2008: RMB905 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB1,222 million (as at 31 December 2008: RMB623 million) and RMB6,611 million (as at 31 December 2008: RMB6,032 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,577 million (as at 31 December 2008: RMB718 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB5,882 million (as at 31 December 2008: RMB5,357 million).

(g) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in the Mainland. As at 30 June 2009, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the notes to the financial report.

Interpretations

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Group	China CITIC Bank Corporation Limited or China CITIC Bank Corporation Limited and its subsidiaries
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
CBRC	China Banking Regulatory Commission
Central Bank	The People's Bank of China
China AMC	China Asset Management Co., Ltd
China Securities	China Securities Co., Ltd
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Fund	CITIC Fund Management Co., Ltd
CITIC Group	CITIC Group
CITIC Industry Investment Fund	CITIC Industry Investment Fund Management Co., Ltd Management
CITIC Ka Wah	CITIC Ka Wah Bank Limited
CITIC Kingtong Securities	CITIC Kingtong Securities Co., Ltd
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd
CITIC Securities	CITIC Securities Co., Ltd
CITIC Splendid Capital	CITIC Splendid Capital Management Co., Ltd
CITIC Trust	CITIC Trust Co., Ltd
CITIC Wangtong Securities	CITIC Wangtong Securities Co., Ltd
CNAO	National Audit Office of the People's Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MOF	Ministry of Finance of the People's Republic of China
SSE	Shanghai Stock Exchange

List of Domestic and Overseas Affiliates

As of 30 June 2009, there were 565 branch outlets in total consisting of 30 tier-one branches, 23 tier-two branches, 511 sub-branches and one finance company.

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
1	Beijing	1	Headquarters	Address: Tower C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 http: //bank.ecitic.com SWIFT BIC: CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 or 65550802 Hotline: 95558
		38	Business department of Headquarters	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100032	Tel: 010-66219988 Fax: 010-66211770
2	Tianjin	22	Tianjin Branch	Address: No. 14 Nanjing Road, Hexi District, Tianjin Postal Code: 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	15			
	Shijiazhuang	12	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	3	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
4	Liaoning Province	50			
	Shenyang	15	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	18	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	6	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	Tel: 0413-3886701 Fax: 0413-3886701
	Huludao	6	Huludao Branch	Address: No. 55, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2802681 Fax: 0429-2800885

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
5	Shanghai	28	Shanghai Branch	Address: No. 61, East Nanjing Road, Shanghai Postal Code: 200002	Tel: 021-23029000 Fax: 021-23029001
6	Jiangsu Province	72			
	Nanjing	19	Nanjing Branch	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	15	Wuxi Branch	Address: No. 112 Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	8	Changzhou Branch	Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225009	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	4	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou, Jiangsu Province Postal Code: 225300	Tel: 0523-86399176 Fax: 0523-86243344
	Suzhou	17	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	1	Nantong Branch	Address: No. 20, Mid Renmin Road, Nantong Postal Code: 226001	Tel: 0513-81120901 Fax: 0513-81120900
7	Zhejiang Province	59			
	Hangzhou	21	Hangzhou Branch	Address: No. 88, Yanan Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	9	Wenzhou Branch	Address: North-zone No.2 Building, Natural City Courtyard Phase II, Shifu Road, Wenzhou, Zhejiang Province Postal Code: 325001	Tel: 0577-88858616 Fax: 0577-88817687
	Jiaxing	7	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314001	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	8	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel: 0575-85227191 Fax: 0575-85229610
	Ningbo	14	Ningbo Branch	Address: No. 36, Zhenming Road, Haishu District, Ningbo Postal Code: 315010	Tel: 0574-87733226 Fax: 0574-87733060

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
8	Anhui Province	11	Hefei Branch	Address: No. 78, Huizhou Avenue, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Hefei				
9	Fujian Province	30			
	Fuzhou	13	Fuzhou Branch	Address: No. 99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	10	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubing Road, Xiamen, Fujian Province Postal Code: 361004	Tel: 0592-2389008 Fax: 0592-2396363
	Quanzhou	6	Quanzhou Branch	Address: Building of The People's Bank of China, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel: 0595-22148612 Fax: 0595-22148222
	Putian	1	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No.81, Licheng Avenue, Chengxiang District, Putian Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
10	Shandong Province	49			
	Jinan	11	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	15	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: No. 109, Xincun West Road, Zhangdian District, Zibo, Shandong Province Postal Code: 255032	Tel: 0533-2212123 Fax: 0533-2212123
	Yantai	5	Yantai Branch	Address: No. 207, Shengli Road, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611552 Fax: 0535-6611032
	Weihai	8	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5336816 Fax: 0631-5314076
	Jining	3	Jining Branch	Address: No. 26, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888

List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
11	Henan Province	16			
	Zhengzhou	15	Zhengzhou Branch	Address: No. 26, North Jingsan Road, Zhengzhou, Henan Province Postal Code: 450008	Tel: 0371-65792500 Fax: 0371-65792900
	Luoyang	1	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 471000	Tel: 0379-64682858 Fax: 0379-64682875
12	Hubei Province	19			
	Wuhan	18	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	1	Xiangfan Branch	Address: Kaifang Plaza, Special No. 1, Paopu Avenue, Fancheng District, Xiangfan Postal Code: 441000	Tel: 0710-3467555 Fax: 0710-3454166
13	Hunan Province Changsha	16	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582199
14	Guangdong Province	67			
	Guangzhou	22	Guangzhou Branch	Address: No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	4	Foshan Branch	Address: No. 91, South Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83981101
	Shenzhen	26	Shenzhen Branch	Address: 5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	15	Dongguan Branch	Address: No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667937

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
15	Chongqing	15	Chongqing Branch	Address: Building B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-89037373 Fax: 023-89037227
16	Sichuan Province Chengdu	19	Chengdu Branch	Address: Attached Building of Huaneng Building, No. 47, 4th Section, South Renmin Road, Chengdu, Sichuan Province Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province Kunming	11	Kunming Branch	Address: Fulin Square, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648555 Fax: 0871-3648667
18	Shaanxi Province Xi'an	16	Xi'an Branch	Address: No. 89, North Changan Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820122 Fax: 029-87817025
19	Shanxi Province Taiyuan	2	Taiyuan Branch	Address: Building A, King Office Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
20	Jiangxi Province Nanchang	2	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huachen, No. 333, South Guangchang Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
21	Inner Mongolia Autonomous Region Hohhot	3	Hohhot Branch	Address: No. 68, Xinhua Street, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
22	Guangxi Zhuang Autonomous Region Nanning	1	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning Postal Code: 530000	Tel: 0771-5569881 Fax: 0771-5569889
23	Heilongjiang Province Harbin	1	Harbin Branch	Address: No. 233, Hongqi Avenue, Harbin Postal Code: 150090	Tel: 0451-55558113 Fax: 0451-53995558

List of Domestic and Overseas Affiliates

Serial Number	Administrative Region	Number of Branches	Major Branches/ Offices	Address	Tel and Fax
24	Gansu Province Lanzhou	1	Lanzhou Branch	Address: No.638, West Donggang Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890615 Fax: 0931-8890699
25	Guizhou Province Guiyang	1	Guiyang Branch	Address: No.126, Xinhua Road, Nanming District, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-3806888 Fax: 0851-5587155
26	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address: Room 2106, 21st Floor, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: 852-25212353 Fax: 852-28017399

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