

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中 信 銀 行 股 份 有 限 公 司

China CITIC Bank Corporation Limited

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

(Stock Code: 998)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors of China CITIC Bank Corporation Limited (the "Bank") is pleased to announce the unaudited consolidated results (the "Interim Results") of the Bank and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 (the "Reporting Period"), which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standards (the "IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The Interim Results have been reviewed by the Audit and Related Party Transactions Control Committee of the Bank's Board of Directors.

I. FINANCIAL HIGHLIGHTS

1. Operating Performance

Unit: in RMB million

Item	January to June 2009	January to June 2008	January to December 2008	Year-on-year increase/ decrease (%)
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	—
Per share				
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	—

2. Profitability Indicators

Item	January to June 2009	January to June 2008	January to December 2008	Year-on-year increase/ decrease
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)

3. Scale Indicators

Unit: in RMB million

Item	30 June 2009	31 December 2008	31 December 2007	Increase compared with the previous 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

4. Asset Quality Indicators

Item	30 June 2009	31 December 2008	31 December 2007	Increase/ decrease compared with the previous 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)

5. Capital Adequacy Indicators

Item	30 June 2009	2008 year-end	2007 year-end	Increase/ decrease compared with the previous 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)

6. 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

II. REPORT OF THE BOARD OF DIRECTORS

1. 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 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 the 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 Shanghai Stock Exchange (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.

2. 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 operations 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% year on year; the total liabilities rose to RMB1.302414 trillion, growing by RMB209.923 billion or up by 19.22% year on year; the total shareholders' equity (the minority equity was excluded) was RMB99.379 billion, rising by RMB3.721 billion or up by 3.89% year on 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
General and administrative expenses	(6,528)	(7,735)	(1,207)	(15.60)
Provisions for impairment losses expenses	(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 ratio, 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

Item	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 the Central Bank	147,968	998	1.36	124,473	1,051	1.69	135,135	2,245	1.66
Deposits and placements with banks	34,906	119	0.69	33,432	403	2.41	34,090	754	2.21
Amounts under re-sale 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 other financial institutions	71,510	578	1.63	172,109	1,526	1.77	152,243	3,099	2.04
Amounts under re-purchase 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 interest.

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

The net interest income of the Group is affected by the alteration of the scale and interest rates, the changes arising from such alternation is 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.

	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 the Central Bank	199	(252)	(53)	812	100	912
Deposits and placements with banks	18	(302)	(284)	242	(198)	44
Amounts under re-sale 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 other financial institutions	(890)	(58)	(948)	809	577	1,386
Amounts under re-purchase 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, its 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 yields 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.

Table 1: 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

Table 2: 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 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 average yield of the loans 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) The 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 the average balance of investment in debt securities decreased by RMB25.65 billion year on year or down by 12.13%, and 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 the Central Bank

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

The balance of the deposits with the 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 increase along with the increased deposits from customer. The average yield fell from 1.69% in the first half of 2008 to 1.36% in the first half 2009 since the Central Bank lowered the ratio of statutory deposit reserve ratio for four consecutive times since September 2008, the proportion of average balance of excess reserve to the average balance of the deposits with the Central Bank rose slightly year on year.

Interest Income from Deposits and Placements with Banks

In the first half of 2009, the Group's interest income from deposits and placements with Banks was RMB119 million, decreasing by RMB284 million or 70.47%. The main reason is 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 is the drop of monetary market interest rate.

Interest Income from Amounts under Re-sale Agreements

In the first half of 2009, the Group's interest income from amounts under re-sale 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 re-sale 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 re-sale 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 scale. 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.

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) the 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 with Other Banks and Financial Institutions

In the first half of 2009, the Group's interest expense on the deposits and placements with other banks and 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 the deposits and placements with other banks and 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 the 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 the 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 fixed-term effect of the deposit structure due to the increased proportion of time deposit.

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, 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 (losses) from trading securities	434	483	(49)	(10.14)
Net gains (losses) from investment securities	(69)	88	(157)	—
Other operating income	118	180	(62)	(34.44)
Total net non-interest income	<u>2,141</u>	<u>2,132</u>	<u>9</u>	<u>0.42</u>

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 net 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 the intermediary business, and the income from items such as agency fee, guarantee service fee and bank card service fee 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	284	141	143	101.42
Guarantee fees	317	196	121	61.73
Consulting and advisory fees	380	313	67	21.41
Wealth management fees	170	183	(13)	(7.10)
Settlement fees	144	198	(54)	(27.27)
Custody 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/(Losses) from Trading

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)

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.

Net Gains/(Losses) 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 in the first half of 2008, which is due to the losses from available-for-sale investment 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 assets	43	(16)	59	—
Investments	46	8	38	475.00
Others (<i>Note</i>)	(1)	17	(18)	—
Total of asset impairment losses	<u>1,264</u>	<u>1,422</u>	<u>(158)</u>	<u>(11.11)</u>

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

General and Administrative 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 general and administrative expenses	<u>6,528</u>	<u>7,735</u>	<u>(1,207)</u>	<u>(15.60)</u>
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 business and administrative fees 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 Ministry of Finance 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 Bank 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 24.76% in 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
Minus: Provisions for impairment 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 the Central Bank	159,224	206,936	(47,712)	(23.06)
Net amount of deposits and placements with banks	22,756	50,446	(27,690)	(54.89)
Amounts under re-sale 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 with other banks and financial institutions	80,479	109,568	(29,089)	(26.55)
Amounts under re-purchase agreements	13,094	957	12,137	1,268.23
Subordinated debts 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 investments held for trading, available-for-sale investment, held-to-maturity investments and long-term equity investment.
- (2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, deferred income tax assets and other assets.
- (3) Including borrowings from the Central Bank, 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 reserve for asset impairment 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 "4. Risk Management" in this Interim Results 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)
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 People's Bank of China	47,055	24.3	42,860	21.7	4,195	9.79
Policy banks	42,786	22.1	78,042	39.4	(35,256)	(45.18)
Other banks and financial institutions	31,737	16.4	32,627	16.5	(890)	(2.73)
Chinese overseas public entities	22,555	11.7	11,895	6.0	10,660	89.62
Others	11,639	6.0	7,639	3.9	4,000	52.36
	33,690	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	<u>40,371</u>			

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 ⁽¹⁾	(224)	—
	<hr/>	<hr/>
Ending balance	566	744
Including: provisions for available-for-sale investment impairment	357	521
provisions for held-to-maturity investment impairment	209	223

Note:

- (1) 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 face 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 prudential principle, 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		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		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

Unit: in RMB million

	30 June 2009	31 December 2008	Compared with the previous year-end 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

As of 30 June 2009, the total deposits from customers of the Group was 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 loans 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.

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 (<i>Note</i>)	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 West 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 the deposits from customers by the remaining maturities indicated as of 30 June 2009.

Unit: in RMB million

	Overdue/current		Less than 3 months		Between 3 and 12 months		Between 1 and 5 years		More than 5 years		Total	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	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

By 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⁾	Standard value (%)	30 June 2009	Figures of the Bank (%)	
			31 December 2008	31 December 2007
Liquidity ratio				
In which: RMB	≥25	RMB: 38.74	RMB: 51.37	RMB: 38.90
Foreign currencies	≥25	Foreign currency: 105.77	Foreign currency: 83.24	Foreign currency: 110.01
Loan/deposit ratio ⁽²⁾				
Including: RMB	≤75	RMB: 85.72	RMB: 73.29	RMB: 74.40
Foreign currencies	≤85	Foreign currency: 56.00	Foreign currency: 45.65	Foreign currency: 68.82

Notes:

- (1) the above figures are calculated by the Bank in accordance with the requirements of China Banking Regulatory Commission;
- (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 “Accounting Standards for Business Enterprises”. The accounting estimates and assumptions made by the Group are based on the historical experience and reasonable prediction on the 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 China CITIC Bank Corporation Limited 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 the measurement of 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 procedure 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 of those valuation methods. The relevant system and method for the measurement of fair value are approved by the Market Risk Management Commission of the Bank.

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 ⁽¹⁾	(222)	136	—	—	254
2. Available-for-sale financial assets	85,317	—	(148)	(46)	90,081
Subtotal of financial assets	<u>92,850</u>	<u>48</u>	<u>(148)</u>	<u>(46)</u>	<u>98,223</u>
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	<u>90,211</u>	<u>81</u>	<u>(148)</u>	<u>(46)</u>	<u>96,325</u>

Note:

(1) 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 ⁽¹⁾	(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	<u>33,242</u>	<u>(467)</u>	<u>(276)</u>	<u>(46)</u>	<u>47,563</u>
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	<u>30,742</u>	<u>(435)</u>	<u>(276)</u>	<u>(46)</u>	<u>45,742</u>

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

Discrepancies between Chinese and International Accounting Standards

The table below is the standards discrepancy reconciliation statement of net assets 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”	<u>99,059</u>	<u>95,343</u>	<u>7,047</u>	<u>8,417</u>

Segment Reporting

Business Segment

The Group maintained the leading position in corporate banking business. In the first half of 2009, the corporate banking business contributed an operating profit of RMB8.619 billion to the Group’s operating profits with the proportion of 88.93%; the treasury business contributed RMB827 million to the Group’s operating profits with the proportion of 8.53%; the personal banking business contributed RMB246 million to the Group’s operating profits with the proportion of 2.54%.

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.

3. Business Overview

(1) Corporate Banking Business

The Bank proactively optimized the development model of corporate banking business, effectively integrated resources, and strengthened synergic marketing. By enhancing 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 base with institutional clients, the Bank grasped the market opportunities where the government implemented proactive fiscal policies, increased direct governmental 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 series 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-subbranch 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 0.19 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 depository 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.

(2) 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 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 AUM¹

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 multi-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 saving 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, 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.

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.

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 become 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 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.

In the first half of 2009, 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.

(3) *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 operating 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. 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 remained 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 adjusted the foreign currency asset structure to be more reasonable. While actively reducing the high expected risk assets, the Bank increased its investment proportion in government bonds and the Chinese 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 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.

(4) Integrated Financial Services Platform of CITIC Group

CITIC Group have financial subsidiaries in engaged in banking, securities brokerage, fund management, trust, insurance and futures business, 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.

(5) *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 patterns 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 an all-round 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.

(6) 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, 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, 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, a 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 was 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 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 and 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.

(7) 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; kept on improving the IT risk control capability; started 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 the comprehensive assessment on the whole status of IT application in the Bank through IT diagnosis and made clear the core services demand of the Bank for next three to five years. The above work set up a good foundation for plan and blueprint formulating.

4. Risk Management

(1) Credit Risk Management

Corporate Loans Risk Management

To tackle the impact of the global financial crisis that was rare during the past century, the Chinese government exercised the proactive fiscal policy and moderately loosened monetary policy, put forward 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 pre-sale, 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. And 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 review 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.

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 (%)
Yangtze River Delta	285,878	28.9	205,670	31.0	80,208	39.0
Bohai Rim (Note)	308,188	31.2	188,308	28.3	119,880	63.7
Pearl River Delta and Western coastal region	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 to customers	988,748	100.0	664,924	100.0	323,824	48.7

Note: Including the headquarters.

The Group continuously optimized the geographical distribution of credit assets, which resulted in a coordinated loan growth in all regions. As of 30 June 2009, the loan balance was RMB988.748 billion, an increase of RMB323.824 billion or up by 48.7% compared with that at the end of the previous year. 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 loans to these three regions to the total loans and advances 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 Products

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

As of 30 June 2009, the balance of corporate loans 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.

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
		(%)		(%)		(%)
Credit card loans	11,416	11.6	11,141	12.7	275	2.5
Residential mortgage loans	75,743	77.3	67,230	76.6	8,513	12.7
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 and 31 December 2008, the total balance of loans granted by the Group to the top five sectors accounted for 69.2% and 70.2% in the total balance of corporate loans respectively. 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.

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	961,218	97.2	647,279	97.3	313,939	48.5
Foreign currencies	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 unsecured loans was 27.5%, maintaining at the same level with that at the end of the previous year.

Unit: in RMB million

Compared with the
previous year-end

Types of Guarantee	30 June 2009		31 December 2008		Variation	Growth rate (%)
	Balance	Proportion (%)	Balance	Proportion (%)		
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
Discounted bills	188,540	—	—	—	42	188,582
Personal loans	22,501	22,284	49,988	1,327	1,949	98,049
Total customer 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

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

		30 June 2009		
	Industry	Amount	Percentage in total loans (%)	Percentage in regulatory capital (%)
Borrower A	Public management and social organizations	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 organizations	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		<u>32,644</u>	<u>3.30</u>	<u>28.69</u>

Based on emphasizing expanding domestic demand, the Bank continued to adhere to the “high quality industries, high quality enterprises, mainstream markets 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 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.

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 customer loans	<u>988,748</u>	<u>100.0</u>	<u>664,924</u>	<u>100.0</u>	<u>323,824</u>	<u>48.7</u>
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.

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.

Migration of Loans

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

	30 June 2009 End of period	31 December 2008 End of period	31 December 2007 End of period
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

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 customer 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 and advances overdue or impaired but the lending terms of which have been re-negotiated.

As of 30 June 2009, the loans overdue was almost the same with that of the end of the previous year, and the balance of loans overdue and NPLs remained at 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.

Breakdown of Non-performing Loans by Types of Customer

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	<u>9,792</u>	<u>100.0</u>	<u>0.99</u>	<u>9,046</u>	<u>100.0</u>	<u>1.36</u>	<u>746</u>	<u>8.2</u>

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.

Distribution of Personal Non-performing Loans

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

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.

Breakdown of Non-performing Loans by Geographical Locations

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 coastal region	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

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.

Breakdown of Corporate Non-performing Loans by Sectors

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 non-performing loans	8,620	100.0	1.23	8,326	100.0	1.56	294	3.5

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 asset 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.

Provisions for Loan Impairment Losses Analysis

Changes in Provisions for Loan Impairment Losses

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

As of 30 June 2009, the balance of provisions for loan impairment 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 was mainly due to the drawing of loan impairment loss provisions.

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

	First half of 2009	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 and advances in previous years	17	14
Ending balance	<u>14,693</u>	<u>13,572</u>

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

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

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

Breakdown of Provisions for Loan Impairment Losses by Types of Customer

Unit: in RMB million

	30 June 2009			31 December 2008			Compared with the previous year-end	
	Amount	Proportion (%)	Coverage (%)	Amount	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

Breakdown of Provisions for Loan Impairment Losses by Methods of Evaluation

Unit: in RMB million

	30 June 2009		31 December 2008		Compared with the previous year-end	
	Balance	Proportion (%)	Balance	Proportion (%)	Decrease/increase	Growth rate (%)
Provisions for loss on impaired loans based on single item	6,382	43.4	6,490	47.8	(108)	(1.7)
Provisions for loss on impaired loans based on portfolio	886	6.0	520	3.8	366	70.4
Provision for loss on loans not impaired based on portfolio	7,425	50.6	6,562	48.4	863	13.2
Total	14,693	100.0	13,572	100.0	1,121	8.3

(2) *Market Risk Management*

While managing the market risk, the Bank introduced a strict limit management system of authorization for approval 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.

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.

Interest Rate Gap Analysis

Unit: in RMB million

Items	Non-interests 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.

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.

Foreign Exchange Exposure Analysis

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

(3) 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 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.

In the first half of 2009, the 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 the end of 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

(4) 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 an all-round 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 audit² 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 National Audit Office during the whole bank audit. All the non-compliant 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.

² “No-notice” audit refers to the on-spot audit without notification in advance.

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.

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 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.

(5) 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.

(6) 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 H and A 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.

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.

III. SIGNIFICANT EVENTS

1. 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 share register on 29 June 2009 and A-share holders who appeared on 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.

2. 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.

3. 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.

4. 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.

5. Appropriation of Funds by Substantial Shareholders

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

6. Significant Related Party Transactions

(1) Basic Information

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 parties of the same kind of transactions.

(2) Details

(i) 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 of 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.

(ii) *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.

(iii) *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.

7. 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.

8. 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 shareholders' 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 shareholders' 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 of RMB295 million.

9. 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.

10. 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.

11. 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 Rules Governing the Listing of Securities on 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.

12. Compliance with Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and complied with the best practices recommended by the Code on Corporate Governance Practices.

13. 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 Rules Governing the Listing of Securities on 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.

14. Explanations to Modifications of Business Plan

During the Reporting Period, save as disclosed, the Bank has made no modifications to the business plan.

15. 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 interim report are the same as those adopted for preparation of the Group's financial statements for the year ended 31 December 2008.

16. Warnings and Reasons on the Forecasted Significant Fluctuation Compared with the Same Period of the Previous Year and Loss of the Accumulated Net Profit for the Period from the Year Beginning to the Next Reporting Period End

Not applicable.

17. Publication of Results Announcement and Interim Report

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (www.bank.ecitic.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2009 Interim Report of the Bank containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Bank (www.bank.ecitic.com) in due course. In the event of any discrepancies in interpretations between the English version and Chinese versions, the Chinese version shall prevail. The Bank also prepared the interim report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (www.bank.ecitic.com) and Shanghai Stock Exchange (www.sse.com.cn).

IV. FINANCIAL REPORT

1. Audit Opinion

KPMG, the Group's external auditors, have reviewed the interim financial report of the Group, and is of the view that the interim financial report as at 30 June 2009 is prepared in accordance with International Accounting Standard 34.

In addition, KPMG is of the view that 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.

2. Unaudited Consolidated Interim Financial Information

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

	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	<u>(1)</u>	<u>(3)</u>
Total other comprehensive income	(3)	(362)
Income tax relating to components of		
other comprehensive income	<u>3</u>	<u>88</u>
Other comprehensive income for		
 the period net of tax	<u>—</u>	<u>(274)</u>
Total comprehensive income for the period	<u>7,052</u>	<u>8,155</u>
Net profit attributable to:		
— Equity shareholders of the Bank	7,052	8,429
— Minority interests	<u>—</u>	<u>—</u>
	<u>7,052</u>	<u>8,429</u>
Total comprehensive income attributable to:		
— Equity shareholders of the Bank	7,051	8,155
— Minority interests	<u>1</u>	<u>—</u>
	<u>7,052</u>	<u>8,155</u>
Basic and diluted earnings per share (RMB)	<u>0.18</u>	<u>0.22</u>

Consolidated statement of financial position

As at 30 June 2009

(Expressed in millions of Renminbi unless otherwise stated)

	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	15,445	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	90,081	85,317
Held-to-maturity investments	95,755	105,151
Fixed assets	9,095	9,129
Intangible assets	133	118
Deferred tax assets	1,743	2,068
Other assets	3,130	2,884
Total assets	<u>1,401,797</u>	<u>1,188,152</u>
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	3,412	5,579
Financial assets sold under repurchase agreements	13,094	957
Deposits from customers	1,173,347	943,335
Accrued staff costs	4,051	5,170
Taxes payable	1,624	3,788
Interest payable	6,444	6,427
Provisions	50	50
Subordinated debts/bonds issued	12,000	12,000
Other liabilities	6,015	2,978
Total liabilities	<u>1,302,414</u>	<u>1,092,491</u>

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

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

Kong Dan
Chairman

Chen Xiaoxian
President

Cao Guoqiang
Assistant President

Wang Kang
Head of Budget and Finance Department

Statement of financial position

As at 30 June 2009

(Expressed in millions of Renminbi unless otherwise stated)

	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	33	33
Fixed assets	9,071	9,106
Intangible assets	133	118
Deferred tax assets	1,741	2,065
Other assets	<u>3,112</u>	<u>2,836</u>
Total assets	<u>1,401,796</u>	<u>1,188,177</u>
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	<u>5,998</u>	<u>2,969</u>
Total liabilities	<u>1,302,408</u>	<u>1,092,490</u>

	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
	<u>99,388</u>	<u>95,687</u>
Total equity	<u>99,388</u>	<u>95,687</u>
Total liabilities and equity	<u>1,401,796</u>	<u>1,188,177</u>

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

Kong Dan
Chairman

Chen Xiaoxian
President

Cao Guoqiang
Assistant President

Wang Kang
Head of Budget and Finance Department

Consolidated statement of changes in equity
For the six months ended 30 June 2009 — unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	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	—	—	—	—	—	—	—	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	—	—	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 30 June 2009	<u>39,033</u>	<u>36,525</u>	<u>(121)</u>	<u>487</u>	<u>2,161</u>	<u>7,716</u>	<u>13,586</u>	<u>(8)</u>	<u>4</u>	<u>99,383</u>
	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	—	—	—	—	—	—	—	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	—	—	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	(2,088)	—	—	(2,088)
As at 30 June 2008	<u>39,033</u>	<u>36,525</u>	<u>(369)</u>	<u>156</u>	<u>829</u>	<u>3,731</u>	<u>10,256</u>	<u>(8)</u>	<u>5</u>	<u>90,158</u>
	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	—	—	—	—	1,332	—	(1,332)	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	3,985	(3,985)	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	(2,088)	—	—	(2,088)
As at 31 December 2008	<u>39,033</u>	<u>36,525</u>	<u>(121)</u>	<u>487</u>	<u>2,161</u>	<u>7,716</u>	<u>9,864</u>	<u>(7)</u>	<u>3</u>	<u>95,661</u>

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
<i>Changes in operating assets and liabilities:</i>		
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

	Six months ended 30 June	
	2009	2008
	Unaudited	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	<u>3</u>	<u>—</u>
Net cash flows from investing activities	<u>(19)</u>	<u>(52,861)</u>
Financing activities		
Cost of issuing shares paid	<u>—</u>	(22)
Interest paid on subordinated debts/bonds issued	(522)	(572)
Dividends paid	<u>—</u>	<u>(2,088)</u>
Net cash flows from financing activities	<u>(522)</u>	<u>(2,682)</u>
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	<u>(25)</u>	<u>(951)</u>
Cash and cash equivalents as at 30 June	<u>66,248</u>	<u>131,355</u>
Cash flows from operating activities include:		
Interest received	<u>24,857</u>	<u>28,471</u>
Interest paid, excluding interest expense on subordinated debts/bonds issued	<u>(9,342)</u>	<u>(8,671)</u>

V. INTERPRETATIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings:

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 Management	CITIC Industry Investment Fund Management Co., Ltd
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
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
MOF	Ministry of Finance of the People's Republic of China
SSE	Shanghai Stock Exchange

By order of the Board of
China CITIC Bank Corporation Limited
Kong Dan
Chairman

Beijing, the PRC
27 August 2009

As at the date of this announcement, the executive directors of the Bank are Dr. Chen Xiaoxian and Mr. Wu Beiyang; the non-executive directors of the Bank are Mr. Kong Dan, Mr. Chang Zhenming, Mr. Dou Jianzhong, Ms. Chan Hui Dor Lam Doreen, Mr. Ju Weimin, Mr. Zhang Jijing, Mr. Guo Ketong and Mr. José Ignacio Goirigolzarri; and the independent non-executive directors of the Bank are Dr. Bai Chong-En, Dr. Ai Hongde, Dr. Xie Rong, Mr. Wang Xiangfei and Mr. Li Zheping.