中国建设银行
China Construction Bank

Half-Year Report 2010

China Construction Bank Corporation

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

Stock Code: 939

Contents

Financial Highlights

The financial information set forth in this half-year report is prepared in accordance with the IFRS on a consolidated basis, unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Change (%)**
Current period			
Net interest income	**117,799**	102,468	14.96
Net fee and commission income	**33,642**	23,422	43.63
Operating income	**153,725**	131,465	16.93
Profit before tax	**92,194**	72,469	27.22
Net profit	**70,779**	55,841	26.75
Net profit attributable to equity shareholders of the Bank	**70,741**	55,806	26.76
Per share (In RMB)			
Basic and diluted earnings per share	**0.30**	0.24	25.00
Profitability indicators (%)			**Change +/(-)**
Annualised return on average assets[1]	**1.43**	1.34	0.09
Annualised return on average equity	**24.00**	22.54	1.46
Net interest spread	**2.32**	2.34	(0.02)
Net interest margin	**2.41**	2.46	(0.05)
Net fee and commission income to operating income	**21.88**	17.82	4.06
Cost-to-income ratio	**33.64**	35.13	(1.49)
Loan-to-deposit ratio	**62.26**	59.47	2.79

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying two.

(Expressed in millions of RMB unless otherwise stated)	**30 June 2010**	31 December 2009	**Change (%)**
At period-end			
Net loans and advances to customers	**5,215,973**	4,692,947	11.14
Total assets	**10,235,981**	9,623,355	6.37
Deposits from customers	**8,591,701**	8,001,323	7.38
Total liabilities	**9,655,783**	9,064,335	6.53
Total equity attributable to equity shareholders of the Bank	**576,326**	555,475	3.75
Issued and paid-in capital	**233,689**	233,689	—
Core capital	**530,868**	491,452	8.02
Risk-weighted assets	**5,631,214**	5,197,545	8.34
Per share (In RMB)			
Net assets per share	**2.48**	2.39	3.77
Capital adequacy indicators (%)			**Change +/(-)**
Core capital adequacy ratio[1]	**9.27**	9.31	(0.04)
Capital adequacy ratio[1]	**11.68**	11.70	(0.02)
Total equity to total assets	**5.67**	5.81	(0.14)
Asset quality indicators (%)			
Non-performing loan ratio	**1.22**	1.50	(0.28)
Allowances to non-performing loans	**204.72**	175.77	28.95
Allowances to total loans	**2.49**	2.63	(0.14)

1. Calculated in accordance with the guidelines issued by the CBRC.

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as "CCB")
Legal representative	Guo Shuqing
Authorised representatives	Zhang Jianguo Chan Mei Sheung
Secretary to the Board	Chen Caihong Contact Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Company secretary	Chan Mei Sheung
Qualified accountant	Yuen Yiu Leung
Registered address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	44–45/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the half-year report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this half-year report are kept	Board of directors office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939

Date and place of first incorporation	17 September 2004 State Administration for Industry & Commerce of the People's Republic of China
Registration number of the corporate legal person business license	1000001003912
Organisation code	10000444-7
Financial license institution number	B0004H111000001
Taxation registration number	京税證字 110102100004447
Certified public accountants	KPMG Huazhen Address: 8/F, Office Tower E2, Oriental Plaza, Dongcheng District, Beijing KPMG Address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
Legal advisor as to PRC laws	Beijing Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Beijing
Legal advisor as to Hong Kong laws	Freshfields Bruckhaus Deringer Address: 11/F, Two Exchange Square, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Chairman's Statement

Dear shareholders,

In the first half of 2010, the European sovereign debt crisis began spreading against the backdrop of a slowly recovering global economy. During that same period, China faced numerous challenges posed by energy saving and emission reductions, inflation and asset price pressures, while also dealing with increased natural disasters. Thanks to the Chinese government's ongoing policies addressing the global financial crisis and accelerating new economic development approaches and structural adjustments, China has witnessed robust economic growth. By adopting sound operating strategies, improving internal resource deployment, and enhancing product and service innovation, the Group has achieved steady growth in various businesses and sustained outstanding results with record-breaking profits.

During the reporting period, the Group was firmly committed to risk controls and fundamental management. We extensively studied markets, industries, and customers, continued to adjust credit structures, and actively implemented a year-long programme to fully upgrade post-lending management. As part of our reforms and innovations, the Group engaged in customer, market, and product segmentation. We stepped up the development of specialised operating centres such as small business loans, wealth management, and annuities centres to further improve customer service and market competitiveness. In addition, the Group continued to improve business processes, segregate front and back office functions, and promote centralised disposals of standardised businesses, with significantly improved operating efficiency. Our comprehensive operations and overseas expansion also progressed steadily, with the establishment of four new rural banks in China and a branch office in Ho Chi Minh City, Vietnam.

The Group maintained sound growth momentum in all segments for the first half of 2010. We expanded the volume of assets and liabilities, alongside moderate loan growth with reasonable speed and effective structural adjustments. Traditional strength in infrastructure lending and residential mortgages continued to consolidate. Likewise, loans to small businesses, rural areas, and livelihood sectors (such as low-income housing, education, and medical care) soared rapidly, while loans to industries with excess capacity and those granted through government financing vehicles decreased. Moreover, loans to the real estate sector were effectively controlled in terms of size and pace. The Group achieved strong growth in new businesses as evidenced by strong market position of its credit cards, short-term commercial paper underwriting, wealth management products, enterprise annuities, custodial services for investments, and mergers and acquisitions (M&A) loans.

The Group performed well in terms of financial results and asset quality. For the first half of 2010, we realised a net profit of RMB70,779 million, up 26.75% year-on-year, and a net fee and commission income of RMB33,642 million, up 43.63% year-on-year, with its ratio to operating income rising to 21.88%. The Group's annualised return on average assets was 1.43%, up 0.09 percentage points over the same period last year; annualised return on average equity was 24.00%, up 1.46 percentage points. The net interest margin was 2.41%, suggesting an upturn trend. Credit asset quality continued to remain sound, with decreasing non-performing loans in both amount and ratio over the end of 2009, and the allowances to non-performing loans ratio increased sharply to 204.72%.

We continued to proactively address our social responsibilities. During the first half of 2010, the Group donated RMB30 million for various charitable activities, including RMB7 million for drought relief in five southern provinces, and RMB5 million each to the Red Cross in Qinghai province and China Red Cross for rescue operations and post-disaster reconstruction in the earthquake stricken area in Yushu, Qinghai. Our staff also contributed RMB22.5 million for drought and earthquake relief efforts through various channels. In addition, the Group provided RMB60 million to set up a "CCB Ethnic Minority Undergraduate Scholarship" fund. The programme is run in 16 provinces and regions has supported 6,679 impoverished high-school students in the period under review, bringing the cumulative number of students receiving grants to more than 40,000.

Widely recognised in the market and the community for our impressive performance, the Group garnered more than 50 awards and titles at home and abroad in the first half of 2010. We ranked second in *The Banker*'s "Top Ten Global Commercial Bank Brands", outperforming all other Chinese counterparts, and came third in *Forbes*' "China's 50 Most Valuable Brands 2010". We won the titles of "Best Multi-Channel Bank in China" from *Financial Times*, and "Best Bank in China" from *FinanceAsia* for 2010. The Group was also named "Best Retail Bank in China" by *Capital* Magazine in Hong Kong for the third consecutive year, and received the "China Red Cross Outstanding Contribution Medal" from the Chinese Red Cross Foundation.

Faced with the complicated economic and financial situation in 2010, the Group well accomplished its operational development plan for the first half year under the support and contribution from the community, our shareholders and customers, as well as with the concerted efforts of all staff, to which I extended my sincerest gratitude. In June 2010, the Bank held its 2009 annual general meeting to elect new Board members. On behalf of the Board, I heartily thank the former directors — Xin Shusen, Wang Yonggang, Liu Xianghui, Zhang Xiangdong, Gregory L. Curl, Song Fengming and Aloysius Tse Hau Yin, for their significant contribution to the Bank's development of corporate governance and operations. Meanwhile, I also welcome our newly-elected directors — Zhu Xiaohuang, Joseph Yam Chi-kwong, Zhao Xijun, Zhu Zhenmin, Lu Xiaoma, Chen Yuanling and Sue Yang, who will certainly contribute their new concepts, knowledge and experience to the Bank's development.

Looking ahead to the second half of 2010, the domestic and external economic environment remains complex. China is faced with the arduous tasks of managing inflation expectations, steering economic growth on a steady yet relatively fast track, adjusting economic structures and transforming economic development modes. The Group will stick to a prudent and sound operating strategy by maintaining a reasonable pace of growth and reinforcing risk management and internal controls. We will also vigorously promote product and service innovation, further improve our specialisation and sophistication level, and deliver excellent performances in return for our shareholders and the community.

Guo Shuqing
Chairman

20 August 2010

President's Report

Dear shareholders,

In the first half of 2010, the European sovereign debt crisis started to surface while the global financial crisis had not yet subsided. The world's economy was still recovering slowly and China's economy was the first to rebound. Committed to its steady development strategy, the Group maintained sustained momentum under challenging and complicated circumstances. Business development was stable and coordinated, and fundamental management was solid and effective. As a result, the Group achieved outstanding operating results.

EXCELLENT OPERATING RESULTS

Operating profit set a new record high. In the first half of 2010, the Group achieved a profit before tax of RMB92,194 million and a net profit of RMB70,779 million, up 26.75% over the same period last year. Operating income was RMB153,725 million, where net interest income climbed by 14.96%, and net fee and commission income increased by 43.63% to RMB33,642 million, accounting for 21.94% of the operating income. The income structure became more reasonable. The cost-to-income ratio was kept at a low level of 33.64%.

Assets and liabilities grew steadily. As at 30 June 2010, total assets rose by 6.37% to RMB10,235,981 million over the end of 2009. Gross loans and advances to customers climbed by 10.99% to RMB5,349,382 million and deposits from customers increased by 7.38% to RMB8,591,701 million. The loan-to-deposit ratio was 62.26%.

By leveraging its strengthened risk management capability and continuing its prudent operating strategy, the Group has continued to improve its asset quality. As at 30 June 2010, the Group's non-performing loans dropped by RMB6,988 million to RMB65,168 million, and the non-performing loan ratio dropped by 0.28 percentage points to 1.22% compared to the end of 2009. The ratio of allowances for impairment losses to non-performing loans rose by 28.95 percentage points over the end of 2009 to 204.72%.

SOUND BUSINESS DEVELOPMENT

Successful structure adjustments in corporate loans. In the first half of 2010, CCB implemented stringent controls over potentially high-risk loans. Loans to industries with excess capacity dropped over the end of 2009 under a fully-enforced list management system. Both the number of borrowers and loan balance for government financing vehicles decreased as a result of tight controls over loan extensions and effective guarantee requirements. Real estate developers remained subject to a list management system, resulting in effective controls over lending volume and pace. Loans were mainly granted to customers with credit ratings of AA or above, and in economically more developed regions. As at 30 June 2010, corporate loans grew by RMB386,023 million to RMB3,737,338 million, with a sharp decline in loan growth from the same period last year, under more reasonable structures of customers, regions, and industries.

Rapid growth in small business and livelihood loans. CCB has set up 177 small and medium-sized enterprise operation centres based on the "Credit Factory" model in 150 cities all over the country. In exploring possibilities of cooperation with local governments and enterprises, the Bank promoted "Zhubaojin" loan product for small businesses, extending loans of over RMB6 billion cumulatively. "E-Daitong" series of loans for internet merchants reached nearly RMB10 billion. As a result, small business loans grew rapidly, much faster than the average loan growth rate. To proactively support lending to priority livelihood areas such as education and medical care, the Bank promoted "Minben Tongda" branded financial service products, with a loan balance of RMB212,732 million, up 11.72% compared to the end of 2009.

Expeditious development in institutional business. CCB outperformed its competitors in the central government authorised payment market. Independent custodial service "Xincunguan" for securities settlement funds had the largest customer base of 19.84 million users. Income from insurance agency services jumped by 48.78% to RMB2,202 million, occupying the leading position of market share. The "Safe Deal" custodial service for trading funds achieved a fee income of RMB1,142 million, a rise of 55.16%. The Bank cooperated with nearly 150 futures companies and reported nearly 500,000 contracted customers, ranking first among its peers.

Fast growth in foreign exchange business. Customer-driven foreign exchange purchases and sales and foreign exchange trading generated a total transaction volume of US$143,700 million and an income of RMB1,476 million, up 46% and 39%, respectively, compared to the first half of 2009. International settlements reaped US$310,655 million in volume and RMB1,593 million in revenue, up 59.52% and 61.89%, respectively, over the same period of 2009.

Enhanced quality and efficiency in personal loans. In the first half of 2010, CCB proactively supported customers' residential housing needs alongside new personal loans such as rural support loans and personal business loans. Its strength in entrusted housing finance business was also upgraded. With superior asset quality, CCB has enjoyed a steady growth in personal loan income. As at 30 June 2010, personal loans increased by 14.63% to RMB1,247,708 million, accounting for 23.32% of gross loans and advances to customers.

Sound growth in bank card business. During the reporting period, the Bank issued a total of 29.88 million new debit cards with spending via debit cards reaching RMB546,542 million, up 72.53% year-on-year. The cumulative number of credit cards issued totalled 26.38 million, with total spending of RMB180,266 million, up 43.38% over the same period last year. Asset quality remained the best among peers.

Highly competitive treasury business. The Bank continued to rank first in an overall ranking of book-entry government bond underwriting, and took the lead in the market-making business in the interbank bond market, thus winning the title of "Best Market Maker". The market share of RMB account gold and its private brand physical gold both increased. Its new financial advisory business with a focus on mergers and acquisitions (M&A) and restructuring expanded rapidly. Furthermore, debt financing instrument underwriting grew steadily amid intense market competition, commanding the largest share of the underwriting volume of short-term commercial paper.

GOOD PROGRESS IN DISTRIBUTION CHANNELS

Rapid and sound development of electronic banking. In the first half of 2010, the ratio of the number of transactions through electronic banking to that through front desk was 120%. The online banking service had 48.13 million personal and 827,600 corporate customers, up 8.54 million and 138,700, respectively, from the end of 2009. The transaction volumes of personal electronic banking and corporate electronic banking were RMB3.15 trillion and RMB25.65 trillion, respectively. Customers of the online mobile phone banking leaped to 17.59 million. The telephone banking business had 62.96 million registered customers, up 15.80% over the end of 2009, and the transaction volume in the first half of 2010 totalled RMB124,418 million, up 111.36% year-on-year.

Sustained overseas expansion. CCB opened a branch in Ho Chi Minh City, Vietnam in April 2010. In addition, we continued our efforts in upgrading our representative office in Sydney into a branch and setting up a representative office in Moscow.

Accelerated development of rural banks. In the first half of 2010, CCB completed registration with the authorities for four rural banks, namely Anhui Jianxin Fanchang Rural Bank, Zhejiang Jianxin Qingtian Overseas-Chinese Rural Bank, Zhejiang Jianxin Wuyi Rural Bank, and Shaanxi Jianxin Ansai Rural Bank. So far, CCB has altogether set up six rural banks.

EFFECTIVE FUNDAMENTAL MANAGEMENT

We have implemented differentiated branch management and reinforced adjustments to the credit structure. We have launched a year-long post-lending management programme alongside strengthened collateral management. We have also improved asset quality by adopting stringent credit approval, stepping up risk examinations and warnings, and increasing the disposal of distressed assets. In addition, the Group has enhanced our portfolio management and professional management by upgrading management tools for economic capital, risk limits and customers' credit ratings. The Group has strengthened risk management for overseas branches by enforcing strict risk policies for their credit business.

In terms of information technology (IT), CCB has deployed more resources for its strategic projects. We have increased infrastructural investments to ensure safe and stable operation for key systems, and the availability ratio of the consolidated core banking system, online banking, and credit card system all reached 100%. Based on these initiatives, we have continued to upgrade IT support to product innovation and customer services, while enhancing stability and reducing costs through integrating systems and improving the structure.

As part of its year-long service quality programme, CCB improved financial services in light of the Shanghai Expo 2010 and the Guangzhou 2010 Asian Games, and 12 service improvements have been completed. Our third-party "Mystery Shopper" service inspection score for branches stands at 92.8 points, up 3.4 points compared to the same period last year. We have also implemented a process management information system for product innovation, the first of its kind in China's banking sector. In the first half of 2010, we received 1,751 product innovation entries from our staff and launched 57 product innovation and 81 process optimisation projects. Thanks to our improved business processes, CCB has effectively increased sales of products, lowered operating costs, strengthened risk management, and improved customer experience.

DEEPENED STRATEGIC COOPERATION

During the reporting period, CCB continued to push forward strategic cooperation with Bank of America. In terms of collaborative projects, we completed process development and testing for the second-generation IT Infrastructure Library. Major projects, including performance management, accelerated talent grooming, small business post-lending management, online sales process, and the "Voice of Customer" programme, progressed smoothly, with a focus on addressing complex issues in business development and fundamental management in related areas. Furthermore, we partnered with Bank of America in 13 experience-sharing projects and one on-the-job training in the U.S. Together we were also involved in six credit card collaboration projects including product management rules and credit card online stores, which would significantly improve CCB's credit card business. We achieved positive results in our on-going business cooperation with Bank of America in trade finance, foreign currency banknote, withdrawals at ATMs, USD clearing services, and joint marketing campaigns.

OUTLOOK

In the second half of 2010, CCB will focus its efforts on the following activities:

- refine our credit policies, and speed up structure adjustments; reinforce post-lending management and management of off-balance sheet activities and overseas branches, and risk controls over key areas including government financing vehicles, real estate sector, and industries with excess capacity; upgrade overall risk management capability by better managing both market risk and operational risk;

- maintain market advantages by continuing to expand fee-based business and proactively embarking on various growth initiatives;

- strengthen liability business management and to maintain steady growth of deposits from customers;

- continue to develop new strategic businesses and promote cutting-edge branded products in small business, rural support, livelihood, and electronic banking sectors.

On this occasion, I would like to extend my sincere gratitude to the board of directors and the board of supervisors for their considerable support, and thank our staff for their hard work and combined efforts.

Zhang Jianguo
Vice chairman, executive director and president

20 August 2010

FINANCIAL REVIEW

The first half of 2010 witnessed signs of recovery in developed economies and robust growth of emerging economies against the backdrop of a gradually warming-up global economy. International capital and bulk commodity markets have generally bottomed out despite adjustments amid market turbulence. China, meanwhile, has sustained rapid economic growth, thanks to the Chinese government's ongoing stimulation of domestic demand. Foreign trade has gradually improved, while investment and consumption spending have continued to expand at a fast pace. During the reporting period, China's overall financial market performed steadily. Amid the European sovereign debt crisis and the Chinese government's macro-control policies in the property sector, the domestic capital and property markets have undergone noticeable adjustments and are experiencing increasing uncertainties about the future market direction.

Comprehensive Income Statement Analysis

In the first half of 2010, the Group reaped profit before tax of RMB92,194 million and net profit of RMB70,779 million, up 27.22% and 26.75%, respectively, over the same period of 2009.

The following were key contributors to the rapid year-on-year growth of profit before tax and net profit. First, we moderately increased the credit supply. The average balance of interest-bearing assets rose by 18.26%, prompting net interest income to surge by RMB15,331 million, or 14.96%. Second, we actively engaged in service and product innovation. Net fee and commission income rose by RMB10,220 million, or 43.63%, as a result of sustained rapid expansion of fee-based business. Third, impairment losses fell by RMB2,995 million, or 23.36%, due to price rally in foreign currency debt securities with the improving market.

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Change (%)**
Net interest income	**117,799**	102,468	14.96
Net fee and commission income	**33,642**	23,422	43.63
Other operating income	**2,284**	5,575	(59.03)
Operating income	**153,725**	131,465	16.93
Operating expenses	**(51,717)**	(46,185)	11.98
Impairment losses	**(9,824)**	(12,819)	(23.36)
Share of profit of associates and jointly controlled entities	**10**	8	25.00
Profit before tax	**92,194**	72,469	27.22
Income tax expense	**(21,415)**	(16,628)	28.79
Net profit	**70,779**	55,841	26.75
Other comprehensive income for the period, net of tax	**(2,630)**	2,566	(202.49)
Total comprehensive income for the period	**68,149**	58,407	16.68

Net Interest Income

In the first half of 2010, the Group's net interest income was RMB117,799 million, an increase of RMB15,331 million, or 14.96%, over the same period of 2009.

The following table shows the Group's average balances of assets and liabilities, related interest income or expense, and average annualised yields or costs during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2010** Average balance	**Six months ended 30 June 2010** Interest income/ expense	**Six months ended 30 June 2010** Average annualised yield/cost (%)	Six months ended 30 June 2009 Average balance	Six months ended 30 June 2009 Interest income/ expense	Six months ended 30 June 2009 Average annualised yield/cost (%)
Assets						
Gross loans and advances to customers	**5,062,139**	**126,226**	**5.03**	4,238,619	120,501	5.69
Investment in debt securities[1]	**2,750,633**	**38,219**	**2.80**	2,151,336	35,283	3.28
Deposits with central banks	**1,432,538**	**10,820**	**1.52**	1,240,204	8,961	1.45
Deposits and placements with banks and non-bank financial institutions	**119,603**	**834**	**1.41**	56,345	353	1.25
Financial assets held under resale agreements	**489,028**	**3,551**	**1.46**	646,265	3,337	1.03
Total interest-bearing assets	**9,853,941**	**179,650**	**3.68**	8,332,769	168,435	4.04
Total allowances for impairment losses	**(142,703)**			(114,037)		
Non-interest-bearing assets	**241,834**			219,350		
Total assets	**9,953,072**	**179,650**		8,438,082	168,435	
Liabilities						
Deposits from customers	**8,260,683**	**52,923**	**1.29**	7,064,940	58,302	1.65
Deposits and placements from banks and non-bank financial institutions	**829,681**	**7,049**	**1.71**	614,978	5,957	1.94
Financial assets sold under repurchase agreements	**11,921**	**137**	**2.32**	797	8	2.01
Debt securities issued	**96,068**	**1,742**	**3.66**	82,833	1,675	4.04
Other interest-bearing liabilities	**51**	**–**	**3.41**	1,344	25	3.72
Total interest-bearing liabilities	**9,198,404**	**61,851**	**1.36**	7,764,892	65,967	1.70
Non-interest-bearing liabilities	**175,976**			150,601		
Total liabilities	**9,374,380**	**61,851**		7,915,493	65,967	
Net interest income		**117,799**			102,468	
Net interest spread			**2.32**			2.34
Net interest margin			**2.41**			2.46

1. These include investments in trading debt securities and investment debt securities. Investment debt securities refer to debt securities in available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.

Compared to the same period of 2009, the Group's net interest spread for the first half of 2010 dropped by two basis points to 2.32%, chiefly because the yield of interest-bearing assets decreased more than the cost of interest-bearing liabilities.

The net interest margin was 2.41%, down by five basis points year-on-year, but notably picked up from the first quarter of 2010 by two basis points, largely because of the following: First, structure of interest-bearing assets changed. The proportion of relatively high-yield interest-bearing assets such as loans and debt securities investments grew in contrast to a gradually falling proportion of low-yield ones such as financial assets held under resale agreements. Second, interest rates of newly granted loans went up, and more loans were subject to higher interests rates compared to the benchmark rates as a result of strengthened pricing capabilities. Third, the yields of investment in debt securities, discounted bill and financial assets held under resale agreements rallied steadily, prompted by continued rise in market rates. Fourth, the average maturity of deposits from customers became shorter, in response to expectations for inflation and interest rate hikes.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2010 versus the same period last year.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	**20,982**	**(15,257)**	**5,725**
Investment in debt securities	**8,624**	**(5,688)**	**2,936**
Deposits with central banks	**1,403**	**456**	**1,859**
Deposits and placements with banks and non-bank financial institutions	**433**	**48**	**481**
Financial assets held under resale agreements	**(940)**	**1,154**	**214**
Change in interest income	**30,502**	**(19,287)**	**11,215**
Liabilities			
Deposits from customers	**8,636**	**(14,015)**	**(5,379)**
Deposits and placements from banks and non-bank financial institutions	**1,854**	**(762)**	**1,092**
Financial assets sold under repurchase agreements	**128**	**1**	**129**
Debt securities issued	**240**	**(173)**	**67**
Other interest-bearing liabilities	**(23)**	**(2)**	**(25)**
Change in interest expenses	**10,835**	**(14,951)**	**(4,116)**
Change in net interest income	**19,667**	**(4,336)**	**15,331**

1. Change caused by both average balances and average interest rates has been allocated to volume factor and interest rate factor based on the weights of change caused by these two factors separately.

Net interest income climbed by RMB15,331 million over the same period of 2009. The movement of average balances of assets and liabilities brought about an increase of RMB19,667 million, while the change in average yields or costs lowered net interest income by RMB4,336 million.

Interest income

The Group's interest income for the first half of 2010 surged by RMB11,215 million, or 6.66%, to RMB179,650 million, compared to the same period of 2009.

Interest income from loans and advances to customers

The table below shows the average balance, interest income and average annualised yield of each component of the Group's loans and advances to customers.

	Six months ended 30 June 2010			Six months ended 30 June 2009		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average annualised yield (%)**	Average balance	Interest income	Average annualised yield (%)
Corporate loans	**3,534,940**	**93,140**	**5.31**	3,014,169	93,751	6.22
Short-term loans maturing within 1 year	**1,003,066**	**24,585**	**4.94**	951,759	27,832	5.85
Medium to long-term loans	**2,531,874**	**68,555**	**5.46**	2,062,410	65,919	6.39
Personal loans	**1,171,033**	**28,245**	**4.82**	870,588	22,618	5.20
Discounted bills	**211,962**	**3,143**	**2.99**	235,291	2,689	2.29
Overseas operations	**144,204**	**1,698**	**2.37**	118,571	1,443	2.43
Gross loans and advances to customers	**5,062,139**	**126,226**	**5.03**	4,238,619	120,501	5.69

Interest income from loans and advances to customers jumped by RMB5,725 million, or 4.75%, year-on-year to RMB126,226 million, mainly due to a 19.43% rise in the average balance of loans and advances to customers, partly offset by a fall in the average yield. As a result of repricing of existing loans after the interest rate reductions, the average yields of corporate loans and personal loans dropped by 91 and 38 basis points respectively; while the yield of discounted bills rose by 70 basis points with rising market interest rates.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB2,936 million, or 8.32%, to RMB38,219 million over the same period of 2009, largely because of the increase in average balance of RMB-denominated investments in debt securities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB10,820 million, a year-on-year rise of RMB1,859 million, or 20.75%. This was mainly because the average balance of deposits with central banks rose by 15.51%, as PBC raised statutory deposit reserve rate three times during the reporting period.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions increased by RMB481 million to RMB834 million over the same period of 2009. This was primarily due to a 112.27% surge in the average balance.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements was RMB3,551 million, up by RMB214 million, or 6.41%, from the same period of 2009. This was chiefly because the average yield of financial assets held under resale agreements rose by 43 basis points to 1.46% as a result of the rising market rates during the reporting period, though partly offset by a fall in their average balance.

Interest expense

In the first half of 2010, the Group's interest expense was RMB61,851 million, a year-on-year decrease of RMB4,116 million, or 6.24%.

Interest expense on deposits from customers

The table below shows the average balance, interest expense and average annualised cost of each component of the Group's deposits from customers.

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**			Six months ended 30 June 2009		
	Average balance	**Interest expense**	**Average annualised cost (%)**	Average balance	Interest expense	Average annualised cost (%)
Corporate deposits	**4,387,297**	**24,728**	**1.14**	3,670,100	25,001	1.36
Demand deposits	**2,931,086**	**9,056**	**0.62**	2,337,890	7,147	0.61
Time deposits	**1,456,211**	**15,672**	**2.15**	1,332,210	17,854	2.68
Personal deposits	**3,774,457**	**27,861**	**1.49**	3,319,601	32,407	1.95
Demand deposits	**1,491,138**	**2,727**	**0.37**	1,239,425	2,261	0.36
Time deposits	**2,283,319**	**25,134**	**2.20**	2,080,176	30,146	2.90
Overseas operations	**98,929**	**334**	**0.68**	75,239	894	2.38
Total deposits from customers	**8,260,683**	**52,923**	**1.29**	7,064,940	58,302	1.65

The interest expense on deposits from customers dropped by RMB5,379 million, or 9.23%, to RMB52,923 million compared to the same period of 2009. This was largely due to a fall of 36 basis points to 1.29% in the average cost of deposits, thanks to the repricing of existing time deposits and decreasing proportion of the average balance of time deposits, and was partly offset by the growth of the average balance of deposits.

Interest expense on deposits and placements from banks and non-bank financial institutions

The interest expense on deposits and placements from banks and non-bank financial institutions stood at RMB7,049 million, an increase of RMB1,092 million, or 18.33%, over the same period last year, mainly because of larger average balance of deposits from banks and non-bank financial institutions.

Net Fee and Commission Income

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Change (%)**
Fee and commission income	**34,674**	24,391	42.16
Consultancy and advisory fees	**7,192**	6,262	14.85
Agency service fees	**6,257**	4,359	43.54
Bank card fees	**5,524**	4,280	29.07
Commission on trust and fiduciary activities	**5,205**	3,257	59.81
Settlement and clearing fees	**4,924**	2,931	68.00
Guarantee and credit commitment fees	**1,835**	1,473	24.58
Others	**3,737**	1,829	104.32
Fee and commission expenses	**(1,032)**	(969)	6.50
Net fee and commission income	**33,642**	23,422	43.63

The Group realised net fee and commission income of RMB33,642 million, a year-on-year increase of RMB10,220 million, or 43.63%. The ratio of net fee and commission income to operating income rose by 4.06 percentage points to 21.88%.

Consultancy and advisory fees surged by RMB930 million, or 14.85%, to RMB7,192 million over the same period last year. The Group proactively adjusted its business structure by focusing on financial advisory services for wealth management products, M&A and restructuring, to cater for customers' specific needs. Benefiting from the state's expanded infrastructure investments, our cost advisory business grew by leaps and bounds.

Agency service fees climbed by RMB1,898 million, or 43.54%, to RMB6,257 million. This was mainly because the Group proactively promoted insurance and fund agency services and customer-driven foreign exchange trading by improving business processes and incentive mechanisms, leveraging channel strengths, and enhancing personnel's capabilities and risk prevention awareness. Insurance agency services generated fees of RMB2,202 million, a rise of 48.78%.

Bank card fees soared by RMB1,244 million, or 29.07%, to RMB5,524 million. Fees from credit cards went up by 60.36%. This was largely due to the continued steady growth of consumer spending and transactions through self-service facilities following increased marketing efforts and resource investments, optimised customer base and improved card quality.

Commission on trust and fiduciary business jumped by RMB1,948 million, or 59.81%, to RMB5,205 million. Prompted by better business processes, higher efficiency, and enhanced product innovation, income from wealth management business grew by 197.18%.

Settlement and clearing fees increased by RMB1,993 million, or 68.00%, to RMB4,924 million. Fees from corporate RMB settlement and international settlement businesses were up by 87.88% and 61.89%, respectively, resulting from active marketing campaigns, enhanced product innovation, China's foreign trade rebound, and better customer services.

Guarantee and credit commitment fees stood at RMB1,835 million, an increase of RMB362 million. Fees from credit commitment services were RMB850 million, up 30.77%.

Other fees expanded by RMB1,908 million, or 104.32%, to RMB3,737 million. Fees from electronic banking and domestic factoring business reached RMB1,365 million and RMB792 million, up 59.93% and 296.05%, respectively.

Net Gain on Investment Securities

The Group realised a net gain on investment securities of RMB455 million, a decrease of RMB3,003 million, or 86.84%, over the same period last year, mainly due to decreased capital gains on disposal of foreign currency-denominated debt securities with the dwindled disposal volume.

Other Net Operating Income

In the first half of 2010, the Group recorded other net operating income of RMB860 million, including a foreign exchange gain of RMB40 million, a net gain of RMB32 million on disposal of fixed assets, a net gain of RMB29 million on disposal of repossessed assets, and other income of RMB759 million.

Operating Expenses

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Staff costs	**24,966**	21,633
Premises and equipment expenses	**8,644**	7,848
Business tax and surcharges	**8,826**	8,036
Others	**9,281**	8,668
Total operating expenses	**51,717**	46,185
Cost-to-income ratio	**33.64%**	35.13%

In the first half of 2010, the Group continued to strengthen cost controls and improve cost structures. Total operating expenses stood at RMB51,717 million, up 11.98%. Thanks to enhanced cost-output efficiency, the cost-to-income ratio dropped by 1.49 percentage points to 33.64% over the same period of 2009.

Staff costs rose to RMB24,966 million by RMB3,333 million, or 15.41%, representing a lower increase rate than that in profit before tax and net profit. Premises and equipment expenses increased by RMB796 million, or 10.14%, to RMB8,644 million, mainly due to the continued expansion in outlet investments in recent years, alongside fast growing depreciation costs, rentals and property management fees. Business tax and surcharges were RMB8,826 million, up by RMB790 million, or 9.83%, in line with higher operating income. Other operating expenses increased to RMB9,281 million by RMB613 million, or 7.07%, over the same period of 2009.

Provisions for Impairment Losses

(In millions of RMB)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Loans and advances to customers	**10,119**	10,274
Investments	**(222)**	2,214
Available-for-sale financial assets	**89**	1,825
Held-to-maturity investments	**(302)**	397
Debt securities classified as receivables	**(9)**	(8)
Others	**(73)**	331
Total provisions for impairment losses	**9,824**	12,819

In the first half of 2010, the provisions for impairment losses amounted to RMB9,824 million, down by RMB2,995 million from the same period of 2009. In this amount, the provisions for impairment losses on loans and advances to customers dropped by RMB155 million to RMB10,119 million, primarily due to improved credit asset quality. An amount of RMB222 million was released from allowances for impairment losses on investments, mainly as a result of rising prices of foreign currency debt securities. An amount of RMB73 million was released from allowances for impairment losses on other assets, and RMB11 million was provided for impairment losses on repossessed assets.

Income Tax Expense

In the first half of 2010, the Group's income tax expense reached RMB21,415 million, an increase of RMB4,787 million from the same period of 2009. The Group's effective income tax rate was 23.23%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations. Income tax expense details are set out in the note "Income Tax Expense" to the financial statements in this report.

Other Comprehensive Income

For the reporting period, the Group recorded a negative value of RMB2,630 million in other comprehensive income, a decrease of RMB5,196 million from the same period of 2009, mainly due to a reduction in the fair value of available-for-sale equity instruments with the downturn of capital market.

Financial Position Statement Analysis

Assets

The following table shows the composition of the Group's total assets as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Gross loans and advances to customers	**5,349,382**		4,819,773	
Allowances for impairment losses on loans	**(133,409)**		(126,826)	
Net loans and advances to customers	**5,215,973**	**50.96**	4,692,947	48.77
Investment securities[1]	**2,838,471**	**27.73**	2,559,928	26.60
Cash and deposits with central banks	**1,598,806**	**15.62**	1,458,648	15.16
Financial assets held under resale agreements	**257,349**	**2.51**	589,606	6.13
Deposits and placements with banks and non-bank financial institutions	**93,149**	**0.91**	123,380	1.28
Interest receivable	**42,477**	**0.42**	40,345	0.42
Financial assets at fair value through profit or loss	**40,005**	**0.39**	18,871	0.20
Others[2]	**149,751**	**1.46**	139,630	1.44
Total assets	**10,235,981**	**100.00**	9,623,355	100.00

1. These comprise available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, intangible assets, goodwill, long-term lease prepayments, deferred tax assets and other assets.

As at 30 June 2010, the Group's total assets stood at RMB10,235,981 million, a rise of RMB612,626 million, or 6.37%, over the end of 2009. In this amount, gross loans and advances to customers grew by RMB529,609 million, or 10.99%, mainly extending to the infrastructure, small business, and residential mortgage sectors. Investment securities rose by RMB278,543 million, largely due to increased holdings of highly liquid PBC bills with relatively high interest rates and non-taxable Chinese government bonds. Cash and deposits with central banks increased by RMB140,158 million, or 9.61%, mainly as a result of consecutive hikes in the statutory deposit reserve rate. Financial assets held under resale agreements dropped by RMB332,257 million, and their proportion to total assets fell by 3.62 percentage points, as the Group reduced fund utilisation in the money market in an attempt to raise fund yields. Deposits and placements with banks and non-bank financial institutions decreased by RMB30,231 million, chiefly due to reduced deposits with banks.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 30 June 2010 Amount	% of total	As at 31 December 2009 Amount	% of total
Corporate loans	**3,737,338**	**69.87**	3,351,315	69.53
Short-term loans	**1,072,698**	**20.05**	915,674	19.00
Medium to long-term loans	**2,664,640**	**49.82**	2,435,641	50.53
Personal loans	**1,247,708**	**23.32**	1,088,459	22.58
Residential mortgage loans	**1,002,221**	**18.74**	852,531	17.69
Personal consumer loans	**76,410**	**1.43**	78,651	1.63
Other loans[1]	**169,077**	**3.15**	157,277	3.26
Discounted bills	**194,644**	**3.64**	228,361	4.74
Overseas operations	**169,692**	**3.17**	151,638	3.15
Gross loans and advances to customers	**5,349,382**	**100.00**	4,819,773	100.00

1. These comprise individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

As at 30 June 2010, the Group's gross loans and advances to customers rose to RMB5,349,382 million by RMB529,609 million, or 10.99% over the end of 2009.

The Group reinforced credit structure adjustment and risk control by studying general directions and development trends of various industries and adopting differentiated strategies, including promoting, securing, controlling, curtailing, and exiting, based on different regions, customers and products. Corporate loans reached RMB3,737,338 million, an increase of RMB386,023 million, or 11.52%, over the end of 2009. Corporate loans accounted for 69.87% of the gross loans and advances to customers, up 0.34 percentage points over the end of 2009. In this amount, infrastructure loans rose by RMB139,123 million, or 9.03%. The loan balance for customers in exiting category decreased by RMB53,000 million over the end of 2009.

The Group tightly controlled new loans to government financing vehicles by fully enforcing the list management system and enhancing credit structure adjustment, with a focus on meeting the funding needs of major construction projects under the government's RMB4 trillion investment programme.

In light of the developments in the property market, the Group took initiatives to check the growth rate of lending to the real estate sector. Loans to property sector only increased by 5.57% from the end of 2009. The new loans principally targeted prime customers with solid financial strengths and high development qualifications in regions where property prices were stable.

Personal loans increased by RMB159,249 million, or 14.63% over the end of 2009, to RMB1,247,708 million, which accounted for 23.32% of the gross loans and advances to customers, up 0.74 percentage points. In this amount, residential mortgage loans, mainly to finance self-occupied home purchases, rose by RMB149,690 million, or 17.56%; and personal consumer loans fell by RMB2,241 million.

Discounted bills declined by RMB33,717 million to RMB194,644 million over the end of 2009, and were mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers climbed by RMB18,054 million, or 11.91% to RMB169,692 million.

Distribution of loans by type of collateral

The table below sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Unsecured loans	**1,432,594**	**26.78**	1,291,942	26.81
Guaranteed loans	**1,133,068**	**21.18**	997,157	20.69
Loans secured by tangible assets other than monetary assets	**2,272,258**	**42.48**	2,062,981	42.80
Loans secured by monetary assets	**511,462**	**9.56**	467,693	9.70
Gross loans and advances to customers	**5,349,382**	**100.00**	4,819,773	100.00

Allowances for impairment losses on loans and advances to customers

	Six months ended 30 June 2010			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances which are collectively assessed**	**Allowances for impaired loans and advances which are individually assessed**	
(In millions of RMB)				**Total**
As at 1 January	**75,628**	**4,838**	**46,360**	**126,826**
Charge for the period	**11,173**	**70**	**4,181**	**15,424**
Release during the period	**–**	**(91)**	**(5,214)**	**(5,305)**
Unwinding of discount	**–**	**–**	**(392)**	**(392)**
Transfers in/(out)	**–**	**(10)**	**(150)**	**(160)**
Write-offs	**–**	**(274)**	**(3,232)**	**(3,506)**
Recoveries	**–**	**30**	**492**	**522**
As at 30 June	**86,801**	**4,563**	**42,045**	**133,409**

In 2010, the Group made full provisions for impairment losses by taking into account its own circumstances and fully considering the impact of changing external policies on different industries. As at 30 June 2010, the allowances for impairment losses on loans and advances to customers increased to RMB133,409 million by RMB6,583 million from the end of 2009, while the ratio of allowances to non-performing loans (NPLs) was 204.72%, up 28.95 percentage points over the end of 2009.

Investments

The following table shows the composition of the Group's investments as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Held-to-maturity investments	**1,653,955**	**57.46**	1,408,873	54.64
Available-for-sale financial assets	**726,809**	**25.25**	651,480	25.26
Debt securities classified as receivables	**457,707**	**15.90**	499,575	19.37
Financial assets at fair value through profit or loss	**40,005**	**1.39**	18,871	0.73
Total investments	**2,878,476**	**100.00**	2,578,799	100.00

As at 30 June 2010, total investments increased to RMB2,878,476 million by RMB299,677 million over the end of 2009. Held-to-maturity investments rose by RMB245,082 million, largely due to increased holdings of PBC bills and PRC government bonds. Available-for-sale financial assets climbed by RMB75,329 million, mainly because the Group held more short-term PBC bills. Debt securities classified as receivables decreased by RMB41,868 million, mainly because certain PBC bills matured during the period. Financial assets at fair value through profit or loss rose by RMB21,134 million, as a result of increased holdings of trading debt securities.

Debt securities investments

The following table sets forth the composition of the Group's debt securities investments by currency as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Debt securities investments in RMB	**2,753,752**	**97.95**	2,492,869	97.77
Debt securities investments in foreign currency	**58,391**	**2.05**	56,859	2.23
Total debt securities investments	**2,852,143**	**100.00**	2,549,728	100.00

Debt securities investments in foreign currency

As at 30 June 2010, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$8,610 million (or RMB58,391 million).

The following table shows the composition of the US sub-prime mortgage loan backed securities held by the Group at the end of the reporting period.

(In millions of US dollars)	Allowances for impairment losses	Carrying amount[1]
US sub-prime mortgage debts	(259)	106
First lien debt securities	(180)	100
Second lien debt securities	(79)	6
Related residential mortgage collateralised debt obligations (CDO)	(393)	—
Total	(652)	106

1. This represents carrying amount after deducting the allowances for impairment losses.

As at 30 June 2010, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$106 million (or RMB716 million), accounting for 1.23% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$652 million (or RMB4,422 million).

As at 30 June 2010, the carrying amount of the Alt-A bonds held by the Group was US$197 million (or RMB1,337 million), accounting for 2.29% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$265 million (or RMB1,797 million).

As the above debt securities represent only a very small proportion of the Group's total assets, market fluctuations for such securities will not have a significant effect on the Group's earnings.

Interest receivable

As at 30 June 2010, the Group's interest receivable was RMB42,477 million, an increase of RMB2,132 million, or 5.28%. The allowances for impairment losses on interest receivable was RMB1 million, which was made in full against interest receivable arising from debt securities investments overdue for more than three years.

Liabilities

The following table shows the composition of the Group's total liabilities as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**8,591,701**	**88.98**	8,001,323	88.27
Deposits and placements from banks and non-bank financial institutions	**763,617**	**7.91**	812,905	8.97
Debt securities issued	**94,717**	**0.98**	98,644	1.09
Financial assets sold under repurchase agreements	**2,000**	**0.02**	—	—
Others[1]	**203,748**	**2.11**	151,463	1.67
Total liabilities	**9,655,783**	**100.00**	9,064,335	100.00

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 30 June 2010, the Group's total liabilities were RMB9,655,783 million, an increase of RMB591,448 million, or 6.53%, over the end of last year. Deposits from customers remained the Group's primary source of funding, which grew by RMB590,378 million, or 7.38%. Deposits from customers accounted for 88.98% of the total liabilities, rising by 0.71 percentage points over the end of 2009. Deposits and placements from banks and non-bank financial institutions slid by RMB49,288 million, or 6.06%. This was mainly because deposits from securities and funds firms dropped substantially as market fund fled from the gloomy capital market in the first half of 2010.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate deposits	**4,600,951**	**53.55**	4,303,509	53.79
Demand deposits	**3,137,269**	**36.51**	2,960,155	37.00
Time deposits	**1,463,682**	**17.04**	1,343,354	16.79
Personal deposits	**3,888,190**	**45.26**	3,584,727	44.80
Demand deposits	**1,565,093**	**18.21**	1,435,348	17.94
Time deposits	**2,323,097**	**27.05**	2,149,379	26.86
Overseas operations	**102,560**	**1.19**	113,087	1.41
Total deposits from customers	**8,591,701**	**100.00**	8,001,323	100.00

As at 30 June 2010, the Group's deposits from customers reached RMB8,591,701 million, an increase of RMB590,378 million, or 7.38% over the end of 2009. Domestic personal deposits went up by RMB303,463 million, or 8.47%, higher than the 6.91% increase of corporate deposits. This led to a rise of 0.46 percentage points in its proportion in total deposits from customers to 45.26%.

Shareholders' Equity

(In millions of RMB)	**As at 30 June 2010**	As at 31 December 2009
Share capital	**233,689**	233,689
Capital reserve	**90,272**	90,266
Investment revaluation reserve	**10,909**	13,163
Surplus reserve	**37,421**	37,421
General reserve	**61,269**	46,806
Retained earnings	**145,185**	136,112
Exchange reserve	**(2,419)**	(1,982)
Equity attributable to equity shareholders of the Bank	**576,326**	555,475
Non-controlling interests	**3,872**	3,545
Total equity	**580,198**	559,020

As at 30 June 2010, the Group's total equity reached RMB580,198 million, an increase of RMB21,178 million compared to the end of 2009. The ratio of total equity to total assets for the Group was 5.67%, a decrease of 0.14 percentage points over the end of 2009.

Capital Adequacy Ratio

The following table sets forth the information related to the Group's capital adequacy ratio as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2010**	As at 31 December 2009
Core capital adequacy ratio	**9.27%**	9.31%
Capital adequacy ratio	**11.68%**	11.70%
Core capital:		
Share capital	**233,689**	233,689
Capital reserve, investment revaluation reserve and exchange reserve	**82,561**	82,427
Surplus reserve and general reserve	**98,690**	84,227
Retained earnings	**112,056**	87,564
Non-controlling interests	**3,872**	3,545
	530,868	491,452
Supplementary capital:		
General provision for doubtful debts	**53,645**	48,463
Positive changes in fair value of financial instruments at fair value through profit or loss	**9,580**	10,815
Subordinated bonds issued	**80,000**	80,000
	143,225	139,278
Total capital base before deductions	**674,093**	630,730
Deductions:		
Goodwill	**(1,574)**	(1,590)
Unconsolidated equity investments	**(12,389)**	(8,903)
Others	**(2,369)**	(12,004)
Net capital	**657,761**	608,233
Risk-weighted assets	**5,631,214**	5,197,545

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill, 50% of unconsolidated equity investments and other items, by risk-weighted assets.
2. Capital adequacy ratio is calculated by dividing net capital by risk-weighted assets.
3. The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.
4. The dividend proposed after the reporting period has been deducted from retained earnings.
5. Others mainly represent investments in those asset backed securities specified by the CBRC which required reduction.
6. The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2010, the Group's capital adequacy ratio was 11.68% and the core capital adequacy ratio was 9.27%, down 0.02 and 0.04 percentage points, respectively, over the end of 2009.

The decrease in the capital adequacy ratio was largely because the growth rate of risk-weighted assets exceeded that of net capital. Risk-weighted assets increased by RMB433,669 million, or 8.34% over the end of 2009. Net capital increased by RMB49,528 million, or 8.14% over the end of 2009. Core capital climbed by RMB39,416 million, chiefly due to retained earnings in the first half of 2010. The amount of deduction items fell by RMB6,165 million, primarily as a result of the Group's disposal of other banks' subordinated bonds of RMB9,070 million purchased after 1 July 2009 in the period under review.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss loans.

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**5,074,623**	**94.86**	4,546,843	94.33
Special mention	**209,591**	**3.92**	200,774	4.17
Substandard	**18,560**	**0.35**	21,812	0.45
Doubtful	**36,975**	**0.69**	42,669	0.89
Loss	**9,633**	**0.18**	7,675	0.16
Gross loans and advances to customers	**5,349,382**	**100.00**	4,819,773	100.00
Non-performing loans	**65,168**		72,156	
Non-performing loan ratio		**1.22**		1.50

In response to the complex macro-economic situation in 2010, the Group stepped up adjustments to its credit structure and introduced surveillance mechanisms for key risk areas in accordance with regulatory requirements to actively prevent and mitigate risks. Post-lending management was reinforced with the launch of the "post-lending management year" campaign. The Group also expedited disposal of NPLs. As a result, credit asset quality steadily improved. As at 30 June 2010, the Group's NPLs were RMB65,168 million, a decrease of RMB6,988 million over the end of 2009, while the NPL ratio dropped by 0.28 percentage points to 1.22%. The proportion of special mention loans dropped to 3.92%, down 0.25 percentage points over the end of 2009.

Distribution of Loans and NPLs by Product Type

The following table sets forth loans and NPLs by product type as at the dates indicated.

	As at 30 June 2010			As at 31 December 2009		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans	3,737,338	50,104	1.34	3,351,315	57,178	1.71
Short-term loans	1,072,698	25,620	2.39	915,674	29,143	3.18
Medium to long-term loans	2,664,640	24,484	0.92	2,435,641	28,035	1.15
Personal loans	1,247,708	7,266	0.58	1,088,459	7,208	0.66
Residential mortgage loans	1,002,221	3,639	0.36	852,531	3,600	0.42
Personal consumer loans	76,410	1,313	1.72	78,651	1,329	1.69
Other loans[1]	169,077	2,314	1.37	157,277	2,279	1.45
Discounted bills	194,644	–	–	228,361	–	–
Overseas operations	169,692	7,798	4.60	151,638	7,770	5.12
Total	5,349,382	65,168	1.22	4,819,773	72,156	1.50

1. These comprise individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

As at 30 June 2010, the NPL ratio for corporate loans dropped by 0.37 percentage points to 1.34% compared to the end of last year; that for personal loans decreased by 0.08 percentage points over the end of 2009 to 0.58%. The NPL ratio for overseas operations remained stable as a result of strengthened risk management of overseas business.

Distribution of Loans and NPLs by Industry

The following table sets forth the loans and NPLs by industry as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2010 Loans	% of total	NPLs	NPL ratio (%)	As at 31 December 2009 Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	**3,737,338**	**69.87**	**50,104**	**1.34**	3,351,315	69.53	57,178	1.71
Manufacturing	**931,077**	**17.41**	**19,489**	**2.09**	803,302	16.67	21,413	2.67
Transportation, storage and postal services	**593,086**	**11.09**	**2,813**	**0.47**	519,078	10.77	3,382	0.65
Production and supply of electric power, gas and water	**500,143**	**9.35**	**3,486**	**0.70**	486,094	10.09	3,991	0.82
Real estate	**378,611**	**7.08**	**7,442**	**1.97**	358,651	7.44	9,322	2.60
Leasing and commercial services	**349,065**	**6.53**	**1,719**	**0.49**	303,380	6.29	1,829	0.60
– Commercial services	**344,633**	**6.44**	**1,683**	**0.49**	301,502	6.26	1,742	0.58
Water, environment and public utilities management	**212,819**	**3.98**	**1,449**	**0.68**	206,175	4.28	1,595	0.77
Wholesale and retail trade	**188,014**	**3.51**	**6,594**	**3.51**	146,693	3.04	7,391	5.04
Construction	**134,670**	**2.52**	**2,014**	**1.50**	116,379	2.41	2,252	1.94
Mining	**122,117**	**2.28**	**291**	**0.24**	104,019	2.16	394	0.38
– Exploitation of petroleum and natural gas	**7,577**	**0.14**	**52**	**0.69**	4,599	0.10	61	1.33
Education	**101,823**	**1.90**	**873**	**0.86**	93,351	1.94	1,117	1.20
Telecommunications, computer services and software	**23,548**	**0.44**	**878**	**3.73**	25,249	0.52	1,123	4.45
– Telecommunications and other information transmission services	**20,763**	**0.39**	**83**	**0.40**	22,450	0.47	189	0.84
Others	**202,365**	**3.78**	**3,056**	**1.51**	188,944	3.92	3,369	1.78
Personal loans	**1,247,708**	**23.32**	**7,266**	**0.58**	1,088,459	22.58	7,208	0.66
Discounted bills	**194,644**	**3.64**	**–**	**–**	228,361	4.74	–	–
Overseas operations	**169,692**	**3.17**	**7,798**	**4.60**	151,638	3.15	7,770	5.12
Total	**5,349,382**	**100.00**	**65,168**	**1.22**	4,819,773	100.00	72,156	1.50

In response to the changing external environment in 2010, the Group continued to refine its industry-specific lending and exit criteria, while further upgrading its industry limit management. NPLs and NPL ratios for manufacturing, real estate, and wholesale and retail trade, which used to have higher NPL ratios, continued to decline. Compared to the end of 2009, the NPLs for these industries decreased by RMB1,924 million, RMB1,880 million and RMB797 million, respectively, with their NPL ratios down by 0.58, 0.63 and 1.53 percentage points, respectively.

Rescheduled Loans and Advances to Customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2010** Amount	**As at 30 June 2010** % of gross loans and advances	As at 31 December 2009 Amount	As at 31 December 2009 % of gross loans and advances
Rescheduled loans and advances to customers	**3,240**	**0.06**	3,739	0.08

Overdue Loans and Advances to Customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2010** Amount	**As at 30 June 2010** % of gross loans and advances	As at 31 December 2009 Amount	As at 31 December 2009 % of gross loans and advances
Overdue for no more than 3 months	**20,918**	**0.39**	18,565	0.39
Overdue for 3 months to 1 year	**9,118**	**0.18**	17,296	0.35
Overdue for 1 to 3 years	**24,674**	**0.46**	21,710	0.45
Overdue for over 3 years	**15,194**	**0.28**	16,690	0.35
Total overdue loans and advances to customers	**69,904**	**1.31**	74,261	1.54

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items included derivative financial instruments, commitments and contingent liabilities. Derivative financial instruments included interest rate contracts, exchange rate contracts, precious metal contracts and equity instrument contracts. Details are set out in the note "Derivative Financial Instruments" to the financial statements in this report. Commitments and contingent liabilities included credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes, and contingent liabilities. Among these, credit commitments were the most significant component, with a balance of RMB2,005,110 million as at 30 June 2010. Details are set out in the note "Commitments and Contingent Liabilities" to the financial statements in this report.

Differences between the Financial Statements Prepared under PRC GAAP and those Prepared under IFRS

There are no differences in the net profit for the six months ended 30 June 2010 or total equity as at 30 June 2010 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, as well as others and unallocated items which include equity investments and overseas operations.

The following table sets forth, in the periods indicated, the profit before tax of each major business segment:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate banking	**48,925**	**53.07**	43,588	60.15
Personal banking	**17,086**	**18.53**	13,148	18.14
Treasury business	**25,369**	**27.52**	14,084	19.43
Others and unallocated	**814**	**0.88**	1,649	2.28
Profit before tax	**92,194**	**100.00**	72,469	100.00

Corporate Banking

The following table sets forth the major operating information and changes related to corporate banking:

(In millions of RMB, except percentages)	Six months ended 30 June 2010	Six months ended 30 June 2009	Change (%)
Net interest income	**63,480**	61,418	3.36
Net fee and commission income	**15,388**	9,988	54.06
Other operating income	**118**	84	40.48
Operating income	**78,986**	71,490	10.49
Operating expenses	**(21,311)**	(19,428)	9.69
Provisions for impairment losses	**(8,750)**	(8,474)	3.26
Profit before tax	**48,925**	43,588	12.24
	As at 30 June 2010	As at 31 December 2009	
Segment assets	**4,212,837**	3,879,101	8.60

The profit before tax from corporate banking for the first half of 2010 increased by 12.24% to RMB48,925 million, accounting for 53.07% of the Group's profit before tax, remaining the Group's primary profit source. Net interest income increased slightly by 3.36% as a result of the increase of the average balance of corporate loans year-on-year. Provisions for impairment losses increased slightly by 3.26%, and operating expenses went up 9.69% over the same period last year, but net fee and commission income made a robust rise of 54.06%, contributing to the steady increase in profit before tax from corporate banking.

As at 30 June 2010, corporate loans were RMB3,737,338 million, up 11.52% over the end of 2009, with credit growth much lower than that in the same period last year. Corporate deposits were RMB4,600,951 million, up 6.91% over the end of 2009. The growth of corporate deposits slowed down as a result of reduced money supply and intensified market competition.

Credit structure adjustments proved effective. CCB implemented multi-pronged credit policies, including promoting, securing, controlling, curtailing, and exiting, for different industries, and rigorously controlled new loans to potentially high-risk areas by setting higher loan eligibility standards and tighter lending amount limits alongside its year-long post-lending management programme. CCB used lists to manage industries with excess capacity, and granted new loans to premium customers and projects only. Both the number of borrowers and loan balance for government financing vehicles decreased, as CCB tight controlled loan extensions by upgrading management policies, conducting thorough self-examinations and rectifications, and implementing all round portfolio management. Real estate developers remained subject to a list management system, resulting in effective controls over lending volume and pace. Loans were mainly granted to customers with credit ratings of AA or above and in economically more developed regions, with improving customer structure.

Small business loans grew rapidly, with steadily improving quality and efficiency. CCB has set up 177 small and medium-sized enterprise operation centres based on the “Credit Factory” model in 150 cities all over the country. In exploring possibilities of cooperation with local governments and enterprises, CCB promoted “Zhubaojin” loan products for small businesses, extending loans of over RMB6 billion cumulatively. CCB developed and designed fixed asset purchase loan products for small business. “E-Daitong” series of loans for internet merchants reached nearly RMB10 billion.

Fee-based business recorded fast growth. Net fee and commission income from corporate banking expanded by 54.06% to RMB15,388 million over the same period of 2009, accounting for 45.74% of the Group’s total net fee and commission income. Traditional products such as corporate banking RMB settlements and cost advisory services made significant income contributions, with RMB settlements income surging by nearly RMB1,603 million, or 87.88%, year-on-year. New products such as domestic factoring continued to grow rapidly, with its income up 296.05%.

- *Institutional business maintained growth momentum*. To proactively support lending to priority livelihood areas such as education and medical care, CCB promoted financial service products under the “Minben Tongda” brand, and the loans rose to RMB212,732 million by 11.72% compared to the end of 2009. CCB outperformed its competitors in both central government authorised payment agency and central budget civil card markets. Central budget civil cards issued reached 1,900,000, 50.93% higher than at the end of 2009. A total of 1,670,000 co-branded social security cards had been issued in conjunction with social security management departments in multiple provinces and cities. Income from insurance agency services jumped by 48.78% to RMB2,202 million, being in the leading position in terms of market share. The “Safe Deal” custodial service for trading funds achieved a fee income of RMB1,142 million, up 55.16%. Independent custodial service “Xincunguan” for securities settlement funds had the largest customer base of 19.84 million users. The Bank had cooperated with nearly 150 futures companies and reported nearly 500,000 contracted customers, ranking first among its peers.

- *Foreign exchange business performed well*. During the reporting period, international settlement volume reached US$310,655 million, up 59.52% year-on-year, generating an income of RMB1,593 million, up 61.89%. Continually engaged in trade finance product innovation, CCB introduced new products such as “Commodity Finance and Hedging Service”, “Insured Banking Trade Finance”, and “Secured Refinancing”. CCB was again honoured as a “China Best Trade Finance Bank” by the US Global Finance in recognition of its overall strength and excellent performance in trade finance and foreign exchange business.

- *Asset custodial service achieved sustained growth*. As at 30 June 2010, assets under custody was RMB1,082,643 million, with an increase of 8.69%, generating a cumulative fee income of RMB839 million for the first half of 2010. Securities investment funds under custody continued to maintain growth momentum. The shares of funds under custody increased by 32,787 million, with the largest market share growth. Funds under custody achieved the second highest net value with rising market share. A total of 25 funds under custody were awarded the "Golden Bull Award for Fund Industry in China" in 2009, taking the lead among peers. Custodial services for industrial investments grew remarkably, with custody value of RMB300,105 million, a rise of 183.51%. Enterprise annuities funds under custody reached an unprecedented RMB30 billion, ranking second in the market.

- *Pension business achieved steady growth*. As at 30 June 2010, the number of contracted customers for account management services had increased by 380,000 to 2.3 million compared to the end of 2009, while the assets under trustship increased by RMB2.3 billion over the end of 2009 to RMB11.82 billion. CCB's collective pension plan for small and medium-sized enterprises gained popularity, and corporate customers for collective pension plan grew by 1,689. CCB made new progress in pension product innovation, with the "Yangyisifang No.1" product gaining market recognition.

Personal Banking

The following table sets forth the major operating information and changes related to personal banking:

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Change (%)**
Net interest income	**33,428**	30,290	10.36
Net fee and commission income	**11,325**	7,849	44.29
Other operating income	**318**	90	253.33
Operating income	**45,071**	38,229	17.90
Operating expenses	**(26,751)**	(23,332)	14.65
Provisions for impairment losses	**(1,234)**	(1,749)	(29.45)
Profit before tax	**17,086**	13,148	29.95
	As at 30 June 2010	As at 31 December 2009	
Segment assets	**1,236,850**	1,073,608	15.20

Personal banking achieved profit before tax of RMB17,086 million, an increase of 29.95%, with its contribution to the Group's total profit before tax rising to 18.53%. The good performance of personal banking was due to the following factors: Net interest income increased by 10.36% as a result of the average balance increase of personal loans over the same period last year; Net fee and commission income maintained robust growth, with an increase of 44.29% over the same period last year; asset quality continued to improve and provisions for impairment losses decreased by 29.45% over the same period last year.

By launching marketing campaigns during peak seasons and competition activities for the Shanghai 2010 Expo, CCB offered better services to gain greater access to funds and customers. CCB thus maintained a stable expansion of personal deposits, which provided ample fund sources. As at 30 June 2010, personal deposits was RMB3,888,190 million, 8.47% higher over the end of 2009.

CCB actively supported customers' residential housing needs and gradually expanded personal business loans and rural loans, as a result, personal loan business developed steadily. As at 30 June 2010, personal loans increased by 14.63% to RMB1,247,708 million, accounting for 23.32% of gross loans and advances to customers. In this amount, residential mortgage loans increased by 17.56% to RMB1,002,221 million.

The entrusted housing finance business continued to dominate the market. CCB stepped up cooperation with local housing fund management departments to reinforce and expand its provident housing fund deposit market. Entrusted provident fund loan advances reached a record high. CCB is also proactively engaged in the research and development of new products, and the promotion of co-branded cards, electronic services, entrusted withdrawals, loan repayments, and small amount payments for provident housing funds. As at 30 June 2010, provident housing fund deposits and loans stood at RMB275,822 million and RMB466,780 million, respectively, both occupying the largest market share in the market.

Bank card issuance and spending via bank cards continued to rise. As at 30 June 2010, the Bank issued a total of 281 million debit cards, 29.88 million more than at the end of 2009. Spending via debit cards had jumped by 72.53% to RMB546,542 million, and a fee income of RMB3,336 million was generated, 26.03% higher than in the same period of 2009. The number of credit cards issued totalled 26.38 million, an increase of 2.15 million, with total spending reaching RMB180,266 million, up 43.38% year-on-year, and loan balance reaching RMB38,999 million, up 7.34% over the end of 2009, respectively. CCB strengthened risk controls over customer sources, reinforced monitoring over fraudulent transactions and potential risks related to shop operators, while upgrading monitoring and precautionary measures for credit card encashment. As a result, asset quality remained sound for the credit card business.

Feature article: Introduction to CCB's Residential Mortgage Loan Business

Residential mortgage loans, which play a key role in CCB's reform and development, is CCB's traditional advantage business. With its long-time focus in this niche market, CCB is characterised by its well-branded residential mortgage loan services and its well-recognised slogan "To buy a house, come to CCB".

CCB has always been committed to addressing customers' residential housing needs, and has expanded financial support for low and medium income groups and public housing market in line with the state's policies. In a challenging operating environment, CCB has achieved sustained, steady growth in this line of business by adjusting our operating strategies, reinforcing risk prevention, and enhancing our specialised operating capabilities. As at 30 June 2010, CCB's personal residential mortgages reached RMB1,002,221 million, with an increase of RMB149,690 million compared to the end of 2009, commanding the second-largest market share in the market. Its NPLs stood at RMB3,639 million, with an NPL ratio of 0.36%, reflecting better asset quality than peers.

In recent years, CCB has adopted a specialised and centralised approach for its personal loan business. CCB has gradually established a specialised operation and service framework with personal loan centres as the core alongside improved business processes and system functionality. Currently, CCB has 575 personal loan centres in which specialised front offices were backed by centralised middle and back offices, improving operating efficiency, risk controls and customer services. With these centres, CCB is able to provide customers with efficient and expert one-stop comprehensive services.

CCB has been vigorously promoting process optimisation of personal loan business to improve process efficiency and service quality and using application scorecards for more efficient and effective approvals. As part of its ongoing strategic collaboration with Bank of America, CCB has utilised the Six Sigma management approach for adjusting and improving its specialised and centralised personal loan processes. Drawing on the experience of Bank of America, we have also developed and promoted application scorecards in assessing bank-wide personal loan applications. Our personal loan processes are now more standardised and streamlined. CCB has fully met risk management requirements for segregating credit approval and loan extension functions, interviewing loan applicants and signing loan applications face to face. Moreover, CCB has enhanced operational efficiency and risk management capability by streamlined processes based on the "Credit Factory" model.

Apart from specialising in residential mortgage loan business, CCB has engaged in further market and product segmentation, stepped up product innovation, and boosted our brand image. With all these initiatives, CCB has won the recognition and support of the wider Chinese community, strengthened our market competitiveness, and maintained sound residential mortgage loan business.

Treasury Business

The following table sets forth the major operating information and changes related to treasury business:

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Change (%)**
Net interest income	**19,419**	9,714	99.91
Net fee and commission income	**6,342**	5,283	20.05
Net trading gain	**915**	306	199.02
Net (loss)/income arising from investment securities	**339**	2,680	(87.35)
Other net operating loss	**(298)**	(134)	122.39
Operating income	**26,717**	17,849	49.68
Operating expenses	**(1,705)**	(1,642)	3.84
Provisions for impairment losses	**357**	(2,123)	(116.82)
Profit before tax	**25,369**	14,084	80.13
	As at 30 June 2010	As at 31 December 2009	
Segment assets	**4,552,102**	4,449,759	2.30

Net interest income from treasure business realised a significant increase of 99.91% as a result of growing assets and stabilising yield. Net fee and commission income maintained fast growth, with an increase of 20.05% over the same period last year. Provisions for impairments losses wrote back as the foreign currency bond market continued to improve. All these factors contributed to a significant increase of 80.13% of profit before tax for treasury business, with its contribution to the Group's total profit before tax rising to 27.52%.

Financial market business

By adopting a prudent and sound investment strategy, the Group continued to enhance its risk management level and investment portfolio management capabilities. In the deployment of RMB funds, the Bank continued to rank first in an overall ranking of book-entry government bond underwriting, and took the lead in the market-making business in the interbank bond market, thus winning the title of "Best Market Maker". For the deployment of foreign currency funds, it proactively managed its liquidity and safeguarded the security of funds; reduced risky positions at opportune time to optimise the portfolio structure of foreign-currency denominated bonds.

The market share of the account gold business rose significantly while physical gold business also made strong growth. In the first half of 2010, a total of 510.62 tonnes of gold were traded, representing an increase of 9% year-on-year, generating an income of RMB289 million, up 51% year-on-year for the Bank. The market share of the account gold business jumped ten percentage points to 40%. Physical gold business surged, with the sales volume in the first half of 2010 being 114% of that in the full year 2009.

Foreign exchange purchases and sales and foreign exchange trading grew steadily. The volume of customer-driven foreign exchange purchases and sales and foreign exchange trading reached US$143,700 million, up 46% year-on-year, generating an income of RMB1,476 million, up 39% year-on-year. In this amount, the trading of forward foreign exchange purchases and sales soared, generating an income of RMB391 million, up 83% year-on-year. The trading volume of customer-driven derivative products reached US$2,094 million, generating an income of RMB43.63 million. "Good Harvest" series of bonds wealth management products were well-received by the market, with its monthly money raising volume growing steadily.

Investment banking

The investment banking business generated an income of RMB7,234 million, up 35.98% year-on-year.

In financial advisory services, CCB reaped an income of RMB4,175 million. Of the services, income from the thriving new financial advisory business reached 199.05% year-on-year to RMB1,364 million, accounting for 32.67% of total financial advisory income. Income from the M&A and restructuring business reached RMB355 million, more than eight times the income of the same period last year. As a pioneer in the market, CCB launched M&A financing wealth management products with beneficiary rights attached, allowing wealth management customers to share excess M&A gains from finance customers, and offering new instruments for M&A business.

The debt financing instrument underwriting business developed soundly. Its income climbed by 36.07% year-on-year to RMB498 million. The bond underwriting amount increased by 24.63% year-on-year to RMB108,512 million, ranking second in the market. Of these, the underwriting amount for 20.5 batches of short-term commercial paper surged by 154.62% to RMB80,435 million, ranking first among its peers.

The wealth management business expanded substantially, with a number of innovative products and businesses being rolled out into the market. CCB launched "Qianyuan-Rixinyueyi" branded open-ended, RMB-denominated asset portfolio wealth management products for high net worth and legal person customers. These high-yielding and liquid products attracted many investors. CCB continued to promote "Qianyuan — SME Trust Loans Collective Wealth Management Products", six batches of which raised a total of RMB720 million to support the development of SMEs in Suzhou, Shandong and Jilin.

The industrial investment fund business progressed steadily. CCB's medical care fund has accumulated investment totalling RMB648 million, and the channels for overseas investment was opened. By thoroughly exploring resources in the aviation sector and related industries, CCB completed the initial fundraising of the aviation fund. CCB has successfully raised funds for its environmental protection fund and set up a fund management company for Wanjiang industry transfer fund.

Analysis of Geographical Segments

The following table sets forth the distribution of the Group's profit before tax by geographical segment:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**16,601**	**18.01**	14,609	20.16
Pearl River Delta	**12,561**	**13.62**	9,836	13.57
Bohai Rim	**14,054**	**15.24**	12,370	17.07
Central	**12,283**	**13.32**	10,552	14.56
Western	**13,172**	**14.29**	11,791	16.27
Northeastern	**4,387**	**4.76**	3,861	5.33
Head office	**17,975**	**19.50**	8,302	11.46
Overseas	**1,161**	**1.26**	1,148	1.58
Profit before tax	**92,194**	**100.00**	72,469	100.00

The following table sets forth the distribution of the Group's loans and advances by geographical segment:

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**1,259,058**	**23.54**	1,136,447	23.58
Pearl River Delta	**829,624**	**15.51**	728,639	15.12
Bohai Rim	**945,334**	**17.67**	859,885	17.84
Central	**865,613**	**16.18**	782,763	16.24
Western	**907,022**	**16.96**	819,337	17.00
Northeastern	**329,416**	**6.16**	299,385	6.21
Head office	**43,623**	**0.82**	41,679	0.86
Overseas	**169,692**	**3.16**	151,638	3.15
Gross loans and advances to customers	**5,349,382**	**100.00**	4,819,773	100.00

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2010 Amount	As at 30 June 2010 % of total	As at 31 December 2009 Amount	As at 31 December 2009 % of total
Yangtze River Delta	**1,778,343**	**20.70**	1,655,361	20.69
Pearl River Delta	**1,360,724**	**15.84**	1,256,578	15.71
Bohai Rim	**1,574,863**	**18.33**	1,486,628	18.58
Central	**1,539,017**	**17.91**	1,402,718	17.53
Western	**1,536,128**	**17.88**	1,420,149	17.75
Northeastern	**650,540**	**7.57**	600,838	7.51
Head office	**49,526**	**0.58**	65,964	0.82
Overseas	**102,560**	**1.19**	113,087	1.41
Deposits from customers	**8,591,701**	**100.00**	8,001,323	100.00

Distribution Channels

CCB has an extensive distribution network, and provides convenient and high quality banking services to its customers through nationwide branches, customer self-service equipment and an electronic banking service platform.

Branch outlets are the CCB's primary distribution channels. At the end of June 2010, the Bank had 13,403 branches at various levels in Mainland China, including the head office, 38 tier-one branches, 296 tier-two branches, 7,636 sub-brunches, 5,431 entities under the sub-branches, and a specialised credit card centre of the head office.

The Bank selectively increased branch resources in key areas and major cities to advance channel coverage in economically developed regions. At the end of June 2010, three key regions of the Bank, i.e. Bohai Rim, Yangtze River Delta and Pearl River Delta, had 6,091 branch outlets. In 80 major cities, there were 7,809 branch outlets.

The Bank continued to revamp its outlet building, embarking on 786 branch outlet renovation projects, with the geographic distribution and general outlet appearance in some areas notably improved. A total of 37,487 automatic teller machines (ATMs) were in operation, an increase of 4.07% over the end of 2009. At the end of June 2010, 131 wealth management centres and five private banking centres were in operation.

The Bank launched a comprehensive assessment of retail branch outlets and accorded ratings to their customer service capabilities and quality based on their sales, customer services, physical environment and risk controls to reinforce the results of the retail outlet transformation and raise the quality of branch customer services.

Electronic banking expanded its channel services, with improved competitiveness. For personal electronic banking, CCB concentred on enhancing customer experience by optimising and improving such services and functions as opening and cancellation, customer login, account enquiry, transfer and remittance, credit card, investment and wealth management, and mutual-aid channels. In corporate electronic banking, CCB launched "E-Futong" and "through train banking services for securities and futures markets". The phone banking services had 62.96 million personal customers, up 15.80% over the end of 2009, with total transaction volume surging by 111.36 % year-on-year to RMB124,418 million. For online mobile phone banking, CCB launched WAP online payments and nationwide phone fee prepaying functions. In SMS financial services, CCB launched SMS notification service for funds and MMS bill function for credit cards. By drawing on the advanced experience from Bank of America, CCB set up a comprehensive online fund sales process and made it available for trading between website and electronic banking. As a result, CCB was the first in banking sectors to provide one-stop service for funds trading between website and electronic banking.

RISK MANAGEMENT

Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

In the first half of 2010, CCB refined its credit risk management policies and stepped up credit structure adjustments. It also strengthened its management in areas including post-lending, off-balance sheet operations and overseas branches. Advanced IT tools were employed to raise the credit risk management level.

Adoption of differentiated credit policies and deepened structure adjustments. In line with government industrial policies and its own development strategy, CCB implemented different policies, including promoting, securing, controlling, curtailing and exiting, for different industries, customers, products and regions, and adopted different credit management approaches for different branches, in order to expedite its credit structure adjustments and avoid systemic risks.

Tighter inspection of key risk areas and strengthened post-lending management. CCB enhanced its risk inspections for industries with high energy consumption, high pollution and excess capacity, and issued timely risk warnings. With the “post-lending management year” campaign, it established a long-term and effective mechanism for post-lending management through clearly defining duties and responsibilities, refining management tools, tightening routine management of problem customers, and strengthening the collateral management policy and system building.

Strengthened management in weak areas and improved risk management fundamentals. CCB refined fundamental rules and processes in risk management, unified the awarding of credit lines, controlled off-balance sheet risk exposures, and improved risk baseline and limit management for off-balance sheet operations. Incorporating the risk management of overseas branches into its unified risk management system, CCB set credit baselines for overseas branches and focused on strengthening the management of their internal controls, compliance, risk reporting, etc., with an aim to pushing their strategic transformation and the healthy development of various businesses.

Further use of risk management tools to enhance refined management. CCB optimised such management tools as economic capital and risk limits to strengthen portfolio risk management and avoid systemic risks. A special rating system for project finance and property loans has been rolled out which, together with the formal launch of the retail pooling and statement system, forms a comprehensive risk rating system that can be widely used in a number of areas--such as operation planning, performance assessment, credit policies, risk pricing, credit approval, risk classification, and risk monitoring and warnings--to promote quality business development. Stress tests were conducted continuously on key areas to support decision-making in operations.

Concentration of Credit Risk

In the first half of 2010, loans to the largest single borrower of the Group accounted for 2.62% of its net capital, while those to the ten largest customers accounted for 17.01% of its net capital. Both indicators complied with regulatory requirements.

Concentration Indicators

Concentration indicators	As at 30 June 2010	As at 31 December 2009
Ratio of loans to the largest single customer (%)	**2.62**	3.09
Ratio of loans to the ten largest customers (%)	**17.01**	18.94

Concentration of Borrowers

The Group's ten largest single borrowers, as at the date indicated, are as follows:

(In millions of RMB, except percentages)	Industry	As at 30 June 2010 Amount	As at 30 June 2010 % of total loans
Customer A	Railway transport	**17,250**	**0.32**
Customer B	Production and supply of electricity and heat	**13,608**	**0.25**
Customer C	Public utility management	**11,611**	**0.22**
Customer D	Road transport	**10,776**	**0.20**
Customer E	Railway transport	**10,100**	**0.19**
Customer F	Road transport	**10,055**	**0.19**
Customer G	Road transport	**9,970**	**0.19**
Customer H	Road transport	**9,670**	**0.18**
Customer I	Road transport	**9,519**	**0.18**
Customer J	Road transport	**9,344**	**0.17**
Total		**111,903**	**2.09**

Liquidity Risk Management

Liquidity risk is the risk that funds will not be available at reasonable price to meet liabilities as they fall due. The goal of liquidity management for CCB is to maintain a reasonable level of liquidity in compliance with regulatory requirements to ensure safety of payment and settlement, and strive to enhance fund yields by using funds effectively and reasonably at the same time.

In the first half of 2010, the central bank raised the statutory reserve ratio for three times. Coupled with continuous net withdrawals through open market operations, interbank money supply turned from relatively abundant to tight on the whole. The tight money supply was eased at the end of June with increased net release of funds by the central bank. Despite slight liquidity fluctuations under such circumstances, the Group was able to maintain a reasonable surplus reserve rate and ensure normal payment and settlement by constantly refining its management rules and strengthening daily fund deployment through early planning.

To mitigate the impact of macroeconomic environment on its liquidity, CCB enhanced liquidity risk limit management, reduced settlement reserve for the small-sum payment system through increasing the number of pledge of held-to-maturity securities, and adjusted the scale of bond investment, resale agreements and interbank placements. Such flexible deployment of funds helped to smooth liquidity movements and generate higher yields.

The analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	Undated	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Net position as at 30 June 2010	**1,544,234**	**(5,039,211)**	**(262,971)**	**12,266**	**81,140**	**1,749,627**	**2,495,113**	**580,198**
Net position as at 31 December 2009	**1,336,006**	**(5,051,783)**	**13,717**	**51,492**	**389,074**	**1,638,064**	**2,182,450**	**559,020**

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 30 June 2010, the accumulated gap of various maturities of the Group was RMB580,198 million, an increase of RMB21,178 million. Though the gap of payment on demand was RMB5,039,211 million, the Group continued to enjoy a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits.

Market Risk Management

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. The main tools that the Group uses to monitor market risk include gap analysis, stress testing and VaR analysis.

In the first half of 2010, with an aim to implementing the New Basel Capital Accord, the Group focused on upgrading its market risk management system by refining related policies, and strengthened the building of measurement tools and related IT system. As a result, the management and control capabilities over market risk made remarkable progress. The CBRC has completed pre-compliance assessment for market risk internal model approach.

The Group developed and improved its risk management information system for the treasury trading business. It raised the quality of treasury trading data, established market risk database, and reduced manual operation in the calculation process.

In light of the changes in the market conditions and management requirements, the Group improved its market risk limit system, enhancing the effectiveness and timeliness of risk limit (including stop loss limit) management.

The Group further refined its financial market risk reporting system, covering all financial market activities including customer-driven business.

Value at Risk Analysis

The Bank performs value at risk (VaR) analysis on its trading portfolios and available-for-sale debt securities to measure and monitor potential losses on positions due to movements in interest rates, exchange rates and prices. The Bank calculates the VaR on foreign currency investment portfolios daily and the VaR on RMB investment portfolios at least once a week (with a 99% confidence level and one-day holding period). As at the balance sheet date and for the respective period, the Bank's VaRs on trading portfolios and available-for-sale debt securities are as follows:

	For the six months ended 30 June 2010				For the six months ended 30 June 2009			
(In millions of RMB)	Period-end	Average	Maximum	Minimum	Period-end	Average	Maximum	Minimum
RMB trading portfolio	42	18	47	7	17	16	21	8
RMB available-for-sale debt securities	835	805	962	738	712	522	712	302
Foreign currency trading portfolio	56	49	68	39	463	850	1,149	460
Foreign currency available-for-sale debt securities	91	134	149	89	161	167	330	106

Interest Rate Risk Management

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. The primary source of interest rate risk is mismatches in the maturity structure and re-pricing dates between assets and liabilities, and that may cause net interest income to be affected by movements of interest rates.

In first half of 2010, in accordance with the requirements of the second pillar of the New Basel Capital Accord, CCB strengthened fundamentals of interest rate risk management. It engaged professional consulting company to provide advice on stress testing and customer behavior. Through internal self-evaluation of New Capital Accord implementation, the framework of rules and policies was initially established to ensure strict compliance and proper process. The second phase of asset and liability management system was launched to support refined interest rate risk management from technical perspective with various measurement functions, including gap analysis, duration analysis, net interest income dynamic simulation and stress testing. In view of market fluctuations and management demand, CCB optimised its price authorising system and pricing mechanism for long-term project loans, personal loans and interbank deposits, in order to control risks while increasing market competitiveness.

The analysis of the next expected repricing dates (or maturity dates, whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	Total	Non-interest-bearing	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Asset-liability gap as at 30 June 2010	580,198	37,329	(3,120,509)	2,576,917	232,790	853,671
Asset-liability gap as at 31 December 2009	559,020	70,115	(2,037,268)	1,786,844	96,330	642,999

At 30 June 2010, the Group's accumulated interest rate sensitive negative gap for one year or less was RMB543,592 million, an increase of RMB293,168 million compared to end of 2009. The negative gap for three months or less went up by RMB1,083,241 million, mainly due to the increase in deposit within three months such as demand deposits and call deposits. Compare to end of 2009, financial assets held under resale agreements dropped sharply, also contributing to the rise of short-term interest rate sensitive negative gap. For a period more than one year, the interest rate sensitive positive gap was RMB1,086,461 million, up RMB347,132 from the end of 2009. It is mainly because the Group optimised its investment structure from the perspective of portfolio management.

Foreign Exchange Risk Management

Foreign exchange risk is the exposure of a bank's financial condition to adverse movements in foreign exchange rates. CCB is exposed to foreign exchange risk primarily because it holds loans, deposits, marketable securities and financial derivatives that are denominated in currencies other than RMB.

In the first half of 2010, CCB continued to optimise the foreign exchange risk management module in its asset and liability management system with key functions successfully rolled out. The scope of automatic computation of foreign exchange risk was extended to overseas branches, and the measurement of foreign exchange risk at subsidiaries was enabled. The refined methodology for foreign exchange exposure measurement enhanced the degree of accuracy and precision greatly. Advanced functions such as scenario simulation and stress testing were developed to support the revaluation and VaR calculation of related derivative products.

Operational Risk Management

Operational risk is the risk of losses resulting from inadequate or flawed internal processes, personnel and systems, or from external events.

In the first half of 2010, CCB further regulated and strengthened its operational risk management. Major initiatives included:

CCB conducted and expanded coverage of self-assessments of operational risk, focusing on special self-assessment of teller operations and processes. Key risk points are constantly monitored with the inspection scope regularly adjusted, as a result, controls over major business areas and key operational risks are strengthened. Operational risk management tools were improved with the launch of an operational risk management information system (phase I), which provided a bank-wide operational risk management platform for risk management and decision-making. Rules and management for incompatible positions (duties) were reinforced, with an emphasis on the balances of different posts. Measures were taken to regulate staff behavior and prevent related operational risk. CCB strengthened business consistency management steadily by formulating management policies and implementation plans, refining contingency plans, strengthening emergency drills, in order to safeguard the safety and stable operation of various businesses.

Implementation of the New Basel Capital Accord

The preparation work for implementing the New Basel Capital Accord went smoothly. Risk mitigation capabilities were enhanced with improved collateral management. The successful launch of another special loan rating system supplemented the corporate rating system, allowing it to meet the requirements of the basic internal rating-based approach. The retail pooling and statement system was officially launched and 99% of retail credit exposure was accorded internal ratings. The systems for market risk and operational risk information management, capital adequacy ratio computation and information disclosure have been completed and rolled out.

Internal Audit

The Group adheres to the independent and vertically managed internal audit system. In order to promote the establishment of sound and effective risk management mechanism, internal control policies and corporate governance procedures and push for further improvement, the internal audit function evaluated the effectiveness of internal controls and risk management, the effect of governance procedures, the efficiency of business operations, and economic responsibilities of key managers, and proposed suggestions for improvement on the basis of its audit.

In the first half of 2010, the Group conducted eight systemic internal audit projects, covering repossessed assets, management of cash and important blank vouchers, operation and management of new trade finance products. Audit teams took on selective audit projects in light of the actual circumstances at different branches in a timely manner, in order to reasonably ensure sufficient audit coverage. The specialisation of the internal audit function was reinforced, and the routine audit mechanism was improved by developing basic audit planning to regulate and standardise internal audit work process. To prepare for the audit on the implementation of the New Basel Capital Accord, an audit research team was set up to follow up on the implementation and get involved in system development, model testing and self-assessment of implementation.

PROSPECTS

In the second half of 2010, the complexity and uncertainty in global economy will continue to affect China's economic development. While the external environment is far from optimistic, overall the Chinese economy will keep recovery on the right track. Consumption, investment and exports will push economy growth together with enhanced coordination. Though the economy is changing in line with macroeconomic controls, the tasks are still tough for managing inflation expectation, maintaining stable and reasonably rapid economic growth, adjusting economic structure and changing economic development pattern.

For current situations, the operations of the Group will certainly witness both opportunities and challenges. On the one hand, the change in China's development patterns and adjustment in economic structure will facilitate adjustments in CCB's credit structure. The environment for comprehensive operations will loosen, providing excellent opportunities for nurturing new types of businesses. The progress in the liberalisation of interest rate and exchange rate provide larger room for financial innovations. Pricing capabilities will be enhanced with increased effective credit demand. On the other hand, given the tight market liquidity and volatile capital market, deposit expansion will be more difficult. And the pressures from regulation monitoring and peer competition set higher demand for management capabilities.

To achieve optimal earnings for our shareholders and make due contribution to society, the Group will consider both current operations and long-term development, reinforce fundamental management with tighter risk management and internal controls, reasonably control loan growth, vigorously promote innovations in products and services, and proactively implement various initiatives.

Changes in Share Capital and Particulars of Shareholders

CHANGES IN SHARES

Unit: share

	1 January 2010		Increase/(Decrease) during the reporting period					30 June 2010	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions									
1. State-owned shares[1]	133,262,144,534	57.03	–	–	–	–	–	133,262,144,534	57.03
2. Shares held by state-owned legal persons	–	–	–	–	–	–	–	–	–
3. Shares held by foreign investors[2]	25,580,153,370	10.95	–	–	–	–	–	25,580,153,370	10.95
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,000,000,000	3.85	–	–	–	–	–	9,000,000,000	3.85
2. Overseas listed foreign investment shares	59,140,447,096	25.31	–	–	–	–	–	59,140,447,096	25.31
3. Others[3]	6,706,339,000	2.87	–	–	–	–	–	6,706,339,000	2.87
(III) Total number of shares	233,689,084,000	100.00	–	–	–	–	–	233,689,084,000	100.00

1. H-shares of the Bank held by Huijin.
2. H-shares of the Bank held by Bank of America.
3. As at 30 June 2010, the three promoters of the Bank, State Grid, Baosteel Group and Yangtze Power, held 2,706,339,000 H-shares, 3 billion H-shares and 1 billion H-shares of the Bank respectively.
4. Rounding errors may arise in the "Percentage" of the table above.

NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, based on the register of members as at 30 June 2010, the Bank had a total of 1,152,906 shareholders, of which 54,211 were holders of H-shares and 1,098,695 were holders of A-shares.

Unit: share

Total number of shareholders		1,152,906 (Total number of registered holders of A-shares and H-shares as at 30 June 2010)			
Particulars of shareholdings of the top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to selling restrictions**	**Number of shares pledged or frozen**
Huijin	State-owned	57.03	133,262,144,534 (H-shares)	133,262,144,534	None
	State-owned	0.06	144,747,455 (A-shares)	–	None
HKSCC Nominees Limited[1]	Foreign legal person	19.05	44,507,845,913 (H-shares)	–	Unknown
Bank of America	Foreign legal person	10.95	25,580,153,370 (H-shares)	25,580,153,370	None
Fullerton Financial[1]	Foreign legal person	5.65	13,207,316,750 (H-shares)	–	None
Baosteel Group	State-owned legal person	1.28	3,000,000,000 (H-shares)	–	None
	State-owned legal person	0.13	298,000,465 (A-shares)	–	None
State Grid[1, 2]	State-owned legal person	1.16	2,706,339,000 (H-shares)	–	None
Yangtze Power[1]	State-owned legal person	0.43	1,000,000,000 (H-shares)	–	None
Reca Investment Limited	Foreign legal person	0.34	800,000,000 (H-shares)	–	None
China Life Insurance Company Limited — Participating — Individual participating — 005L — FH002SH	Domestic non-state-owned legal person	0.10	231,887,979 (A-shares)	–	None
China 50 ETF	Domestic non-state-owned legal person	0.05	133,738,558 (A-shares)	–	None

1. As at 30 June 2010, Fullerton Financial, State Grid and Yangtze Power held 13,207,316,750 H-shares, 2,706,339,000 H-shares and 1,000,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Except for the H-shares of the Bank held by Fullerton Financial, State Grid and Yangtze Power, the remaining H-shares of the Bank held by HKSCC Nominees Limited were 44,507,845,913.
2. As at 30 June 2010, State Grid indirectly held 2,706,339,000 H-shares of the Bank via its wholly-owned subsidiaries, including 800,000,000 H-shares via State Grid Asset Management Co., Ltd., 1,206,339,000 H-shares via State Grid International Development Limited, 350,000,000 H-shares via Shandong Luneng Group Co., Ltd. and 350,000,000 H-shares via State Grid International Technical Equipment Co., Ltd.

Particulars of shareholdings of the top ten shareholders not subject to selling restrictions		
Name of shareholder	**Shares not subject to selling restrictions**	**Type of share**
HKSCC Nominees Limited	44,507,845,913	H-share
Fullerton Financial	13,207,316,750	H-share
Baosteel Group	3,000,000,000	H-share
	298,000,465	A-share
State Grid	2,706,339,000	H-share
Yangtze Power	1,000,000,000	H-share
Reca Investment Limited	800,000,000	H-share
China Life Insurance Company Limited — Participating — Individual participating — 005L — FH002SH	231,887,979	A-share
Huijin	144,747,455	A-share
China 50 ETF	133,738,558	A-share
ChinaAMC Return Fund	115,895,475	A-share

CHANGES IN SUBSTANTIAL SHAREHOLDERS AND ACTUAL CONTROLLING PARTIES

During the reporting period, there has been no change in substantial shareholders and actual controlling parties.

MATERIAL INTERESTS AND SHORT POSITIONS

The interests and short positions held by substantial shareholders of the Bank in the H-shares and underlying shares of the Bank as required to be recorded in the register kept under Section 336 of the Securities and Futures Ordinance of Hong Kong were as follows as at 30 June 2010:

Name	Interests and short positions in H-shares	Nature	Percent of issued H-shares (%)	Percent of total issued shares (%)
Huijin	133,262,144,534	Long position	59.31	57.03
Bank of America[1]	26,864,958,529	Long position	11.96	11.50
	1,230,448,001	Short position	0.55	0.53
Temasek[2]	13,576,203,750	Long position	6.04	5.81
Fullerton Financial[2]	13,207,316,750	Long position	5.88	5.65

1. In accordance with the disclosure of changes of interests in shares by Bank of America, Bank of America directly held 25,580,153,370 H-shares of the Bank. In addition, Bank of America also held long positions of 1,284,805,159 H-shares of the Bank and short positions of 1,230,448,001 H-shares of the Bank through corporations which it controls.
2. Fullerton Financial is a wholly-owned subsidiary of Temasek and the interest directly held by Fullerton Financial shall be deemed the interest indirectly held by Temasek.

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Members of the Bank's board of directors include executive directors: Mr. Guo Shuqing, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; independent non-executive directors: Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man; and non-executive directors: Mr. Wang Yong, Ms. Wang Shumin, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Ms. Sue Yang, Mr. Lu Xiaoma and Ms. Chen Yuanling.

Supervisors of the Bank

Members of the Bank's board of supervisors include shareholder representative supervisors: Mr. Xie Duyang, Ms. Liu Jin and Mr. Song Fengming; employee representative supervisors: Mr. Jin Panshi, Mr. Li Weiping and Ms. Huang Shuping; and external supervisors: Mr. Guo Feng and Mr. Dai Deming.

Senior Management of the Bank

Senior management of the Bank include Mr. Zhang Jianguo, Ms. Xin Shusen, Mr. Chen Zuofu, Mr. Zhu Xiaohuang, Mr. Hu Zheyi, Mr. Pang Xiusheng, Mr. Yu Yongshun, Mr. Chen Caihong, Mr. Gu Jingpu, Mr. Du Yajun and Mr. Mao Yumin.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Upon election at the 2009 annual general meeting of the Bank, Mr. Guo Shuqing and Mr. Zhang Jianguo were reelected executive directors of the Bank; Lord Peter Levene, Dame Jenny Shipley, Ms. Elaine La Roche and Mr. Wong Kai-Man were reelected independent non-executive directors of the Bank; Mr. Wang Yong, Ms. Wang Shumin and Ms. Li Xiaoling were reelected non-executive directors.

Upon election at the 2009 annual general meeting of the Bank and approval by the CBRC, Mr. Zhu Xiaohuang commenced his position as an executive director of the Bank from July 2010; Mr. Yam Chi Kwong, Joseph, and Mr. Zhao Xijun commenced their positions as independent non-executive directors of the Bank from August 2010; Mr. Zhu Zhenmin, Mr. Lu Xiaoma, Ms. Chen Yuanling and Ms. Sue Yang commenced their positions as non-executive directors of the Bank from August 2010.

Upon the end of the 2009 annual general meeting of the Bank, Ms. Xin Shusen, Mr. Wang Yonggang, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Mr. Gregory L. Curl, Mr. Song Fengming and Mr. Tse Hau Yin, Aloysius no longer served as directors of the Bank.

Supervisors of the Bank

Upon election at the 2009 annual general meeting of the Bank, Mr. Xie Duyang and Ms. Liu Jin were reelected shareholder representative supervisors of the Bank from June 2010; Mr. Guo Feng and Mr. Dai Deming were reelected external supervisors of the Bank from June 2010.

Upon election at the 2009 annual general meeting of the Bank, Mr. Song Fengming commenced his position as a shareholder representative supervisor of the Bank from June 2010.

Mr. Jin Panshi, Mr. Li Weiping and Ms. Huang Shuping were elected as employee representative supervisors of the Bank at the joint session of the second meeting of the second employee representative convention of the Bank, and performed their duties as supervisors of the Bank from the conclusion of the 2009 annual general meeting of the Bank.

Upon the conclusion of the 2009 annual general meeting of the Bank, Ms. Cheng Meifen, Mr. Sun Zhixin and Mr. Shuai Jinkun no longer served as supervisors of the Bank.

The Bank will hold the first extraordinary shareholders' general meeting 2010 on 15 September 2010, to review the proposal of the nomination of Mr. Zhang Furong to be the Bank's shareholder representative supervisor by Huijin.

Senior Management of the Bank

Ms. Xin Shusen no longer served as vice president of China Construction Bank Corporation from February 2010.

Mr. Pang Xiusheng served as vice president of China Construction Bank Corporation from February 2010.

Mr. Fan Yifei no longer served as vice president of China Construction Bank Corporation from May 2010.

The Bank has made appropriate disclosures in respect of such changes in directors, supervisors, and senior management in accordance with relevant regulatory requirements.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

Mr. Li Weiping and Ms. Huang Shuping, employee representative supervisors of the Bank, indirectly held 20,446 and 21,910 H-shares of the Bank respectively through the employee stock ownership plan before they assumed duties of the positions. Apart from this, as of 30 June 2010 none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the *Securities and Futures Ordinance* of Hong Kong) as required to be recorded in the register kept under Section 352 of the Securities and Futures Ordinance or to be notified to the Bank and Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange.

Except for the employee stock incentive plan, the Bank has not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS AND SUPERVISORS' SECURITIES TRANSACTIONS

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange in relation to securities transactions by directors and supervisors. Directors and supervisors of the Bank have, during the six months ended 30 June 2010, complied with the provisions of this code of practice.

EMPLOYEES OF THE BANK

At the end of June 2010, the Bank had 299,917 staff members, of which 127,568 or 42.5% have academic qualifications of bachelor's degree or above. In addition, the Bank had 44,784 workers dispatched by labour leasing companies, and the number of retired employees for whom the Bank assumes expenses was 35,568.

CORPORATE GOVERNANCE

During the reporting period, the Bank continued to improve its corporate governance structure in accordance with the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, as well as listing rules of the stock listing venues, based on its practical conditions, in order enhance its corporate governance level.

- *Adjustment of several items of the delegation of authorities by the shareholders' meeting to the board of directors*. During the reporting period, the Bank adjusted the delegation of authorities by the shareholders' meeting of the Bank to the board of directors in line with its corporate governance practices, regarding matters such as equity investment, fixed assets purchases, and donations, and amended such procedural documents as the Rules of Procedure for the Shareholders' Meeting, the Rules of Procedure for the Board of Directors and the Power of Attorney by the Board of Directors to the President accordingly.

- *Election of directors and supervisors*. The term of some of the Bank's directors and supervisors expired on 24 June 2010. The 2009 annual general meeting of the Bank held a new election of members of the board of directors and the board of supervisors. The composition of the Bank's independent directors and external supervisors meets the requirements of the Bank's Articles of Association and applicable regulatory provisions for professionalism and independence.

- *Adjustment of the composition of committees under the board of directors and those under the board of supervisors*. During the reporting period, the Bank, considering the features of the committees and specialisation of relevant directors and supervisors, adjusted the composition of committees under the board of directors and those under the board of supervisors pursuant to the applicable provisions of the Articles of Association of the Bank.

Throughout the six months ended 30 June 2010, the Bank has complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and has complied with most of the recommended best practices therein.

IMPLEMENTATION OF CASH DIVIDEND POLICY

As approved by the 2009 annual general meeting of the Bank, the Bank distributed the 2009 cash dividends of RMB0.202 per share (including tax) on 21 July 2010 to the Bank's shareholders registered as of 7 July 2010. The Bank will not distribute interim dividend for the six months ended 30 June 2010, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

IMPLEMENTATION OF ISSUE OF NEW SHARES

The A-share and H-share rights issue plan of the Bank has been reviewed and approved by the board of directors, the shareholders' meeting and the shareholders' class meeting of the Bank, and approved by the CBRC.

PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

On 22 June 2010, the Bank released the Announcement regarding Subscription *Undertaking of Rights Shares by Central Huijin Investment Limited*, in which "Huijin committed to subscribe in cash all the offered rights shares, which will be allotted to Huijin according to the rights issue plan approved by the Third Meeting of the Board of Directors of the Bank in 2010 in proportion to its shareholding ratio in the Bank. Such subscription undertaking shall only become exercisable upon approval of the rights issue plan by the shareholders' meeting, shareholders' class meetings and relevant regulatory authorities."

The Bank's rights issue plan has been reviewed and approved at the 2009 annual general meeting, the first shareholders' class meeting of A-shares 2010, and the first shareholders' class meeting of H-shares 2010, respectively, on 24 June 2010 and was approved by the CBRC in July 2010. By the release date of this report, the Bank's rights issue plan has not been implemented.

Apart from the above, the Bank's shareholders did not give any new undertakings in the reporting period, and the undertakings that continue to be valid during the reporting period were the same as those disclosed in the prospectus of the Bank. For the six months ended 30 June 2010, all undertakings given by the shareholders of the Bank have been fulfilled.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangements for custody, contracting or lease of other companies' assets, or allow its material assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust any material cash assets to others for management during the reporting period.

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

There was neither material acquisition and disposal of assets nor material merger of enterprises by the Bank during the reporting period.

USE OF PROCEEDS OF THE IPO

The Bank uses all the proceeds from its A-share IPO in 2007 to supplement its capital base.

MATERIAL PROJECTS INVESTED WITH FUNDS OTHER THAN PROCEEDS OF THE IPO

There were no material projects invested with funds other than proceeds of the IPO during the reporting period.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

MATERIAL RELATED PARTY TRANSACTIONS

There were no material related party transactions during the reporting period.

DONATIONS

The Group donated RMB30 million for disaster relief and other public welfare projects.

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

Pursuant to the requirements of applicable policies of the state, the Bank did not implement a new round of stock incentive plan during the reporting period.

Mr. Li Weiping and Ms. Huang Shuping, employee representative supervisors of the Bank, indirectly held 20,446 and 21,910 H-shares of the Bank respectively through the employee stock ownership plan before they assumed duties of the positions. Mr. Chen Caihong, secretary to the Board of the Bank, indirectly held 19,417 H-shares of the Bank through the employee stock ownership plan before he assumed duties of the position. Apart from these, none of the directors, supervisors and senior executives of the Bank holds any shares of the Bank.

MATERIAL LITIGATIONS AND ARBITRATIONS

There were no material litigations or arbitrations for the Bank during the reporting period.

PENALTIES

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management, or actual controlling parties had been investigated by competent authorities, subject to compulsory measures taken by judicial or discipline inspection authorities, delivered to judicial authorities, or held for any criminal liability. The Bank, its board of directors, its directors, supervisors or senior management had been subject to no inspections, administrative penalties or criticisms by the CSRC, or public censures by stock exchanges.

AUDIT COMMITTEE

The Group's 2010 half-year financial statements prepared under the PRC GAAP has been reviewed by KPMG Huazhen and the Group's 2010 half-year financial statements prepared under the IFRS has been reviewed by KPMG.

The Audit Committee of the Bank has reviewed and approved the half-year report of the Bank.

OTHER SHARES HELD BY THE BANK

Top ten investments in securities

No.	Stock code	Stock abbreviation	Shares held at period-end	Initial investment amount (RMB)	Period-end carrying amount (RMB)	Beginning carrying amount (RMB)	Accounting item	Sources of shares
1	601600	CHALCO	709,773,136	883,586,630	6,508,619,657	10,270,417,278	Available for sale financial assets	Investment held through debt equity swap
2	000578	QINGHAI SALT LAKE	181,960,736	137,273,000	3,042,383,506	4,468,212,813	Available for sale financial assets	Investment held through debt equity swap
3	600068	G.C.L	173,479,311	403,110,201	1,746,669,770	1,854,493,835	Available for sale financial assets	Investment held through debt equity swap
4	998 HK	CITIC Bank	168,599,268	410,276,666	732,959,528	973,852,037	Available for sale financial assets	Investment
5	663 HK	King Stone Energy Group Limited	1,688,000,000	117,648,446	273,532,636	225,002,304	Trading financial assets	Obtained from the conversion of convertible bonds
6	000728	Guoyuan Securities	8,000,000	260,000,000	260,000,000	260,000,000	Available for sale financial assets	Investment
7	000906	Southern Building Materials CO., Limited	46,552,901	272,622,589	255,628,829		Trading financial assets	Purchased from the company's non-public offering
8	1968 HK	Peak Sports Products Co., Limited[2]	48,694,979	129,028,675	219,771,889	163,173,411	Trading financial assets	As a strategic investor before its listing
9	000001	SDB	11,177,425	31,300,157	195,716,712	272,393,847	Available for sale financial assets	Investment
10	600984	SCMC	24,347,042	44,160,528	190,880,809	237,870,600	Available for sale financial assets	Investment held through debt equity swap
Total				2,689,006,892	13,426,163,336			

1. Investment in securities in this table refers to stocks, warrants, convertible bonds and open-ended or close-ended funds that are classified as available-for-sale or trading financial assets.
2. The beginning carrying amount was listed according to the number of shares held at period-end as a result of the shareholding reduction in Peak Sports in the second quarter of 2010.

Interests in non-listed financial institutions

Name	Initial investment amount (RMB)	Number of shares held	Percent of shareholdings (%)	Carrying amount at the end of the period (RMB)
Huishang Bank Co., Ltd.	228,835,900	225,548,176	2.76	228,835,900
China UnionPay Co., Ltd.	101,756,842	142,500,000	4.87	221,158,842
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	121,017,844
Guangdong Development Bank Ltd.	48,558,031	13,423,847	0.11	48,558,031
Evergrowing Bank Co., Ltd.	7,000,000	88,725,000	1.30	41,125,000
Yueyang City Commercial Bank Co., Ltd.	3,500,000	3,536,400	1.59	980,000

1. This table does not include subsidiaries already included in the consolidated statements.
2. The carrying amount at the end of the period is net of accrual of provision for assets impairment.

KPMG

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

INTRODUCTION

We have reviewed the interim financial information of China Construction Bank Corporation (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 57 to 132, which comprises the consolidated and Bank statement of financial position as at 30 June 2010, and the consolidated statement of the comprehensive income, the consolidated and the Bank statements of changes in equity, the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standards 34 "Interim Financial Reporting".

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

20 August 2010

Half-Year
Financial Statements

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2010	2009
Interest income		**179,650**	168,435
Interest expense		**(61,851)**	(65,967)
Net interest income	3	**117,799**	102,468
Fee and commission income		**34,674**	24,391
Fee and commission expense		**(1,032)**	(969)
Net fee and commission income	4	**33,642**	23,422
Net trading gain	5	**894**	1,293
Dividend income	6	**75**	54
Net gain arising from investment securities	7	**455**	3,458
Other operating income, net	8	**860**	770
Operating income		**153,725**	131,465
Operating expenses	9	**(51,717)**	(46,185)
		102,008	85,280
Impairment losses on:			
— Loans and advances to customers		**(10,119)**	(10,274)
— Others		**295**	(2,545)
Impairment losses	10	**(9,824)**	(12,819)
Share of profit of associates and jointly controlled entities		**10**	8
Profit before tax		**92,194**	72,469
Income tax expense	11	**(21,415)**	(16,628)
Net profit		**70,779**	55,841
Other comprehensive income:			
(Losses)/gains of available-for-sale financial assets		**(2,409)**	2,036
Less: Income tax relating to available-for-sale financial assets		**576**	(508)
Reclassification adjustments		**(366)**	918
		(2,199)	2,446
Exchange difference on translating foreign operations		**(437)**	120
Others		**6**	—
Other comprehensive income for the period, net of tax		**(2,630)**	2,566
Total comprehensive income for the period		**68,149**	58,407
Net profit attributable to:			
Equity shareholders of the Bank		**70,741**	55,806
Non-controlling interests		**38**	35
		70,779	55,841
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**68,056**	58,370
Non-controlling interests		**93**	37
		68,149	58,407
Basic and diluted earnings per share (in RMB)	12	**0.30**	0.24

The notes on pages 64 to 132 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2010	31 December 2009
Assets:			
Cash and deposits with central banks	13	**1,598,806**	1,458,648
Deposits with banks and non-bank financial institutions	14	**78,348**	101,163
Precious metals		**10,999**	9,229
Placements with banks and non-bank financial institutions	15	**14,801**	22,217
Financial assets at fair value through profit or loss	16	**40,005**	18,871
Positive fair value of derivatives	17	**10,704**	9,456
Financial assets held under resale agreements	18	**257,349**	589,606
Interest receivable	19	**42,477**	40,345
Loans and advances to customers	20	**5,215,973**	4,692,947
Available-for-sale financial assets	21	**726,809**	651,480
Held-to-maturity investments	22	**1,653,955**	1,408,873
Debt securities classified as receivables	23	**457,707**	499,575
Interests in associates and jointly controlled entities	25	**1,798**	1,791
Fixed assets	26	**73,264**	74,693
Land use rights	27	**16,854**	17,122
Intangible assets	28	**1,162**	1,270
Goodwill	29	**1,574**	1,590
Deferred tax assets	30	**10,766**	10,790
Other assets	31	**22,630**	13,689
Total assets		**10,235,981**	9,623,355
Liabilities:			
Borrowings from central banks		**1,344**	6
Deposits from banks and non-bank financial institutions	34	**675,725**	774,785
Placements from banks and non-bank financial institutions	35	**87,892**	38,120
Financial liabilities at fair value through profit or loss	36	**10,878**	7,992
Negative fair value of derivatives	17	**9,462**	8,575
Financial assets sold under repurchase agreements	37	**2,000**	—
Deposits from customers	38	**8,591,701**	8,001,323
Accrued staff costs	39	**27,534**	27,425
Taxes payable	40	**16,495**	25,840
Interest payable	41	**66,420**	59,487
Provisions	42	**1,282**	1,344
Debt securities issued	43	**94,717**	98,644
Deferred tax liabilities	30	**315**	216
Other liabilities	44	**70,018**	20,578
Total liabilities		**9,655,783**	9,064,335
Equity:			
Share capital	45	**233,689**	233,689
Capital reserve	46	**90,272**	90,266
Investment revaluation reserve	47	**10,909**	13,163
Surplus reserve	48	**37,421**	37,421
General reserve	49	**61,269**	46,806
Retained earnings	50	**145,185**	136,112
Exchange reserve		**(2,419)**	(1,982)
Total equity attributable to equity shareholders of the Bank		**576,326**	555,475
Non-controlling interests		**3,872**	3,545
Total equity		**580,198**	559,020
Total liabilities and equity		**10,235,981**	9,623,355

Approved and authorised for issue by the board of directors on 20 August 2010.

Zhang Jianguo	**Wong Kai-Man**	**Rt Hon Dame Jenny Shipley**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 64 to 132 form part of these financial statements.

Statement of Financial Position

As at 30 June 2010

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2010	31 December 2009
Assets:			
Cash and deposits with central banks	13	**1,595,372**	1,455,370
Deposits with banks and non-bank financial institutions	14	**79,539**	100,679
Precious metals		**10,999**	9,229
Placements with banks and non-bank financial institutions	15	**19,598**	23,143
Financial assets at fair value through profit or loss	16	**28,408**	10,251
Positive fair value of derivatives	17	**9,266**	7,730
Financial assets held under resale agreements	18	**257,349**	588,706
Interest receivable	19	**42,211**	40,129
Loans and advances to customers	20	**5,131,396**	4,626,024
Available-for-sale financial assets	21	**723,112**	649,979
Held-to-maturity investments	22	**1,653,367**	1,408,465
Debt securities classified as receivables	23	**457,707**	499,575
Investments in subsidiaries	24	**8,985**	8,816
Fixed assets	26	**72,576**	74,098
Land use rights	27	**16,795**	17,062
Intangible assets	28	**1,136**	1,242
Deferred tax assets	30	**11,512**	11,323
Other assets	31	**39,938**	33,310
Total assets		**10,159,266**	9,565,131
Liabilities:			
Borrowings from central banks		**1,344**	6
Deposits from banks and non-bank financial institutions	34	**677,223**	776,582
Placements from banks and non-bank financial institutions	35	**67,993**	31,968
Financial liabilities at fair value through profit or loss	36	**8,867**	7,992
Negative fair value of derivatives	17	**8,761**	7,894
Financial assets sold under repurchase agreements	37	**5,040**	2,625
Deposits from customers	38	**8,546,105**	7,955,240
Accrued staff costs	39	**27,069**	26,708
Taxes payable	40	**16,180**	25,549
Interest payable	41	**66,328**	59,442
Provisions	42	**1,282**	1,344
Debt securities issued	43	**93,202**	98,383
Deferred tax liabilities	30	**21**	22
Other liabilities	44	**67,867**	20,057
Total liabilities		**9,587,282**	9,013,812
Equity:			
Share capital	45	**233,689**	233,689
Capital reserve	46	**90,272**	90,266
Investment revaluation reserve	47	**10,931**	13,213
Surplus reserve	48	**37,421**	37,421
General reserve	49	**60,608**	46,209
Retained earnings	50	**139,512**	130,785
Exchange reserve		**(449)**	(264)
Total equity		**571,984**	551,319
Total liabilities and equity		**10,159,266**	9,565,131

Approved and authorised for issue by the board of directors on 20 August 2010.

Zhang Jianguo
Vice chairman, executive director and president

Wong Kai-Man
Independent non-executive director

Rt Hon Dame Jenny Shipley
Independent non-executive director

The notes on pages 64 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010
(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank								
	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2010		**233,689**	**90,266**	**13,163**	**37,421**	**46,806**	**136,112**	**(1,982)**	**3,545**	**559,020**
Movements during the period		**—**	**6**	**(2,254)**	**—**	**14,463**	**9,073**	**(437)**	**327**	**21,178**
Net profit		**—**	**—**	**—**	**—**	**—**	**70,741**	**—**	**38**	**70,779**
Other comprehensive income		**—**	**6**	**(2,254)**	**—**	**—**	**—**	**(437)**	**55**	**(2,630)**
Total comprehensive income		**—**	**6**	**(2,254)**	**—**	**—**	**70,741**	**(437)**	**93**	**68,149**
Changes in share capital		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**256**	**256**
Profit distribution		**—**	**—**	**—**	**—**	**14,463**	**(61,668)**	**—**	**(22)**	**(47,227)**
Appropriation to general reserve		**—**	**—**	**—**	**—**	**14,463**	**(14,463)**	**—**	**—**	**—**
Cash dividends to equity shareholders	50	**—**	**—**	**—**	**—**	**—**	**(47,205)**	**—**	**(22)**	**(47,227)**
As at 30 June 2010		**233,689**	**90,272**	**10,909**	**37,421**	**61,269**	**145,185**	**(2,419)**	**3,872**	**580,198**

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the period	—	—	2,444	—	30	36,216	120	162	38,972
Net profit	—	—	—	—	—	55,806	—	35	55,841
Other comprehensive income	—	—	2,444	—	—	—	120	2	2,566
Total comprehensive income	—	—	2,444	—	—	55,806	120	37	58,407
Changes in share capital	—	—	—	—	—	—	—	143	143
Profit distribution	—	—	—	—	30	(19,590)	—	(18)	(19,578)
Appropriation to general reserve	—	—	—	—	30	(30)	—	—	—
Cash dividends to equity shareholders	—	—	—	—	—	(19,560)	—	(18)	(19,578)
As at 30 June 2009	233,689	90,241	13,600	26,922	46,658	95,809	(2,143)	1,758	506,534
As at 1 January 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the year	—	25	2,007	10,499	178	76,519	281	1,949	91,458
Net profit	—	—	—	—	—	106,756	—	80	106,836
Other comprehensive income	—	25	2,007	—	—	—	281	9	2,322
Total comprehensive income	—	25	2,007	—	—	106,756	281	89	109,158
Changes in share capital	—	—	—	—	—	—	—	1,878	1,878
Profit distribution	—	—	—	10,499	178	(30,237)	—	(18)	(19,578)
Appropriation to surplus reserve	—	—	—	10,499	—	(10,499)	—	—	—
Appropriation to general reserve	—	—	—	—	178	(178)	—	—	—
Cash dividends to equity shareholders	—	—	—	—	—	(19,560)	—	(18)	(19,578)
As at 31 December 2009	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020

The notes on pages 64 to 132 form part of these financial statements.

For the six months ended 30 June 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2010		**233,689**	**90,266**	**13,213**	**37,421**	**46,209**	**130,785**	**(264)**	**551,319**
Movements during the period		**—**	**6**	**(2,282)**	**—**	**14,399**	**8,727**	**(185)**	**20,665**
Net profit		**—**	**—**	**—**	**—**	**—**	**70,331**	**—**	**70,331**
Other comprehensive income		**—**	**6**	**(2,282)**	**—**	**—**	**—**	**(185)**	**(2,461)**
Total comprehensive income		**—**	**6**	**(2,282)**	**—**	**—**	**70,331**	**(185)**	**67,870**
Profit distribution		**—**	**—**	**—**	**—**	**14,399**	**(61,604)**	**—**	**(47,205)**
Appropriation to general reserve		**—**	**—**	**—**	**—**	**14,399**	**(14,399)**	**—**	**—**
Cash dividends to equity shareholders	50	**—**	**—**	**—**	**—**	**—**	**(47,205)**	**—**	**(47,205)**
As at 30 June 2010		**233,689**	**90,272**	**10,931**	**37,421**	**60,608**	**139,512**	**(449)**	**571,984**

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2009	233,689	90,241	11,138	26,922	46,200	55,867	(501)	463,556
Movements during the period	—	—	2,454	—	9	35,449	79	37,991
Net profit	—	—	—	—	—	55,018	—	55,018
Other comprehensive income	—	—	2,454	—	—	—	79	2,533
Changes in share capital	—	—	2,454	—	—	55,018	79	57,551
Profit distribution	—	—	—	—	9	(19,569)	—	(19,560)
Appropriation to general reserve	—	—	—	—	9	(9)	—	—
Cash dividends to equity shareholders	—	—	—	—	—	(19,560)	—	(19,560)
As at 30 June 2009	233,689	90,241	13,592	26,922	46,209	91,316	(422)	501,547
As at 1 January 2009	233,689	90,241	11,138	26,922	46,200	55,867	(501)	463,556
Movements during the year	—	25	2,075	10,499	9	74,918	237	87,763
Net profit	—	—	—	—	—	104,986	—	104,986
Other comprehensive income	—	25	2,075	—	—	—	237	2,337
Total comprehensive income	—	25	2,075	—	—	104,986	237	107,323
Profit distribution	—	—	—	10,499	9	(30,068)	—	(19,560)
Appropriation to surplus reserve	—	—	—	10,499	—	(10,499)	—	—
Appropriation to general reserve	—	—	—	—	9	(9)	—	—
Cash dividends to equity shareholders	—	—	—	—	—	(19,560)	—	(19,560)
As at 31 December 2009	233,689	90,266	13,213	37,421	46,209	130,785	(264)	551,319

The notes on pages 64 to 132 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2010
(Expressed in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note	**2010**	2009
Cash flows from operating activities			
Profit before tax		**92,194**	72,469
Adjustments for:			
— Impairment losses	10	**9,824**	12,819
— Depreciation and amortisation	9	**5,772**	5,327
— Unwinding of discount	20(3)	**(392)**	(707)
— Revaluation gain on financial instruments at fair value through profit or loss		**(260)**	(518)
— Share of profit of associates and jointly controlled entities		**(10)**	(8)
— Dividend income	6	**(75)**	(54)
— Unrealised foreign exchange loss/(gain)		**278**	(1,947)
— Interest expense on bonds issued		**1,653**	1,486
— Net gain on disposal of investment securities	7	**(455)**	(3,458)
— Net gain on disposal of fixed assets and other long-term assets	8	**(32)**	(44)
		108,497	85,365
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(190,282)**	(187,690)
Net (increase)/decrease in placements with banks and non-bank financial institutions		**(1,365)**	515
Net increase in loans and advances to customers		**(535,328)**	(735,473)
Net decrease/(increase) in financial assets held under resale agreements		**332,251**	(659,904)
(Increase)/decrease in other operating assets		**(39,324)**	3,765
		(434,048)	(1,578,787)
Changes in operating liabilities:			
Net increase in borrowings from central banks		**1,338**	—
Net increase/(decrease) in placements from banks and non-bank financial institutions		**50,024**	(18,181)
Net increase in deposits from customers and from banks and non-bank financial institutions		**493,247**	1,485,405
Net increase/(decrease) in financial assets sold under repurchase agreements		**2,000**	(383)
Net (decrease)/increase in certificates of deposit issued		**(3,846)**	2,868
Income tax paid		**(29,950)**	(34,699)
Increase in other operating liabilities		**11,685**	10,307
		524,498	1,445,317
Net cash from/(used in) operating activities		**198,947**	(48,105)

The notes on pages 64 to 132 form part of these financial statements.

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2010	2009
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**585,123**	474,231
Dividends received		**74**	54
Proceeds from disposal of fixed assets and other long-term assets		**244**	332
Cash received from other investing activities		**—**	143
Purchase of investment securities		**(860,581)**	(595,365)
Purchase of fixed assets and other long-term assets		**(3,792)**	(4,760)
Acquisition of associates and jointly controlled entities		**(15)**	(12)
Net cash used in investing activities		**(278,947)**	(125,377)
Cash flows from financing activities			
Issue of subordinated bonds		**—**	39,931
Capital contribution by non-controlling interests		**256**	—
Dividends paid		**(22)**	(641)
Interest paid on bonds issued		**(1,554)**	(104)
Net cash (used in)/from financing activities		**(1,320)**	39,186
Effect of exchange rate changes on cash and cash equivalents		**(207)**	37
Net decrease in cash and cash equivalents		**(81,527)**	(134,259)
Cash and cash equivalents as at 1 January		**380,249**	355,811
Cash and cash equivalents as at 30 June	51	**298,722**	221,552
Cash flows from operating activities include:			
Interest received		**171,675**	161,793
Interest paid, excluding interest expense on bonds issued		**(53,354)**	(59,587)

The notes on pages 64 to 132 form part of these financial statements.

1 CORPORATE INFORMATION

China Construction Bank Corporation (the "Bank") is a joint-stock company with limited liability incorporated in the People's Republic of China (the "PRC") on 17 September 2004, as a result of a separation procedure undertaken by China Construction Bank ("CCB"). Under the terms of the separation, the Bank succeeded to the commercial banking business and related assets and liabilities of CCB as at 31 December 2003.

The registered office of the Bank is located at No. 25, Finance Street, Xicheng District, Beijing, the PRC. The Bank obtained the financial service certificate on 15 September 2004, as approved by the China Banking Regulatory Commission (the "CBRC"), and the business license on 17 September 2004, as approved by the State Administration for Industry and Commerce of the PRC.

The Bank publicly offered H shares on the Stock Exchange of Hong Kong Limited and A shares on the Shanghai Stock Exchange in October 2005 and September 2007 respectively. All H and A shares rank pari passu with the same rights and benefits.

For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance lease and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises the rights and obligations as an investor on behalf of the PRC Government.

2 BASIS OF PREPARATION

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

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

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2009. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

(2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group's interest in associates or jointly controlled entities is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities.

(4) Significant accounting policies

The Group has adopted new IFRSs effective for the current period. There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2010. The following new IFRSs adopted are relevant to the interim financial statements:

IFRS 3 (revised 2008), *Business Combinations*, includes the following main changes: (i) transaction costs incurred by the acquirer in connection with the business combination do not form part of the business combination transaction, and are expensed as incurred; (ii) the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree.

(Expressed in millions of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION (continued)

(4) Significant accounting policies (continued)

IAS 27 (revised 2008), *Consolidated and Separate Financial Statements*, mainly changes the accounting for non-controlling interests (previously minority interests). Significant changes include: (i) changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity as transactions with owners acting in their capacity as owners; (ii) transactions resulting in a loss of control would cause a gain or loss to be recognised in profit or loss; and (iii) losses applicable to the non-controlling interests, including other negative comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a negative balance.

The accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009. The aforesaid amendments of IFRSs have no material impact on the accounting policies of the Group.

(5) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the board of directors of the Bank on 20 August 2010. The interim financial statements have also been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standards on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditor has expressed unqualified opinions on those financial statements in the report dated 26 March 2010.

3 NET INTEREST INCOME

	Note	Six months ended 30 June 2010	2009
Interest income arising from:			
Deposits with central banks		**10,820**	8,961
Deposits with banks and non-bank financial institutions		**670**	185
Placements with banks and non-bank financial institutions		**164**	168
Financial assets at fair value through profit or loss		**290**	749
Financial assets held under resale agreements		**3,551**	3,337
Investment securities	(2)	**37,929**	34,534
Loans and advances to customers		**126,226**	120,501
— Corporate loans and advances		**94,390**	95,047
— Personal loans and advances		**28,692**	22,769
— Discounted bills		**3,144**	2,685
Total		**179,650**	168,435
Interest expense arising from:			
Deposits from banks and non-bank financial institutions		**(6,707)**	(5,764)
Placements from banks and non-bank financial institutions		**(342)**	(193)
Financial liabilities at fair value through profit or loss		**—**	(25)
Financial assets sold under repurchase agreements		**(137)**	(8)
Debt securities issued		**(1,742)**	(1,675)
Deposits from customers		**(52,923)**	(58,302)
— Corporate deposits		**(24,996)**	(25,833)
— Personal deposits		**(27,927)**	(32,469)
Total		**(61,851)**	(65,967)
Net interest income		**117,799**	102,468

(Expressed in millions of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME (continued)

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June	
	2010	2009
Impaired loans and advances	**392**	708
Other impaired financial assets	**304**	523
Total	**696**	1,231

(2) Investment securities refer to those debt securities classified as held-to-maturity investments, available-for-sale financial assets and receivables. These debt securities are mainly unlisted.

(3) Interest expense of financial liabilities with maturity over five years mainly represents those of debt securities issued.

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2010	2009
Fee and commission income		
Consultancy and advisory fees	**7,192**	6,262
Agency service fees	**6,257**	4,359
Bank card fees	**5,524**	4,280
Commission on trust and fiduciary activity	**5,205**	3,257
Settlement and clearing fees	**4,924**	2,931
Guarantee fees	**985**	823
Credit commitment fees	**850**	650
Others	**3,737**	1,829
Total	**34,674**	24,391
Fee and commission expense		
Bank card transaction fees	**(592)**	(557)
Inter-bank transaction fees	**(163)**	(157)
Others	**(277)**	(255)
Total	**(1,032)**	(969)
Net fee and commission income	**33,642**	23,422

5 NET TRADING GAIN

	Six months ended 30 June	
	2010	2009
Debt securities	**142**	(94)
Derivatives	**393**	431
Equity instruments	**4**	808
Others	**355**	148
Total	**894**	1,293

For the six months ended 30 June 2010, trading gain related to financial assets designated as at fair value through profit or loss of the Group amounted to RMB143 million (for the six months ended 30 June 2009: RMB687 million). Trading losses related to financial liabilities designated as at fair value through profit or loss of the Group amounted to RMB474 million (for the six months ended 30 June 2009: trading gain, RMB25 million).

(Expressed in millions of Renminbi, unless otherwise stated)

6 DIVIDEND INCOME

	Six months ended 30 June	
	2010	2009
Dividend income from listed trading equity instruments	**19**	3
Dividend income from available-for-sale equity instruments		
— Listed	**8**	11
— Unlisted	**48**	40
Total	**75**	54

7 NET GAIN ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2010	2009
Net gain on sale of available-for-sale financial assets	**440**	1,854
Net gain on sale of held-to-maturity investments	**15**	1,604
Total	**455**	3,458

8 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2010	2009
Net foreign exchange gain/(loss)	**40**	(38)
Net gain on disposal of fixed assets	**32**	44
Net gain on disposal of repossessed assets	**29**	180
Others	**759**	584
Total	**860**	770

9 OPERATING EXPENSES

	Six months ended 30 June	
	2010	2009
Staff costs		
— Salaries, bonuses, allowances and subsidies	**18,046**	15,587
— Defined contribution retirement schemes	**2,634**	2,340
— Other social insurance and welfare	**2,049**	1,833
— Housing funds	**1,566**	1,353
— Union running costs and employee education costs	**660**	512
— Compensation to employees for termination of employment relationship	**11**	8
	24,966	21,633
Premises and equipment expenses		
— Depreciation charges	**4,810**	4,390
— Rent and property management expenses	**2,155**	1,954
— Maintenance	**583**	508
— Utilities	**699**	633
— Others	**397**	363
	8,644	7,848
Amortisation expenses	**962**	937
Business tax and surcharges	**8,826**	8,036
Audit fees	**76**	68
Other general and administrative expenses	**8,243**	7,663
Total	**51,717**	46,185

(Expressed in millions of Renminbi, unless otherwise stated)

10 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2010	2009
Loans and advances to customers	**10,119**	10,274
— Additions	**15,424**	16,445
— Releases	**(5,305)**	(6,171)
Available-for-sale debt securities	**(46)**	1,825
Available-for-sale equity instruments	**135**	—
Held-to-maturity investments	**(302)**	397
Debt securities classified as receivables	**(9)**	(8)
Others	**(73)**	331
Total	**9,824**	12,819

11 INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2010	2009
Current tax	**20,420**	17,153
— Mainland China	**20,225**	16,957
— Hong Kong	**152**	175
— Other countries and regions	**43**	21
Adjustments for prior years	**174**	3,224
Deferred tax	**821**	(3,749)
Total	**21,415**	16,628

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2010	2009
Profit before tax	**92,194**	72,469
Income tax calculated at statutory tax rate	**23,049**	18,117
Non-deductible expenses	**389**	159
— Staff cost	**45**	—
— Impairment and bad debt written-off	**—**	55
— Others	**344**	104
Non-taxable income	**(2,197)**	(1,766)
— Interest income from PRC government bonds	**(2,146)**	(1,725)
— Others	**(51)**	(41)
Total	**21,241**	16,510
Adjustments on income tax for prior years which affect profit or loss	**174**	118
Income tax expense	**21,415**	16,628

(Expressed in millions of Renminbi, unless otherwise stated)

12 EARNINGS PER SHARE ("EPS")

Basic EPS for the six months ended 30 June 2010 and 2009 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares that were in issue during the periods. There was no difference between basic and diluted EPS as there were no potentially dilutive shares outstanding during the six months ended 30 June 2010 and 2009.

	Six months ended 30 June	
	2010	2009
Net profit attributable to equity shareholders of the Bank	**70,741**	55,806
Weighted average number of shares (in million shares)	**233,689**	233,689
Basic and diluted EPS attributable to equity shareholders of the Bank (RMB)	**0.30**	0.24

13 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Cash		**39,623**	40,396	**39,414**	40,198
Deposits with central banks					
— Statutory deposit reserves	(1)	**1,355,663**	1,144,675	**1,355,395**	1,144,470
— Surplus deposit reserves	(2)	**191,154**	265,453	**188,197**	262,578
— Fiscal deposits		**12,366**	8,124	**12,366**	8,124
		1,559,183	1,418,252	**1,555,958**	1,415,172
Total		**1,598,806**	1,458,648	**1,595,372**	1,455,370

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of reporting period, the statutory deposit reserve rates applicable to domestic branches of the Bank were as follows:

	30 June2010	31 December2009
Reserve rate for RMB deposits	**17.0%**	15.5%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserves maintained with central banks are mainly for the purpose of clearing.

14 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Banks	**68,212**	89,955	**69,599**	89,571
Non-bank financial institutions	**10,147**	11,226	**9,951**	11,126
Gross balances	**78,359**	101,181	**79,550**	100,697
Allowances for impairment losses (Note 32)	**(11)**	(18)	**(11)**	(18)
Net balances	**78,348**	101,163	**79,539**	100,679

(Expressed in millions of Renminbi, unless otherwise stated)

14 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (continued)

(2) Analysed by geographic sectors

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Mainland China	**68,770**	85,743	**71,023**	86,125
Overseas	**9,589**	15,438	**8,527**	14,572
Gross balances	**78,359**	101,181	**79,550**	100,697
Allowances for impairment losses (Note 32)	**(11)**	(18)	**(11)**	(18)
Net balances	**78,348**	101,163	**79,539**	100,679

15 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Banks	**13,385**	21,160	**16,035**	21,161
Non-bank financial institutions	**1,505**	1,188	**3,652**	2,113
Gross balances	**14,890**	22,348	**19,687**	23,274
Allowances for impairment losses (Note 32)	**(89)**	(131)	**(89)**	(131)
Net balances	**14,801**	22,217	**19,598**	23,143

(2) Analysed by geographic sectors

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Mainland China	**6,362**	8,113	**6,265**	8,113
Overseas	**8,528**	14,235	**13,422**	15,161
Gross balances	**14,890**	22,348	**19,687**	23,274
Allowances for impairment losses (Note 32)	**(89)**	(131)	**(89)**	(131)
Net balances	**14,801**	22,217	**19,598**	23,143

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
Held for trading purpose	(1)				
— Debt securities		**28,411**	10,606	**28,408**	10,251
— Equity instruments		**1,136**	867	**—**	—
		29,547	11,473	**28,408**	10,251
Designated at fair value through profit or loss	(2)				
— Debt securities		**4,435**	3,911	**—**	—
— Equity instruments		**6,023**	3,487	**—**	—
		10,458	7,398	**—**	—
Total		**40,005**	18,871	**28,408**	10,251

There were no significant restrictions on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

(Expressed in millions of Renminbi, unless otherwise stated)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(1) Held for trading purpose

(a) Debt securities

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Governments	**1,173**	622	**1,173**	622
Central banks	**13,004**	3,781	**13,004**	3,781
Policy banks	**2,856**	1,762	**2,855**	1,761
Banks and non-bank financial institutions	**8,117**	3,910	**8,115**	3,556
Others	**3,261**	531	**3,261**	531
Total	**28,411**	10,606	**28,408**	10,251
Listed	**89**	93	**89**	93
— listed in Hong Kong	**—**	—	**—**	—
Unlisted	**28,322**	10,513	**28,319**	10,158
Total	**28,411**	10,606	**28,408**	10,251

(b) Equity instruments

	Group	
	30 June 2010	31 December 2009
Banks and non-bank financial institutions	**185**	—
Others	**951**	867
Total	**1,136**	867
Listed	**887**	867
— listed in Hong Kong	**873**	853
Unlisted	**249**	—
Total	**1,136**	867

(2) Designated at fair value through profit or loss

(a) Debt securities

	Group	
	30 June 2010	31 December 2009
Policy banks	**292**	281
Banks and non-bank financial institutions	**774**	749
Others	**3,369**	2,881
Total	**4,435**	3,911
Listed	**555**	559
— listed in Hong Kong	**428**	436
Unlisted	**3,880**	3,352
Total	**4,435**	3,911

(Expressed in millions of Renminbi, unless otherwise stated)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(2) Designated at fair value through profit or loss (continued)

(b) Equity instruments

	Group	
	30 June 2010	31 December 2009
Banks and non-bank financial institutions	**11**	6
Others	**6,012**	3,481
Total	**6,023**	3,487
Listed	**1,380**	978
— listed in Hong Kong	**1,380**	944
Unlisted	**4,643**	2,509
Total	**6,023**	3,487

17 DERIVATIVES

(1) Analysed by type of contract

Group

	As at 30 June 2010			As at 31 December 2009		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**182,363**	**3,771**	**4,016**	173,170	3,826	4,015
Exchange rate contracts	**656,772**	**6,197**	**5,429**	510,831	4,614	4,531
Precious metal contracts	**2,030**	**12**	**—**	1,244	38	—
Equity instrument contracts	**2,396**	**724**	**17**	1,540	978	29
Total	**843,561**	**10,704**	**9,462**	686,785	9,456	8,575

Bank

	As at 30 June 2010			As at 31 December 2009		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**176,215**	**3,756**	**3,955**	170,398	3,815	3,997
Exchange rate contracts	**555,408**	**5,493**	**4,806**	424,815	3,870	3,897
Precious metal contracts	**2,030**	**12**	**—**	1,244	38	—
Equity instrument contracts	**34**	**5**	**—**	34	7	—
Total	**733,687**	**9,266**	**8,761**	596,491	7,730	7,894

(Expressed in millions of Renminbi, unless otherwise stated)

17 DERIVATIVES (continued)

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Interest rate contracts	**3,764**	4,030	**3,755**	4,015
Exchange rate contracts	**8,803**	6,277	**7,910**	5,430
Precious metal contracts	**19**	31	**19**	31
Equity instrument contracts	**729**	736	**5**	7
Total	**13,315**	11,074	**11,689**	9,483

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed under the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics, it included customer driven transactions, which were hedged back to back.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Securities				
— Government bonds	**174,008**	474,557	**174,008**	474,557
— PBOC bills	**9,411**	3,502	**9,411**	3,502
— Debt securities issued by banks and non-bank financial institutions	**11,327**	15,030	**11,327**	15,030
— Other securities	**—**	315	**—**	315
	194,746	493,404	**194,746**	493,404
Discounted bills	**56,633**	86,185	**56,633**	86,185
Loans	**5,970**	10,017	**5,970**	9,117
Gross balances	**257,349**	589,606	**257,349**	588,706
Allowances for impairment losses	**—**	—	**—**	—
Net balances	**257,349**	589,606	**257,349**	588,706

19 INTEREST RECEIVABLE

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Deposits with central banks	**567**	555	**567**	555
Deposits with banks and non-bank financial institutions	**418**	112	**415**	112
Placements with banks and non-bank financial institutions	**24**	26	**19**	26
Financial assets held under resale agreements	**701**	1,833	**701**	1,833
Loans and advances to customers	**10,312**	8,423	**10,171**	8,315
Debt securities	**30,367**	29,346	**30,264**	29,228
Others	**89**	51	**75**	61
Gross balances	**42,478**	40,346	**42,212**	40,130
Allowances for impairment losses (Note 32)	**(1)**	(1)	**(1)**	(1)
Net balances	**42,477**	40,345	**42,211**	40,129

(Expressed in millions of Renminbi, unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Corporate loans and advances				
— Loans	**3,866,232**	3,471,337	**3,823,202**	3,436,206
— Finance leases	**17,512**	8,254	**—**	—
	3,883,744	3,479,591	**3,823,202**	3,436,206
Personal loans and advances				
— Residential mortgages	**1,018,263**	869,075	**1,000,457**	851,397
— Personal consumer loans	**78,258**	80,377	**76,378**	78,645
— Credit cards	**42,593**	39,547	**38,999**	36,401
— Others	**131,282**	122,436	**129,790**	120,739
	1,270,396	1,111,435	**1,245,624**	1,087,182
Discounted bills	**195,242**	228,747	**195,242**	228,747
Gross balances	**5,349,382**	4,819,773	**5,264,068**	4,752,135
Allowances for impairment losses (Note 32)				
— Individual assessment	**(42,045)**	(46,360)	**(41,993)**	(46,308)
— Collective assessment	**(91,364)**	(80,466)	**(90,679)**	(79,803)
	(133,409)	(126,826)	**(132,672)**	(126,111)
Net balances	**5,215,973**	4,692,947	**5,131,396**	4,626,024

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

Group

	As at 30 June 2010				
		Impaired loans and advances			
	Collective assessment note (a)	**Collective assessment note (a)**	**Individual assessment note(a)&(b)**	**Subtotal**	**Total**
Gross balances	**5,284,214**	**7,408**	**57,760**	**65,168**	**5,349,382**
Allowances for impairment losses	**(86,801)**	**(4,563)**	**(42,045)**	**(46,608)**	**(133,409)**
Net balances	**5,197,413**	**2,845**	**15,715**	**18,560**	**5,215,973**
The proportion of impaired loans and advances to gross balances of loans and advances					**1.22%**

	As at 31 December 2009				
		Impaired loans and advances			
	Collective assessment note (a)	Collective assessment note (a)	Individual assessment note(a)&(b)	Subtotal	Total
Gross balances	4,747,617	7,362	64,794	72,156	4,819,773
Allowances for impairment losses	(75,628)	(4,838)	(46,360)	(51,198)	(126,826)
Net balances	4,671,989	2,524	18,434	20,958	4,692,947
The proportion of impaired loans and advances to gross balances of loans and advances					1.50%

(Expressed in millions of Renminbi, unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Bank

	As at 30 June 2010				
		Impaired loans and advances			
	Collective assessment note (a)	**Collective assessment note (a)**	**Individual assessment note(a)&(b)**	**Subtotal**	**Total**
Gross balances	**5,199,117**	**7,266**	**57,685**	**64,951**	**5,264,068**
Allowances for impairment losses	**(86,131)**	**(4,548)**	**(41,993)**	**(46,541)**	**(132,672)**
Net balances	**5,112,986**	**2,718**	**15,692**	**18,410**	**5,131,396**
The proportion of impaired loans and advances to gross balances of loans and advances					**1.23%**

	As at 31 December 2009				
		Impaired loans and advances			
	Collective assessment note (a)	Collective assessment note (a)	Individual assessment note(a)&(b)	Subtotal	Total
Gross balances	4,680,210	7,208	64,717	71,925	4,752,135
Allowances for impairment losses	(74,971)	(4,832)	(46,308)	(51,140)	(126,111)
Net balances	4,605,239	2,376	18,409	20,785	4,626,024
The proportion of impaired loans and advances to gross balances of loans and advances					1.51%

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

Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

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

— collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The definitions of the aforesaid loan classifications are set out in Note 57(1).

(b) Within impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral and the fair value of those collateral held are shown as follows:

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Portion covered	**8,526**	11,613	**8,519**	11,598
Portion not covered	**49,234**	53,181	**49,166**	53,119
Total	**57,760**	64,794	**57,685**	64,717
The fair value of collateral held against loans and advances	**8,841**	12,461	**8,832**	12,440

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of Renminbi, unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses

Group

	Six months ended 30 June 2010				
		Impaired loans and advances			
	Collective assessment	Collective assessment	Individual assessment	Subtotal	Total
As at 1 January	75,628	4,838	46,360	51,198	126,826
Charge for the period	11,173	70	4,181	4,251	15,424
Reversal for the period	—	(91)	(5,214)	(5,305)	(5,305)
Unwinding of discount	—	—	(392)	(392)	(392)
Transfers out	—	(10)	(150)	(160)	(160)
Write-offs	—	(274)	(3,232)	(3,506)	(3,506)
Recoveries	—	30	492	522	522
As at 30 June	86,801	4,563	42,045	46,608	133,409

	2009				
		Impaired loans and advances			
	Collective assessment	Collective assessment	Individual assessment	Subtotal	Total
As at 1 January	54,122	5,698	50,548	56,246	110,368
Charge for the year	21,094	25	19,296	19,321	40,415
Reversal for the year	—	(134)	(16,025)	(16,159)	(16,159)
Unwinding of discount	—	—	(1,270)	(1,270)	(1,270)
Addition through acquisition	412	4	—	4	416
Transfers out	—	(77)	(360)	(437)	(437)
Write-offs	—	(724)	(6,121)	(6,845)	(6,845)
Recoveries	—	46	292	338	338
As at 31 December	75,628	4,838	46,360	51,198	126,826

Bank

	Six months ended 30 June 2010				
		Impaired loans and advances			
	Collective assessment	Collective assessment	Individual assessment	Subtotal	Total
As at 1 January	74,971	4,832	46,308	51,140	126,111
Charge for the period	11,160	—	4,179	4,179	15,339
Reversal for the period	—	(91)	(5,213)	(5,304)	(5,304)
Unwinding of discount	—	—	(392)	(392)	(392)
Transfers out	—	(6)	(149)	(155)	(155)
Write-offs	—	(206)	(3,232)	(3,438)	(3,438)
Recoveries	—	19	492	511	511
As at 30 June	86,131	4,548	41,993	46,541	132,672

	2009				
		Impaired loans and advances			
	Collective assessment	Collective assessment	Individual assessment	Subtotal	Total
As at 1 January	54,026	5,698	50,478	56,176	110,202
Charge for the year	20,945	—	19,272	19,272	40,217
Reversal for the year	—	(134)	(16,019)	(16,153)	(16,153)
Unwinding of discount	—	—	(1,270)	(1,270)	(1,270)
Transfers out	—	(78)	(383)	(461)	(461)
Write-offs	—	(693)	(6,061)	(6,754)	(6,754)
Recoveries	—	39	291	330	330
As at 31 December	74,971	4,832	46,308	51,140	126,111

Transfers out mainly refer to the transfer to repossessed assets and on the disposal of non-performing loans.

(Expressed in millions of Renminbi, unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

(4) Overdue loans analysed by overdue period

Group

	As at 30 June 2010				
	Overdue less than 3 months	**Overdue between 3 months and 1 year**	**Overdue between 1 year and 3 years**	**Overdue over 3 years**	**Total**
Unsecured loans	**1,921**	**530**	**1,568**	**1,164**	**5,183**
Guaranteed loans	**1,206**	**2,130**	**7,317**	**4,868**	**15,521**
Loans secured by tangible assets other than monetary assets	**17,457**	**5,334**	**13,418**	**8,162**	**44,371**
Loans secured by monetary assets	**334**	**1,124**	**2,371**	**1,000**	**4,829**
	20,918	**9,118**	**24,674**	**15,194**	**69,904**
As % of gross loans and advances to customers	**0.39%**	**0.18%**	**0.46%**	**0.28%**	**1.31%**

	As at 31 December 2009				
	Overdue less than 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
Unsecured loans	440	1,332	1,298	1,304	4,374
Guaranteed loans	1,794	4,247	6,113	5,761	17,915
Loans secured by tangible assets other than monetary assets	15,888	10,496	11,978	8,508	46,870
Loans secured by monetary assets	443	1,221	2,321	1,117	5,102
	18,565	17,296	21,710	16,690	74,261
As % of gross loans and advances to customers	0.39%	0.35%	0.45%	0.35%	1.54%

Bank

	As at 30 June 2010				
	Overdue less than 3 months	**Overdue between 3 months and 1 year**	**Overdue between 1 year and 3 years**	**Overdue over 3 years**	**Total**
Unsecured loans	**1,841**	**519**	**1,516**	**1,163**	**5,039**
Guaranteed loans	**1,202**	**2,130**	**7,317**	**4,868**	**15,517**
Loans secured by tangible assets other than monetary assets	**17,351**	**5,334**	**13,418**	**8,162**	**44,265**
Loans secured by monetary assets	**334**	**1,124**	**2,371**	**1,000**	**4,829**
	20,728	**9,107**	**24,622**	**15,193**	**69,650**
As % of gross loans and advances to customers	**0.39%**	**0.17%**	**0.47%**	**0.29%**	**1.32%**

	As at 31 December 2009				
	Overdue less than 3 months	Overdue between 3 months and 1 year	Overdue between 1 year and 3 years	Overdue over 3 years	Total
Unsecured loans	325	1,270	1,291	1,303	4,189
Guaranteed loans	1,792	4,247	6,113	5,761	17,913
Loans secured by tangible assets other than monetary assets	15,793	10,495	11,976	8,508	46,772
Loans secured by monetary assets	443	1,221	2,321	1,117	5,102
	18,353	17,233	21,701	16,689	73,976
As % of gross loans and advances to customers	0.39%	0.36%	0.46%	0.35%	1.56%

(Expressed in millions of Renminbi, unless otherwise stated)

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Debt securities	(1)	**707,635**	626,763	**706,712**	627,598
Equity instruments	(2)	**18,843**	24,402	**16,400**	22,381
Funds	(2)	**331**	315	**—**	—
Total		**726,809**	651,480	**723,112**	649,979

(1) Debt securities

	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Governments	**69,651**	92,616	**69,651**	92,616
Central banks	**357,451**	269,431	**356,062**	269,133
Policy banks	**21,507**	22,495	**21,507**	22,495
Banks and non-bank financial institutions	**97,787**	100,075	**98,708**	101,440
Public sector entities	**1,496**	1,937	**1,496**	1,937
Others	**159,743**	140,209	**159,288**	139,977
Total	**707,635**	626,763	**706,712**	627,598
Listed	**22,379**	26,564	**22,058**	25,664
— listed in Hong Kong	**2,663**	3,705	**2,603**	2,839
Unlisted	**685,256**	600,199	**684,654**	601,934
Total	**707,635**	626,763	**706,712**	627,598

(2) Equity instruments and funds

	Note	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Debt equity swap ("DES") investments	(a), (b)	**15,095**	20,734	**15,095**	20,734
Other equity instruments		**3,748**	3,668	**1,305**	1,647
Funds		**331**	315	**—**	—
Total		**19,174**	24,717	**16,400**	22,381
Listed		**13,142**	19,021	**12,596**	18,390
— listed in Hong Kong		**956**	1,283	**733**	984
Unlisted		**6,032**	5,696	**3,804**	3,991
Total		**19,174**	24,717	**16,400**	22,381

(a) Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control or significant influence over these entities.

(b) Certain listed DES investments are measured at fair value. This kind of DES investments mainly includes listed shares without any restrictions on disposal, and their fair value are determined based on the quoted market prices as at the end of reporting period. For one DES investment with restrictions on disposal, its fair value, based on the quoted market price of the corresponding listed shares and adjusted by reference to historical volatility of the respective shares and the restriction, is estimated by using the Asian Option Model.

(Expressed in millions of Renminbi, unless otherwise stated)

22 HELD-TO-MATURITY INVESTMENTS

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Governments	**519,429**	467,499	**518,841**	467,399
Central banks	**661,756**	508,396	**661,756**	508,088
Policy banks	**121,501**	114,193	**121,501**	114,193
Banks and non-bank financial institutions	**346,421**	314,115	**346,421**	314,115
Public sector entities	**678**	1,363	**678**	1,363
Others	**9,391**	9,393	**9,391**	9,393
Gross balances	**1,659,176**	1,414,959	**1,658,588**	1,414,551
Allowances for impairment losses (Note 32)	**(5,221)**	(6,086)	**(5,221)**	(6,086)
Net balances	**1,653,955**	1,408,873	**1,653,367**	1,408,465
Listed	**5,740**	5,740	**5,283**	5,432
— listed in Hong Kong	**457**	308	**—**	—
Unlisted	**1,648,215**	1,403,133	**1,648,084**	1,403,033
Total	**1,653,955**	1,408,873	**1,653,367**	1,408,465
Market value of listed securities	**6,375**	6,439	**5,918**	6,131

23 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

The Group's and the Bank's debt securities classified as receivables are all unlisted and issued by the following issuers in Mainland China:

	Note	**30 June 2010**	31 December 2009
Government			
— Special government bond	(1), (3)	**49,200**	49,200
— Others		**530**	530
The PBOC	(2), (3)	**106,558**	143,386
Policy banks		**1,123**	1,123
China Cinda Asset Management Co., Ltd	(4)	**247,000**	247,000
Banks and non-bank financial institutions		**52,013**	57,063
Others		**1,370**	1,369
Gross balances		**457,794**	499,671
Allowances for impairment losses (Note 32)		**(87)**	(96)
Net balances		**457,707**	499,575

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum.

(2) Debt securities issued by the PBOC mainly refer to PBOC bills issued specifically to the Bank.

(3) The PBOC approved the Bank's use of the special government bond and the bills with nominal values of RMB593 million issued by the PBOC as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(4) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) ("Cinda") issued a bond ("Cinda Bond") with a nominal value of RMB247 billion specifically to CCB in 1999 for the acquisition of CCB's impaired loans and advances at their original book value. Cinda Bond has a maturity of 10 years, with a fixed coupon rate of 2.25%. In September 2009, MOF issued a notice that Cinda Bond would be extended for ten years upon its expiration and the interest rate would remain unchanged. In August 2010, the Bank received a notice from MOF that MOF and Cinda have established a jointly managed fund to secure the payment of the principal of Cinda Bond. MOF continues to provide support for the repayment of the interest of Cinda Bond.

(Expressed in millions of Renminbi, unless otherwise stated)

24 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	30 June 2010	31 December 2009
Sing Jian Development Company Limited ("SJDCL")	**383**	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**751**	751
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**—**	—
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**3,380**	3,380
Jianxin Hunan Taojiang Rural Bank Corporation Limited ("Taojiang Rural")	**26**	26
China Construction Bank (London) Limited ("CCB London")	**684**	684
Jianxin Zhejiang Cangnan Rural Bank Corporation Limited ("Cangnan Rural")	**53**	53
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
Jianxin Zhejiang Qingtian Oversea-Chinese Rural Bank Corporation Limited ("Qingtian Rural")	**51**	
Jianxin Zhejiang Wuyi Rural Bank Corporation Limited ("Wuyi Rural")	**51**	
Jianxin Anhui Fanchang Rural Bank Corporation Limited ("Fanchang Rural")	**51**	
Jianxin Shaanxi Ansai Rural Bank Corporation Limited ("Ansai Rural")	**16**	
Total	**8,985**	8,816

(2) The Group's subsidiaries are mainly unlisted, corporate information of which is as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of equity interests direct	% of equity interests indirect	% of voting rights
SJDCL	Hong Kong, the PRC	300 million shares of HKD1 each	Investment	100%	—	100%
Sino-German	Tianjin, the PRC	RMB1,000 million	Home mortgage loan and deposit taking	75.1%	—	75.1%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management	65%	—	65%
CCBIG	Hong Kong, the PRC	1 share of HKD1 each	Investment	100%	—	100%
CCBFLCL	Beijing, the PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	—	75.1%
Taojiang Rural	Hunan, the PRC	50 million shares of RMB1 each	Loan and deposit taking	51%	—	51%
CCB London	London, United Kingdom	100 million shares of USD1 each	Commercial banking and related financial services	100%	—	100%
Cangnan Rural	Zhejiang, the PRC	150 million shares of RMB1 each	Loan and deposit taking	35%	—	51%
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust	67%	—	67%
Qingtian Rural	Zhejiang, the PRC	100 million shares of RMB1 each	Loan and deposit taking	51%	—	51%
Wuyi Rural	Zhejiang, the PRC	100 million shares of RMB1 each	Loan and deposit taking	51%	—	51%
Fanchang Rural	Anhui, the PRC	100 million shares of RMB1 each	Loan and deposit taking	51%	—	51%
Ansai Rural	Shaanxi, the PRC	30 million shares of RMB1 each	Loan and deposit taking	52%	—	52%
Lanhye Investment Holdings Limited	British Virgin Islands	1 share of USD1 each	Investment	—	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	601 million shares of USD1 each	Investment	—	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	163 million shares of HKD40 each	Commercial banking and related financial services	—	100%	100%

(Expressed in millions of Renminbi, unless otherwise stated)

25 INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(1) The movement of the Group's interests in associates and jointly controlled entities is as follows:

	Six months ended 30 June 2010	2009
As at 1 January	**1,791**	1,728
Acquisition during the period/year	**15**	54
Share of profits less losses	**10**	17
Cash dividend receivable	**—**	(7)
Effect of exchange difference and others	**(18)**	(1)
As at 30 June/31 December	**1,798**	1,791

(2) The Group's associates and jointly controlled entities are mainly unlisted, corporate information of which is as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activities	% of equity interests	% of voting rights	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	78,192,220 shares of HKD1 each	Insurance	25.5%	25.5%	1,326	852	307	29
Diamond String Limited ("DSL")	Hong Kong, the PRC	10,000 shares of HKD1 each	Property investment	50%	50%	1,066	1,063	—	—

26 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2010	**51,305**	**11,349**	**24,030**	**16,351**	**103,035**
Additions	**606**	**2,094**	**468**	**403**	**3,571**
Transfer in/(out)	**875**	**(1,125)**	**6**	**244**	**—**
Disposals	**(53)**	**(142)**	**(265)**	**(192)**	**(652)**
As at 30 June 2010	**52,733**	**12,176**	**24,239**	**16,806**	**105,954**
Accumulated depreciation					
As at 1 January 2010	**(9,701)**	**—**	**(13,286)**	**(4,852)**	**(27,839)**
Charges for the period	**(987)**	**—**	**(2,084)**	**(1,739)**	**(4,810)**
Disposals	**18**	**—**	**257**	**182**	**457**
As at 30 June 2010	**(10,670)**	**—**	**(15,113)**	**(6,409)**	**(32,192)**
Allowances for impairment losses (Note 32)					
As at 1 January 2010	**(489)**	**(5)**	**(3)**	**(6)**	**(503)**
Charges for the period	**—**	**—**	**—**	**—**	**—**
Disposals	**5**	**—**	**—**	**—**	**5**
As at 30 June 2010	**(484)**	**(5)**	**(3)**	**(6)**	**(498)**
Net carrying value					
As at 1 January 2010	**41,115**	**11,344**	**10,741**	**11,493**	**74,693**
As at 30 June 2010	**41,579**	**12,171**	**9,123**	**10,391**	**73,264**

(Expressed in millions of Renminbi, unless otherwise stated)

26 FIXED ASSETS (continued)

***Group** (continued)*

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2009	46,536	4,618	21,481	12,921	85,556
Addition through acquisition	197	—	1	89	287
Additions	2,832	10,387	3,867	2,812	19,898
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(279)	(66)	(1,328)	(1,033)	(2,706)
As at 31 December 2009	51,305	11,349	24,030	16,351	103,035
Accumulated depreciation					
As at 1 January 2009	(7,926)	—	(10,450)	(2,700)	(21,076)
Addition through acquisition	(29)	—	(1)	(82)	(112)
Charges for the year	(1,837)	—	(4,122)	(3,046)	(9,005)
Disposals	91	—	1,287	976	2,354
As at 31 December 2009	(9,701)	—	(13,286)	(4,852)	(27,839)
Allowances for impairment losses (Note 32)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charges for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,103	4,613	11,028	10,213	63,957
As at 31 December 2009	41,115	11,344	10,741	11,493	74,693

Bank

	Bank premises	**Construction in progress**	**Equipment**	**Others**	**Total**
Cost/Deemed cost					
As at 1 January 2010	**51,072**	**11,139**	**23,818**	**16,109**	**102,138**
Additions	**566**	**2,033**	**446**	**383**	**3,428**
Transfer in/(out)	**875**	**(1,125)**	**6**	**244**	**—**
Disposals	**(52)**	**(142)**	**(262)**	**(185)**	**(641)**
As at 30 June 2010	**52,461**	**11,905**	**24,008**	**16,551**	**104,925**
Accumulated depreciation					
As at 1 January 2010	**(9,648)**	**—**	**(13,157)**	**(4,732)**	**(27,537)**
Charges for the period	**(982)**	**—**	**(2,065)**	**(1,716)**	**(4,763)**
Disposals	**18**	**—**	**254**	**177**	**449**
As at 30 June 2010	**(10,612)**	**—**	**(14,968)**	**(6,271)**	**(31,851)**
Allowances for impairment losses (Note 32)					
As at 1 January 2010	**(489)**	**(5)**	**(3)**	**(6)**	**(503)**
Charges for the period	**—**	**—**	**—**	**—**	**—**
Disposals	**5**	**—**	**—**	**—**	**5**
As at 30 June 2010	**(484)**	**(5)**	**(3)**	**(6)**	**(498)**
Net carrying value					
As at 1 January 2010	**40,935**	**11,134**	**10,658**	**11,371**	**74,098**
As at 30 June 2010	**41,365**	**11,900**	**9,037**	**10,274**	**72,576**

(Expressed in millions of Renminbi, unless otherwise stated)

26 FIXED ASSETS (continued)

Bank *(continued)*

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2009	46,468	4,585	21,314	12,747	85,114
Additions	2,831	10,210	3,820	2,743	19,604
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(246)	(66)	(1,325)	(943)	(2,580)
As at 31 December 2009	51,072	11,139	23,818	16,109	102,138
Accumulated depreciation					
As at 1 January 2009	(7,901)	—	(10,348)	(2,619)	(20,868)
Charges for the year	(1,832)	—	(4,091)	(3,007)	(8,930)
Disposals	85	—	1,282	894	2,261
As at 31 December 2009	(9,648)	—	(13,157)	(4,732)	(27,537)
Allowances for impairment losses (Note 32)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charges for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,060	4,580	10,963	10,120	63,723
As at 31 December 2009	40,935	11,134	10,658	11,371	74,098

As at 30 June 2010, ownership documentation for the Group's and the Bank's premises with a net carrying value of RMB7,058 million (as at 31 December 2009: RMB6,636 million) was being finalised.

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Held in overseas:				
Long-term lease (> 50 years)	**74**	—	**39**	—
Medium-term lease (10–50 years)	**152**	195	**133**	180
Held in Mainland China:				
Medium-term lease (10–50 years)	**40,575**	39,576	**40,416**	39,411
Short-term lease (<10 years)	**778**	1,344	**777**	1,344
Total	**41,579**	41,115	**41,365**	40,935

(Expressed in millions of Renminbi, unless otherwise stated)

27 LAND USE RIGHTS

	Group	Bank
Cost/Deemed cost		
As at 1 January 2010	**20,173**	**20,110**
Additions	**1**	**1**
Disposals	**(27)**	**(26)**
As at 30 June 2010	**20,147**	**20,085**
Accumulated amortisation		
As at 1 January 2010	**(2,900)**	**(2,897)**
Charges for the period	**(250)**	**(250)**
Disposals	**7**	**7**
As at 30 June 2010	**(3,143)**	**(3,140)**
Allowances for impairment losses (Note 32)		
As at 1 January 2010	**(151)**	**(151)**
Charges for the period	**—**	**—**
Disposals	**1**	**1**
As at 30 June 2010	**(150)**	**(150)**
Net carrying value		
As at 1 January 2010	**17,122**	**17,062**
As at 30 June 2010	**16,854**	**16,795**

	Group	Bank
Cost/Deemed cost		
As at 1 January 2009	19,874	19,807
Additions	416	392
Disposals	(117)	(89)
As at 31 December 2009	20,173	20,110
Accumulated amortisation		
As at 1 January 2009	(2,418)	(2,417)
Charges for the year	(496)	(493)
Disposals	14	13
As at 31 December 2009	(2,900)	(2,897)
Allowances for impairment losses (Note 32)		
As at 1 January 2009	(161)	(161)
Charges for the year	—	—
Disposals	10	10
As at 31 December 2009	(151)	(151)
Net carrying value		
As at 1 January 2009	17,295	17,229
As at 31 December 2009	17,122	17,062

(Expressed in millions of Renminbi, unless otherwise stated)

28 INTANGIBLE ASSETS

Group

	Software	**Others**	**Total**
Cost/Deemed cost			
As at 1 January 2010	**3,433**	**58**	**3,491**
Additions	**119**	**3**	**122**
Disposals	**(9)**	**(1)**	**(10)**
As at 30 June 2010	**3,543**	**60**	**3,603**
Accumulated amortisation			
As at 1 January 2010	**(2,183)**	**(30)**	**(2,213)**
Charges for the period	**(227)**	**–**	**(227)**
Disposals	**7**	**–**	**7**
As at 30 June 2010	**(2,403)**	**(30)**	**(2,433)**
Allowances for impairment losses (Note 32)			
As at 1 January 2010	**(1)**	**(7)**	**(8)**
Charges for the period	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
As at 30 June 2010	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2010	**1,249**	**21**	**1,270**
As at 30 June 2010	**1,139**	**23**	**1,162**

Group

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2009	2,967	54	3,021
Additions	492	11	503
Disposals	(26)	(7)	(33)
As at 31 December 2009	3,433	58	3,491
Accumulated amortisation			
As at 1 January 2009	(1,728)	(32)	(1,760)
Charges for the year	(481)	(4)	(485)
Disposals	26	6	32
As at 31 December 2009	(2,183)	(30)	(2,213)
Allowances for impairment losses (Note 32)			
As at 1 January 2009	(1)	(7)	(8)
Charges for the year	–	–	–
Disposals	–	–	–
As at 31 December 2009	(1)	(7)	(8)
Net carrying value			
As at 1 January 2009	1,238	15	1,253
As at 31 December 2009	1,249	21	1,270

(Expressed in millions of Renminbi, unless otherwise stated)

28 INTANGIBLE ASSETS (continued)

Bank

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2010	**3,400**	**49**	**3,449**
Additions	**119**	**—**	**119**
Disposals	**(8)**	**(1)**	**(9)**
As at 30 June 2010	**3,511**	**48**	**3,559**
Accumulated amortisation			
As at 1 January 2010	**(2,170)**	**(29)**	**(2,199)**
Charges for the period	**(223)**	**—**	**(223)**
Disposals	**7**	**—**	**7**
As at 30 June 2010	**(2,386)**	**(29)**	**(2,415)**
Allowances for impairment losses (Note 32)			
As at 1 January 2010	**(1)**	**(7)**	**(8)**
Charges for the period	**—**	**—**	**—**
Disposals	**—**	**—**	**—**
As at 30 June 2010	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2010	**1,229**	**13**	**1,242**
As at 30 June 2010	**1,124**	**12**	**1,136**

Bank

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2009	2,943	52	2,995
Additions	483	3	486
Disposals	(26)	(6)	(32)
As at 31 December 2009	3,400	49	3,449
Accumulated amortisation			
As at 1 January 2009	(1,722)	(32)	(1,754)
Charges for the year	(474)	(3)	(477)
Disposals	26	6	32
As at 31 December 2009	(2,170)	(29)	(2,199)
Allowances for impairment losses (Note 32)			
As at 1 January 2009	(1)	(7)	(8)
Charges for the year	—	—	—
Disposals	—	—	—
As at 31 December 2009	(1)	(7)	(8)
Net carrying value			
As at 1 January 2009	1,220	13	1,233
As at 31 December 2009	1,229	13	1,242

(Expressed in millions of Renminbi, unless otherwise stated)

29 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006 and Jianxin Trust on 29 July 2009. Movement of the goodwill during the period/year is as follows:

	Six months ended 30 June 2010	2009
As at 1 January	**1,590**	1,527
Additions through acquisitions	**—**	63
Effect of exchange difference	**(16)**	—
As at 30 June/31 December	**1,574**	1,590

(2) Impairment test for cash-generating unit ("CGU") containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a ten-year period. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

As at the end of the reporting period, there is no impairment losses on goodwill based on the result of the impairment test.

30 DEFERRED TAX

	Group		**Bank**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Deferred tax assets	**10,766**	10,790	**11,512**	11,323
Deferred tax liabilities	**(315)**	(216)	**(21)**	(22)
Total	**10,451**	10,574	**11,491**	11,301

The Group and the Bank did not have significant unrecognised deferred taxation as at the end of the reporting period.

(1) Analysed by nature

Group

	As at 30 June 2010		As at 31 December 2009	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(15,282)**	**(3,832)**	(17,462)	(4,361)
— Allowances for impairment losses	**43,068**	**10,690**	45,365	11,243
— Early retirement benefits and accrued salaries	**15,245**	**3,811**	15,238	3,809
— Others	**539**	**97**	601	99
Total	**43,570**	**10,766**	43,742	10,790
Deferred tax liabilities				
— Fair value adjustments	**(1,425)**	**(324)**	(819)	(204)
— Allowances for impairment losses	**15**	**4**	24	6
— Early retirement benefits and accrued salaries	**24**	**4**	—	—
— Others	**6**	**1**	(81)	(18)
Total	**(1,380)**	**(315)**	(876)	(216)

(Expressed in millions of Renminbi, unless otherwise stated)

30 DEFERRED TAX (continued)

(1) Analysed by nature (continued)

Bank

	As at 30 June 2010		As at 31 December 2009	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(15,410)**	**(3,854)**	(17,514)	(4,377)
— Allowances for impairment losses	**42,641**	**10,618**	44,868	11,160
— Early retirement benefits and accrued salaries	**15,192**	**3,798**	15,210	3,802
— Others	**6,215**	**950**	5,925	738
Total	**48,638**	**11,512**	48,489	11,323
Deferred tax liabilities				
— Fair value adjustments	**(101)**	**(24)**	(113)	(28)
— Allowances for impairment losses	**10**	**2**	18	4
— Others	**6**	**1**	6	2
Total	**(85)**	**(21)**	(89)	(22)

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2010	**3,809**	**(4,565)**	**11,249**	**81**	**10,574**
Recognised in profit or loss	**6**	**(289)**	**(555)**	**17**	**(821)**
Recognised in other comprehensive income	**—**	**698**	**—**	**—**	**698**
As at 30 June 2010	**3,815**	**(4,156)**	**10,694**	**98**	**10,451**
As at 1 January 2009	1,815	(4,394)	10,385	44	7,850
Recognised in profit or loss	1,994	700	785	37	3,516
Recognised in other comprehensive income	—	(672)	—	—	(672)
Additions through acquisitions	—	(199)	79	—	(120)
As at 31 December 2009	3,809	(4,565)	11,249	81	10,574

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2010	**3,802**	**(4,405)**	**11,164**	**740**	**11,301**
Recognised in profit or loss	**(4)**	**(213)**	**(544)**	**211**	**(550)**
Recognised in other comprehensive income	**—**	**740**	**—**	**—**	**740**
As at 30 June 2010	**3,798**	**(3,878)**	**10,620**	**951**	**11,491**
As at 1 January 2009	1,815	(4,408)	10,385	267	8,059
Recognised in profit or loss	1,987	695	779	473	3,934
Recognised in other comprehensive income	—	(692)	—	—	(692)
As at 31 December 2009	3,802	(4,405)	11,164	740	11,301

(Expressed in millions of Renminbi, unless otherwise stated)

31 OTHER ASSETS

	Note	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Repossessed assets	(1)				
— Buildings		**1,990**	2,211	**1,978**	2,211
— Land use rights		**402**	412	**402**	412
— Others		**302**	462	**302**	462
		2,694	3,085	**2,682**	3,085
Long-term deferred expenses		**330**	372	**326**	368
Receivables from CCBIG	(2)	**—**	—	**19,608**	19,746
Other receivables		**20,202**	10,910	**17,916**	10,792
Leasehold improvements		**2,362**	2,610	**2,356**	2,602
Gross balances		**25,588**	16,977	**42,888**	36,593
Allowances for impairment losses (Note 32)		**(2,958)**	(3,288)	**(2,950)**	(3,283)
Net balances		**22,630**	13,689	**39,938**	33,310

(1) For the six months ended 30 June 2010, the original cost of repossessed assets disposed of by the Group amounted to RMB613 million (for the six months ended 30 June 2009: RMB451 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity instruments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

32 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

	Note	Six months ended 30 June 2010 As at 1 January	Charge/ (Write-back)	Transfer out	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	14	**18**	**(2)**	**—**	**(5)**	**11**
Placements with banks and non-bank financial institutions	15	**131**	**(23)**	**—**	**(19)**	**89**
Interest receivable	19	**1**	**14**	**—**	**(14)**	**1**
Loans and advances to customers	20	**126,826**	**10,119**	**(30)**	**(3,506)**	**133,409**
Held-to-maturity investments	22	**6,086**	**(302)**	**(34)**	**(529)**	**5,221**
Debt securities classified as receivables	23	**96**	**(9)**	**—**	**—**	**87**
Fixed assets	26	**503**	**—**	**—**	**(5)**	**498**
Land use rights	27	**151**	**—**	**—**	**(1)**	**150**
Intangible assets	28	**8**	**—**	**—**	**—**	**8**
Other assets	31	**3,288**	**(17)**	**—**	**(313)**	**2,958**
Total		**137,108**	**9,780**	**(64)**	**(4,392)**	**142,432**

Group

	Note	2009 As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	21	(3)	—	—	18
Placements with banks and non-bank financial institutions	15	252	(86)	—	(35)	131
Financial assets held under resale agreements	18	11	(11)	—	—	—
Interest receivable	19	1	—	—	—	1
Loans and advances to customers	20	110,368	24,256	(953)	(6,845)	126,826
Held-to-maturity investments	22	7,552	76	5	(1,547)	6,086
Debt securities classified as receivables	23	64	32	—	—	96
Fixed assets	26	523	2	—	(22)	503
Land use rights	27	161	—	—	(10)	151
Intangible assets	28	8	—	—	—	8
Other assets	31	3,686	178	—	(576)	3,288
Total		122,647	24,444	(948)	(9,035)	137,108

(Expressed in millions of Renminbi, unless otherwise stated)

32 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Bank

	Note	Six months ended 30 June 2010				
		As at 1 January	**Charge/ (Write-back)**	**Transfer out**	**Write-offs**	**As at 30 June**
Deposits with banks and non-bank financial institutions	14	**18**	**(2)**	**—**	**(5)**	**11**
Placements with banks and non-bank financial institutions	15	**131**	**(23)**	**—**	**(19)**	**89**
Interest receivable	19	**1**	**14**	**—**	**(14)**	**1**
Loans and advances to customers	20	**126,111**	**10,035**	**(36)**	**(3,438)**	**132,672**
Held-to-maturity investments	22	**6,086**	**(302)**	**(34)**	**(529)**	**5,221**
Debt securities classified as receivables	23	**96**	**(9)**	**—**	**—**	**87**
Fixed assets	26	**503**	**—**	**—**	**(5)**	**498**
Land use rights	27	**151**	**—**	**—**	**(1)**	**150**
Intangible assets	28	**8**	**—**	**—**	**—**	**8**
Other assets	31	**3,283**	**(20)**	**—**	**(313)**	**2,950**
Total		**136,388**	**9,693**	**(70)**	**(4,324)**	**141,687**

Bank

	Note	2009				
		As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	21	(3)	—	—	18
Placements with banks and non-bank financial institutions	15	252	(86)	—	(35)	131
Financial assets held under resale agreements	18	11	(11)	—	—	—
Interest receivable	19	1	—	—	—	1
Loans and advances to customers	20	110,202	24,064	(1,401)	(6,754)	126,111
Held-to-maturity investments	22	7,552	76	5	(1,547)	6,086
Debt securities classified as receivables	23	64	32	—	—	96
Fixed assets	26	523	2	—	(22)	503
Land use rights	27	161	—	—	(10)	151
Intangible assets	28	8	—	—	—	8
Other assets	31	3,686	173	—	(576)	3,283
Total		122,481	24,247	(1,396)	(8,944)	136,388

Transfer in/out includes the exchange difference; write-offs include the effect of disposals.

33 AMOUNTS DUE FROM/TO SUBSIDIARIES

(1) Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	30 June 2010	31 December 2009
Deposits with banks and non-bank financial institutions	**3,620**	828
Placements with banks and non-bank financial institutions	**5,680**	2,153
Interest receivable	**—**	13
Loans and advances to customers	**770**	634
Available-for-sale financial assets	**2,614**	3,081
Other assets	**19,618**	21,060
Total	**32,302**	27,769

(2) Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	30 June 2010	31 December 2009
Deposits from banks and non-bank financial institutions	**1,701**	2,218
Placements from banks and non-bank financial institutions	**2,614**	2,700
Negative fair value of derivatives	**—**	2
Financial assets sold under repurchase agreements	**3,040**	2,625
Deposits from customers	**4,105**	1,686
Interest payable	**—**	8
Debt securities issued	**1,437**	1,451
Other liabilities	**—**	453
Total	**12,897**	11,143

(Expressed in millions of Renminbi, unless otherwise stated)

34 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Banks	**187,153**	183,327	**187,708**	183,448
Non-bank financial institutions	**488,572**	591,458	**489,515**	593,134
Total	**675,725**	774,785	**677,223**	776,582

(2) Analysed by geographic sectors

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Mainland China	**674,064**	774,295	**675,420**	776,093
Overseas	**1,661**	490	**1,803**	489
Total	**675,725**	774,785	**677,223**	776,582

35 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Banks	**87,230**	36,472	**67,379**	30,369
Non-bank financial institutions	**662**	1,648	**614**	1,599
Total	**87,892**	38,120	**67,993**	31,968

(2) Analysed by geographic sectors

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Mainland China	**17,748**	11,157	**3,901**	7,524
Overseas	**70,144**	26,963	**64,092**	24,444
Total	**87,892**	38,120	**67,993**	31,968

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Structured financial instruments	**2,039**	53	**28**	53
Financial liabilities related to precious metals	**8,839**	7,939	**8,839**	7,939
Total	**10,878**	7,992	**8,867**	7,992

The Group's and the Bank's financial liabilities at fair value through profit or loss are all financial liabilities designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period presented and cumulatively as at 30 June 2010 and 31 December 2009.

(Expressed in millions of Renminbi, unless otherwise stated)

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

As at 30 June 2010 and 31 December 2009, the collaterals for all financial assets sold under repurchase agreements of the Group and the Bank were loans.

38 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Demand deposits				
— Corporate customers	**3,145,480**	2,968,733	**3,142,623**	2,965,825
— Personal customers	**1,575,095**	1,445,304	**1,564,925**	1,435,266
	4,720,575	4,414,037	**4,707,548**	4,401,091
Time deposits (including call deposits)				
— Corporate customers	**1,530,199**	1,421,678	**1,516,572**	1,405,735
— Personal customers	**2,340,927**	2,165,608	**2,321,985**	2,148,414
	3,871,126	3,587,286	**3,838,557**	3,554,149
Total	**8,591,701**	8,001,323	**8,546,105**	7,955,240

Deposits from customers include:

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Pledged deposits				
— Deposits for acceptance	**122,659**	118,121	**122,659**	118,121
— Deposits for guarantee	**28,762**	23,984	**28,762**	23,984
— Deposits for letter of credit	**26,965**	19,974	**26,965**	19,974
— Others	**98,568**	72,021	**98,561**	72,017
	276,954	234,100	**276,947**	234,096
Outward remittance and remittance payables	**13,512**	19,073	**13,483**	18,988

39 ACCRUED STAFF COSTS

Group

		Six months ended 30 June 2010			
	Note	**As at 1 January**	**Accrued**	**Paid**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**10,835**	**18,046**	**(17,759)**	**11,122**
Defined contribution retirement schemes		**459**	**2,634**	**(2,588)**	**505**
Other social insurance and welfare		**1,105**	**2,049**	**(1,882)**	**1,272**
Housing funds		**82**	**1,566**	**(1,540)**	**108**
Union running costs and employee education costs		**797**	**660**	**(395)**	**1,062**
Supplementary retirement benefits	(1)	**6,786**	**114**	**(232)**	**6,668**
Early retirement benefits		**7,353**	**85**	**(648)**	**6,790**
Compensation to employees for termination of employment relationship		**8**	**11**	**(12)**	**7**
Total		**27,425**	**25,165**	**(25,056)**	**27,534**

(Expressed in millions of Renminbi, unless otherwise stated)

39 ACCRUED STAFF COSTS (continued)

	Note	2009 As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		8,628	35,422	(33,215)	10,835
Defined contribution retirement schemes		444	5,941	(5,926)	459
Other social insurance and welfare		783	4,362	(4,040)	1,105
Housing funds		72	2,941	(2,931)	82
Union running costs and employee education costs		735	1,238	(1,176)	797
Supplementary retirement benefits	(1)	6,556	743	(513)	6,786
Early retirement benefits		7,926	819	(1,392)	7,353
Compensation to employees for termination of employment relationship		9	18	(19)	8
Total		25,153	51,484	(49,212)	27,425

Bank

	Note	Six months ended 30 June 2010 As at 1 January	Accrued	Paid	As at 30 June
Salaries, bonuses, allowances and subsidies		**10,217**	**17,628**	**(17,091)**	**10,754**
Defined contribution retirement schemes		**458**	**2,606**	**(2,560)**	**504**
Other social insurance and welfare		**1,013**	**2,022**	**(1,850)**	**1,185**
Housing funds		**81**	**1,562**	**(1,535)**	**108**
Union running costs and employee education costs		**792**	**655**	**(394)**	**1,053**
Supplementary retirement benefits	(1)	**6,786**	**114**	**(232)**	**6,668**
Early retirement benefits		**7,353**	**85**	**(648)**	**6,790**
Compensation to employees for termination of employment relationship		**8**	**11**	**(12)**	**7**
Total		**26,708**	**24,683**	**(24,322)**	**27,069**

	Note	2009 As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		8,327	34,299	(32,409)	10,217
Defined contribution retirement schemes		444	5,902	(5,888)	458
Other social insurance and welfare		742	4,292	(4,021)	1,013
Housing funds		71	2,931	(2,921)	81
Union running costs and employee education costs		732	1,232	(1,172)	792
Supplementary retirement benefits	(1)	6,556	743	(513)	6,786
Early retirement benefits		7,926	819	(1,392)	7,353
Compensation to employees for termination of employment relationship		9	18	(19)	8
Total		24,807	50,236	(48,335)	26,708

(1) The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(a) Breakdowns of supplementary retirement benefits of the Group and the Bank are as follows:

	30 June 2010	31 December 2009
Present value of supplementary retirement benefit obligations	**6,758**	6,766
Unrecognised actuarial (losses)/gains	**(90)**	20
As at 30 June/31 December	**6,668**	6,786

(Expressed in millions of Renminbi, unless otherwise stated)

39 ACCRUED STAFF COSTS (continued)

(b) Interest cost and past service cost accrued during the period/year are as follows:

	Six months ended 30 June 2010	2009
Interest cost	114	206
Past service costs	–	537
Total accrued during the period/year	114	743

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(c) Principal actuarial assumptions as at the end of the reporting period are as follows:

	30 June 2010	31 December 2009
Discount rate	3.25%	3.5%
Health care cost increases	7%	7%
Average expected future lifetime of eligible employees	14.4	14.7

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

40 TAXES PAYABLE

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Income tax	11,271	20,627	10,993	20,362
Business tax and surcharges	4,917	4,562	4,899	4,545
Others	307	651	288	642
Total	16,495	25,840	16,180	25,549

41 INTEREST PAYABLE

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Deposits from banks and non-bank financial institutions	1,935	961	1,928	959
Placements from banks and non-bank financial institutions	71	36	50	27
Deposits from customers	62,556	56,738	62,518	56,708
Debt securities issued	1,752	1,650	1,752	1,651
Others	106	102	80	97
Total	66,420	59,487	66,328	59,442

42 PROVISIONS

	Group and Bank	
	30 June 2010	31 December 2009
Litigation provisions	876	894
Others	406	450
Total	1,282	1,344

(Expressed in millions of Renminbi, unless otherwise stated)

43 DEBT SECURITIES ISSUED

	Note	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Certificates of deposit issued	(1)	**11,955**	15,893	**10,310**	15,502
Bonds issued	(2)	**2,868**	2,863	**2,998**	2,993
Subordinated bonds issued	(3)	**79,894**	79,888	**79,894**	79,888
Total		**94,717**	98,644	**93,202**	98,383

(1) Certificates of deposit were mainly issued by Hong Kong branch, New York branch of the Bank and CCB Asia and measured at amortised cost.

(2) Bonds issued represent the fixed rate RMB bonds issued on 11 September 2008 and will mature on 11 September 2010.

	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
3.24% fixed rate RMB bonds	**2,870**	2,870	**3,000**	3,000
Less: Unamortised issuance cost	**(2)**	(7)	**(2)**	(7)
As at 30 June/31 December	**2,868**	2,863	**2,998**	2,993

(3) The carrying amounts of the Group's and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC are as follows:

	Note	30 June 2010	31 December 2009
3.20%, fixed, matures in February 2019	(a)	**12,000**	12,000
4.00%, fixed, matures in February 2024	(b)	**28,000**	28,000
3.32%, fixed, matures in August 2019	(c)	**10,000**	10,000
4.04%, fixed, matures in August 2024	(d)	**10,000**	10,000
4.80%, fixed, matures in December 2024	(e)	**20,000**	20,000
Total nominal value		**80,000**	80,000
Less: Unamortised issuance cost		**(106)**	(112)
As at 30 June/31 December		**79,894**	79,888

(a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years.

(b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(Expressed in millions of Renminbi, unless otherwise stated)

44 OTHER LIABILITIES

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Dormant accounts	**4,318**	4,290	**4,318**	4,290
Securities underwriting and redemption payable	**2,025**	1,813	**2,025**	1,813
Payment and collection clearance account	**626**	454	**625**	450
Payables to China Jianyin Investment Limited (“Jianyin”)	**521**	372	**521**	372
Settlement accounts	**265**	135	**264**	135
Dividend payable	**47,205**	—	**47,205**	—
Others	**15,058**	13,514	**12,909**	12,997
Total	**70,018**	20,578	**67,867**	20,057

45 SHARE CAPITAL

	Group and Bank	
	30 June 2010	31 December 2009
Listed in Hong Kong (H Share)	**224,689**	224,689
Listed in Mainland China (A Share)	**9,000**	9,000
Total	**233,689**	233,689

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

46 CAPITAL RESERVE

	Group and Bank	
	30 June 2010	31 December 2009
Share premium	**90,210**	90,210
Others	**62**	56
Total	**90,272**	90,266

47 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in “investment revaluation reserve”. Movements of investment revaluation reserve are as follows:

Group

	Six months ended 30 June 2010		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**17,566**	**(4,403)**	**13,163**
Gains/(losses) during the period			
— Debt securities	**3,148**	**(814)**	**2,334**
— Equity instruments	**(5,629)**	**1,407**	**(4,222)**
	(2,481)	**593**	**(1,888)**
Reclassification adjustments			
— Impairment	**(46)**	**12**	**(34)**
— Disposals	**(469)**	**117**	**(352)**
— Others	**27**	**(7)**	**20**
	(488)	**122**	**(366)**
As at 30 June	**14,597**	**(3,688)**	**10,909**

(Expressed in millions of Renminbi, unless otherwise stated)

47 INVESTMENT REVALUATION RESERVE (continued)

	2009		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	14,890	(3,734)	11,156
Gains/(losses) during the year			
— Debt securities	(6,050)	1,511	(4,539)
— Equity instruments	8,212	(2,052)	6,160
	2,162	(541)	1,621
Reclassification adjustments			
— Impairment	999	(250)	749
— Disposals	(925)	232	(693)
— Others	440	(110)	330
	514	(128)	386
As at 31 December	17,566	(4,403)	13,163

Bank

	Six months ended 30 June 2010		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**17,629**	**(4,416)**	**13,213**
Gains/(losses) during the period			
— Debt securities	**3,212**	**(818)**	**2,394**
— Equity instruments	**(5,746)**	**1,436**	**(4,310)**
	(2,534)	**618**	**(1,916)**
Reclassification adjustments			
— Impairment	**(46)**	**12**	**(34)**
— Disposals	**(469)**	**117**	**(352)**
— Others	**27**	**(7)**	**20**
	(488)	**122**	**(366)**
As at 30 June	**14,607**	**(3,676)**	**10,931**

	2009		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	14,862	(3,724)	11,138
Gains/(losses) during the year			
— Debt securities	(5,947)	1,487	(4,460)
— Equity instruments	8,200	(2,051)	6,149
	2,253	(564)	1,689
Reclassification adjustments			
— Impairment	999	(250)	749
— Disposals	(925)	232	(693)
— Others	440	(110)	330
	514	(128)	386
As at 31 December	17,629	(4,416)	13,213

Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the period/year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

(Expressed in millions of Renminbi, unless otherwise stated)

48 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund. The Bank is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may appropriate from its net profit to the discretionary surplus reserve upon the approval of Shareholders' General Meeting.

49 GENERAL RESERVE

The general reserve of the Group and the Bank is appropriated based upon the requirements of:

		Group		Bank	
	Note	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
MOF	(1)	**60,475**	46,093	**60,475**	46,093
Hong Kong Banking Ordinance	(2)	**637**	592	**105**	105
Other regulators in Mainland China	(3)	**128**	109	**—**	—
Other overseas regulators		**29**	12	**28**	11
Total		**61,269**	46,806	**60,608**	46,209

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

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount from its net profit to general reserve.

50 PROFIT DISTRIBUTION

The Bank declared a cash dividend of RMB47,205 million according to the profit distribution plan approved by the Annual General Meeting held on 24 June 2010.

51 CASH AND CASH EQUIVALENTS

	30 June 2010	31 December 2009	30 June 2009
Cash	**39,623**	40,396	34,243
Surplus deposit reserves with central banks	**191,154**	265,453	113,670
Demand deposits with banks and non-bank financial institutions	**22,655**	20,280	31,447
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**36,136**	36,226	25,319
Placements with banks and non-bank financial institutions with original maturity with or within three months	**9,154**	17,894	16,873
Total	**298,722**	380,249	221,552

52 OPERATING SEGMENTS

The Group presents the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

The accounting policies adopted for segments are consistent with those adopted by the Group for the preparation of financial statements.

Items presented in operating segments include those either directly attributable to a segment or that can be allocated to a segment on a reasonable basis. Transactions between segments are conducted under normal commercial terms and conditions, and all intra-group balances and transactions are eliminated as part of the consolidation process. The majority transaction between segments is internal fund transfer, the charges and prices of which are determined with reference to market rates. When presenting net interest income of each segment, net interest income and expense arising from internal fund transfer and those earned from third parties are presented as internal and external separately. Segment capital expenditure is the total cost incurred during current period to purchase and construct fixed assets, intangible assets and other long-term assets.

(Expressed in millions of Renminbi, unless otherwise stated)

52 OPERATING SEGMENTS (continued)

(1) Geographical segments

The Group operates principally in Mainland China. The branches cover all provinces, autonomous regions and municipalities directly under the central government and there are several subsidiaries located in Mainland China. The Group also has overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul and New York, and certain subsidiaries operating in Hong Kong and London.

The following areas serviced by tier-1 branches and the subsidiaries are defined in geographical segments of the Group:

Yangtze River Delta: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou.

Pearl River Delta: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen.

Bohai Rim: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao.

Central: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area.

Western: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region.

Northeastern: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	Six months ended 30 June 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Net interest income	21,521	15,145	17,592	17,894	18,968	6,799	18,418	1,462	117,799
– External	16,966	8,961	10,342	11,742	14,055	3,644	50,582	1,507	117,799
– Internal	4,555	6,184	7,250	6,152	4,913	3,155	(32,164)	(45)	–
Net fee and commission income	8,350	6,379	5,268	5,177	4,503	1,886	1,691	388	33,642
Net trading gain/(loss)	155	171	118	20	73	58	494	(195)	894
Dividend income	–	–	–	23	19	–	–	33	75
Net gain arising from investment securities	–	–	–	66	8	–	380	1	455
Other operating income/(loss)	178	99	120	95	174	31	(286)	449	860
Operating income	30,204	21,794	23,098	23,275	23,745	8,774	20,697	2,138	153,725
Operating expenses	(9,797)	(7,353)	(8,277)	(9,374)	(8,989)	(3,905)	(3,053)	(969)	(51,717)
Impairment losses	(3,806)	(1,880)	(767)	(1,618)	(1,584)	(482)	331	(18)	(9,824)
Share of profit of associates and jointly controlled entities	–	–	–	–	–	–	–	10	10
Profit before tax	16,601	12,561	14,054	12,283	13,172	4,387	17,975	1,161	92,194
Other segments information:									
Capital expenditure	627	386	630	558	649	308	502	85	3,745
Depreciation and amortisation	968	690	854	1,034	906	449	821	50	5,772
	As at 30 June 2010								
Segment assets	1,955,558	1,601,845	1,779,116	1,624,240	1,612,605	678,274	4,569,888	253,598	14,075,124
Deferred tax assets									10,766
Elimination									(3,849,909)
Total assets									10,235,981
Segment liabilities	1,945,220	1,594,826	1,770,167	1,616,055	1,605,550	675,695	4,069,532	228,332	13,505,377
Deferred tax liabilities									315
Elimination									(3,849,909)
Total liabilities									9,655,783
Credit commitments	506,045	307,897	471,499	282,511	256,325	127,238	12,001	41,594	2,005,110

(Expressed in millions of Renminbi, unless otherwise stated)

52 OPERATING SEGMENTS (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Net interest income	21,157	13,749	17,006	16,536	17,312	6,291	9,217	1,200	102,468
– External	15,569	7,476	8,493	9,788	12,286	2,598	44,992	1,266	102,468
– Internal	5,588	6,273	8,513	6,748	5,026	3,693	(35,775)	(66)	–
Net fee and commission income	5,966	4,285	3,709	3,829	3,242	1,219	981	191	23,422
Net trading gain/(loss)	34	84	32	18	50	23	(33)	1,085	1,293
Dividend income	–	–	5	25	4	–	4	16	54
Net gain/(loss) arising from investment securities	–	–	1	313	348	114	2,696	(14)	3,458
Other operating income/(loss)	195	50	137	99	257	51	(139)	120	770
Operating income	27,352	18,168	20,890	20,820	21,213	7,698	12,726	2,598	131,465
Operating expenses	(8,959)	(6,472)	(7,429)	(8,234)	(8,092)	(3,443)	(2,606)	(950)	(46,185)
Impairment losses	(3,784)	(1,860)	(1,091)	(2,034)	(1,330)	(394)	(1,818)	(508)	(12,819)
Share of profit of associates and jointly controlled entities	–	–	–	–	–	–	–	8	8
Profit before tax	14,609	9,836	12,370	10,552	11,791	3,861	8,302	1,148	72,469
Other segments information:									
Capital expenditure	725	449	946	795	778	468	393	53	4,607
Depreciation and amortisation	909	660	782	924	815	389	807	41	5,327
	As at 31 December 2009								
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

(2) Business segments

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

Corporate banking

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

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

(Expressed in millions of Renminbi, unless otherwise stated)

52 OPERATING SEGMENTS (continued)

(2) Business segments (continued)

Treasury business

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

Others

Others represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	Six months ended 30 June 2010				
	Corporate banking	**Personal banking**	**Treasury business**	**Others**	**Total**
Net interest income	63,480	33,428	19,419	1,472	117,799
— External	71,418	(3,448)	48,020	1,809	117,799
— Internal	(7,938)	36,876	(28,601)	(337)	—
Net fee and commission income	15,388	11,325	6,342	587	33,642
Net trading (loss)/gain	(2)	179	915	(198)	894
Dividend income	—	—	—	75	75
Net gain arising from investment securities	—	—	339	116	455
Other operating income/(loss)	120	139	(298)	899	860
Operating income	78,986	45,071	26,717	2,951	153,725
Operating expenses	(21,311)	(26,751)	(1,705)	(1,950)	(51,717)
Impairment losses	(8,750)	(1,234)	357	(197)	(9,824)
Share of profit of associates and jointly controlled entities	—	—	—	10	10
Profit before tax	48,925	17,086	25,369	814	92,194
Other segments information:					
Capital expenditure	1,106	2,442	151	46	3,745
Depreciation and amortisation	1,705	3,764	233	70	5,772
	As at 30 June 2010				
Segment assets	4,212,837	1,236,850	4,552,102	290,106	10,291,895
Deferred tax assets					10,766
Elimination					(66,680)
Total assets					10,235,981
Segment liabilities	4,926,139	4,324,065	134,113	337,831	9,722,148
Deferred tax liabilities					315
Elimination					(66,680)
Total liabilities					9,655,783
Credit commitments	1,707,286	256,230	—	41,594	2,005,110

(Expressed in millions of Renminbi, unless otherwise stated)

52 OPERATING SEGMENTS (continued)

(2) Business segments (continued)

	Six months ended 30 June 2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
Net interest income	61,418	30,290	9,714	1,046	102,468
— External	74,067	(15,182)	42,222	1,361	102,468
— Internal	(12,649)	45,472	(32,508)	(315)	—
Net fee and commission income	9,988	7,849	5,283	302	23,422
Net trading (loss)/gain	(152)	41	306	1,098	1,293
Dividend income	—	—	—	54	54
Net gain arising from investment securities	—	—	2,680	778	3,458
Other operating income/(loss)	236	49	(134)	619	770
Operating income	71,490	38,229	17,849	3,897	131,465
Operating expenses	(19,428)	(23,332)	(1,642)	(1,783)	(46,185)
Impairment losses	(8,474)	(1,749)	(2,123)	(473)	(12,819)
Share of profit of associates and jointly controlled entities	—	—	—	8	8
Profit before tax	43,588	13,148	14,084	1,649	72,469
Other segments information:					
Capital expenditure	1,426	2,930	200	51	4,607
Depreciation and amortisation	1,649	3,388	231	59	5,327
	As at 31 December 2009				
Segment assets	3,879,101	1,073,608	4,449,759	257,851	9,660,319
Deferred tax assets					10,790
Elimination					(47,754)
Total assets					9,623,355
Segment liabilities	4,723,263	4,002,153	101,545	284,912	9,111,873
Deferred tax liabilities					216
Elimination					(47,754)
Total liabilities					9,064,335
Credit commitments	1,573,849	249,504	—	38,120	1,861,473

53 PLEDGED ASSETS

(1) Assets pledged as security

(a) *Carrying value of pledged assets analysed by asset type*

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Pledged deposits	**733**	342	**733**	342
Loans	**2,000**	—	**5,040**	2,625
Financial institution bonds	**591**	579	**591**	579
Total	**3,324**	921	**6,364**	3,546

(b) *Carrying value of pledged assets analysed by classification*

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Deposits with banks and non-bank financial institutions	**733**	342	**733**	342
Loans and advances to customers	**2,000**	—	**5,040**	2,625
Available-for-sale financial assets	**591**	579	**591**	579
Total	**3,324**	921	**6,364**	3,546

(Expressed in millions of Renminbi, unless otherwise stated)

53 PLEDGED ASSETS (continued)

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2010 and 31 December 2009, the Group did not hold for resale agreements any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

54 ENTRUSTED LENDING BUSINESS

	Group and Bank	
	30 June 2010	31 December 2009
Entrusted loans	**690,961**	609,565
Entrusted funds	**690,961**	609,565

55 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. As at the end of reporting period, the contractual amounts of these credit commitments are shown in the table below. The amounts of loan and credit card commitments represent the cash outflows should the contracts be fully drawn upon. Those of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group assesses and makes allowance for any probable losses accordingly. As the facilities may expire without being drawn upon, the contractual amounts set out in the following table do not represent expected future cash outflows.

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Loan commitments	**620,676**	527,627	**617,916**	523,188
— with original maturity within 1 year	**99,612**	84,261	**97,128**	80,050
— with original maturity of 1 year or over	**521,064**	443,366	**520,788**	443,138
Credit card commitments	**268,233**	260,656	**247,479**	240,391
	888,909	788,283	**865,395**	763,579
Bank acceptances	**372,374**	339,354	**372,268**	339,240
Financing guarantees	**159,276**	149,750	**158,806**	153,468
Non-financing guarantees	**433,164**	415,342	**433,102**	415,277
Sight letters of credit	**53,388**	47,091	**53,388**	47,091
Usance letters of credit	**70,996**	72,373	**70,420**	72,480
Others	**27,003**	49,280	**26,976**	49,604
Total	**2,005,110**	1,861,473	**1,980,355**	1,840,739

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Credit risk-weighted amount of contingent liabilities and commitments	**936,150**	898,284	**935,087**	897,511

(Expressed in millions of Renminbi, unless otherwise stated)

55 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(3) Operating lease commitments

As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment are as follows:

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Within one year	**2,881**	3,012	**2,623**	2,760
After one year but within two years	**2,327**	2,293	**2,158**	2,112
After two years but within three years	**1,768**	1,822	**1,678**	1,706
After three years but within five years	**1,922**	2,319	**1,902**	2,249
After five years	**1,306**	1,767	**1,306**	1,442
Total	**10,204**	11,213	**9,667**	10,269

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Contracted for	**3,106**	5,511	**2,767**	5,394
Authorised but not contracted for	**4,634**	1,652	**4,633**	1,635
Total	**7,740**	7,163	**7,400**	7,029

(5) Underwriting obligations

As at 30 June 2010, the unexpired underwriting commitments of the Group and the Bank were nil (as at 31 December 2009: RMB3,890 million).

(6) Redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 30 June 2010, were RMB80,333 million (as at 31 December 2009: RMB81,424 million).

(7) Outstanding litigation and disputes

As at 30 June 2010, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,467 million (as at 31 December 2009: RMB2,418 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 42). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with relevant accounting policies.

(Expressed in millions of Renminbi, unless otherwise stated)

56 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin. As at 30 June 2010 and 31 December 2009, Huijin directly held 57.09% shares of the Bank. The affiliates of the parent companies include subsidiaries, associates or jointly controlled entities of Huijin and those companies who are under parent companies and have related party relationships with the Group.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of USD200 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and takes obligations as an investor on behalf of PRC government. Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB552,117 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are conducted in the normal and ordinary course of the business and under normal commercial terms.

The Group has issued subordinated bonds with a nominal value of RMB80 billion. These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

In the ordinary course of the business, transactions that the Group entered into with parent companies are as follows:

Amounts of transactions

	Six months ended 30 June			
	2010		2009	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**11**	**0.02%**	87	0.13%

Balances outstanding as at the end of the reporting period

	Note	**As at 30 June 2010**		As at 31 December 2009	
		Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits from banks and non-bank financial institutions		**—**	**—**	688	0.09%
Deposits from customers		**2,004**	**0.02%**	2,508	0.03%
Interest payable		**1**	**0.00%**	21	0.04%
Other liabilities	(i)	**26,948**	**38.49%**	—	—

(i) Other liabilities as at 30 June 2010 represent cash dividend payable to Huijin approved by 2009 Annual General Meeting.

(Expressed in millions of Renminbi, unless otherwise stated)

56 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) *Transactions with the affiliates of parent companies*

In the ordinary course of the business, transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts of transactions

	Six months ended 30 June			
	2010		2009	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**7,174**	**3.99%**	6,201	3.68%
Interest expense	**534**	**0.86%**	689	1.04%
Fee and commission income	**26**	**0.07%**	45	0.18%
Fee and commission expense	**168**	**16.28%**	89	9.18%
Other operating income, net	**4**	**0.47%**	1	0.13%
Operating expenses	**490**	**0.95%**	341	0.74%

Balances outstanding as at the end of the reporting period

	As at 30 June 2010		As at 31 December 2009	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions	**10,649**	**13.59%**	33,245	32.86%
Placements with banks and non-bank financial institutions	**3,950**	**26.69%**	8,165	36.75%
Financial assets at fair value through profit or loss	**8,376**	**20.94%**	3,795	20.11%
Positive fair value of derivatives	**462**	**4.32%**	213	2.25%
Financial assets held under resale agreements	**1,370**	**0.53%**	2,005	0.34%
Interest receivable	**6,977**	**16.43%**	4,860	12.05%
Loans and advances to customers	**2,741**	**0.05%**	1,586	0.03%
Available-for-sale financial assets	**72,960**	**10.04%**	69,457	10.66%
Held-to-maturity investments	**332,778**	**20.12%**	297,382	21.11%
Debt securities classified as receivables	**37,419**	**8.18%**	43,103	8.63%
Other assets	**157**	**0.69%**	157	1.15%
Deposits from banks and non-bank financial institutions	**59,291**	**8.77%**	99,152	12.80%
Placements from banks and non-bank financial institutions	**15,384**	**17.50%**	12,338	32.37%
Negative fair value of derivatives	**212**	**2.24%**	132	1.54%
Deposits from customers	**6,206**	**0.07%**	5,989	0.07%
Interest payable	**73**	**0.11%**	170	0.29%
Other liabilities	**521**	**0.74%**	372	1.81%

(2) Transactions with associates and jointly controlled entities of the Group

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under normal commercial terms.

In the ordinary course of the business, transactions that the Group entered into with its associates and jointly controlled entities are as follows:

Amounts of transactions

	Six months ended 30 June	
	2010	2009
Interest income	**1**	3

Balances outstanding as at the end of the reporting period

	30 June 2010	31 December 2009
Loans and advances to customers	**569**	211
Deposits from customers	**200**	442

(Expressed in millions of Renminbi, unless otherwise stated)

56 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, transactions that the Bank entered into with its subsidiaries are as follows:

	Six months ended 30 June	
	2010	2009
Interest income	**31**	61
Interest expense	**6**	81
Fee and commission income	**48**	24
Dividend income	**33**	—
Other operating income, net	**6**	7
Operating expenses	**2**	—

Balances outstanding as at the end of the reporting period are presented in Note 33.

For the six months ended 30 June 2010, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB4,081 million (for the six months ended 30 June 2009: RMB4,238 million).

For the six months ended 30 June 2010, the transactions between subsidiaries of the Group are mainly lending, deposit taking and other ordinary receivables and payables. As at 30 June 2010, the balances of the above transactions were RMB174 million, RMB458 million and RMB155 million respectively, and the corresponding interest income and interest expense were RMB4 million.

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

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

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2010 and for the year ended 2009, there were no material transactions and balances with key management personnel on an individual basis.

(6) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at 30 June 2010 and 31 December 2009. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions that are available to other employees, based on terms and conditions granted to third parties adjusted for reduced risk.

(7) Contributions to defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China. For overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 39.

57 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

— credit risk
— market risk
— liquidity risk
— operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the risk strategy and risk management policies and evaluating the risk exposures regularly.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and standardised and procedural management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core businesses sectors and their management procedures. The Audit Committee is assisted in these functions by Audit Department. Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(1) Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the Institutional Banking Department, the International Business Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and the Legal and Compliance Department to implement credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality.

The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately and measures are implemented to prevent and control risks.

In 2010, the Group has put further emphasis on the importance of segregation of duties as well as enhancing the operating mechanism as a whole. During the process of optimizing the parallel operation, the Bank has also begun to escalate its business focus from parallel operation to post-lending management. The centralized risk management was also expedited in the cities where the first-tier branches are located, and the Bank will continue to explore the specialised and intensive risk management methodology suitable for city branches' operation and reallocate resources to improve the quality and efficiency.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating workflow for collateral have already been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Loan grading classification

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

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

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' abilities to service their loans are in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in Note 57(1)(g) and (1)(h) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(a) *Maximum credit risk exposure*

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

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Deposits with central banks	**1,559,183**	1,418,252	**1,555,958**	1,415,172
Deposits with banks and non-bank financial institutions	**78,348**	101,163	**79,539**	100,679
Placements with banks and non-bank financial institutions	**14,801**	22,217	**19,598**	23,143
Financial assets at fair value through profit or loss	**32,846**	14,517	**28,408**	10,251
Positive fair value of derivatives	**10,704**	9,456	**9,266**	7,730
Financial assets held under resale agreements	**257,349**	589,606	**257,349**	588,706
Interest receivable	**42,477**	40,345	**42,211**	40,129
Loans and advances to customers	**5,215,973**	4,692,947	**5,131,396**	4,626,024
Available-for-sale financial assets	**707,635**	626,763	**706,712**	627,598
Held-to-maturity investments	**1,653,955**	1,408,873	**1,653,367**	1,408,465
Debt securities classified as receivables	**457,707**	499,575	**457,707**	499,575
Others	**17,862**	8,436	**35,189**	28,068
Total	**10,048,840**	9,432,150	**9,976,700**	9,375,540
Credit commitments	**2,005,110**	1,861,473	**1,980,355**	1,840,739
Maximum credit risk exposure	**12,053,950**	11,293,623	**11,957,055**	11,216,279

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

	Note	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Impaired					
Individually assessed					
Gross balances		**57,760**	64,794	**57,685**	64,717
Allowances for impairment losses		**(42,045)**	(46,360)	**(41,993)**	(46,308)
Net balances		**15,715**	18,434	**15,692**	18,409
Collectively assessed					
Gross balances		**7,408**	7,362	**7,266**	7,208
Allowances for impairment losses		**(4,563)**	(4,838)	**(4,548)**	(4,832)
Net balances		**2,845**	2,524	**2,718**	2,376
Overdue but not impaired	(i)				
Gross balances		**18,532**	17,472	**18,364**	17,270
— within 3 months		**18,532**	15,183	**18,364**	14,981
— 3 to 6 months		**—**	2,289	**—**	2,289
Allowances for impairment losses	(ii)	**(855)**	(1,328)	**(855)**	(1,328)
Net balances		**17,677**	16,144	**17,509**	15,942
Neither overdue nor impaired					
Gross balances		**5,265,682**	4,730,145	**5,180,753**	4,662,940
— Unsecured loans		**1,420,209**	1,287,097	**1,400,892**	1,273,397
— Guaranteed loans		**1,115,563**	970,460	**1,091,546**	956,733
— Loans secured by tangible assets other than monetary assets		**2,224,258**	2,011,662	**2,186,500**	1,974,642
— Loans secured by monetary assets		**505,652**	460,926	**501,815**	458,168
Allowances for impairment losses	(ii)	**(85,946)**	(74,300)	**(85,276)**	(73,643)
Net balances		**5,179,736**	4,655,845	**5,095,477**	4,589,297
Total		**5,215,973**	4,692,947	**5,131,396**	4,626,024

(i) Within loans and advances that are overdue but not impaired which are subject to individual assessment, the portion covered or not covered by collateral and the fair value of those collateral held are shown as follows:

	Group 30 June 2010	Group 31 December 2009	Bank 30 June 2010	Bank 31 December 2009
Portion covered	**808**	601	**780**	583
Portion not covered	**1,280**	839	**1,279**	834
Total	**2,088**	1,440	**2,059**	1,417
The fair value of collateral held against loans and advances	**1,423**	1,015	**1,389**	996

(ii) These allowances are assessed collectively.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

Group

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	**%**	**Balance secured by collateral**	Gross balance	%	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances	**3,737,338**	**72.15%**	**1,547,271**	3,351,315	71.79%	1,446,451
— Manufacturing	**931,077**	**17.98%**	**340,015**	803,302	17.21%	306,543
— Transportation, storage and postal services	**593,086**	**11.45%**	**241,022**	519,078	11.12%	224,119
— Production and supply of electric power, gas and water	**500,143**	**9.66%**	**122,659**	486,094	10.41%	121,882
— Real estate	**378,611**	**7.31%**	**319,698**	358,651	7.68%	308,652
— Leasing and commercial services	**349,065**	**6.74%**	**133,945**	303,380	6.50%	117,459
— Water, environment and public utility management	**212,819**	**4.11%**	**93,705**	206,175	4.42%	94,603
— Wholesale and retail trade	**188,014**	**3.63%**	**81,198**	146,693	3.14%	75,727
— Construction	**134,670**	**2.60%**	**49,763**	116,379	2.49%	43,594
— Mining	**122,117**	**2.36%**	**22,200**	104,019	2.23%	18,453
— Education	**101,823**	**1.97%**	**38,907**	93,351	2.00%	35,035
— Telecommunications, computer services and software	**23,548**	**0.45%**	**7,369**	25,249	0.54%	7,158
— Others	**202,365**	**3.89%**	**96,790**	188,944	4.05%	93,226
Personal loans and advances	**1,247,708**	**24.09%**	**1,179,426**	1,088,459	23.32%	1,025,887
Discounted bills	**194,644**	**3.76%**	**—**	228,361	4.89%	—
Total loans and advances to customers in Mainland China	**5,179,690**	**100.00%**	**2,726,697**	4,668,135	100.00%	2,472,338

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	**%**	**Balance secured by collateral**	Gross balance	%	Balance secured by collateral
Overseas operations						
Corporate loans and advances	**146,406**	**86.28%**	**39,779**	128,276	84.60%	40,414
— Real estate	**34,201**	**20.15%**	**18,556**	30,221	19.93%	18,613
— Manufacturing	**24,224**	**14.28%**	**2,943**	22,980	15.15%	3,562
— Wholesale and retail trade	**22,081**	**13.01%**	**1,464**	18,051	11.90%	3,098
— Transportation, storage and postal services	**15,923**	**9.38%**	**5,772**	21,528	14.20%	5,604
— Production and supply of electric power, gas and water	**9,178**	**5.41%**	**1,576**	8,260	5.45%	1,622
— Telecommunications, computer services and software	**2,641**	**1.56%**	**128**	3,343	2.20%	557
— Leasing and commercial services	**2,054**	**1.21%**	**988**	4,982	3.29%	2,518
— Others	**36,104**	**21.28%**	**8,352**	18,911	12.48%	4,840
Personal loans and advances	**22,688**	**13.37%**	**17,244**	22,976	15.15%	17,907
Discounted bills	**598**	**0.35%**	**—**	386	0.25%	15
Total loans and advances to customers overseas	**169,692**	**100.00%**	**57,023**	151,638	100.00%	58,336
Total gross loans and advances to customers	**5,349,382**		**2,783,720**	4,819,773		2,530,674

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	%	Balance secured by collateral	Gross balance	%	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances	3,714,616	72.06%	1,542,603	3,339,444	71.74%	1,444,114
— Manufacturing	921,070	17.87%	338,059	798,035	17.14%	306,516
— Transportation, storage and postal services	589,792	11.44%	241,022	517,698	11.12%	222,799
— Production and supply of electric power, gas and water	495,887	9.62%	122,058	483,231	10.38%	121,607
— Real estate	375,152	7.28%	317,609	356,970	7.67%	307,949
— Leasing and commercial services	349,065	6.77%	133,945	303,355	6.52%	117,459
— Water, environment and public utility management	212,819	4.13%	93,705	206,175	4.43%	94,603
— Wholesale and retail trade	188,004	3.65%	81,191	146,688	3.15%	75,727
— Construction	134,292	2.61%	49,758	116,194	2.50%	43,589
— Mining	120,910	2.35%	22,198	103,597	2.23%	18,453
— Education	101,818	1.98%	38,907	93,351	2.01%	35,035
— Telecommunications, computer services and software	23,548	0.46%	7,369	25,249	0.54%	7,158
— Others	202,259	3.90%	96,782	188,901	4.05%	93,219
Personal loans and advances	1,245,606	24.16%	1,178,297	1,087,167	23.35%	1,025,289
Discounted bills	194,644	3.78%	—	228,361	4.91%	—
Total loans and advances to customers in Mainland China	5,154,866	100.00%	2,720,900	4,654,972	100.00%	2,469,403

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	%	Balance secured by collateral	Gross balance	%	Balance secured by collateral
Overseas operations						
Corporate loans and advances	108,586	99.43%	21,101	96,762	99.58%	21,365
— Manufacturing	21,278	19.48%	2,236	19,291	19.85%	2,845
— Real estate	18,777	17.19%	4,645	14,706	15.14%	4,680
— Wholesale and retail trade	15,545	14.24%	51	12,342	12.70%	1,757
— Transportation, storage and postal services	13,354	12.23%	5,697	20,531	21.13%	5,531
— Production and supply of electric power, gas and water	8,961	8.21%	1,576	7,980	8.21%	1,622
— Leasing and commercial services	2,050	1.88%	984	4,930	5.07%	2,512
— Telecommunications, computer services and software	2,029	1.86%	112	3,140	3.23%	541
— Others	26,592	24.34%	5,800	13,842	14.25%	1,877
Personal loans and advances	18	0.02%	18	15	0.02%	—
Discounted bills	598	0.55%	—	386	0.40%	15
Total loans and advances to customers overseas	109,202	100.00%	21,119	97,163	100.00%	21,380
Total gross loans and advances to customers	5,264,068		2,742,019	4,752,135		2,490,783

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

As at the end of the reporting period and during the respective period/year, detailed information of the Group's impaired loans and advances to customers as well as the corresponding allowances for impairment losses in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2010					
		Allowance for impairment losses				
	Gross balance	Individual assessment	Collective assessment	Subtotal	Charge during the period	Written-off during the period
Manufacturing	**19,593**	**(14,934)**	**(17,960)**	**(32,894)**	**3,781**	**1,316**
Transportation, storage and postal services	**2,847**	**(2,200)**	**(10,417)**	**(12,617)**	**779**	**5**

	As at 31 December 2009					
		Allowance for impairment losses				
	Gross balance	Individual assessment	Collective assessment	Subtotal	Charge/ (release) during the year	Written-off during the year
Manufacturing	21,522	(15,861)	(14,548)	(30,409)	5,615	2,083
Transportation, storage and postal services	10,168	(4,679)	(9,335)	(14,014)	4,516	236
Production and supply of electric power, gas and water	3,991	(2,882)	(9,313)	(12,195)	(249)	109

As at the end of the reporting period and during the respective period/year, detailed information of the Bank's impaired loans and advances to customers as well as the corresponding allowances for impairment losses in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2010					
		Allowance for impairment losses				
	Gross balance	Individual assessment	Collective assessment	Subtotal	Charge during the period	Written-off during the period
Manufacturing	**19,519**	**(14,883)**	**(17,824)**	**(32,707)**	**3,766**	**1,316**
Transportation, storage and postal services	**2,847**	**(2,200)**	**(10,379)**	**(12,579)**	**752**	**5**

	As at 31 December 2009					
		Allowance for impairment losses				
	Gross balance	Individual assessment	Collective assessment	Subtotal	Charge/ (release) during the year	Written-off during the year
Manufacturing	21,446	(15,810)	(14,441)	(30,251)	5,519	2,038
Transportation, storage and postal services	10,168	(4,679)	(9,320)	(13,999)	4,502	235
Production and supply of electric power, gas and water	3,991	(2,882)	(9,284)	(12,166)	(256)	109

(d) *Loans and advances to customers analysed by geographical sector concentrations*

Group

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	%	Balance secured by collateral	Gross balance	%	Balance secured by collateral
Yangtze River Delta	**1,259,058**	**23.54%**	**730,144**	1,136,447	23.58%	660,273
Bohai Rim	**945,334**	**17.67%**	**423,078**	859,885	17.84%	379,304
Western	**907,022**	**16.96%**	**489,915**	819,337	17.00%	454,429
Central	**865,613**	**16.18%**	**438,636**	782,763	16.24%	391,903
Pearl River Delta	**829,624**	**15.51%**	**493,264**	728,639	15.12%	446,513
Northeastern	**329,416**	**6.16%**	**151,166**	299,385	6.21%	139,419
Head office	**43,623**	**0.82%**	**494**	41,679	0.86%	497
Overseas	**169,692**	**3.16%**	**57,023**	151,638	3.15%	58,336
Gross loans and advances to customers	**5,349,382**	**100.00%**	**2,783,720**	4,819,773	100.00%	2,530,674

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations (continued)*

Bank

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	%	Balance secured by collateral	Gross balance	%	Balance secured by collateral
Yangtze River Delta	1,258,649	23.91%	729,976	1,136,301	23.91%	660,244
Bohai Rim	922,811	17.53%	417,929	849,067	17.87%	377,063
Western	907,022	17.23%	489,915	819,337	17.24%	454,429
Central	863,721	16.41%	438,156	780,564	16.43%	391,238
Pearl River Delta	829,624	15.76%	493,264	728,639	15.33%	446,513
Northeastern	329,416	6.26%	151,166	299,385	6.30%	139,419
Head office	43,623	0.83%	494	41,679	0.88%	497
Overseas	109,202	2.07%	21,119	97,162	2.04%	21,380
Gross loans and advances to customers	5,264,068	100.00%	2,742,019	4,752,134	100.00%	2,490,783

As at the end of the reporting period and during the respective period/year, detailed information of impaired loans and advances to customers as well as the corresponding allowances for impairment losses in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2010			As at 31 December 2009		
		Allowance for impairment losses			Allowance for impairment losses	
	Gross balance	Individual assessment	Collective assessment	Gross balance	Individual assessment	Collective assessment
Group						
Yangtze River Delta	12,749	(8,481)	(21,215)	13,653	(8,321)	(17,981)
Bohai Rim	12,425	(9,672)	(15,869)	14,488	(11,174)	(14,623)
Central	9,942	(6,658)	(15,091)	10,706	(7,302)	(13,482)
Western	8,106	(5,824)	(16,700)	9,478	(6,636)	(14,717)
Pearl River Delta	7,872	(5,119)	(14,472)	9,058	(5,825)	(12,301)
Bank						
Yangtze River Delta	12,749	(8,481)	(21,212)	13,653	(8,321)	(17,980)
Bohai Rim	12,425	(9,672)	(15,609)	14,488	(11,174)	(14,482)
Central	9,942	(6,658)	(15,071)	10,706	(7,302)	(13,459)
Western	8,106	(5,824)	(16,700)	9,478	(6,636)	(14,717)
Pearl River Delta	7,872	(5,119)	(14,472)	9,058	(5,825)	(12,301)

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

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Unsecured loans	1,432,594	1,291,942	1,413,002	1,277,924
Guaranteed loans	1,133,068	997,157	1,109,047	983,428
Loans secured by tangible assets other than monetary assets	2,272,258	2,062,981	2,234,394	2,025,848
Loans secured by monetary assets	511,462	467,693	507,625	464,935
Gross loans and advances to customers	5,349,382	4,819,773	5,264,068	4,752,135

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(f) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Individually assessed and impaired				
Gross balance	**122**	163	**122**	163
Allowances for impairment losses	**(100)**	(149)	**(100)**	(149)
Net balance	**22**	14	**22**	14
Neither overdue nor impaired				
— grade A to AAA	**164,132**	227,903	**161,065**	224,543
— grade B to BBB	**23**	125	**22**	59
— unrated	**28,121**	23,444	**37,177**	26,411
	192,276	251,472	**198,264**	251,013
Total	**192,298**	251,486	**198,286**	251,027

(g) Distribution of debt securities investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. Debt securities are rated with reference to Bloomberg Composite, or major rating agencies where the issuers of the securities are located.

	Group		Bank	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
Individually assessed and impaired				
Gross balance	**20,700**	23,063	**20,700**	23,063
Allowances for impairment losses	**(11,011)**	(12,295)	**(11,011)**	(12,295)
Net balance	**9,689**	10,768	**9,689**	10,768
Neither overdue nor impaired				
Bloomberg Composite				
— AAA	**5,415**	6,480	**5,415**	6,480
— AA- to AA+	**2,976**	3,715	**2,976**	3,715
— A- to A+	**7,147**	8,177	**7,147**	8,177
— lower than A-	**833**	815	**833**	815
	16,371	19,187	**16,371**	19,187
Other agency ratings				
— AAA	**156,501**	155,962	**156,501**	155,962
— AA- to AA+	**12,852**	12,798	**12,852**	12,798
— A- to A+	**2,624,190**	2,322,456	**2,624,060**	2,322,356
— lower than A-	**1,025**	1,343	**980**	973
	2,794,568	2,492,559	**2,794,393**	2,492,089
Subtotal of debt securities held by operations in Mainland China	**2,820,628**	2,522,514	**2,820,453**	2,522,044
Debt securities held by overseas operations	**31,515**	27,213	**25,741**	23,844
Total	**2,852,143**	2,549,727	**2,846,194**	2,545,888

Debts securities rated from A- to A+ include those issued by the PRC government, PBOC and PRC policy banks.

57 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(i) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(2) Market risk

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

The Risk Management Department is responsible for formulating a standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") is responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through regular interest rate gap analysis.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by entering into cross currency interest rate swaps to hedge these exposures on a portfolio basis.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from commodity or stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio and available-for-sale debt securities. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) *VaR*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rate VaR for the Bank's debt investments as well as interest rate and exchange rate VaR for the Bank's derivatives. By reference to historical movements in market rates and prices, the Risk Management Department calculates VaR on a daily basis for foreign currency portfolio and at least on a weekly basis for RMB portfolios. VaR is calculated at a confidence level of 99% and with a holding period of one day. A summary of the VaR of the Bank's trading portfolio and available-for-sale debt securities as at the end of the reporting period and during the respective period/year is as follows:

		Six months ended 30 June 2010		
	30 June 2010	**Average**	**Maximum**	**Minimum**
RMB trading portfolio				
Interest rate risk	**42**	**18**	**47**	**7**
RMB available-for-sale debt securities				
Interest rate risk	**835**	**805**	**962**	**738**
Foreign currency trading portfolio				
Interest rate risk	**18**	**23**	**28**	**20**
Foreign currency risk	**45**	**42**	**66**	**29**
Diversification	**(7)**	**(16)**	**(26)**	**(10)**
	56	**49**	**68**	**39**
Foreign currency available-for-sale debt securities				
Interest rate risk	**91**	**134**	**149**	**89**

		Six months ended 30 June 2009		
	30 June 2009	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	17	16	21	8
RMB available-for-sale debt securities				
Interest rate risk	712	522	712	302
Foreign currency trading portfolio				
Interest rate risk	100	113	141	103
Foreign currency risk	444	811	1,123	442
Diversification	(81)	(74)	(115)	(85)
	463	850	1,149	460
Foreign currency available-for-sale debt securities				
Interest rate risk	161	167	330	106

The above average, maximum and minimum VaR for interest rate risk, foreign currency risk and diversification of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following: (i) a 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period; (ii) a 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is one percent probability that losses could exceed the VaR; (iii) VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day; (iv) the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and (v) the VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB37,828 million (as at 31 December 2009: RMB30,230 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB9,388 million (as at 31 December 2009: RMB17,285 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, account has not been taken of the possible risk management measures that can be undertaken by the Risk Management Department or related business departments to mitigate interest rate risk. In practice, the Risk Management Department strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis*

The following tables indicate the effective interest rate ("EIR") for the respective period/year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

	Note	EIR	Non-interest bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
		As at 30 June 2010						
Assets:								
Cash and deposits with central banks		1.52%	51,989	1,546,817	—	—	—	1,598,806
Deposits and placements with banks and non-bank financial institutions		1.41%	—	89,820	3,023	306	—	93,149
Financial assets held under resale agreements		1.46%	—	210,047	47,302	—	—	257,349
Loans and advances to customers	(ii)	5.03%	—	1,273,811	3,857,478	26,235	58,449	5,215,973
Investments	(iii)	2.80%	28,151	505,114	739,645	731,524	875,840	2,880,274
Other assets		—	190,430	—	—	—	—	190,430
Total assets		3.68%	270,570	3,625,609	4,647,448	758,065	934,289	10,235,981
Liabilities:								
Borrowings from central banks		1.89%	—	1,344	—	—	—	1,344
Deposits and placements from banks and non-bank financial institutions		1.71%	—	611,049	43,267	109,301	—	763,617
Financial liabilities at fair value through profit or loss		3.41%	10,850	28	—	—	—	10,878
Financial assets sold under repurchase agreements		2.32%	—	—	2,000	—	—	2,000
Deposits from customers		1.29%	30,865	6,128,972	2,020,622	411,130	112	8,591,701
Debt securities issued		3.66%	—	4,725	4,642	4,844	80,506	94,717
Other liabilities		—	191,526	—	—	—	—	191,526
Total liabilities		1.36%	233,241	6,746,118	2,070,531	525,275	80,618	9,655,783
Asset-liability gap		2.32%	37,329	(3,120,509)	2,576,917	232,790	853,671	580,198

	Note	EIR	Non-interest bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
		As at 31 December 2009						
Assets:								
Cash and deposits with central banks		1.48%	48,520	1,410,128	—	—	—	1,458,648
Deposits and placements with banks and non-bank financial institutions		1.05%	136	78,661	33,241	11,342	—	123,380
Financial assets held under resale agreements		1.18%	—	453,686	135,920	—	—	589,606
Loans and advances to customers	(ii)	5.37%	—	2,258,105	2,378,007	21,726	35,109	4,692,947
Investments	(iii)	3.11%	30,862	277,299	985,178	613,303	673,948	2,580,590
Other assets		—	178,184	—	—	—	—	178,184
Total assets		3.85%	257,702	4,477,879	3,532,346	646,371	709,057	9,623,355
Liabilities:								
Borrowings from central banks		1.89%	—	6	—	—	—	6
Deposits and placements from banks and non-bank financial institutions		1.73%	—	673,617	29,937	109,351	—	812,905
Financial liabilities at fair value through profit or loss		3.62%	2,359	5,633	—	—	—	7,992
Deposits from customers		1.51%	41,763	5,824,497	1,710,949	415,971	8,143	8,001,323
Debt securities issued		3.81%	—	11,394	4,616	24,719	57,915	98,644
Other liabilities		—	143,465	—	—	—	—	143,465
Total liabilities		1.55%	187,587	6,515,147	1,745,502	550,041	66,058	9,064,335
Asset-liability gap		2.30%	70,115	(2,037,268)	1,786,844	96,330	642,999	559,020

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis (continued)*

The following tables indicate the effective interest rate ("EIR") for the respective period/year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Bank as at the end of the reporting period.

		As at 30 June 2010						
	Note	EIR	Non-interest bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks		1.53%	51,780	1,543,592	—	—	—	1,595,372
Deposits and placements with banks and non-bank financial institutions		1.43%	—	92,148	6,653	336	—	99,137
Financial assets held under resale agreements		1.47%	—	210,047	47,302	—	—	257,349
Loans and advances to customers	(ii)	5.04%	—	1,216,936	3,831,206	24,965	58,289	5,131,396
Investments	(iii)	2.80%	25,385	502,562	739,407	728,451	875,774	2,871,579
Other assets		—	204,433	—	—	—	—	204,433
Total assets		3.68%	281,598	3,565,285	4,624,568	753,752	934,063	10,159,266
Liabilities:								
Borrowings from central banks		1.89%	—	1,344	—	—	—	1,344
Deposits and placements from banks and non-bank financial institutions		1.71%	—	603,318	32,597	109,301	—	745,216
Financial liabilities at fair value through profit or loss		3.41%	8,839	28	—	—	—	8,867
Financial assets sold under repurchase agreements		2.32%	—	—	5,040	—	—	5,040
Deposits from customers		1.30%	30,865	6,096,434	2,009,848	408,846	112	8,546,105
Debt securities issued		3.68%	—	4,090	4,894	3,717	80,501	93,202
Other liabilities		—	187,508	—	—	—	—	187,508
Total liabilities		1.36%	227,212	6,705,214	2,052,379	521,864	80,613	9,587,282
Asset-liability gap		2.32%	54,386	(3,139,929)	2,572,189	231,888	853,450	571,984

		As at 31 December 2009						
	Note	EIR	Non-interest bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks		1.48%	48,322	1,407,048	—	—	—	1,455,370
Deposits and placements with banks and non-bank financial institutions		1.14%	123	77,087	35,270	11,342	—	123,822
Financial assets held under resale agreements		1.18%	—	452,786	135,920	—	—	588,706
Loans and advances to customers	(ii)	5.41%	—	2,205,339	2,365,034	20,703	34,948	4,626,024
Investments	(iii)	3.10%	31,197	277,392	984,008	610,609	673,880	2,577,086
Other assets		—	194,123	—	—	—	—	194,123
Total assets		3.86%	273,765	4,419,652	3,520,232	642,654	708,828	9,565,131
Liabilities:								
Borrowings from central banks		1.89%	—	6	—	—	—	6
Deposits and placements from banks and non-bank financial institutions		1.74%	—	672,665	26,534	109,351	—	808,550
Financial liabilities at fair value through profit or loss		3.62%	2,359	5,633	—	—	—	7,992
Financial assets sold under repurchase agreements		1.80%	—	1,778	847	—	—	2,625
Deposits from customers		1.51%	41,677	5,779,323	1,710,669	415,486	8,085	7,955,240
Debt securities issued		3.82%	—	11,621	4,445	24,402	57,915	98,383
Other liabilities		—	141,016	—	—	—	—	141,016
Total liabilities		1.56%	185,052	6,471,026	1,742,495	549,239	66,000	9,013,812
Asset-liability gap		2.30%	88,713	(2,051,374)	1,777,737	93,415	642,828	551,319

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

(ii) For loans and advances to customers, the "less than three months" category of the Group and the Bank includes overdue amounts (net of allowances for impairment losses) of RMB27,622 million and RMB27,430 million respectively as at 30 June 2010 (as at 31 December 2009: RMB27,518 million and RMB27,304 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries, associates and jointly controlled entities.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

	Note	As at 30 June 2010			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:					
Cash and deposits with central banks		1,565,074	5,731	28,001	1,598,806
Deposits and placements with banks and non-bank financial institutions	(i)	327,708	17,270	5,520	350,498
Loans and advances to customers		4,881,962	224,796	109,215	5,215,973
Investments		2,811,609	37,111	31,554	2,880,274
Other assets		183,037	2,701	4,692	190,430
Total assets		9,769,390	287,609	178,982	10,235,981
Liabilities:					
Borrowings from central banks		6	339	999	1,344
Deposits and placements from banks and non-bank financial institutions	(ii)	643,641	85,853	36,123	765,617
Financial liabilities at fair value through profit or loss		10,850	28	—	10,878
Deposits from customers		8,345,773	125,368	120,560	8,591,701
Debt securities issued		82,762	2,328	9,627	94,717
Other liabilities		182,920	2,439	6,167	191,526
Total liabilities		9,265,952	216,355	173,476	9,655,783
Net position		503,438	71,254	5,506	580,198
Net notional amount of derivatives		59,787	(66,964)	7,781	604

	Note	As at 31 December 2009			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:					
Cash and deposits with central banks		1,429,270	5,001	24,377	1,458,648
Deposits and placements with banks and non-bank financial institutions	(i)	674,002	31,229	7,755	712,986
Loans and advances to customers		4,420,375	163,925	108,647	4,692,947
Investments		2,516,653	41,228	22,709	2,580,590
Other assets		169,692	1,857	6,635	178,184
Total assets		9,209,992	243,240	170,123	9,623,355
Liabilities:					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	737,888	54,571	20,446	812,905
Financial liabilities at fair value through profit or loss		7,939	27	26	7,992
Deposits from customers		7,767,928	116,533	116,862	8,001,323
Debt securities issued		82,760	5,206	10,678	98,644
Other liabilities		127,626	11,402	4,437	143,465
Total liabilities		8,724,147	187,739	152,449	9,064,335
Net position		485,845	55,501	17,674	559,020
Net notional amount of derivatives		54,182	(53,884)	(154)	144

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

The currency exposures of the Bank's assets and liabilities as at the end of the reporting period are as follows:

	Note	As at 30 June 2010			
		RMB	**USD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Assets:					
Cash and deposits with central banks		**1,564,797**	**5,731**	**24,844**	**1,595,372**
Deposits and placements with banks and non-bank financial institutions	(i)	**329,991**	**19,367**	**7,128**	**356,486**
Loans and advances to customers		**4,857,419**	**211,749**	**62,228**	**5,131,396**
Investments		**2,816,718**	**33,676**	**21,185**	**2,871,579**
Other assets		**181,828**	**19,738**	**2,867**	**204,433**
Total assets		**9,750,753**	**290,261**	**118,252**	**10,159,266**
Liabilities:					
Borrowings from central banks		**6**	**339**	**999**	**1,344**
Deposits and placements from banks and non-bank financial institutions	(ii)	**632,811**	**89,191**	**28,254**	**750,256**
Financial liabilities at fair value through profit or loss		**8,839**	**28**	**—**	**8,867**
Deposits from customers		**8,343,382**	**118,738**	**83,985**	**8,546,105**
Debt securities issued		**82,892**	**1,479**	**8,831**	**93,202**
Other liabilities		**180,905**	**2,176**	**4,427**	**187,508**
Total liabilities		**9,248,835**	**211,951**	**126,496**	**9,587,282**
Net position		**501,918**	**78,310**	**(8,244)**	**571,984**
Net notional amount of derivatives		**59,787**	**(63,985)**	**4,590**	**392**

	Note	As at 31 December 2009			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:					
Cash and deposits with central banks		1,428,959	4,979	21,432	1,455,370
Deposits and placements with banks and non-bank financial institutions	(i)	673,226	32,010	7,292	712,528
Loans and advances to customers		4,407,375	156,665	61,984	4,626,024
Investments		2,521,148	38,227	17,711	2,577,086
Other assets		188,935	825	4,363	194,123
Total assets		9,219,643	232,706	112,782	9,565,131
Liabilities:					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	736,756	55,778	18,641	811,175
Financial liabilities at fair value through profit or loss		7,939	27	26	7,992
Deposits from customers		7,766,173	108,134	80,933	7,955,240
Debt securities issued		82,890	5,035	10,458	98,383
Other liabilities		126,244	11,291	3,481	141,016
Total liabilities		8,720,008	180,265	113,539	9,013,812
Net position		499,635	52,441	(757)	551,319
Net notional amount of derivatives		54,152	(54,349)	107	(90)

(i) Including financial assets held under resale agreements
(ii) Including financial assets sold under repurchase agreements

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk

Liquidity risk is the risk that funds will not be available at reasonable price to meet liabilities as they fall due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include: (i) adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request; (ii) optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and (iii) managing and utilising centrally the Bank's liquid funds.

The Group principally uses liquidity analysis and gap analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Scenario analyses are then applied to assess the impact of liquidity risk.

(a) *Remaining maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	As at 30 June 2010							
	Indefinite	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks	1,368,029	230,777	–	–	–	–	–	1,598,806
Deposits and placements with banks and non-bank financial institutions	12	56,965	21,594	11,249	3,023	306	–	93,149
Financial assets held under resale agreements	–	–	187,930	22,117	47,302	–	–	257,349
Loans and advances to customers	38,498	22,344	174,640	361,348	1,382,922	1,544,122	1,692,099	5,215,973
Investments								
— Financial assets at fair value through profit or loss	7,425	–	425	506	12,911	13,948	4,790	40,005
— Available-for-sale financial assets	19,174	–	59,609	199,218	176,557	148,409	123,842	726,809
— Held-to-maturity investments	135	–	67,426	71,584	546,690	547,900	420,220	1,653,955
— Debt securities classified as receivables	–	–	39,028	66,937	3,487	21,267	326,988	457,707
— Interests in associates and jointly controlled entities	1,798	–	–	–	–	–	–	1,798
Other assets	109,278	22,921	5,010	6,835	16,749	12,719	16,918	190,430
Total assets	1,544,349	333,007	555,662	739,794	2,189,641	2,288,671	2,584,857	10,235,981
Liabilities:								
Borrowings from central banks	–	1,344	–	–	–	–	–	1,344
Deposits and placements from banks and non-bank financial institutions	–	526,908	48,582	35,559	43,267	109,301	–	763,617
Financial liabilities at fair value through profit or loss	–	1,928	2,229	4,682	–	2,011	28	10,878
Financial assets sold under repurchase agreements	–	–	–	–	2,000	–	–	2,000
Deposits from customers	–	4,777,767	706,603	675,467	2,020,622	411,130	112	8,591,701
Debt securities issued								
— Certificates of deposit issued	–	–	861	996	4,642	4,844	612	11,955
— Bonds issued	–	–	–	2,868	–	–	–	2,868
— Subordinated bonds issued	–	–	–	–	–	–	79,894	79,894
Other liabilities	115	64,262	60,367	7,956	37,970	11,758	9,098	191,526
Total liabilities	115	5,372,209	818,642	727,528	2,108,501	539,044	89,744	9,655,783
Long/(short) position	1,544,234	(5,039,202)	(262,980)	12,266	81,140	1,749,627	2,495,113	580,198
Notional amount of derivatives:								
— Interest rate contracts	–	–	1,245	3,235	63,465	78,359	36,059	182,363
— Exchange rate contracts	–	–	125,871	124,851	380,157	14,965	10,928	656,772
— Precious metal contracts	–	–	2,030	–	–	–	–	2,030
— Equity instrument contracts	–	–	49	108	1,132	1,107	–	2,396
Total	–	–	129,195	128,194	444,754	94,431	46,987	843,561

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) *Remaining maturity analysis (continued)*

	As at 31 December 2009							
	Indefinite	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks	1,152,799	305,849	–	–	–	–	–	1,458,648
Deposits and placements with banks and non-bank financial institutions	83	34,450	23,651	20,613	33,241	11,342	–	123,380
Financial assets held under resale agreements	–	–	194,531	259,155	135,920	–	–	589,606
Loans and advances to customers	27,877	34,097	181,801	346,437	1,172,502	1,447,143	1,483,090	4,692,947
Investments								
– Financial assets at fair value through profit or loss	4,354	–	123	1,323	2,166	8,140	2,765	18,871
– Available-for-sale financial assets	34,786	–	16,523	58,777	285,746	148,149	107,499	651,480
– Held-to-maturity investments	2,926	–	17,305	58,048	425,461	546,935	358,198	1,408,873
– Debt securities classified as receivables	–	–	–	19,639	132,152	22,103	325,681	499,575
– Interests in associates and jointly controlled entities	1,791	–	–	–	–	–	–	1,791
Other assets	111,606	37,405	2,731	10,432	7,195	2,968	5,847	178,184
Total assets	1,336,222	411,801	436,665	774,424	2,194,383	2,186,780	2,283,080	9,623,355
Liabilities:								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	622,129	39,231	12,257	29,937	109,351	–	812,905
Financial liabilities at fair value through profit or loss	–	2,359	–	5,580	–	–	53	7,992
Deposits from customers	–	4,806,603	374,168	684,135	1,708,954	416,806	10,657	8,001,323
Debt securities issued								
– Certificates of deposit issued	–	–	1,241	3,774	4,760	6,113	5	15,893
– Bonds issued	–	–	–	–	2,863	–	–	2,863
– Subordinated bonds issued	–	–	–	–	–	–	79,888	79,888
Other liabilities	216	32,487	8,308	17,186	58,795	16,446	10,027	143,465
Total liabilities	216	5,463,584	422,948	722,932	1,805,309	548,716	100,630	9,064,335
Long/(short) position	1,336,006	(5,051,783)	13,717	51,492	389,074	1,638,064	2,182,450	559,020
Notional amount of derivatives:								
– Interest rate contracts	–	–	2,219	1,761	35,061	92,522	41,607	173,170
– Exchange rate contracts	–	–	84,519	73,773	337,413	3,464	11,662	510,831
– Precious metal contracts	–	–	1,244	–	–	–	–	1,244
– Equity instrument contracts	–	–	–	–	1,040	391	109	1,540
Total	–	–	87,982	75,534	373,514	96,377	53,378	686,785

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Remaining maturity analysis (continued)

The following tables provide an analysis of the assets and liabilities of the Bank based on the remaining periods to repayment as at the end of the reporting period:

	As at 30 June 2010							
	Indefinite	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks	1,367,761	227,611	–	–	–	–	–	1,595,372
Deposits and placements with banks and non-bank financial institutions	12	55,626	20,802	15,708	6,653	336	–	99,137
Financial assets held under resale agreements	–	–	187,930	22,117	47,302	–	–	257,349
Loans and advances to customers	37,773	22,021	170,060	357,258	1,366,991	1,511,646	1,665,647	5,131,396
Investments								
— Financial assets at fair value through profit or loss	–	–	17	535	11,991	11,109	4,756	28,408
— Available-for-sale financial assets	16,400	–	58,220	199,218	177,289	148,175	123,810	723,112
— Held-to-maturity investments	135	–	66,968	71,504	546,640	547,900	420,220	1,653,367
— Debt securities classified as receivables	–	–	39,028	66,937	3,487	21,267	326,988	457,707
— Investments in subsidiaries	8,985	–	–	–	–	–	–	8,985
Other assets	126,609	21,989	4,718	6,554	15,185	12,523	16,855	204,433
Total assets	1,557,675	327,247	547,743	739,831	2,175,538	2,252,956	2,558,276	10,159,266
Liabilities:								
Borrowings from central banks	–	1,344	–	–	–	–	–	1,344
Deposits and placements from banks and non-bank financial institutions	–	528,255	47,981	27,082	32,597	109,301	–	745,216
Financial liabilities at fair value through profit or loss	–	1,928	2,229	4,682	–	–	28	8,867
Financial assets sold under repurchase agreements	–	–	–	–	5,040	–	–	5,040
Deposits from customers	–	4,752,440	703,145	671,714	2,009,848	408,846	112	8,546,105
Debt securities issued								
— Certificates of deposit issued	–	–	861	231	4,894	3,717	607	10,310
— Bonds issued	–	–	–	2,998	–	–	–	2,998
— Subordinated bonds issued	–	–	–	–	–	–	79,894	79,894
Other liabilities	21	60,658	60,100	7,884	37,071	12,676	9,098	187,508
Total liabilities	21	5,344,625	814,316	714,591	2,089,450	534,540	89,739	9,587,282
Long/(short) position	1,557,654	(5,017,378)	(266,573)	25,240	86,088	1,718,416	2,468,537	571,984
Notional amount of derivatives:								
— Interest rate contracts	–	–	1,245	2,900	61,155	74,856	36,059	176,215
— Exchange rate contracts	–	–	95,937	99,442	334,163	14,938	10,928	555,408
— Precious metal contracts	–	–	2,030	–	–	–	–	2,030
— Equity instrument contracts	–	–	–	–	–	34	–	34
Total	–	–	99,212	102,342	395,318	89,828	46,987	733,687

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Remaining maturity analysis (continued)

	As at 31 December 2009							
	Indefinite	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash and deposits with central banks	1,152,594	302,776	–	–	–	–	–	1,455,370
Deposits and placements with banks and non-bank financial institutions	83	27,723	26,009	23,395	35,270	11,342	–	123,822
Financial assets held under resale agreements	–	–	193,631	259,155	135,920	–	–	588,706
Loans and advances to customers	27,447	33,520	176,277	345,682	1,160,784	1,423,558	1,458,756	4,626,024
Investments								
– Financial assets at fair value through profit or loss	–	–	–	864	1,452	5,238	2,697	10,251
– Available-for-sale financial assets	32,450	–	16,734	58,606	284,946	149,772	107,471	649,979
– Held-to-maturity investments	2,926	–	16,997	58,048	425,361	546,935	358,198	1,408,465
– Debt securities classified as receivables	–	–	–	19,639	132,152	22,103	325,681	499,575
– Investments in subsidiaries	8,816	–	–	–	–	–	–	8,816
Other assets	129,659	38,453	2,374	10,109	5,145	2,609	5,774	194,123
Total assets	1,353,975	402,472	432,022	775,498	2,181,030	2,161,557	2,258,577	9,565,131
Liabilities:								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	624,126	39,652	8,887	26,534	109,351	–	808,550
Financial liabilities at fair value through profit or loss	–	2,359	–	5,580	–	–	53	7,992
Financial assets sold under repurchase agreements	–	–	1,694	84	847	–	–	2,625
Deposits from customers	–	4,793,194	352,547	673,906	1,708,673	416,321	10,599	7,955,240
Debt securities issued								
– Certificates of deposit issued	–	–	1,195	4,567	4,076	5,664	–	15,502
– Bonds issued	–	–	–	–	2,993	–	–	2,993
– Subordinated bonds issued	–	–	–	–	–	–	79,888	79,888
Other liabilities	22	31,319	8,429	17,107	57,871	16,267	10,001	141,016
Total liabilities	22	5,451,004	403,517	710,131	1,800,994	547,603	100,541	9,013,812
Long/(short) position	1,353,953	(5,048,532)	28,505	65,367	380,036	1,613,954	2,158,036	551,319
Notional amount of derivatives:								
– Interest rate contracts	–	–	2,108	1,701	34,227	90,789	41,573	170,398
– Exchange rate contracts	–	–	70,253	66,540	272,910	3,450	11,662	424,815
– Precious metal contracts	–	–	1,244	–	–	–	–	1,244
– Equity instrument contracts	–	–	–	–	–	34	–	34
Total	–	–	73,605	68,241	307,137	94,273	53,235	596,491

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow (include both principal and interest) of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Group as at the balance sheet date. The expected cash flows on these instruments may vary significantly from this analysis.

	As at 30 June 2010						
	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Non-derivative financial liabilities:							
Borrowings from central banks	1,344	–	–	–	–	–	1,344
Deposits and placements from banks and non-bank financial institutions	526,925	48,598	35,639	43,699	122,231	–	777,092
Financial liabilities at fair value through profit or loss	1,928	2,229	4,682	1	2,014	32	10,886
Financial assets sold under repurchase agreements	–	–	–	2,000	–	–	2,000
Deposits from customers	4,777,937	707,368	676,931	2,040,323	432,509	119	8,635,187
Debt securities issued							
— Certificates of deposit issued	–	876	1,033	4,710	4,946	724	12,289
— Bonds issued	–	–	3,062	–	–	–	3,062
— Subordinated bonds issued	–	–	736	2,464	13,160	118,556	134,916
Other financial liabilities	28,291	1,483	373	2,031	1,212	514	33,904
Total liabilities	5,336,425	760,554	722,456	2,095,228	576,072	119,945	9,610,680
Loan commitments and credit card commitments	695,658	40,509	25,971	73,340	46,247	7,184	888,909
Maximum amount guaranteed by financial guarantees issued	–	115,360	53,425	185,713	187,859	174,467	716,824

The loan commitments and credit card commitments may expire without being drawn upon. Financial guarantees issued do not represent the amount to be paid.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	As at 31 December 2009						
	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Non-derivative financial liabilities:							
Borrowings from central banks	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	622,149	39,300	12,488	30,329	131,568	–	835,834
Financial liabilities at fair value through profit or loss	2,359	–	5,580	1	8	61	8,009
Deposits from customers	4,809,129	377,963	695,661	1,755,130	482,243	19,782	8,139,908
Debt securities issued							
– Certificates of deposit issued	–	1,255	3,786	4,838	6,171	5	16,055
– Bonds issued	–	–	23	2,916	–	–	2,939
– Subordinated bonds issued	–	–	1,504	1,696	12,800	120,420	136,420
Other financial liabilities	23,498	1,452	673	1,489	3,377	517	31,006
Total liabilities	5,457,141	419,970	719,715	1,796,399	636,167	140,785	9,170,177
Loan commitments and credit card commitments	648,295	41,554	16,680	40,256	32,448	9,050	788,283
Maximum amount guaranteed by financial guarantees issued	–	120,067	73,247	151,916	180,049	159,277	684,556

The following tables provide an analysis of the contractual undiscounted cash flow (include both principal and interest) of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Bank as at the balance sheet date. The expected cash flows on these instruments may vary significantly from this analysis.

	As at 30 June 2010						
	Repayable on demand	**Less than 1 month**	**Between 1 month and 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities:							
Borrowings from central banks	**1,344**	**–**	**–**	**–**	**–**	**–**	**1,344**
Deposits and placements from banks and non-bank financial institutions	**528,272**	**47,996**	**27,127**	**32,788**	**122,231**	**–**	**758,414**
Financial liabilities at fair value through profit or loss	**1,928**	**2,229**	**4,682**	**1**	**3**	**32**	**8,875**
Financial assets sold under repurchase agreements	**–**	**–**	**–**	**5,040**	**–**	**–**	**5,040**
Deposits from customers	**4,752,609**	**703,907**	**673,169**	**2,029,444**	**430,106**	**119**	**8,589,354**
Debt securities issued							
– Certificates of deposit issued	**–**	**873**	**258**	**4,948**	**3,807**	**720**	**10,606**
– Bonds issued	**–**	**–**	**3,193**	**–**	**–**	**–**	**3,193**
– Subordinated bonds issued	**–**	**–**	**736**	**2,464**	**13,160**	**118,556**	**134,916**
Other financial liabilities	**24,777**	**1,461**	**358**	**1,839**	**2,233**	**514**	**31,182**
Total liabilities	**5,308,930**	**756,466**	**709,523**	**2,076,524**	**571,540**	**119,941**	**9,542,924**
Loan commitments and credit card commitments	**695,658**	**19,755**	**24,867**	**71,960**	**45,971**	**7,184**	**865,395**
Maximum amount guaranteed by financial guarantees issued	**–**	**115,082**	**53,271**	**185,435**	**187,628**	**174,300**	**715,716**

The loan commitments and credit card commitments may expire without being drawn upon. Financial guarantees issued do not represent the amount to be paid.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	As at 31 December 2009						
	Repayable on demand	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Non-derivative financial liabilities:							
Borrowings from central banks	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	624,146	39,720	9,056	26,889	131,568	–	831,379
Financial liabilities at fair value through profit or loss	2,359	–	5,580	1	8	61	8,009
Financial assets sold under repurchase agreements	–	1,694	84	854	–	–	2,632
Deposits from customers	4,796,409	355,650	685,433	1,754,849	481,752	19,723	8,093,816
Debt securities issued							
– Certificates of deposit issued	–	1,209	4,578	4,151	5,718	–	15,656
– Bonds issued	–	–	24	3,049	–	–	3,073
– Subordinated bonds issued	–	–	1,504	1,696	12,800	120,420	136,420
Other financial liabilities	22,425	1,728	655	1,321	3,230	517	29,876
Total liabilities	5,445,345	400,001	706,914	1,792,810	635,076	140,721	9,120,867
Loan commitments and credit card commitments	648,295	21,289	15,664	37,227	32,054	9,050	763,579
Maximum amount guaranteed by financial guarantees issued	–	119,925	73,376	151,465	180,019	163,531	688,316

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events. The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, report, manage and control risks. The framework covers all business functions ranging from finance, accounting, credit, settlement, savings, treasury, intermediary business, application and management of information system, assets safeguard and legal compliance. This has allowed the Group to comprehensively identify and address the operational risk inherent in all key products, activities, processes and systems. Major operational risk management measures adopted by the Group include:

— improved the self-assessment of operational risk and internal control, identified and assessed key risk area and optimised measures of internal control; boosted business continuity management, set up emergency recovery plan for major production systems, conducted contingent drills and enhanced the bank wide emergency recovery ability;

— promoted the project for operational risk management of information systems; built up a standard platform for operational risk management throughout the Bank to achieve self-evaluation of operational risk and internal controls, and enhanced the interaction and application of the management tools of historical loss database and key risk indicators so as to support the operational risk management and decisions-making;

— established an internal reporting system for any staff misconduct which may adversely affect the Group's business. Under the system, statistics for staff misconduct are regularly reported to the Head Office, while significant incidents are required to be reported to the Head Office within 24 hours after such incidents are uncovered;

— amended and improved the internal control system on a continuous basis; enhanced staff training; implemented an accountability system to ensure compliance with policies and processes; as well as established relevant policies and procedures, in which the management is held responsible for any staff misconduct;

— strengthened business operational checks and balance between departments and different positions, as well as the centralised appointment and rotation of key personnel;

— developed a systematic authorisation management and business operational policies;

— backed-up data in the Group's key data processing system to minimise operational risks from an IT malfunction, and set up a computer disaster recovery centre to automatically back-up operational data;

— set up an anti-money laundering team within the Legal and Compliance Department to coordinate and monitor anti-money laundering activities, ensure the regulatory requirements of anti-money laundering are properly satisfied by verifying clients' identities, preserving clients' identity documents and transactions records, reporting money laundering transactions, suspicious transactions and transactions which potentially related to financing criminal activities, as well as conducting anti-money laundering training and publicity activities;

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(4) Operational risk (continued)

- enhanced the controls over operational risks arising from essential segments of business units; examined and monitored major risks affecting business units; and strengthened the content of controls and risk management for business units; and

- enhanced information system checks and security enforcement; examined and assessed information security risk; tested and evaluated graded protection security technology for key information systems; and conducted contingent drills for potential information system risk to ensure normal operation of network and information systems.

(5) Fair value

(a) *Financial assets*

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets at fair value through profit or loss, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, the carrying values of these financial assets approximate the fair values.

Financial assets at fair value through profit or loss and available-for-sale financial assets are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of held-to-maturity investments and the debt securities classified as receivables which are not presented in the statement of financial position at their fair values.

	As at 30 June 2010		As at 31 December 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Group				
Held-to-maturity investments	**1,653,955**	**1,672,003**	1,408,873	1,420,608
Debt securities classified as receivables	**457,707**	**439,025**	499,575	473,719
Bank				
Held-to-maturity investments	**1,653,367**	**1,671,415**	1,408,465	1,420,200
Debt securities classified as receivables	**457,707**	**439,025**	499,575	473,719

(b) *Financial liabilities*

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except for subordinated bonds issued, which are shown as follows:

	As at 30 June 2010		As at 31 December 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Subordinated bonds issued	**79,894**	**80,865**	79,888	75,816

(6) Capital management

The Group's capital management comprises the management of the capital adequacy ratio, capital financing, and economic capital, of which the prime focus is capital adequacy ratio management. The Group calculates capital adequacy ratio in accordance with the guidelines issued by the CBRC. The capital of the Group is analysed into core capital and supplementary capital.

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

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

The Group predicts, plans, and manages the capital adequacy ratio by using scenario models and stress tests based on its strategic development plans, business expansion needs, and risk exposure trends.

(Expressed in millions of Renminbi, unless otherwise stated)

57 RISK MANAGEMENT (continued)

(6) Capital management (continued)

Capital allocation

Maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular businesses or activities. Account is also taken of synergies with other businesses and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The amount of capital allocated to each business or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles. The process of allocating capital to specific businesses and activities is undertaken by the ALM.

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at the end of the reporting periods are as follows:

	Note	30 June 2010	31 December 2009
Core capital adequacy ratio	(a)	**9.27%**	9.31%
Capital adequacy ratio	(b)	**11.68%**	11.70%
Core capital:			
— Share capital		**233,689**	233,689
— Capital reserve, investment revaluation reserve and exchange reserve	(c)	**82,561**	82,427
— Surplus reserve and general reserve		**98,690**	84,227
— Retained earnings	(c),(d)	**112,056**	87,564
— Non-controlling interests		**3,872**	3,545
		530,868	491,452
Supplementary capital:			
— General provision for doubtful debts		**53,645**	48,463
— Positive changes in fair value of financial instruments at fair value through profit or loss		**9,580**	10,815
— Subordinated bonds issued		**80,000**	80,000
		143,225	139,278
Total capital base before deductions		**674,093**	630,730
Deductions:			
— Goodwill		**(1,574)**	(1,590)
— Unconsolidated equity investments		**(12,389)**	(8,903)
— Others	(e)	**(2,369)**	(12,004)
		(16,332)	(22,497)
Net capital		**657,761**	608,233
Risk-weighted assets	(f)	**5,631,214**	5,197,545

(a) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by risk-weighted assets.

(b) Capital adequacy ratio is calculated by dividing net capital by risk-weighted assets.

(c) The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.

(d) The dividend proposed after the reporting period has been deducted from retained earnings.

(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.

(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

58 EVENTS AFTER THE REPORTING PERIOD

The Board resolved on 29 April 2010 the rights issue of A shares and H shares, in order to strengthen the capital base of the Bank. The expected gross proceeds from the rights issue will be no more than RMB75 billion. The Board resolution of the rights issue of A shares and H shares were approved by the 2009 Annual General Meeting on 24 June 2010. The Bank has received the reply from the CBRC which approved in principle the proposed rights issue of A shares and H shares of the Bank. The Bank will proceed to other application procedures with domestic and overseas regulatory authorities in accordance with relevant laws and regulations.

59 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current period.

60 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the interim financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2010 and which have not been adopted in the interim financial statements.

IFRIC 19, *Extinguishing Financial liabilities with Equity Instruments*;

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;

Improvements to IFRSs 2010 — various standards;

IAS 24, *Related Party Disclosures* (revised 2009);

Amendments to IFRIC 14: IAS 19 — The limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction;

IFRS 9, *Financial instruments*.

The Group is in the process of making assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, *Financial instruments*, which may have an impact on the Group's results and financial position.

(Expressed in millions of Renminbi, unless otherwise stated)

The following information of the Group does not form part of the interim financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2010 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the six months ended 30 June 2010 or total equity as at 30 June 2010 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP respectively.

2 LIQUIDITY RATIOS

	30 June 2010	**Average for the six months ended 30 June 2010**	31 December 2009	Average for the year ended 31 December 2009
RMB current assets to RMB current liabilities	**51.36%**	**50.52%**	49.63%	48.20%
Foreign currency current assets to foreign currency current liabilities	**54.20%**	**58.58%**	61.86%	95.18%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

3 CURRENCY CONCENTRATIONS

	As at 30 June 2010			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**305,191**	**129,473**	**51,755**	**486,419**
Spot liabilities	**(233,937)**	**(116,593)**	**(59,129)**	**(409,659)**
Forward purchases	**280,738**	**21,239**	**51,768**	**353,745**
Forward sales	**(347,702)**	**(16,630)**	**(48,596)**	**(412,928)**
Net long/(short) position	**4,290**	**17,489**	**(4,202)**	**17,577**
Net structural position	**24**	**165**	**130**	**319**

	As at 31 December 2009			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	261,575	136,801	35,768	434,144
Spot liabilities	(206,074)	(116,857)	(38,038)	(360,969)
Forward purchases	216,426	22,873	35,663	274,962
Forward sales	(270,310)	(15,499)	(43,191)	(329,000)
Net long/(short) position	1,617	27,318	(9,798)	19,137
Net structural position	67	127	157	351

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include: (i) investments in property and equipment, net of accumulated depreciation; (ii) capital and statutory reserves of overseas branches; and (iii) investments in overseas subsidiaries and related companies.

(Expressed in millions of Renminbi, unless otherwise stated)

4 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 30 June 2010			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**14,587**	**922**	**64,161**	**79,670**
— of which attributed to Hong Kong	**7,782**	**98**	**44,522**	**52,402**
Europe	**8,976**	**—**	**25,289**	**34,265**
North and South America	**35,837**	**1,570**	**17,273**	**54,680**
	59,400	**2,492**	**106,723**	**168,615**

	As at 31 December 2009			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	15,236	1,360	72,457	89,053
— of which attributed to Hong Kong	6,263	685	47,916	54,864
Europe	10,160	156	4,829	15,145
North and South America	47,246	2,288	23,462	72,996
	72,642	3,804	100,748	177,194

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	30 June 2010	31 December 2009
Bohai Rim	**11,324**	12,816
Yangtze River Delta	**11,130**	12,184
Central	**8,434**	9,555
Pearl River Delta	**6,198**	6,979
Western	**5,934**	6,949
Northeastern	**4,026**	5,241
Head office	**1,623**	1,587
Overseas	**317**	385
Total	**48,986**	55,696

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

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

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR (continued)

As at 30 June 2010, the amounts of the above overdue loans and advances that were subject to individual assessment and collective assessment for impairment are RMB42,219 million and RMB6,767 million respectively (as at 31 December 2009: RMB47,075 million and RMB8,621 million respectively). The covered portion and not covered portion of these individually assessed loans and advances were RMB4,823 million and RMB37,396 million respectively (as at 31 December 2009: RMB6,459 million and RMB40,616 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB5,137 million (as at 31 December 2009: RMB6,763 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB36,169 million (as at 31 December 2009: RMB39,358 million).

6 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2010, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Definitions

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

"Bank"	China Construction Bank Corporation
"Bank of America"	Bank of America Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"Fullerton Financial"	Fullerton Financial Holdings Pte Ltd
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as "will", "may", "expect", "try", "strive", and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government's adjustment and control policies and in laws and regulations, and factors specific to the Group.