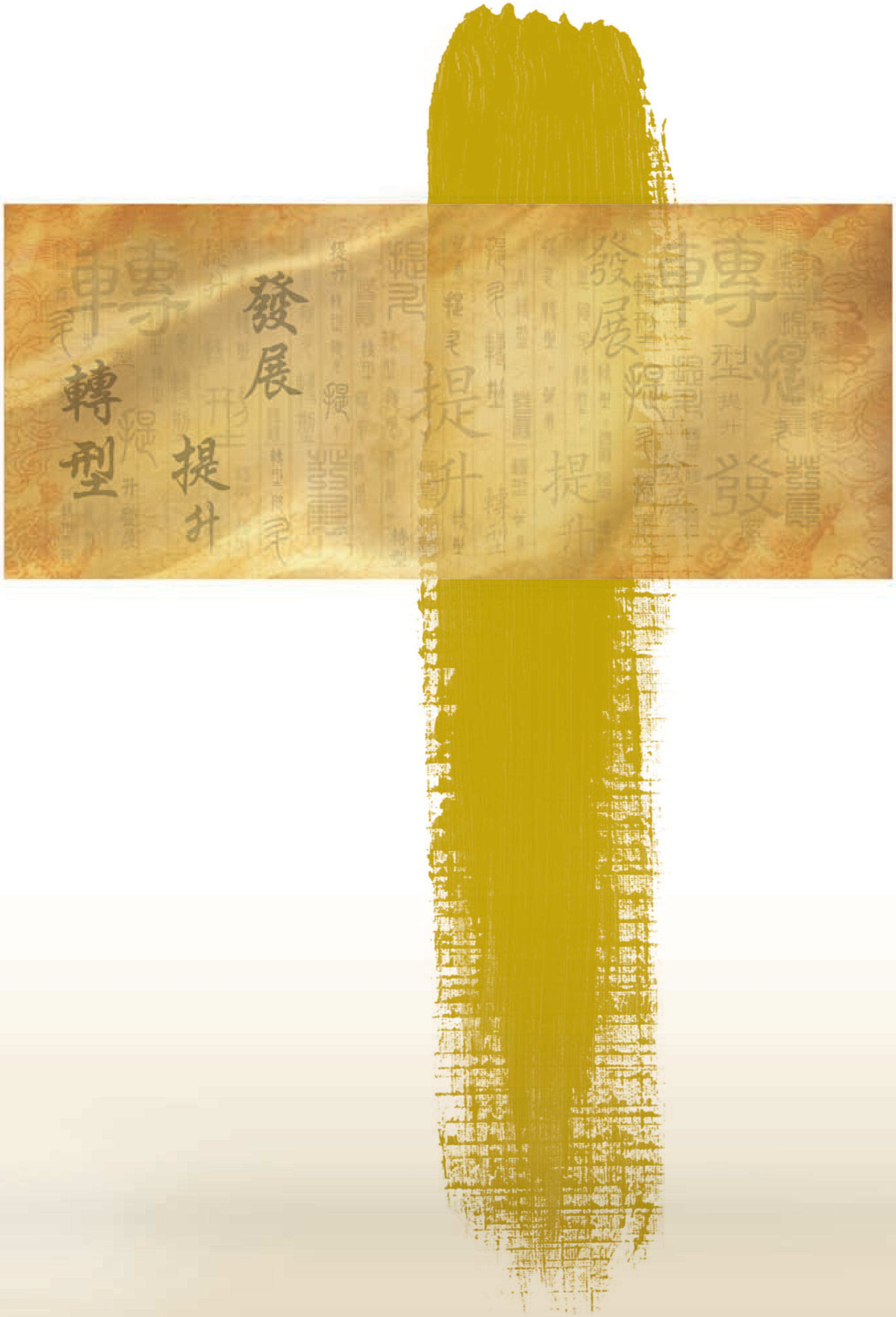
中信银行
CHINA CITIC BANK

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2011 Interim Report



Transform

Upgrade

Develop

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FINANCIAL Highlights

Operating Performance

Unit: RMB million

	January to June 2011	January to June 2010	Growth rate (%)
Operating income	**35,335**	25,567	38.21
Total profit	**20,326**	14,281	42.33
Net profit attributable to shareholders of the Bank	**15,024**	10,685	40.61
Net operating cash flow	**7,491**	11,529	(35.02)
Per share			
Basic earnings per share *(RMB)*	**0.38**	0.27	40.61
Diluted earnings per share *(RMB)*	**0.38**	0.27	40.61
Net operating cash flow per share *(RMB)*	**0.19**	0.30	(35.02)

Profitability Indicators

	January to June 2011	January to June 2010	Increase/ decrease
Return on average assets (ROAA)	**1.41%**	1.17%	0.24
Return on average equity (ROAE, excluding minority interests)	**23.54%**	20.09%	3.45
Cost-to-income ratio	**30.36%**	30.46%	(0.10)
Credit cost	**0.29%**	0.29%	—
Net interest spread	**2.76%**	2.51%	0.25
Net interest margin	**2.89%**	2.60%	0.29

Scale Indicators

Unit: RMB million

	30 June 2011	31 December 2010	Growth rate (%)
Total assets	**2,245,218**	2,081,314	7.88
Total loans and advances to customers	**1,354,819**	1,264,245	7.16
Total liabilities	**2,105,561**	1,956,776	7.60
Total deposits from customers	**1,873,227**	1,730,816	8.23
Total equity attributable to shareholders of the Bank	**135,116**	120,175	12.43
Net asset value per share attributable to shareholders of the Bank *(RMB)*	**3.46**	3.08	12.43

Asset Quality Indicators

Unit: RMB million

	30 June 2011	31 December 2010	Growth rate (%)/ increase/ decrease
Performing loans	**1,346,384**	1,255,712	7.22
Non-performing loans	**8,435**	8,533	(1.15)
Provisions for loan impairment	**20,095**	18,219	10.30
NPL ratio	**0.62%**	0.67%	(0.05)
Provision coverage ratio	**238.23%**	213.51%	24.72
Allowance for loan impairment losses to total loans ratio	**1.48%**	1.44%	0.04

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

Capital Adequacy Indicators

	30 June 2011	31 December 2010	Increase/ decrease
Capital adequacy ratio	**11.40%**	11.31%	0.09
Core capital adequacy ratio	**8.87%**	8.45%	0.42
Total equity to total assets ratio	**6.22%**	5.98%	0.24

CORPORATE Information

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

Place Where Interim Report is Kept:	Board Office, CNCB
Legal Advisor as to PRC laws:	King & Wood PRC Lawyers (Beijing)
Legal Advisor as to Hong Kong laws:	Freshfields Bruckhaus Deringer
PRC Auditor:	KPMG Huazhen Accounting Firm 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
International Auditor:	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai, China
H-share Registrar:	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Places Where Shares are Listed, Stock Name and Stock Code:	A-share Shanghai Stock Exchange CNCB 601998 H-share The Stock Exchange of Hong Kong Limited CITIC Bank 0998
Date of First Registration:	20 April 1987
Date of Changing Registration:	31 December 2006
Authority of First Registration and Changing Registration:	State Administration for Industry & Commerce, PRC
Registration Number of Business License:	100000000006002
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

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

Report of the

BOARD OF DIRECTORS

Economic, Financial and Regulatory Environment

In the first half of 2011, given the uncertainties in geographical politics, spreading European debt crisis, soaring bulk commodity prices and frequent occurrence of natural hazards in the world, developed economies such as the United States, Europe and Japan recovered slowly and the instabilities and uncertainties in economic development were on the rise. The global financial markets experienced even more significant fluctuation due to the large scale of cross-border capital flow of major emerging economies and developing countries and the rising risks from the economic overheating. Some countries have begun their tightening monetary policies to tame the increasingly intensive pressure of worldwide inflation.

In the face of the complicated and volatile international situation and the new issues in the domestic economy, the Party Central committee and the State Council insisted on implementing proactive fiscal policies and prudent monetary policies, continuously strengthened and improved the macro-economic control policy. In the first half of 2011, the overall economic operation in China was sound and headed on the right track to realize the expectation of macro-economic control. In the first half of 2011, the gross domestic product (GDP) amounted to RMB20,445.9 billion, representing a year-on-year increase of 9.6%. The total investment in China increased at a relatively fast pace and the fixed asset investment amounted to RMB12,456.7 billion, up by 25.6% as compared with the same period of the previous year. Market sales rose steadily and the aggregate retail sales of social consumer goods was RMB8,583.3 billion, with a growth rate of 16.8% as compared with the same period of the previous year. The total foreign trade volume grew fast and reached USD1,703.67 billion, representing a year-on-year growth of 25.8%, while the trade surplus narrowed down to USD44.93 billion, representing a year-on-year decrease of 18.2%. The consumer price continued to surge, with food price rising by a large margin. In the first half of 2011, the consumer price index (CPI) increased by 5.4% year on year and the producer's price index (PPI) increased by 7% year on year.

China's financial industry continued to operate in a prudent manner. As at 30 June 2011, M2 money supply in China was RMB78.08 trillion, up by 15.9% year on year; and M1 money supply was RMB27.47 trillion, up by 13.1% year on year; the total balance of RMB loans issued by financial institutions was RMB51.40 trillion, up by 16.9% year on year and the total balance of deposits was RMB78.64 trillion, up by 17.6% year on year. The exchange rate of RMB continued to appreciate. As at 30 June, the parity price of the exchange rate of RMB against USD was RMB6.4716, appreciating by 151 basis points as compared with the end of the previous year. The stock market tumbled down, with the Shanghai Composite Index closing at 2,762.08 as at 30 June, decreased by 46 points as compared with the end of the previous year. Benefiting from the steady growth in asset scale, the continuous optimization of business structure and the improved interest spreads and effective control on cost, the banking industry in China realized a fast growth in net profit and maintained a stable quality of loans.

In accordance with the requirements of the national industry policies and macro-economic control policy, the CBRC fully performed its role of guidance and leverage as regulatory instrument by enhancing industry guidance and risk warning and introducing post-event evaluation mechanism. Apart from supervising the implementation of "Three Measures and One Guideline" by the banking industry, the CBRC scientifically introduced new standards related to banking regulation reform proposed by the Basel Committee so as to further reform and improve the system of regulatory indicators. All abovementioned measures played a positive role in promoting the development and transformation of banking industry and accelerating the organic coordination of speed and structure, quality and profit in the development of domestic economy.

At present, the economic environment at home and abroad is still uneven and complicated, evidenced by the hiking CPI. However, as macro-economic control policies kick in and better balance has achieved among the stable and fast economic development, economic restructuring and the management of inflation, it is expected that the domestic economy will maintain its steady growth and the inflation will become stable in the second half of the year.

Analysis of Financial Statements

Overview

In the first half of 2011, the Group proactively tackled with the adjustment and changes in the macro-economic environment and regulatory policies. Adhering to the guiding principle of "transform, upgrade and develop", the Group's businesses maintained the healthy and coordinated development with its credit scale, loan-to-deposit ratio and capital adequacy ratio up to the regulatory requirements. The economic efficiency witnessed a significant increase, the business scale realized a steady expansion and the assets maintained good quality.

In the first half of 2011, the Group realized a net profit attributable to the Bank's shareholders of RMB15.024 billion, an increase of RMB4.339 billion or 40.61% year on year. The Group's net interest income was RMB29.806 billion, an increase of RMB7.443 billion or 33.28% year on year. The Group's net interest margin reached 2.89%, an increase of 0.29 percentage point year on year, of which the net interest margin of the Bank was 3.00%, an increase of 0.34 percentage point year on year. The Group's net non-interest income was RMB5.529 billion, an increase of RMB2.325 billion or 72.57% year on year.

As at the end of the reporting period, the Group's total assets reached RMB2,245.218 billion, up by RMB163.904 billion or 7.88% compared with the end of the previous year, of which the total loans and advances reached RMB1,354.819 billion, up by RMB90.574 billion or 7.16% compared with the end of the previous year. The Group's total liabilities amounted to RMB2,105.561 billion, up by RMB148.785 billion or 7.60% compared with the end of the previous year, of which the total deposits from customers amounted to RMB1,873.227 billion, up by RMB142.411 billion or 8.23% compared with the end of the previous year.

As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) was RMB8.435 billion, a decrease of RMB98 million or 1.15% compared with the end of the previous year; the NPL ratio was 0.62%, a decrease of 0.05 percentage point compared with the end of the previous year; the provision coverage ratio was 238.23%, an increase of 24.72 percentage points compared with the end of the previous year.

Income Statement Analysis

Unit: RMB million

	January to June 2011	January to June 2010	Increase/ decrease	Growth rate (%)
Net interest income	**29,806**	22,363	7,443	33.28
Net non-interest income	**5,529**	3,204	2,325	72.57
Operating income	**35,335**	25,567	9,768	38.21
Operating expense	**(13,159)**	(9,483)	3,676	38.76
Asset impairment loss	**(1,929)**	(1,824)	105	5.76
Profit before taxation	**20,326**	14,281	6,045	42.33
Income tax	**(5,053)**	(3,442)	1,611	46.80
Net profit	**15,273**	10,839	4,434	40.91
Including: attributable to				
shareholders of the Bank	**15,024**	10,685	4,339	40.61
minority interests	**249**	154	95	61.69

Net Interest Income

The Group's net interest income was affected by the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, as well as the difference between the average balances of interest-earning assets and the interest-bearing liabilities. In the first half of 2011, the Group realized a net interest income of RMB29.806 billion, increased by RMB7.443 billion or 33.28% year on year. The increase in net interest income was mainly due to the continuous increase of net interest margin and the continuous expansion of interest-earning assets.

The table below shows the average balances and the average interest rates of the Group's interest-earning assets and interest-bearing liabilities:

Unit: RMB million

	January to June 2011			January to June 2010			2010		
	Average balance	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets									
Loans and advances to customers	**1,306,515**	**37,310**	**5.76**	1,141,362	27,780	4.91	1,176,711	58,820	5.00
Investment in debt securities	**241,537**	**3,510**	**2.93**	209,415	2,770	2.67	224,614	6,016	2.68
Deposits with Central Bank	**278,531**	**2,022**	**1.46**	212,346	1,464	1.39	225,305	3,164	1.40
Deposits and placements with banks and non-bank financial institutions	**133,625**	**2,064**	**3.11**	76,679	411	1.08	100,653	1,609	1.60
Amounts under resale agreements	**116,093**	**2,700**	**4.69**	94,312	1,055	2.26	100,876	2,840	2.82
Others (1)	**—**	**10**	**—**	1,326	8	1.22	1,185	11	0.93
Subtotal	**2,076,301**	**47,616**	**4.62**	1,735,440	33,488	3.89	1,829,344	72,460	3.96
Interest-bearing liabilities									
Deposits from customers	**1,708,604**	**13,992**	**1.65**	1,422,946	9,190	1.30	1,515,841	20,143	1.33
Deposits and placements from banks and non-bank financial institutions	**171,605**	**2,835**	**3.33**	163,503	1,416	1.75	155,363	2,969	1.91
Amounts under repurchase agreements	**5,840**	**127**	**4.39**	2,924	14	0.97	2,809	46	1.64
Others (2)	**46,127**	**856**	**3.74**	29,465	505	3.46	36,011	1,167	3.24
Subtotal	**1,932,176**	**17,810**	**1.86**	1,618,838	11,125	1.38	1,710,024	24,325	1.42
Net interest income		**29,806**			22,363			48,135	
Net interest spread (3)			**2.76**			2.51			2.54
Net interest margin (4)			**2.89**			2.60			2.63

Notes:
(1) Mainly attributable to the recovered interests of loans written off by subsidiaries in the reporting period.
(2) Including debt securities payable and trading financial liabilities.
(3) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.
(4) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The changes in the Group's net interest income due to the alteration of the scale and interest rates are shown in the following table. The changes caused by the combined influence of scale factor and interest rate factor are also reflected in the alteration of the interest rate.

Unit: RMB million

	January to June 2011 compared with the same period of 2010		
	Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	4,021	5,509	9,530
Investment in debt securities	425	315	740
Deposits with Central Bank	456	102	558
Deposits and placements with banks and non-bank financial institutions	305	1,348	1,653
Amounts under resale agreements	244	1,401	1,645
Others	(8)	10	2
Changes in interest income	5,443	8,685	14,128
Liabilities			
Deposits from customers	1,842	2,960	4,802
Deposits and placements from banks and non-bank financial institutions	70	1,349	1,419
Amounts under repurchase agreements	14	99	113
Others	286	65	351
Changes in interest expense	2,212	4,473	6,685
Changes in net interest income	3,231	4,212	7,443

Net Interest Margin and Net Interest Spread

In the first half of 2011, the Group's net interest margin was 2.89%, up by 0.29 percentage point year on year, while the net interest spread was 2.76%, up by 0.25 percentage point year on year. Apart from the influence of interest rate rise, the increase in net interest margin and net interest spread was also attributable to the Group's proactive adoption of the following measures: (1) enhancing interest rate pricing management, adopting measures such as actively guiding interest rate pricing by allocation of resources, giving more weights to the interest rate pricing evaluation, developing "target-oriented management" for loan pricing of main business lines, which enhanced the level of delicacy management of interest rate pricing; (2) adjusting business structure in a proactive manner and accelerating the expansion of high-profit businesses, including small business financing, supply chain financing, consumer credit and credit card, etc.

Interest Income

In the first half of 2011, the Group realized an interest income of RMB47.616 billion, increased by RMB14.128 billion or 42.19% year on year. The growth of interest income was primarily due to the increase in the average yield of interest-earning assets and the scale expansion of interest-earning assets. The average yield of the Group's interest-earning assets increased to 4.62% in the first half of 2011 from 3.89% in the first half of 2010, up by 0.73 percentage point. The average balance of interest-earning assets increased to RMB2,076.301 billion in the first half of 2011 from RMB1,735.440 billion in the first half of 2010, up by RMB340.861 billion or 19.64%.

Interest Income from Loans and Advances to Customers

The income from loans and advances to customers was always the biggest part of the interest income of the Group. In the first half of 2011 and the first half of 2010, the income from loans and advances to customers accounted for 78.36% and 82.96% of the Group's total interest income respectively.

The following table shows the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the reporting period:

Classification by Term Structure

Unit: RMB million

	January to June 2011		
	Average balance	Interest income	Average yield (%)
The Bank			
Short-term loans	629,539	19,522	6.25
Including: Discounted bills	40,287	1,319	6.60
Long and medium-term loans	591,816	16,566	5.64
Loans overdue	6,141	201	6.60
Subtotal	1,227,496	36,289	5.96
Overseas businesses	79,019	1,021	2.61
Total	1,306,515	37,310	5.76

Classification by Business Category

Unit: RMB million

	January to June 2011			January to June 2010			2010		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
The Bank									
Corporate loans	975,346	29,184	6.03	858,471	22,112	5.19	879,963	46,466	5.28
Discounted bills	40,287	1,319	6.60	59,156	880	3.00	54,886	1,965	3.58
Personal loans	211,863	5,786	5.51	155,209	3,815	4.96	170,291	8,420	4.94
Subtotal	1,227,496	36,289	5.96	1,072,836	26,807	5.04	1,105,140	56,851	5.14
Overseas businesses	79,019	1,021	2.61	68,526	973	2.86	71,571	1,969	2.75
Total loans to customers	1,306,515	37,310	5.76	1,141,362	27,780	4.91	1,176,711	58,820	5.00

In the first half of 2011, the Group's interest income from loans and advances to customers reached RMB37.310 billion, up by RMB9.530 billion or 34.31% year on year.

The Bank's interest income from loans and advances to customers amounted to RMB36.289 billion, up by RMB9.482 billion or 35.37% year on year, which was mainly due to the increase in the average yield of loans by 0.92 percentage point and the increase in the average balance by RMB154.660 billion as well. The increase in average yield of loans was primarily due to the following reasons: (1) the Bank reasonably foresaw the movements of interest rates, guided the whole bank to shorten the cycle for loan repricing in an active and timely manner through FTP and increased the lending interest rate following a series of interest rate rises by the Central Bank since October 2010; (2) the Bank optimized the loan structure in a proactive manner and gradually expanded the scale of high-yield loans.

The interest income from loans and advances to customers contributed by the Bank's overseas subsidiaries was RMB1.021 billion, up by RMB48 million or 4.93% year on year.

Interest Income from Investment in Debt Securities

In the first half of 2011, the Group's interest income from investment in debt securities reached RMB3.510 billion, up by RMB740 million or 26.71% year on year, which was primarily due to the increase in the average balance by RMB32.122 billion and the growth in the yield of investment in debt securities by 0.26 percentage point. The increase in the average balance is due to the Group's more flexible operation of the non-credit assets and the scale expansion of investment in debt securities amid the operating environment where the loan growth in banking industry was slowed down. The growth in the yield of investment in debt securities is mainly due to the growth of market yield thanks to the tightening macro-economic control policies.

Interest Income from Deposits with Central Bank

In the first half of 2011, the Group's interest income from deposits with Central Bank amounted to RMB2.022 billion, representing an increase of RMB558 million or 38.11% year on year. This was primarily due to the increase of deposits from customers and six rounds of increase of deposit reserve ratio by the Central Bank in the first half of 2011, which resulted in the significant increase of statutory deposit reserve and the increase in the average balance of deposits with Central Bank by RMB66.185 billion or 31.17% year on year. Meanwhile, due to the decrease in the proportion of the average balance of surplus reserve, the average yield of deposits with the Central Bank increased from 1.39% in the first half of 2010 to 1.46% in the first half of 2011.

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

In the first half of 2011, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB2.064 billion, up by RMB1.653 billion or 402.19% year on year, which was mainly due to the reason that the average yield of deposits and placements with banks and non-bank financial institutions grew by 2.03 percentage points and the average balance increased by RMB56.946 billion. In the first half of 2011, by taking advantage of the hike in the interbank deposit rate and offered rate, with an intention of ensuring liquidity, the Bank improved the operating efficiency of its working capital, which promoted the growth of the average balance as well as a large increase in average yield.

Interest Income from Amounts under Resale Agreements

In the first half of 2011, the Group's interest income from amounts under resale agreements was RMB2.7 billion, increasing by RMB1.645 billion or up by 155.92% year on year. The main reason is that the average yield of amounts under resale agreements raised from 2.26% in the first half of 2010 to 4.69% in the first half of 2011, or an increase of 2.43 percentage points, and the average balance increased by RMB21.781 billion.

Interest Expense

In the first half of 2011, the Group's interest expense was RMB17.810 billion, up by RMB6.685 billion or 60.09% year on year. The increase in interest expense was primarily due to the increased average cost rate of interest-bearing liabilities and the further scale expansion of interest-bearing liabilities resulted from the various measures adopted by the Group to promote the development of their interest-bearing liabilities business.

The average cost rate of the Group's interest-bearing liabilities increased to 1.86% in the first half of 2011 from 1.38% in the first half of 2010, up by 0.48 percentage point. The average balance of interest-bearing liabilities increased to RMB1,932.176 billion in the first half of 2011 from RMB1,618.838 billion in the first half of 2010, up by RMB313.338 billion or 19.36%.

Interest Expense on Deposits from Customers

Deposits from customers have always been the primary funding source of the Group. In the first half of 2011 and the first half of 2010, the interest expense on deposits from customers accounted for 78.56% and 82.61% of the Group's total interest expense respectively.

The table below shows the average balances, interest expenses and average cost rates of corporate deposits and personal deposits of the Group classified by product type during the reporting period:

Unit: RMB million

	January to June 2011			January to June 2010			2010		
	Average balance	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
The Bank									
Corporate deposits									
Time deposits	**684,949**	**9,024**	**2.66**	545,057	5,585	2.07	583,987	12,209	2.09
Demand deposits	**684,668**	**2,455**	**0.72**	589,180	1,841	0.63	625,533	4,054	0.65
Subtotal	**1,369,617**	**11,479**	**1.69**	1,134,237	7,426	1.32	1,209,520	16,263	1.34
Personal deposits									
Time deposits	**181,122**	**2,009**	**2.24**	153,404	1,474	1.94	161,129	3,129	1.94
Demand deposits	**62,330**	**135**	**0.44**	48,614	87	0.36	52,206	190	0.36
Subtotal	**243,452**	**2,144**	**1.78**	202,018	1,561	1.56	213,335	3,319	1.56
Total for the Bank	**1,613,069**	**13,623**	**1.70**	1,336,255	8,987	1.36	1,422,855	19,582	1.38
Overseas businesses	**95,535**	**369**	**0.78**	86,691	203	0.47	92,986	561	0.60
Total deposits from customers	**1,708,604**	**13,992**	**1.65**	1,422,946	9,190	1.30	1,515,841	20,143	1.33

In the first half of 2011, the Group's interest expense on deposits from customers reached RMB13.992 billion, up by RMB4.802 billion or 52.25% year on year.

The Bank's interest expense on deposits from customers reached RMB13.623 billion, up by RMB4.636 billion or 51.59% year on year, which was mainly due to the increase of 0.34 percentage point in average cost rate of deposits from customers and the increase in average balance of deposits from customers by RMB276.814 billion. The increase in average cost rate of deposits from customers was primarily due to the following reasons: (1) the Central Bank had raised the benchmark interest rate for deposits from customers for four consecutive times since October in 2010. With the customer deposit interest rate repricing adjustment completed gradually, the effect of the interest rate hikes by the Central Bank became prominent; (2) the consecutive interest rate rises by the Central Bank resulted in the increase of term deposits from customers. The proportion of average balance of time deposits increased from 52.27% in the first half of 2010 to 53.69% in the first half of 2011.

The interest expense on deposits from overseas subsidiaries amounted to RMB369 million, up by RMB166 million or 81.77% year on year.

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

In the first half of 2011, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was RMB2.835 billion, up by RMB1.419 billion or 100.21% compared with the same period of the previous year, which was largely due to the rise in average cost rate of deposits and placements from banks and non-bank financial institutions from 1.75% to 3.33%, up by 1.58 percentage points, and the increase of RMB8.102 billion in the average balance. The rise of the average cost rate was primarily attributable to the tightening monetary policies and the ascending interbank offered rate.

Interest Expense on Other Borrowed Funds

In the first half of 2011, the Group's interest expense on other borrowed funds reached RMB856 million, up by RMB351 million or 69.50% compared with the same period of the previous year, which was largely due to the increase in the scale of debt securities issued by the Group.

Net Non-Interest Income

In the first half of 2011, the Group continued to improve the intermediary business management system, reinforce the work of the Bank's Intermediary Business Development Committee and that of the Sales and Marketing Committee, promote the establishment of 7 specialized marketing platforms, including international business, treasury and capital market business, investment banking business, custody business, credit card business, wealth management business and private banking business. The Bank, for the first time, carried out an appraisal of planned income of intermediary business for main business lines and also provided dedicated funding support, which resulted in the sustainable and rapid growth of net non-interest income.

In the first half of 2011, the Group realized a net non-interest income of RMB5.529 billion, up by RMB2.325 billion or 72.57% year on year. The proportion of the Group's net non-interest income to its operating income increased to 15.65%, up by 3.12 percentage points year on year.

Unit: RMB million

	January to June 2011	January to June 2010	Increase/ decrease	Growth rate (%)
Net fee and commission income	**3,898**	2,529	1,369	54.13
Net gain from trading	**1,029**	430	599	139.30
Net gain from investment securities	**110**	71	39	54.93
Net (loss) from arbitrage	**(1)**	(1)	—	—
Income from other businesses	**493**	175	318	181.71
Total net non-interest income	**5,529**	3,204	2,325	72.57

Net Fee and Commission Income

In the first half of 2011, the Group realized a net fee and commission income of RMB3.898 billion, representing an increase of RMB1.369 billion or 54.13% year on year, of which the fee and commission income amounted to RMB4.212 billion, registering a growth of 50.37% year on year. This growth was primarily due to the Group's vigorous development of intermediary business and the faster growth in items such as consulting and advisory fees, bank card fees, settlement fees, guarantee fees, agency fees and custody and other trusted service commissions.

Unit: RMB million

	January to June 2011	January to June 2010	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Consulting and advisory fees	**1,324**	963	361	37.49
Bank card fees	**942**	649	293	45.15
Settlement fees	**819**	486	333	68.52
Guarantee fees	**392**	170	222	130.59
Agency fees	**319**	211	108	51.18
Wealth management fees	**262**	232	30	12.93
Custody and other trusted services commission	**150**	78	72	92.31
Others	**4**	12	(8)	(66.67)
Subtotal	**4,212**	2,801	1,411	50.37
Fees and commission expenses	**(314)**	(272)	42	15.44
Net fee and commission income	**3,898**	2,529	1,369	54.13

Net Gain from Trading

The Group's net gain from trading in the first half of 2011 was RMB1.029 billion, a year-on-year increase of RMB599 million, or 139.30%, which was mainly due to the increase in the trade volume of foreign currency exchange settlement and sale during the reporting period.

Unit: RMB million

	January to June 2011	January to June 2010	Increase/ decrease	Growth rate (%)
Net gain from foreign exchange trading	**909**	269	640	237.92
Debt securities	**2**	51	(49)	(96.08)
Derivatives	**115**	156	(41)	(26.28)
Investment fund	**1**	(24)	25	—
Financial liabilities measured at fair value through profit or loss	**2**	(22)	24	—
Net gain from trading	**1,029**	430	599	139.30

Loss on Asset Impairment

Unit: RMB million

	January to June 2011	January to June 2010	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	**1,916**	1,671	245	14.66
Off-balance sheet credit assets	**51**	83	(32)	(38.55)
Others (Note)	**(38)**	70	(108)	—
Total asset impairment losses	**1,929**	1,824	105	5.76

Note: Including the impairment losses of debt assets and other assets.

In the first half of 2011, the Group's asset impairment losses were RMB1.929 billion, up by RMB105 million year on year, of which the impairment losses of loans and advances to customers amounted to RMB1.916 billion, up by RMB245 million year on year.

Operating Expense

Unit: RMB million

	January to June 2011	January to June 2010	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Staff cost	**6,036**	3,960	2,076	52.42
Property and equipment expenses and amortization	**1,886**	1,489	397	26.66
General and administrative expense	**2,805**	2,338	467	19.97
Subtotal	**10,727**	7,787	2,940	37.76
Operating tax and surcharges	**2,432**	1,696	736	43.40
Total operating expense	**13,159**	9,483	3,676	38.76
Cost-to-income ratio	**37.24%**	37.09%	Up by 0.15 percentage point	
Cost-to-income ratio (deducting operating tax and surcharges)	**30.36%**	30.46%	Down by 0.10 percentage point	

In the first half of 2011, the Group's operating expense reached RMB13.159 billion, up by RMB3.676 billion or 38.76% year on year, which was mainly because (1) staff cost, property and equipment expenses and amortization rose due to the expansion of branch outlets; and (2) the Group's business expenses increased due to the increase in its dedicated funding support to accelerate its structural adjustment.

In the first half of 2011, the Group's cost-to-income ratio was 30.36%, down by 0.10 percentage point year on year, which sustained a relatively high input-output efficiency.

Income Tax Analysis

In the first half of 2011, the Group's income tax expense was RMB5.053 billion, up by RMB1.611 billion or 46.80% compared with the same period of the previous year. The Group's effective tax rate was 24.86%, up by 0.76 percentage point compared with the 24.10% in the first half of 2010.

Balance Sheet Analysis

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**1,354,819**	**—**	1,264,245	—
Including:				
Corporate loans	**1,066,983**	**—**	992,272	—
Discounted bills	**47,160**	**—**	55,699	—
Personal loans	**240,676**	**—**	216,274	—
Provisions for impairment losses	**(20,095)**	**—**	(18,219)	—
Net loan and advance to customers	**1,334,724**	**59.4**	1,246,026	59.9
Investments (1)	**263,330**	**11.7**	271,258	13.0
Cash and deposits with Central Bank	**300,934**	**13.4**	256,323	12.3
Net amount of deposits and placements with banks and non-bank financial institutions	**181,718**	**8.1**	130,588	6.3
Amounts under resale agreements	**134,052**	**6.0**	147,632	7.1
Others (2)	**30,460**	**1.4**	29,487	1.4
Total assets	**2,245,218**	**100.0**	2,081,314	100.0
Deposits from customers	**1,873,227**	**89.0**	1,730,816	88.5
Including:				
Corporate deposits	**1,544,976**	**73.4**	1,430,062	73.1
Personal deposits	**328,251**	**15.6**	300,754	15.4
Deposits and placements from banks and non-bank financial institutions	**148,590**	**7.1**	148,735	7.6
Amounts under repurchase agreements	**14,979**	**0.7**	4,381	0.2
Debt securities payable	**32,612**	**1.5**	34,915	1.8
Others (3)	**36,153**	**1.7**	37,929	1.9
Total liabilities	**2,105,561**	**100.0**	1,956,776	100.0

Notes: (1) Including investments for trading purpose, available-for-sale investments, held-to-maturity investments and investment in associates.

(2) Including derivative financial assets, interest receivables, fixed assets, intangible assets, real estate for investment purposes, goodwill, deferred income tax assets and other assets.

(3) Including trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payable, interest payables, estimated liabilities and other liabilities.

Most of the Group's assets are loans and advances to customers. As at 30 June 2011, the Group's loans and advances to customers after deducting provisions for impairment losses accounted for 59.4% of the Group's total assets.

Loan Business

For the analysis of loan business, please refer to the section headed "Report of the Board of Directors – Risk Management" in this report.

Investment Business

Investment Portfolio Analysis

Unit: RMB million

	30 June 2011		31 December 2010	
	Value	**Proportion (%)**	Value	Proportion (%)
Held-to-maturity debt securities	**110,298**	**41.9**	129,041	47.7
Available-for-sale debt securities	**140,154**	**53.2**	130,602	48.1
Debt securities measured at fair value through profit or loss	**2,753**	**1.1**	2,848	1.0
Total debt securities	**253,205**	**96.2**	262,491	96.8
Available-for-sale investment funds	**7,689**	**2.9**	6,342	2.3
Investment funds measured at fair value through profit or loss	**3**	**—**	4	—
Total investment funds	**7,692**	**2.9**	6,346	2.3
Available-for-sale equity investments	**174**	**0.1**	165	0.1
Equity investments for trading purposes	**2**	**—**	3	—
Investment in associates	**2,257**	**0.8**	2,253	0.8
Total equity investments	**2,433**	**0.9**	2,421	0.9
Total investments	**263,330**	**100.0**	271,258	100.0
Market value of listed securities in held-to-maturity debt securities	**914**		917	

Classification of Debt Securities Investment

As at 30 June 2011, the Group's investment in debt securities reached RMB253.205 billion, a decrease of RMB9.286 billion or 3.54% compared with the end of the previous year.

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Government	**51,941**	**20.5**	66,408	25.3
PBOC	**54,206**	**21.4**	69,411	26.4
Policy banks	**40,074**	**15.8**	33,163	12.6
Banks and non-bank financial institutions	**43,043**	**17.0**	32,880	12.6
Public entities	**326**	**0.1**	1,725	0.7
Others (Note)	**63,615**	**25.2**	58,904	22.4
Total debt securities	**253,205**	**100.0**	262,491	100.0

Note: Mainly corporate bonds.

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Domestic	**233,128**	**92.1**	238,362	90.8
Overseas	**20,077**	**7.9**	24,129	9.2
Total debt securities	**253,205**	**100.0**	262,491	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below shows the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2011:

Unit: RMB million

	Book value	Maturity date	Annual interest rate (%)
Debt Securities 1	**3,009**	**20 February 2015**	**3.76**
Debt Securities 2	**2,200**	**6 May 2017**	**3.58**
Debt Securities 3	**2,133**	**7 December 2015**	**4.66**
Debt Securities 4	**1,781**	**2 June 2014**	**3.40**
Debt Securities 5	**1,573**	**15 December 2018**	**2.10**
Debt Securities 6	**1,572**	**19 April 2021**	**3.91**
Debt Securities 7	**1,447**	**12 June 2017**	**3.87**
Debt Securities 8	**1,443**	**24 February 2018**	**3.95**
Debt Securities 9	**1,373**	**11 November 2018**	**2.85**
Debt Securities 10	**1,297**	**29 May 2017**	**3.85**
Total debt securities	**17,828**		

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Loss

Unit: RMB million

	As at 30 June 2011	As at 31 December 2010
Beginning balance	**350**	586
Accruals during the period (1)	**—**	579
Write-offs	**—**	(579)
Transfer out (2)	**(18)**	(236)
Ending balance	**332**	350

Notes: (1) Equal to the net expense from provisions for impairment loss accrued in the consolidated income statement of the Group. In 2010, CIFH's wholly-owned subsidiary, CBI, made a full impairment allowance on its investments in Farmington Finance Limited ("Farmington"), available-for-sale financial assets, which amounted to RMB579 million and was written off in the same year.

(2) Transfer-out includes the amount transferred from the provisions for impairment loss of investment in overdue debt securities to the provisions for bad debt, the sale of impaired investments and the impact due to changes in exchange rate.

Unit: RMB million

	As at 30 June 2011	As at 31 December 2010
Provisions for available-for-sale investment impairment	**225**	241
Provisions for held-to-maturity investment impairment	**107**	109
Total	**332**	350

As at the end of the reporting period, the foreign currency-denominated debt securities held by the Group totalled USD4.145 billion (equivalent to RMB26.825 billion), of which the Bank held USD1.821 billion and overseas subsidiaries held USD2.324 billion.

As at the end of the reporting period, the Group held foreign currency-denominated residential mortgage-backed securities (MBS) of USD32 million (equivalent to RMB205 million), accounting for 0.76% of its investment in foreign currency-denominated debt securities, of which 44% were prime residential MBSs. The Group held ALT-A residential MBSs of USD18 million (equivalent to RMB114 million), for which the accumulated provisions for impairment loss totalled USD12 million (equivalent to RMB74 million). The Group held no US sub-prime residential MBSs.

As at the end of the reporting period, the Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of USD0.27 million (equivalent to RMB1.76 million), and held no agency debts issued by Fannie Mae and Freddie Mac. The debt securities related to Lehman Brothers held by the Group was USD80 million (equivalent to RMB517 million), for which provisions for impairment had been charged in full.

As at the end of the reporting period, the Group had made provision for impairment for its foreign currency-denominated debt securities investment with an accumulated total of USD51 million (equivalent to RMB332 million), of which the Bank's provision for impairment for foreign currency-denominated debt securities was USD50 million and overseas subsidiaries' provision for impairment for foreign currency-denominated debt securities was USD1 million.

Derivatives Classification and Fair Value Analysis

Unit: RMB million

	30 June 2011			31 December 2010		
	Nominal principal	**Fair value**		Nominal principal	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
Interest rate derivatives	**199,586**	**1,356**	**1,337**	210,359	1,481	1,521
Currency derivatives	**441,494**	**3,410**	**2,323**	429,730	2,985	2,591
Credit derivatives	**1,060**	**5**	**1**	968	7	9
Equity derivatives	**148**	**5**	**5**	395	5	5
Total	**642,288**	**4,776**	**3,666**	641,452	4,478	4,126

On-Balance Sheet Interest Receivables

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

Unit: RMB million

	31 December 2010	Increase during the reporting period	Collected/released during the reporting period	**30 June 2011**
Loan interest receivables	2,921	37,310	(36,133)	**4,098**
Interest receivables from debt securities	2,999	3,510	(3,963)	**2,546**
Other interest receivables	205	6,796	(6,707)	**294**
Subtotal	6,125	47,616	(46,803)	**6,938**
Balance for provisions for interest receivables impairment	(30)	(19)	4	**(45)**
Total	6,095	47,597	(46,799)	**6,893**

Debt Assets

The table below shows the debt assets of the Group:

Unit: RMB million

	30 June 2011	31 December 2010
Original value of debt assets		
— Land, premises and constructions	**489**	487
— Others	**33**	234
Provisions for impairment of debt assets		
— Land, premises and constructions	**(208)**	(205)
— Others	**(24)**	(75)
Total book value of debt assets	**290**	441

Deposits from Customers

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**768,841**	**41.0**	752,219	43.5
Time deposits	**776,135**	**41.5**	677,843	39.1
Negotiated	**53,280**	**2.8**	30,130	1.7
Non-negotiated	**722,855**	**38.7**	647,713	37.4
Subtotal	**1,544,976**	**82.5**	1,430,062	82.6
Personal deposits				
Demand deposits	**92,868**	**5.0**	87,521	5.1
Time deposits	**235,383**	**12.5**	213,233	12.3
Subtotal	**328,251**	**17.5**	300,754	17.4
Total deposits from customers	**1,873,227**	**100.0**	1,730,816	100.0

As at 30 June 2011, the Group's deposits from customers totalled RMB1,873.227 billion, an increase of RMB142.411 billion or 8.23% from the end of the previous year.

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**754,036**	**42.4**	735,188	45.0
Time deposits	**732,704**	**41.2**	633,497	38.7
Negotiated	**53,050**	**3.0**	30,100	1.8
Non-negotiated	**679,654**	**38.2**	603,397	36.9
Subtotal	**1,486,740**	**83.6**	1,368,685	83.7
Personal deposits				
Demand deposits	**78,146**	**4.4**	71,140	4.4
Time deposits	**214,511**	**12.0**	194,505	11.9
Subtotal	**292,657**	**16.4**	265,645	16.3
Total deposits from customers	**1,779,397**	**100.0**	1,634,330	100.0

As at the end of the reporting period, the Bank's deposits from customers totalled RMB1,779.397 billion, an increase of RMB145.067 billion or 8.88% compared with the end of the previous year. The balance of corporate deposits of the Bank increased by RMB118.055 billion compared with the end of the previous year, of which the negotiated deposits increased by RMB22.950 billion to RMB53.050 billion as at 30 June 2011 from RMB30.100 billion as at the end of 2010, which was mainly because the Bank properly obtained certain negotiated deposits considering the match of the maturity of assets and liabilities. The Bank's personal deposits increased by RMB27.012 billion or 10.17% compared with the end of the previous year.

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
RMB	**1,729,161**	**92.3**	1,583,501	91.5
Foreign currencies	**144,066**	**7.7**	147,315	8.5
Total	**1,873,227**	**100.0**	1,730,816	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim (Note)	**529,565**	**28.3**	492,182	28.4
Yangtze River Delta	**485,378**	**25.9**	439,504	25.4
Pearl River Delta and West Straits	**265,200**	**14.2**	241,641	14.0
Central region	**241,086**	**12.9**	218,978	12.7
Western region	**206,982**	**11.0**	187,530	10.8
Northeastern region	**51,170**	**2.7**	54,495	3.1
Overseas	**93,846**	**5.0**	96,486	5.6
Total deposits from customers	**1,873,227**	**100.0**	1,730,816	100.0

Note: Including the head office.

Breakdown of Deposits by Remaining Maturity

The table below sets out the breakdown of deposits from customers based on the remaining maturity as at 30 June 2011:

Unit: RMB million

	Overdue/undated		Within 3 months		Within 3 to 12 months		Within 1 to 5 years		Over 5 years		Total	
	Balance	Proportion(%)	Balance	Proportion(%)	Balance	Proportion(%)	Balance	Proportion(%)	Balance	Proportion(%)	Balance	Proportion(%)
Corporate deposits	849,628	45.4	324,560	17.3	295,289	15.8	73,279	3.9	2,220	0.1	1,544,976	82.5
Personal deposits	160,365	8.5	80,212	4.3	76,310	4.1	11,358	0.6	6	—	328,251	17.5
Total	1,009,993	53.9	404,772	21.6	371,599	19.9	84,637	4.5	2,226	0.1	1,873,227	100.0

Shareholders' Equity

For changes in shareholder's equity during the reporting period, please refer to the Group's financial statement – Consolidated Statement of Changes in Equity.

Major Off-Balance Sheet Items

The table below sets out major off-balance sheet items and their balances as at the end of the reporting period:

Unit: RMB million

	30 June 2011	31 December 2010
Credit commitments		
— Banker's acceptance bill	**482,616**	427,573
— Guarantees issued	**79,679**	68,932
— Letter of credit issued	**138,913**	116,529
— Irrevocable loan commitments	**77,333**	60,496
— Credit card commitments	**52,349**	49,844
Subtotal	**830,890**	723,374
Operating leasing commitments	**7,038**	6,641
Capital commitments	**653**	424
Pledged assets	**18,837**	6,952
Total	**857,418**	737,391

Supplementary Financial Indicators

		Data of the Bank (%)		
Major Indicators [1]	Regulatory standard (%)	**30 June 2011**	31 December 2010	31 December 2009
Liquidity ratio				
Including: RMB	≧25	**66.01**	56.75	48.12
Foreign currencies	≧25	**89.39**	68.68	104.47
Loan-to-deposit ratio [2]				
Including: RMB	≦75	**72.01**	73.31	79.96
RMB equivalents	≦75	**71.53**	72.83	79.62

Notes: (1) The figures are calculated with the method required by Chinese banking regulation.

(2) Discounted bills are included in loans.

Capital Management

The Bank's objective for capital management includes: to ensure the capital adequacy ratio fulfill the regulatory requirements at all times, to establish a long-term capital replenishing mechanism for maintaining a strong capital base, to specify the asset expansion plan according to capital base for balancing capital, profits and risks and to maximize shareholders' value with controlled risks.

To that end, the Bank executed the following strategies to manage capital: (1) considering the Bank's overall development strategy and risk preference, the Bank set up a targeted range of capital adequacy ratio. Meanwhile, the Bank set up an internal capital warning line and regularly monitored capital adequacy ratio of the whole bank. If the capital adequacy ratio or core capital adequacy ratio is below the warning line, a series of measures, such as replenishing capital and adjusting asset structure or other effective methods, shall be taken immediately so as to ensure the capital adequacy ratio within the targeted range; (2) the Bank reasonably utilized all sorts of capital instruments and optimized the total amount and the structure of capital in order to improve capital quality and the capability of bearing losses; and (3) the Bank improved its capital management mechanism, established a scientific capital management system, improved the awareness of capital constraint so as to use capital in a more efficient way. Performance-based employee evaluation system emphasizing "profits" and "return on risk capital" was promulgated throughout the Bank. By leveraging on the internal capital allocation system, the Bank realized an optimized allocation of economic capital among all business units, products, industries and clients to ensure a consistent and steady return on capital.

In the meantime, to ensure the aforementioned strategies being enforceable, the Bank was expediting the application of risk measurement techniques and steadily expanding the application of capital management in aspects of product pricing, performance evaluation and operation plans, etc, so that the instructive function of economic capital in guiding the Bank's business operation was enhanced.

The Bank calculated and disclosed its capital adequacy ratio in accordance with the *Measures for the Administration of Capital Adequacy Ratio of Commercial Banks* (Decree of the CBRC [2004] No. 2) promulgated by the CBRC on 23 February 2004 and based on the relevant provisions subsequently revised.

Unit: RMB million

	30 June 2011	31 December 2010	31 December 2009
Total capital before deduction	**176,672**	160,928	122,735
Including: Total core capital	**136,268**	119,166	103,573
Total supplementary capital	**40,404**	41,762	19,162
Deduction: Unconsolidated equity investments and others	**4,204**	4,314	4,147
Net capital	**172,468**	156,614	118,588
Net core capital	**134,155**	116,988	101,527
Risk weighted assets	**1,508,690**	1,385,262	1,106,648
Market risk capital (Note)	**305**	—	—
Core capital adequacy ratio	**8.87%**	8.45	9.17%
Capital adequacy ratio	**11.40%**	11.31	10.72%

Note: Since 2011, the regulatory authorities cancelled the threshold for the provision for market risk capital required before. Instead, all banks shall charge provisions for market risk capital according to relevant calculation methods.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the International Financial Reporting Standards requires the Group to make certain accounting estimates and assumptions when the Group's accounting policies are applied to determine the amounts of relevant assets and liabilities as well as income and expenses for the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experience and other factors such as reasonable expectations of future events, and are reviewed on an on-going basis. The accounting estimates and assumptions made by the Group appropriately reflected the financial positions of the Group.

The main aspects of the preparation basis of the Group's financial statements influenced by estimates and judgments include: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, measurement of the fair value of investments for trading purpose and transactions designated at fair value through profit or loss, measurement of the fair value of available-for-sale investments, measurement of the fair value of derivatives), affirmation of actuarial obligations for pension and welfare, and recognition of deferred income tax and income tax expense.

Measurement of Fair Value

The Bank measures the fair value of financial instruments according to the method stated in *Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business*. The methods for determination of fair value include the use of financial media quotes, open or individual valuation techniques, and trading counterparty or third-party price inquiry. In principle, it is the Bank's priority to use the quotes from active markets to measure fair values. For financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly implements the internal control procedure for the measurement of fair values. The business departments, the risk management department and the accounting department collectively confirm the determination methodology and the source of the fair values of financial instruments in light of the requirement of business. The accounting department conducts an independent evaluation on fair value based on the requirements of the accounting standards, and prepares valuation reports regularly. The relevant systems and methodology related to the measurement of fair values are approved by the Market Risk Management Committee of the Bank's head office.

Items with Fluctuations of over 30% in the Accounting Statement

Unit: RMB million

	End of June 2011/ first half of 2011	Compared with end of previous year/ same period of previous year (%)	Main reasons
Net interest income	29,806	33.28	Net interest income increased as a result of the expansion of net interest margin and scales
Net fee and commission income	3,898	54.13	Rapid development of intermediary businesses
Net gain from trading	1,029	139.30	Increase in trade volume of foreign currency exchange settlement and sale business
Net gain from investment securities	110	54.93	The income from available-for-sale securities investment increased
Net gain from other operating activities	493	181.71	Other incomes from overseas subsidiaries increased
Operating expense	13,159	38.76	The scale expanded, so the staff cost and business cost increased
Gains from evaluation of real estate for investment purposes	29	163.64	The revaluation of real estate for investment purposes of overseas subsidiaries increased
Profit in associates	50	400.00	The profit in associates by overseas subsidiaries increased
Income tax expense	5,053	46.80	Increase of taxable income
Gains or losses from minority interests	249	61.69	Significant year-on-year growth of net profit of subsidiaries
Placements with banks and non-bank financial institutions	84,376	73.50	High market interest rate resulting in an increase in placements with banks and non-bank financial institutions on the condition of a secured liquidity
Placements from banks and non-bank financial institutions	4,784	(32.35)	High market interest rate resulting in a decrease in placements from banks and non-bank financial institutions
Financial assets sold under repurchase agreements	14,979	241.91	To meet the requirements of liquidity management, securities sold under repurchase agreements increased
Retained earnings	43,359	41.81	The net profit increased significantly during the reporting period

Segment Report

Business Segment

The Group has maintained a leading position in corporate banking business. In the first half of 2011, the corporate banking business contributed an operating profit of RMB16.141 billion to the Group, with the proportion of 78.26%; the personal banking business contributed an operating profit of RMB815 million to the Group, with the proportion of 3.95%; the treasury business contributed an operating profit of RMB2.662 billion to the Group, with the proportion of 12.91%; and the overseas subsidiaries contributed an operating profit of RMB1.007 billion, with the proportion of 4.88%.

Geographical Segment

The Bohai Rim, the Yangtze River Delta, the Pearl River Delta and West Straits have always been the most important contributors to the Group's revenue and profit growth, which collectively contributed RMB12.998 billion to the Group's total operating profit in the first half of 2011, with the proportion of 63.95%. In recent years, the Group also achieved a relatively fast business growth in central region, Western region and Northeastern region; the operating profit from these regions in the first half of 2011 was RMB4.661 billion, with the proportion of 22.93%.

Business Overview

Corporate Banking

In 2011, the Bank pushed forward the establishment of a capital-intensive model for corporate banking development in a proactive manner, accelerated the adjustment of corporate banking structure, customer structure and income structure, and took a proactive approach to build a three-in-one marketing management model that combines product, customer and industry for corporate banking. While maintaining the strength in traditional corporate banking business, the Bank accelerated the development of emerging businesses such as supply-chain financing, small business financing, investment banking and cash management, expanded the channels for obtaining fee-based income to help shape and coordinate the comprehensive development of both the traditional and emerging businesses, and further improved its business development sustainability. As at the end of the reporting period, the balance of the Bank's corporate deposits grew by 8.63% to RMB1,486.740 billion compared with the end of the previous year; the balance of corporate loans increased by 6.44% to RMB1,050.214 billion compared with the end of the previous year; and the fee-based income of corporate banking business reached RMB2,771 million, representing a year-on-year increase of 52.42%.

- The balance of deposits from 3,393 strategic clients totalled RMB565.442 billion, accounting for 38.03% of the Bank's total balance of corporate deposits. The balance of loans to strategic clients reached RMB451.511 billion, accounting for 42.99% of the balance of Bank's corporate loans.

- The aggregate volume of financing for the supply chain financing services amounted to RMB292.785 billion, representing a year-on-year increase of RMB89.468 billion or 44.00%.

- The accumulative number of cash management projects was 1,668, representing a year-on-year increase of 35.72%. The accumulative number of clients was 10,155, representing a year-on-year increase of 42.43%.

- The volume of settlement for the international business (under trade account) reached USD97.244 billion, representing a year-on-year growth of 31.85%, which was 6 percentage points higher than the growth of the national foreign trade for the same period, and the market share reached 5.31%.

- The balance of loans to small businesses amounted to RMB87.050 billion, representing an increase of RMB18.980 billion or 27.88% compared with the end of the previous year, while the balance of non-performing loans to small businesses was RMB278 million, with an NPL ratio of only 0.32%.

- The scale of assets under custody reached RMB286.461 billion, an increase of 67.18% year on year; and the income from custody business was RMB150 million, an increase of 91.92% year on year.

Corporate Deposits and Loans

During the reporting period, the Bank continued to reinforce the establishment of an endogenous growth mechanism for the corporate liability business, accelerated the development of low-cost liability businesses such as corporate deposits for settlement purpose and institutional deposits, and improved the sustainability of the corporate liability business on an on-going basis. As at the end of the reporting period, the number of the Bank's corporate deposit customers was 270,300, representing an increase of 11,593 compared with the end of the previous year. The balance of corporate deposits was RMB1,486.740 billion, up by 8.63% compared with the end of the previous year, of which, the balance of deposits from institutional customers including fiscal and tax entities amounted to RMB389.678 billion, up by 4.82% compared with the end of the previous year, accounting for 26.21% of the Bank's total corporate deposits. The balance of negotiated deposits amounted to RMB53.050 billion, accounting for 3.57% of the Bank's total corporate deposits, up by 1.37 percentage points compared with the end of the previous year.

The Bank continued to strengthen the concept of capital constraints, allocated the loan resources scientifically with "return on risk capital" as its core, continued to reinforce pricing management for the loan business, and constantly carried out specialized marketing for the core industries, namely power, transportation and telecommunications. The Bank also continued to deepen the vertical business management model for the specialization system, and accelerated the innovation of financial products and services for small businesses. The Bank's corporate loan portfolio was further modified during the reporting period. As at the end of the reporting period, the balance of the Bank's corporate loans amounted to RMB1,050.214 billion (including discounted bills), up by 6.44% compared with the end of the previous year, of which, the balance of general corporate loans was RMB1,006.460 billion, representing a growth rate of 7.85% compared with the end of the previous year, and its proportion in corporate loans increased by 1.25 percentage points compared with the end of the previous year.

The Bank continued to promote the unified credit granting to strategic group clients, deepened the "head office-to-head office" cooperation with strategic clients throughout the Bank, initiated the unified regional credit granting to strategic clients and further enhanced the development of a systematic marketing strategy to strategic clients. During the reporting period, the number of corporations affiliated to strategic clients with whom the Bank established cooperation expanded to 1,274 from 1,181 at the end of the previous year. As at the end of the reporting period, the balance of deposits from the Bank's 3,393 strategic clients was RMB565.442 billion, accounting for 38.03% of the Bank's total corporate loans, and the balance of loans to these strategic customers was RMB451.511 billion, accounting for 42.99% of the Bank's total corporate loans.

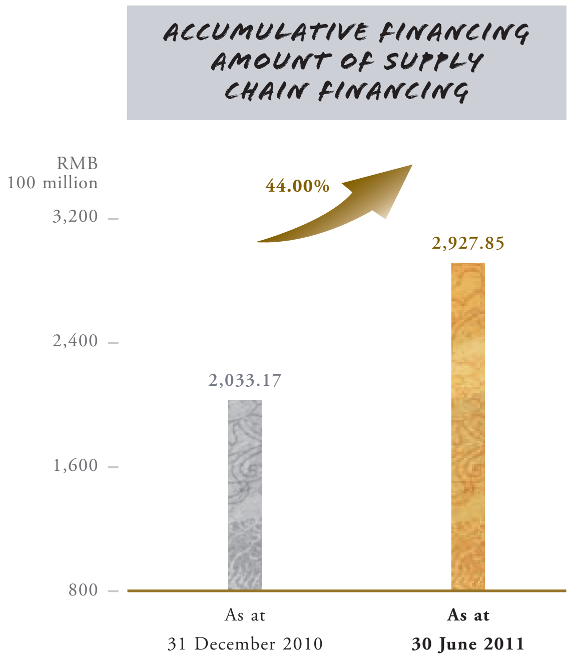
Financial Institution Business

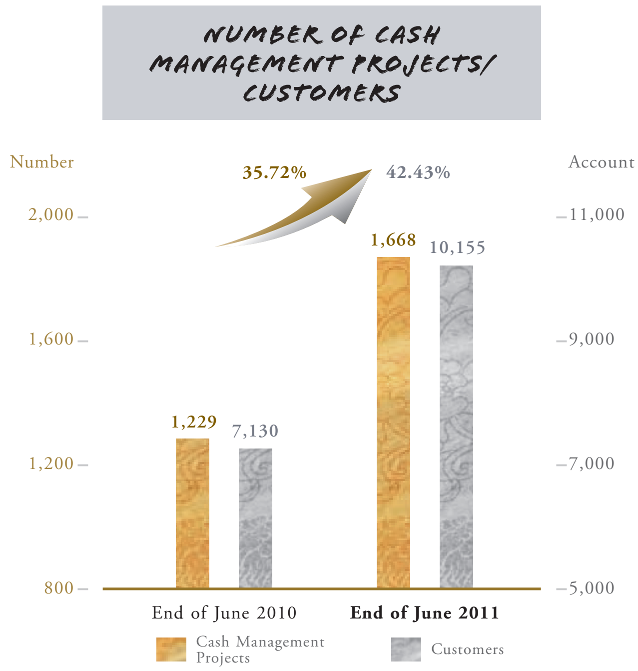
The Bank continued to enhance the establishment and the development of the platform for the collaboration with peers in the financial industry. By considering the cooperation of lending to peers as an opportunity, the Bank promoted the comprehensive collaboration with national commercial banks, policy banks and local banks in various aspects such as financing facility, collaterals for peers, asset management and resources sharing. Backed by the third-party escrow business and margin trading business, the Bank enhanced its collaboration with quality brokers to promote the sharing of customer base between bank and brokers. As at the end of the reporting period, the Bank has entered into third-party escrow agreements with a total of 88 brokers, and margin trading business agreements with 14 brokers. During the reporting period, the Bank's daily average deposits from financial institutions amounted to RMB164.948 billion, up by 10.56% compared with the end of the previous year, of which the daily average deposits from banking financial institutions was RMB57.063 billion, accounting for 34.59%. The daily average deposits from financial institutions driven by the third-party escrow business was RMB17.936 billion, accounting for 10.87%.

Supply Chain Financing Business

The Bank continued to proceed with the specialized operation of the supply chain financing business, reinforced the establishment of a whole-process supply chain financing service system that centers on core manufacturers, strengthened the integration and innovation of products and service models, accelerated electronic application and continuously improved and optimized the systematic functions for the commercial bill business. By means of providing electronic financial services and products such as notes library and pledge of notes pool, the Bank's market coverage of the matured supply chain financing service networks such as automobile, iron and steel and home appliance was further expanded. As at the end of the reporting period, the number of effective customers to whom the Bank granted credit for supply chain financing business was 6,011, an increase of 794 compared with the end of the previous year, the accumulative financing amount was RMB292.785 billion, a year-on-year increase of RMB89.468 billion or 44.00%, and the average daily balance of deposit from enterprises to which the Bank granted credit was RMB129.454 billion, a year-on-year increase of RMB40.948 billion or 46.27%.

In auto financing, confronted with various disadvantageous factors including the gradual withdrawal of domestic stimulus policies in auto industry, components and parts supply affected by Japanese earthquake and regional market restrictions on sale, the Bank sustained its advantages in traditional inventory financing, as well as focusing on cooperation with dealership groups, conducted integrated financial services including dealer shop establishment loans and cash management for group customers, and further optimized the customer structure and product structure in auto financing business. As at the end of the reporting period, the Bank's accumulated volume of financing of car dealers reached RMB137.965 billion, an increase of RMB31.898 billion or 30.07% compared with the same period of the previous year; the number of auto brands with which the Bank established head office-to-head office network business cooperation was 54, covering the key auto enterprises in China.





Cash Management Business

Centering on the innovation trend for cross-bank, cross-border and cross-currency business, the Bank accelerated the innovation of products and services in the field of cash management, took a proactive approach in carrying out the optimization and upgrading the functions of the cash management system, further improved and enriched integrated solutions for the cash management business and made efforts to build a product and service system that covers cash management for small, medium and large corporate clients to continuously improve the capability in serving customers and market competitiveness. As at the end of the reporting period, the aggregate number of the Bank's cash management projects was 1,668, a year-on-year increase of 439 or 35.72%; the aggregate number of clients was 10,155, an increase of 1,338 or 15.17% compared with the end of the previous year; and the transaction amount was RMB4,216.468 billion, a year-on-year increase of RMB550.460 billion.

International Business

For international business development, the Bank has focused on the strategic objective of "promoting the process of internationalization to become a leading market player in cross-border financial services", implemented the service philosophy of "Specialist, Speed and Slim", made major breakthroughs, improved the performance appraisal and incentive mechanism, and strived to enhance its business innovation capabilities.

During the reporting period, the settlement volume (under trade account) of the international business reached USD97.244 billion, a year-on-year growth of 31.85% which was 6 percentage points higher than the growth rate of national foreign trade for the same period, making the Bank rank the fifth among other domestic nation-wide commercial banks with a market share of 5.31%; the cross-border RMB business maintained its fast growth momentum, with RMB75.385 billion worth of RMB settlement amount completed in cross-border trade, making the Bank continue to take the lead among other Chinese and foreign-funded banks in China. The amount of trade financing provided by the Bank registered a year-on-year increase of 10.62% to USD5.844 billion, and the total income from international business was RMB1.723 billion, an increase of 93.60% year on year. As at the end of the reporting period, the Bank's balance of trade financing was USD5.574 billion, an increase of 70.25% compared with the end of the previous year.

Investment Banking Business

The Bank continued to implement a specialized investment banking business model, enhanced its efforts in expanding to various businesses such as bond underwriting, syndicated loans, M&A loans, export credit, domestic factoring, asset management and financial advisory, etc. Therefore, the investment banking business maintained its sound and rapid growth. During the reporting period, the net non-interest income from investment banking business reached RMB1.005 billion, up by 40.41% year on year, accounting for 36.27% of the Bank's net non-interest income of the corporate banking business. In particular, income from structured financing and bond underwriting was RMB313 million and RMB134 million respectively, up by 131.85% and 35.35% year on year respectively; the size of bond underwriting reached RMB37.175 billion, an increase of 79.87% year on year. As at the end of the reporting period, the scale of assets for structured financing reached RMB88.847 billion, an increase of 15.70% year on year; and the scale of corporate financial products issued exceeded RMB100 billion to RMB102.269 billion, an increase of 181.52% year on year, which recorded a historical high on a year-on-year basis. According to Bloomberg LP, during the reporting period, the Bank, among other Chinese-funded banks, maintained its ranking as the second largest arranger of syndicated loans in Chinese Mainland.

Small Business Financing Business

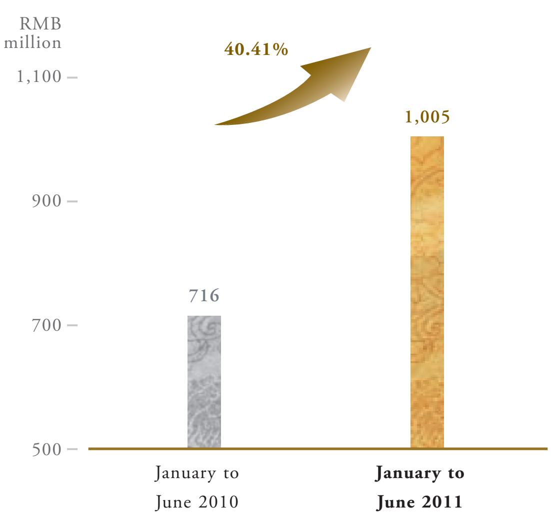
The Bank accelerate the development of small business financing. During the reporting period, the Bank's new loans to small businesses were primarily directed towards the Yangtze River Delta region which accounted for 58.34%. These new loans were primarily committed to the wholesale and retail sectors which took up 45.87%, followed by the manufacturing sector which constituted 35.22%. As at the end of the reporting period, the Bank had a total of 13,531 small business clients[1], an increase of 1,971 compared with the end of the previous year. The balance of loans to small businesses was RMB87.050 billion, an increase of RMB18.980 billion or 27.88% compared with the end of the previous year; the balance of non-performing loans to small businesses was RMB278 million, with an NPL ratio of only 0.32% which was 0.07 percentage point lower than that of the end of the previous year. The Bank maintained an overall sound and rapid development in its credit granting business for small businesses with operational risks well controlled.

During the reporting period, the average interest rate of new loans granted to small businesses floated by 19.08% upwards based on the benchmark interest rate. The average interest rate of all stock small business loans floated by 17.34% upwards based on the benchmark interest rate, all of which were noticeably higher than the Bank's average interest rate level for corporate loans.

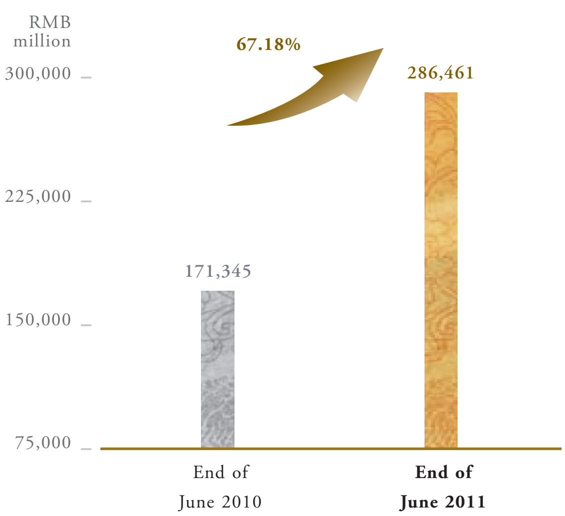
Asset Custody Business

The Bank continued to consolidate its foundation for custody and pensions business, took a proactive approach to explore, innovate and optimize product structure, and achieved continuous and rapid growth during the reporting period. As at the end of the reporting period, the Bank's scale of assets under custody reached RMB286.461 billion, up by 12.66% compared with the end of the previous year and up by 67.18% year on year; the scale of pension business under contract reached RMB12.065 billion, an increase of 32.42% compared with the end of the previous year, or a year-on-year increase of 92.82%. During the reporting period, the Bank's income from custody business reached RMB150 million, a year-on-year increase of 91.92%.

NET NON-INTEREST INCOME OF INVESTMENT BANKING



SCALE OF ASSET CUSTODY



[1] Small business clients of the Bank are defined as enterprises and legal person organizations with a net asset of less than RMB15 million (inclusive) at the end of the previous year, or with a sales income of less than RMB150 million (inclusive) for the previous year.

Retail Banking

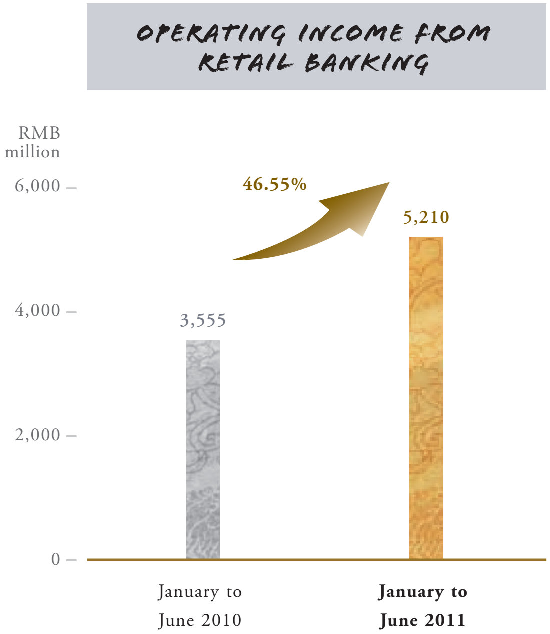
In 2011, having encountered the complex and volatile external market environment, the Bank set the development guidelines for its retail banking business, aimed at "strengthening the management of the main business lines, promoting the coordinated development of the business and improving the overall benefits of customers in a profit-oriented approach, by means of customer acquisition and management and on the basis of building a universal retail banking system". With these guidelines, relevant work was duly conducted. As at the end of the reporting period, the balance of the Bank's personal deposits amounted to RMB292.657 billion, up by 10.17% compared with the end of the previous year; the balance of retail credit was RMB202.661 billion (excluding credit card), up by 11.35% compared with the end of the previous year. During the reporting period, the operating income from retail banking amounted to RMB5.210 billion, up by 46.55% year on year, and accounting for 15.45% of the Bank's total operating income. The net non-interest income from retail banking was RMB1.181 billion, up by 59.16% year on year, accounting for 25.27% of the Bank's total net non-interest income. During the reporting period, the Bank's customer base for retail banking business continued to enlarge and reached 19.7390 million accounts as at the end of the reporting period, an increase of 4.75% compared with the end of the previous year.

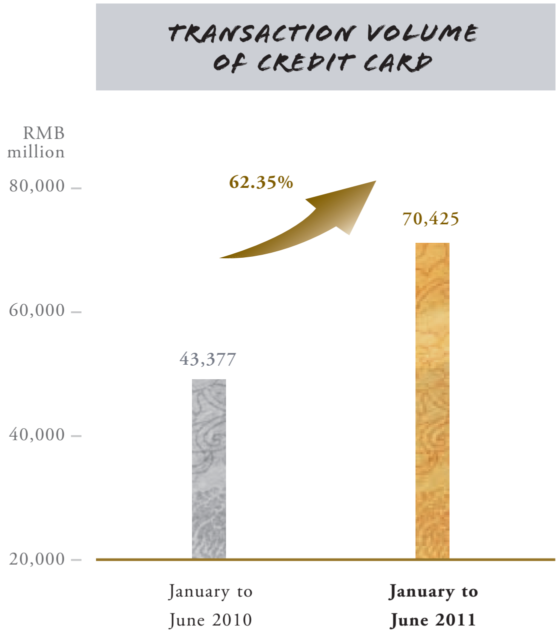
- Wealth management products (excluding structured wealth management products) worth an equivalent of RMB237.774 billion were sold, up by 158.20% year on year.

- The balance of personal housing mortgage loans amounted to RMB160.948 billion, up by 7.40% compared with the end of the previous year, accounting for 71.26% of the total balance of personal loans.

- The volume of credit card transaction registered at RMB70.425 billion, up by 62.35% year on year; the operating income was RMB1.546 billion, up by 37.01% year on year.

- The number of personal Internet banking users of the Bank exceeded 5 million, an increase of 0.6014 million or 13.63% compared with the end of the previous year, 8.5275 million transactions were processed through personal Internet banking, realizing a transaction volume of RMB954.046 billion. The number of transactions and the amount involved were 2.19 times and 2.74 times of the figures for the same period of the previous year, respectively.





- Private banking maintained a rapid development momentum, as evidenced by a growth in the number of customers compared with the end of the previous year with an increase by 58.72%.

- The accumulative number of personal auto consumer credit dealt by the Bank's Auto Financing Center was 10,331, newly issued loans amounted to RMB1.366 billion and the average interest rate increased by 40.15% based on the benchmark interest rate.

Retail Assets under Management[1]

During the reporting period, the Bank further reinforced the integrated wealth management for retail banking clients by promoting a coordinated development of savings and wealth management, expanding the service channels in order to attract more savings and promoting the innovation of wealth management products so as to facilitate a stable growth in retail assets under management. As at the end of the reporting period, the balance of personal deposits was RMB292.657 billion, up by 10.17% compared with the end of the previous year, and the retail assets under management reached RMB404.384 billion, up by 4.50% compared with the end of the previous year.

Retail Credit

During the reporting period, the Bank further adjusted product structure and marketing strategies for the retail credit business. While consolidating the market share of the personal housing loan business, the Bank aggressively expanded personal business loans and personal auto consumer loans to achieve a sustained growth in loan scale. By modifying product structure and pricing strategy, the Bank's capability in pricing was further improved, thus contributing to a rise in overall revenue. As at the end of the reporting period, the balance for the Bank's retail credit was RMB202.661 billion (excluding credit card), up by 11.35% compared with the end of the previous year, of which the balance of personal housing mortgage loans was RMB160.948 billion, up by 7.40% compared with the end of the previous year, the personal business loans was RMB21.380 billion, up by 45.59% compared with the end of the previous year, and the commercial housing loans was RMB6.521 billion, up by 35.12% compared with the end of the previous year.

In situations where uncertainties still existed in the macro-economy, the Bank further enhanced its risk management on retail credit, continued to maintain its total non-performing retail loans at a relatively low level and realized a slight decrease in retail NPL ratio. As at the end of the reporting period, the Bank's balance of retail credit NPL (excluding credit card) was RMB379 million, an increase of RMB24 million compared with the end of the previous year; the NPL ratio was 0.19%, down by 0.01 percentage point compared with the end of the previous year; and the NPL ratio for housing mortgage loans was 0.12%, up by 0.01 percentage point compared with the end of the previous year.

Wealth Management

During the reporting period, the Bank continued to apply the market and customer-oriented development philosophy by exploring top investment sectors in market and offering innovative wealth management products on an on-going basis to improve product lines. The Bank continued to provide clients with high-liquidity cash management products such as "Daily Express" and "Super Express", fixed-term wealth management products such as "Wealth Management Express", "Trust Plan" and "Excellent Bond", asset management products such as "Prudent Wealth Management Series" and structured deposit products such as "Holiday Win", "All-Time Win" and "Wisdom Win". The Bank also launched customized products based on customer segmentation, such as cards designed for high-end VIP clients, cards designed for clients with payroll account with the Bank and "fragrance card" designed for female clients, so as to provide clients with stable returns as well as opportunities to obtain extra yields. During the reporting period, the Bank's retail sales volume of wealth management products (excluding structured products) was an equivalent of RMB237.774 billion.

[1] Retail assets under management: aggregate value of individual customers' savings deposits and financial assets under the Bank's management.

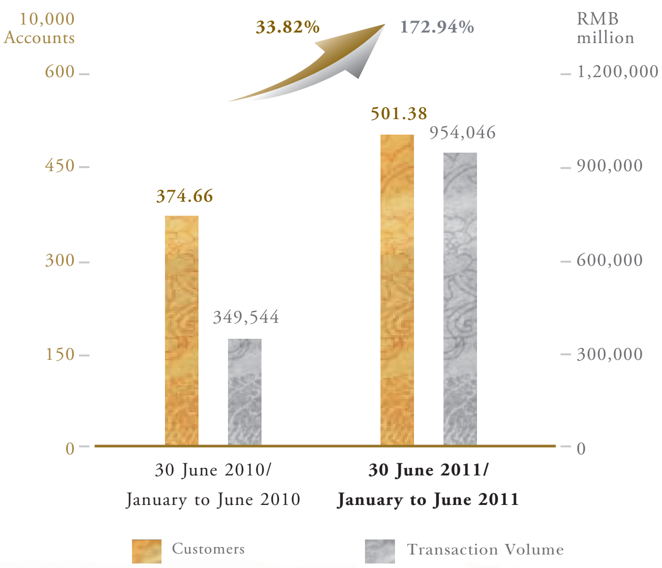
The Bank further reinforced its efforts in developing and marketing retail products sold on an agency basis, and intensified its management on introduction, investment, clearance and other aspects of these products to create a diversified product line that comprises funds sold on an agency basis, collective broker wealth management plan, insurance products and collective funding trust plan. During the reporting period, the Bank's total income from the handling fees for funds and insurance sold on an agency basis was RMB96.070 million.

The Bank continued to step up its efforts in cross-marketing to its VIP customers and carried out marketing activities for the Platinum campaign. As at the end of the reporting period, the balance of the Bank's VIP clients' assets under management reached RMB258.699 billion, accounting for 63.97% of total retail assets under management; the newly added assets of VIP customers under management was RMB10.544 billion, accounting for 51.95% of the Bank's newly added retail assets under management.

Private Banking

The Bank provides private banking services to individual customers with net asset worth more than RMB8 million available for investment, and to the companies in which they have a controlling or equity stake. During the reporting period, the Bank implemented the concept of "retain wealth, create wealth and enjoy life" in business operation and service providing and further improved the "five-feature private banking" model. As at the end of the reporting period, the number of the Bank's private banking customers was 15,960, up by 58.72% compared with the end of the previous year. During the reporting period, the Bank's private banking business cooperation unit with BBVA was put in operation.

NUMBER OF CUSTOMERS/ TRANSACTION VOLUME OF PERSONAL INTERNET BANKING



NUMBER OF PRIVATE BANKING CUSTOMERS

Credit Card

The Bank is committed to the customer-centered, market-oriented business philosophy that highlights the coordinated development between "profit, quality and scale" for its credit card business. The Bank strived to innovate and explore changes by fully capitalizing on its advantages, and continued to promote its business to develop towards the high end of the value chain through product and technology upgrades.

As at the end of the reporting period, the Bank issued a total of 12.6796 million credit cards, an increase of 23.06% year on year. The balance of outstanding loans stood at RMB23.205 billion, an increase of 61.75% year on year. During the reporting period, the transaction volume of credit cards reached RMB70.425 billion, up by 62.35% year on year; the income from credit card business reached RMB1.546 billion, up by 37.01% year on year.

Personal Auto Consumer Credit

As at the end of the reporting period, the Bank established sub-centers in Beijing and Shanghai under the Auto Financing Center in head office for personal auto consumer credit marketing in local areas. Influenced by the adverse impact of plates-limitation policy in Beijing in 2011, the Bank's Beijing auto financing sub-center enhanced its effort in marketing of consumer credit business and maintained a good market performance, evidenced by its high ranking in terms of car dealer penetration compared with other competitors.

During the reporting period, an accumulated number of 10,331 personal auto consumer loans were dealt by Auto Financing Center of the Bank and loans of RMB1.366 billion loans were issued, with the average interest rate floating 40.15% upwards based on the benchmark interest rate. The average personal auto consumer loan interest rate of the Bank's Auto Financing Center floated 37.48% upwards based on the benchmark interest rate, significantly higher than the average level of the Bank's loans.

Treasury and Capital Market Business

During the reporting period, the Bank adjusted its business structure on a dynamic basis, effectively managed assets and further increased the fee-based income. The businesses witnessed a sound momentum, attributable to the strengthened customer base and improved business sustainability coupled with the well-established framework and reinforced internal control. As at the end of the reporting period, the Bank's operating income from treasury and capital market business reached RMB2.818 billion, accounting for 8.36% of the Bank's total operating income; the net non-interest income from treasury and capital market business was RMB539 million, accounting for 11.53% of the Bank's total net non-interest income.

Foreign Exchange Business

In the first half of 2011, to prevent financial risks from cross-border capital flows, the regulatory authorities issued the Notice on Issues regarding Further Strengthening Administration on Foreign Exchange Business, launching measures to further strengthen general position management on foreign exchange settlement and sale and reduce foreign debts. In the face of policy changes in PRC, while enhancing position management to meet regulatory requirements, the Bank took the first-mover opportunity to roll out new products which ensured a steady growth in profit from its foreign exchange business.

RMB Bond and Interest Rate Market-Making Business

In the first half of 2011, addressing the apparent inflation pressure though in a sound domestic economy, the PBOC continued its prudent monetary policies by increasing the statutory deposit reserve ratio over six rounds and the deposit and loan interest rates over two rounds. As a result, the market saw a gradually tightening liquidity, volatile interest rates and rising RMB market yield. Responding to the unfavorable market environment, the Bank gave its first priority to controlling market risks, adopting prudent trade strategies to steadily conduct RMB bond market-making and interest rate derivative market-making business. With a focus on improving business sustainability, the Bank continued to enhance its market pricing power and the capability to conduct business based on its forecast on market trend, thus maintaining high market shares of its businesses and further building up its influence and competitiveness in RMB market. In the first quarter of 2011, the Bank was named “Outstanding Market Maker” in the interbank bond market maker poll, after having received the same honor in 2009 and 2010.

Wealth Management and Derivative Trading Business

During the reporting period, in view of customers’ needs and the market environment, the Bank focused on the development of low-risk prudent wealth management products and continuously launched bond related wealth management products. In collaboration with the Bank’s retail banking business, a series of products such as “Bond Win”, “Xiang Win”, “Daily Express” and “Super Express” were developed and issued, which effectively met customers’ demand for wealth management of different product duration. Meanwhile, the Bank took initiatives to capture market opportunities and investment hotspots. Series of structured products, including “Wisdom Win”, “Happy Investor”, “Holiday Win” and “All-time Win”, which realized higher returns for customers, played an active role in customer maintenance and marketing and boosted the Bank’s traditional business development.

On customer-driven derivatives transactions, the Bank continued to prudently develop the business of standardized simple derivatives, focusing on simple interest rate and exchange rate risk management products while tapping market opportunities to provide customers with high quality and professional services for value preservation and risk avoiding purposes.

Asset Management

In the first half of 2011, the world economy was in slow recovery with an opaque outlook. With signs of further deterioration of European sovereign debt crisis, the sluggish economic growth in US, the political instability in the Middle East and North Africa and the earthquake, tsunami and nuclear disasters in Japan, the international market was impacted to some extent. The Chinese government attached top priority to stabilizing the overall prices in the macro-economic control, continued to exercise prudent monetary policies while seeking to improve the pertinence, flexibility and effectiveness of policies. China’s economy was operating as expected under the macro-economic control measures and maintained a steady and rapid growth. The inflation, however, in the first half of 2011 was still lingering high. Amidst such a market environment, the Bank continued to strike a balance between safety, liquidity and profitability of investment, and adopted the matrix-based scientific investment decision-making mechanism to constantly improve asset management performance.

The Bank adopted prudent investment strategies to manage portfolio duration, made efforts in optimizing asset structure which contributed to the fast improvement of return on assets on the whole. Meanwhile, the Bank actively adjusted the structure of foreign currency assets and reduced its holding of assets with high expected risk, which enhanced profit stability and risk resistance capability of the overall assets.

Integrated Financial Service Platform of CITIC Group

CITIC Group consists of financial subsidiaries engaged in businesses such as banking, securities, fund, trust, insurance and futures, most of which are in the leading position within their respective industries. Through the integrated financial service platform of CITIC Group, the Bank is gradually developing its unique competitiveness.

Providing Integrated Financial Solutions

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

— Short-term financing bonds and mid-term notes underwriting. The Bank, together with CITIC Securities, underwrote RMB0.4 billion short-term financing bonds and RMB1.0 billion mid-term notes for clients in the capacity of lead underwriters during the reporting period.

— Corporate wealth management products issuance. Together with CITIC Securities, the Bank accumulatively issued a total of RMB3.953 billion wealth management products under the "CITIC Jujin Comprehensive Wealth Allocation Series" during the reporting period.

Promoting Extensive Sharing of Customer Base

Cooperating on the third-party escrow business with subsidiaries under CITIC Group including CITIC Securities, CITIC-Kington Securities and CITIC Wantong Securities, the Bank became the host depositary bank for CITIC Securities and CITIC-Kington Securities and the general depositary bank for CITIC Wantong Securities.

— Institutional customers: As at the end of the reporting period, the Bank and the securities companies under CITIC Group shared 5,882 institutional customers, which contributed a fee income of RMB4.1553 million to the Bank during the reporting period.

— Individual customers: During the reporting period, the number of new individual customers of the Bank in terms of third-party escrow business from the securities companies under CITIC Group increased to 13,600.

Conducting Cross-Design and Cross-Selling

— Taking advantages of the custody business platform: The Bank carried out an all-round cooperation with subsidiaries of CITIC Group in product development, building of the industry (VC) fund business platform as well as market exploration for custody business. In particular, the custody scale of PE products launched with CITIC Trust and CITIC Capital reached a total of RMB5.274 billion equivalent; the custody scale of collective investment scheme and separate account launched with CITIC Securities reached RMB13.104 billion; and the custody scale of collective and single fund trust schemes launched with CITIC Trust reached RMB63.498 billion.

— Cooperating to develop the annuity business. The Bank carried out extensive cooperation with other subsidiaries such as CITIC Trust and CITIC Securities. During the reporting period, the scale of the "CITIC Xinrui" corporate annuity product designed and launched by the Bank together with other subsidiaries of CITIC Group reached RMB68.8038 million; the scale of the "Ping An-CITIC Jinxiu Rensheng" corporate annuity scheme launched by the Bank together with CITIC Securities reached RMB247 million and the scale of the "Taikang-CITIC Xiangrui Xintai No. 2" corporate annuity scheme reached RMB141 million; and the scale of the "CMB Jinse Rensheng No. 1" corporate annuity scheme launched by the Bank together with China AMC reached RMB94.763 million.

Promoting Cross-Border Business

Leveraging on a powerful nation-wide network and the business platform of CBI in Hong Kong, USA, Macao and Singapore, the Bank accelerated its commercial banking business development at home and abroad. In the future, the Bank will expand its business in Chinese Mainland, Hong Kong and Macao as well as international business with a unified platform.

The Bank and CBI conducted extensive cooperation in cross-border syndicated loans, cross-border equity financing, loans backed by standby L/C and M&A advisory business. During the reporting period, the Bank joined the efforts with CBI to provide customers with cross-border equity financing services of USD30 million.

Cooperation with the Bank's Strategic Investor

During the reporting period, the Bank further promoted the strategic cooperation with its strategic investor BBVA in business areas including corporate banking, investment banking, international business, treasury and capital market business and private banking, etc.

In cash management business, the two parties jointly conducted the marketing for MANGO (China) cash management project during the reporting period.

In investment banking business, during the reporting period, the two parties jointly provided USD60 million worth loans backed by standby L/C to the Bank's customers. The Bank and BBVA jointly provided JAZZTEL company with the cross-border financial leasing worth EUR60 million in total, which was awarded "Deal of the Year" by *Trade Finance*, a globally renowned financial magazine.

In annuity business, several rounds of discussion were arranged by the two parties during the reporting period, and the agreement on phase I in pension cooperation was materialized.

In international business, during the reporting period, the two parties successfully created five cross-border RMB accounts for settlement purpose for BBVA's branches, namely Peru branch, Chile branch, Uruguay branch, Venezuela branch and New York branch.

In treasury and capital market business, during the reporting period, the two parties closely cooperated with each other in structured wealth management products, and the transaction volume exceeded RMB37 billion, up by 119% year on year.

In auto financing business, the application for setting up an auto financing joint venture with BBVA has been submitted to the CBRC. Currently, the project is in the process of approval.

In private banking business, all major agreements for private banking business cooperation between the two parties have come into effect. Therefore, the Bank became the only financial service provider among domestic commercial banks that entered into Sino-European cooperation on private banking business.

Domestic Distribution Channels

Branches

Capturing the opportunities from booming regional economy and the economy in emerging city clusters in China, the Bank continued to improve its outlet layout in Eastern coastal cities, while further expanding its outlet coverage over the developed cities in middle and Western China during the reporting period. During the reporting period, 8 branches were opened in Baoji, Bengbu, Zhuhai, Longyan, Handan, Qinzhou, Weinan and Yingkou, and 17 sub-branches were opened as well.

As at the end of the reporting period, the Bank had 725 branch outlets in 93 medium and large-sized cities in China, including 35 tier-one branches (under the direct control of the head office), 51 tier-two branches and 639 sub-branches.

Self-Service Outlets and Self-Service Terminals

During the reporting period, while strengthening safety and risk prevention of self-service banking transactions, the Bank continued to expand the distribution network of self-service outlets and self-service terminals to increase the self-service terminal replacement rate for transactions. As at the end of the reporting period, the Bank had 1,243 self-service banking centers[1] and 4,314 self-service terminals (including ATM, CDM and CRS) in the Chinese Mainland, increased by 6.06% and 2.89% respectively compared with the end of the previous year.

Mobile Phone Banking

In light of the concept of "Banking at hand", the Bank made great effort to promote the development of mobile phone banking channel. After the mobile banking application for iPhone was rolled out on 8 March 2011, applications for iPad were also successfully launched on 9 June 2011. Therefore, the terminals for banking service were diversified. As at the end of the reporting period, the number of mobile phone banking accounts with the Bank reached 35,522, up by 108.58% compared with the end of the previous year, contributing a transaction volume of RMB165 million for mobile phone banking during the reporting period, 5.89 times of that of the same period of the previous year.

Internet Banking

For corporate Internet banking, adapting to the future development trend in banking industry, the Bank aggressively promoted the E-banking channels including corporate Internet banking, telephone banking, mobile phone banking and bank-enterprise direct connection. With diversified product and service portfolios and optimized customer experience,

[1] During the reporting period, according to the requirement of the CBRC, the Bank adjusted its calculation method in calculating the number of self-service banking centers and restated the year-on-year figures.

the Bank is committed to forging a customer-oriented and universal E-banking portal with three primary functions integrated, namely transaction, service and information integrated. Corporate Internet banking security and risk prevention mechanism was improved on an on-going basis. The Bank introduced the third-party certificate for security certification and the "Armor" series technologies developed by the People's Liberation Army Information Security Testing Evaluation and Certification Center to reinforce SSL, transaction data, keyboard input security and process protection controls, which enhanced the Bank's corporate Internet banking safety and ensured the safety of customer transactions. During the reporting period, the transaction volume through the Bank's corporate Internet banking reached RMB6,701.556 billion, up by RMB1,483.191 billion or 28.42% year on year; the number of transactions was approximately 5,946,877, representing a year-on-year increase of 2,556,966 or 75.43%. The replacement rate of corporate Internet banking in terms of transaction number reached 36.63%. The number of customers involved in transactions was 51,451, up by 16,869 or 48.78% year on year, representing a customer activation rate of 55.18%.

For personal Internet banking, the Bank followed the marketing philosophy featuring "Both emphasis on quantity and quality" and "Two cards and one USB-key", applied four marketing approaches, namely front marketing, cross marketing, bulk marketing and concentrated marketing, specifically to five types of premium customers (VIPs, personal loan customers, theme card customers, premium payroll customers and third-party escrow customers), and maintained the fast and steady growth in both number of customers and coverage ratio. As at the end of the reporting period, the number of personal Internet banking accounts reached 5,013,800, up by 601,400 or 13.63% compared with the end of the previous year, including 2,909,400 certified personal Internet banking accounts. The coverage ratio of personal Internet banking reached 25.40%, up by 1.99 percentage points compared with the end of the previous year. During the reporting period, the number of transactions through personal Internet banking was 8,527,500, up by 30.89% year on year and the transaction volume was RMB954.046 billion, which was 2.74 times of the figures of the same period of the previous year. With further efforts in product distribution through Internet banking, the sales volume of wealth management products through personal Internet banking for the reporting period reached RMB121.452 billion, accounting for 51.96% of the total sales volume and 16.24 times of that of the same period of the previous year; the sales volume of fund products reached RMB4.561 billion, accounting for 33.36% of total sales volume and 3.25 times of that of the same period the previous year.

Telephone Banking

The Bank's telephone banking customer service center sticks to concentrated operation and standardized management and constantly improves its service. Based on the established customer service hotline 95558 and VIP service hotline 10105558, the customer service center obtained outstanding achievements in inbound call service, outbound call marketing and concentrated operation, ranking far ahead of peers in terms of call-out businesses including wealth management marketing, personal loans collection, customer care for Internet banking customers and satisfaction survey, etc. The customer service center of the Bank was awarded ISO9000 Quality System Certification for the fourth consecutive year with "zero non-conformities", and received Five-star Call Center Certification from the Standards Committee of CCCS (Customer Contact Center Standard).

Information Technology

During the reporting period, the Bank continued to increase its input in system construction guided by its IT planning and underpinned by three professional systems including application development system, operation maintenance safeguarding system and quality and security system, to cater to the needs of its business and management.

— In terms of application development, the Bank has completed analyzing all proposals related to the core system upgrading project, and is ready for implementation. The bank-wide enterprise customer information file (ECIF) system and corporate customer relation management system (phase II) were completed and put in operation, which helped improve the customer management and service capabilities. The fundamental platforms including unified development platform and workflow platform significantly boosted the development efficiency. As the corporate Internet banking platform V6.3, bank-enterprise direct connection V3.2, B2B E-commerce (phase II) and corporate telephone banking V1.0 projects were completed, the electronic channel service level were further lifted. In addition, a series of projects were put in implementation in market risk management, liquidity risk management, operational risk management, financial IC card and supply chain finance, etc.

— In terms of operation maintenance, the Bank continued to build up the bank-wide integrated operation maintenance management system. With on-going improvements in the ITIL-based operation maintenance system, the Bank optimized its operation maintenance management indicator system and evaluation system and promoted the function of operation maintenance in supporting system. To improve the bank-wide information system emergency responding capability, emergency drills were organized for major information systems at head office and branch levels. The business continuity project was started, aiming to build up an overall business continuity plan (BCP) by means of improving the capacity of information system technology in responding to emergencies.

— In terms of quality and security, the Bank continued to strengthen its efforts in information security and IT risk management. Through establishing and perfecting information security management systems and technological standards, the Bank improved its information security management framework on an on-going basis. To build up the information security fundamental technology platform, the Bank embarked on the concentrated user identification management project. A number of special information security self-inspections were conducted to strengthen internal control over information security risks. By establishing the monthly quality analysis meeting mechanism, the coordination and supervision on work quality and security were enhanced.

Business of Overseas Subsidiaries

CIFH

CIFH, where the Bank holds 70.32% equity interest and BBVA holds 29.68%, is the major platform for the Bank to carry out overseas businesses. During the reporting period, CIFH continued to strive to build its subsidiary, CBI, into a platform for the Bank's internationalization. In April 2011, as an important strategy for CITIC Bank Group to expand the market in ASEAN countries, CBI opened its branch in Singapore, marking an important milestone for the Bank to implement its internationalization strategy. During the reporting period, CIFH proactively strengthened its profitability in the context of a vigorous economy in Chinese Mainland and Hong Kong. In the first half of 2011, the net profit attributable to shareholders amounted to HKD995 million, representing a year-on-year increase of 71.53%.

— CBI. During the reporting period, leveraging on its leading advantages in RMB business, CBI appropriately launched diversified RMB products and services by making full use of the opportunity arising from the rapidly developing off-shore RMB business in Hong Kong and the close partnership with parent bank which has huge network and customer base in Chinese Mainland. This move generated significant increase in non-interest income and ensured a continuous growth of the overall income and earnings. During the reporting period, the operating income of CBI amounted to HKD1.808 billion, representing a year-on-year increase of 18.07%, and the net profit attributable to shareholders reached HKD948 million, representing a year-on-year increase of 61.60%.

— CIAM. During the reporting period, CIAM is principally committed to the implementation of its restructuring plan and successfully introduced Itochu Corporation, a comprehensive trading company in Japan, as its second largest shareholder, aiming to expand its business scope and increase its income through making full use of the cross-regional complementary advantages in the business and network of the two companies.

— CITIC Capital. During the reporting period, the private equity business and real estate business of CITIC Capital achieved good performance, realizing a net profit of HKD275 million. As at the end of the reporting period, the total amount of assets under management by CITIC Capital was approximately USD3.8 billion, representing an increase of 15% compared with the end of the previous year.

CIFL

CIFL is a controlled subsidiary of the Bank established in Hong Kong, where the Bank holds 95% equity interest and CBI holds 5%. CIFL's business scope includes loan business (CIFL holds a money lender license) and investment business (mainly including fund investment, bond investment and stock investment).

During the reporting period, CIFL maintained a stable growth in all businesses, of which loan business and investment business were developing vigorously in accordance with the principle established by the board of directors of CIFL at the beginning of 2011. CIFL also continued to enhance the cooperation with its parent bank.

As at the end of the reporting period, the total assets of CIFL was RMB1.132 billion equivalent, up by 4.33% compared with the end of the previous year; the net profit was approximately RMB24 million equivalent, down by 35.14% year on year.

Risk Management

Credit Risk Management

Risk Management on Corporate Loans

During the reporting period, the Bank actively prevented and resolved the risks of loans to government financing platform, prudently conducted loans to real estate sector and strictly controlled loans to over-capacity industries such as iron & steel.

— Loans to government financing platform. The Bank continued to enhance its effort to withdraw from loans to projects funded by government financing platform with risks potentials. The Bank made effort to request additional collateral assets such as land for projects, from which it had difficulties to withdraw. Meanwhile, the Bank continued to strictly control new credit granting to the government financing platform by requiring all new credit applications to be submitted to the head office for approval. The Bank would not grant additional credit to the government financing platform in principle except for a few land reserve centers under standardized operation with moderate liabilities.

— Loans to real estate sector. To actively cope with the complicated situations in the real estate market, the Bank granted loans to real estate sector in a prudent manner. The Bank requested to significantly decrease the amount of new loans granted to real estate sector as compared with that of the previous year by adhering to its policy of controlling the total amount of loans. Besides, the Bank further elevated the application thresholds for real estate developers and real estate projects, and mainly supported those residential projects with favorable geographical location, reasonable price and better capacity of risk resistance. The Bank insisted on its principle of closed-end management on collaterals and funds.

— Loans to over-capacity sectors. Loans granted to over-capacity sectors by the Bank mainly went to the steel & iron industry. The Bank followed its policy of "controlling total amount of loans" and "granting loans to optimal projects and restricting loans to non-ideal projects" in order to control the risks in granting credit to the steel & iron industry. The Bank also required that the growth of loans to the steel & iron industry shall not exceed the Bank's average loan growth. The Bank strictly controlled loans to projects of steel enterprises and mainly supported large-sized steel enterprises with high quality and competitiveness in cost, scale and product.

During the reporting period, the Bank made progress in implementing the New Basel Capital Accord. The Bank entered into agreements of three projects for the measurement of risk-weighted assets, the self-evaluation of capital adequacy ratio and the fulfillment of regulatory standards with intermediary consulting company, which have been launched in full swing.

Risk Management on Small Business Loans

During the reporting period, the Bank continued to strengthen its capability in managing risks generated from small business loans by various means.

— The Bank accelerated the specialized operation. The Bank accelerated the establishment of specialized operation agencies for small business financing and continued to improve its capability to control credit risk of small business loans through the specialized and intensive operation. During the reporting period, the Bank set up new specialized operation agencies in 11 branches including Changsha branch and Xi'an branch, and thus the number of branches with specialized operation agencies expanded to 25.

— The Bank strengthened the management of credit direction and filtered risks at source. The Bank further identified its market position and qualified small business customers and directed credit resources to small business with high quality in mature and stable industries. Meanwhile, the Bank improved its employees' capability of identifying and controlling risks, which effectively filtered risks in customer marketing and screening and mitigated risks in early stage.

— The Bank established standards for information collection and control. The Bank set up clear standards for information collection with respect to the investigation, review and approval of credit granting and requested to establish various information gathering channels. Moreover, the Bank applied a cross-examination approach as a solid foundation to verify the authenticity of information for the purpose of making proper credit granting decision.

— The Bank promoted the cluster model for credit granting. The Bank insisted on its targeted market position of "One Chain (supply chain), Two Circles (business circle and manufacturing circle) and Three Clusters (market cluster, industrial park cluster and chamber of commerce cluster)", and developed the cluster model for credit granting to small business customers in batches. Based on the in-depth research, the Bank further formed a standardized and practical credit portfolio to provide loans to industrial parks, markets, chambers of commerce, supply chains and sales channels.

— The Bank improved the measurement of credit risk. The Bank accelerated the development of the credit rating system for small business customers and strove to establish a rating system which fully adapts to the features of small business customers.

Risk Management on Personal Loans

During the reporting period, the Bank further optimized its policy for individual credit, reinforced its risk control and emphasized the importance of operating in compliance with relevant rules in accordance with the changes in macro-economic situation and regulatory requirements. Through improving individual credit system, streamlining the working procedure and promoting post-lending management, the Bank further improved the quality of its assets.

— The Bank, judging from the changes in macro-economic situation and regulatory requirements, timely adjusted its retail credit policy to ensure that the operation was in compliance and the risk was under control.

— The Bank optimized its product structure, proactively expanded personal business loans and personal auto consumer loans business, and diversified its products to mitigate the potential risks due to over-concentration of any single product.

— The Bank actively explored the idea to establish the operation management and risk control system for retail credit business and vigorously advanced the building of its professional team.

— The Bank further strengthened its post-lending management. The Bank enhanced the policy compliance and operational risk management of personal loan business by means of system monitoring, regular statistics and regular notification. In addition, the Bank also strengthened its effort in the collection and recovery of loans overdue and non-performing loans and enhanced the management of assets quality.

Risk Management on Credit Card Business

The Bank continued to insist on the credit risk management philosophy of a coordinated development among "profit, quality and scale". Supported by the credit cycle risk management framework, the Bank focused on the adjustment to the customer structure and the credit portfolio structure. With a series of effective methods, such as channel expansion, portfolio adjustment, customer motivation, the Bank succeeded in maintaining the NPLs within an optimized level and improved the efficiency of the risk adjusted assets allocation.

— Through the improvement of underwriting policy and credit line management policy, the credit portfolio quality was optimized obviously. The proportion of high net-worth customers was increased to a satisfactory level. Both the risk undertaking and customer service were improved.

— The Bank continued to keep an eye on the credit line management, such as increasing the quality customers' activation rate, decreasing the credit line of high-risk and inactive customers, optimized the credit portfolio quality, and improved the efficiency in allocating the risk adjusted assets.

— By providing multiplied consumer credit products, the diversity of the Bank's credit portfolio was strengthened. This increased the revolving rate of the whole portfolio, and the return on assets was also improved.

— By enhancing the risk management in underwriting and technology supporting, pursuing perfect credit cycle management, the Bank improved its capability of identifying risks in credit approval. The Bank enhanced its monitoring on transactions and fraud application through new marketing channels, and set up a dynamic KPI system.

— Launching projects to boost the innovation of function, structure and management of the Bank's NPL collection team, the Bank optimized the structure of "cost-revenue" and building an integrated assets management system, which covers traditional credit risks collection, fraud recovery, investigation, prevention, litigation and write-off.

— Popularizing the application of the various modeling instruments in credit cycle management, the Bank established the risk modeling system, supporting the precise and accurate risk management, so as to improve the efficiency of credit management.

Risk Management on Treasury Business

The Bank prudentially engaged in securities investment business and provided the risk avoidance and value added services to customers during the reporting period.

— Regarding RMB bond investment business, the Bank followed its credit policy for the year and identified enterprises of high quality as major investment targets.

— Regarding foreign currency bond investment, the Bank, in consideration of the macro-economic situation in the first half of 2011, carried out further steps to improve the structure of its assets in strict compliance with the risk management guidelines formulated at the beginning of the year.

— The Bank actively provided risk management and value-preservation and value-added services to customers. While providing risk-prevention and value-added services, the Bank emphasized its analysis on customer adaptability and strictly prevented credit risks.

Loan Monitoring and Post-Lending Management

During the reporting period, the Bank realized a balanced growth in credit scale, a drop in both the amount and ratio of non-performing loans and a steady recovery in yields of credit assets. Moreover, the Bank realized the coordinated development among credit scale, quality and yields. The achievements of credit management are shown in the following aspects:

— The Bank prioritized its targets and made arrangement in advance, further clarified the goals and focused on its credit management, and responded effectively to the credit risks arising from the macro-economic situation.

— The Bank perfected its management techniques, strictly adhered to the new regulatory requirements and further improved the management of credit operational risks.

— The Bank encouraged its branches to withdraw from high-risk loans voluntarily, and further adjusted its credit structure.

— The Bank prioritized its targets and made arrangement in advance, and further improved the quality and the efficacy of risk management in relation to government financing platform loans.

— The Bank improved the quality of post-lending investigation and further improved its risk early warning system and mitigation.

— The Bank refined its management measures and further improved its capability in collecting the principals and interests of matured loans.

— The Bank strengthened its quality analysis and assessment based on indicators, and further improved the quality of credit assets.

— The Bank rationalized and perfected the system of rules and regulations, and further consolidated its foundation for credit management system.

— The Bank reinforced its management of statistical analysis and improved the quality and reliability of grounds for decision-making.

— The Bank developed the information system, optimized its function and promoted the technical support by IT system to business development effectively.

— The Bank strengthened the loan investigation and rectification, and effectively promoted the development of its compliance related work and risk culture.

— The Bank stepped up its efforts in staff training and assessment, and reinforced its team building.

Credit Risk Analysis

Distribution of Loans

As at the end of the reporting period, the Group's total loans amounted to RMB1,354.819 billion, up by RMB90.574 billion or 7.16% compared with the end of the previous year.

The Group continued to optimize the regional structure of its credit assets, with loans showing a balanced growth across all regions. The Group placed its loans mainly to the Eastern coastal region of China where the economy is the most developed, including the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As at the end of the reporting period, the Group's balance of loans to these three major regions accounted for 67.06% of the Group's total loans. In the first half of 2011, loans to the Yangtze River Delta and the Bohai Rim showed a relatively faster growth, up by RMB29.107 billion and RMB19.6 billion respectively.

Concentration of Loans by Geographic Region

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim(Note)	**365,698**	**27.00**	346,098	27.38
Yangtze River Delta	**356,641**	**26.32**	327,534	25.91
Pearl River Delta and West Straits	**186,189**	**13.74**	174,510	13.80
Central region	**171,243**	**12.64**	159,534	12.62
Western region	**156,797**	**11.57**	143,237	11.33
Northeastern region	**43,774**	**3.23**	41,239	3.26
Overseas	**74,477**	**5.50**	72,093	5.70
Total loans	**1,354,819**	**100.00**	1,264,245	100.00

Note: Including the head office.

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim (Note)	**364,774**	**28.58**	345,037	29.04
Yangtze River Delta	**354,569**	**27.79**	325,678	27.41
Pearl River Delta and West Straits	**184,923**	**14.49**	173,318	14.59
Central region	**171,243**	**13.42**	159,534	13.43
Western region	**156,797**	**12.29**	143,237	12.06
Northeastern region	**43,774**	**3.43**	41,239	3.47
Total loans	**1,276,080**	**100.00**	1,188,043	100.00

Note: Including the head office.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) amounted to RMB1,066.983 billion, up by RMB74.711 billion or 7.53% compared with the end of the previous year, the balance of personal loans amounted to RMB240.676 billion, up by RMB24.402 billion or 11.28% compared with the end of the previous year, and the discounted bills amounted to RMB47.160 billion, down by RMB8.539 billion or 15.33% compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,066,983	78.76	992,272	78.49
Personal loans	240,676	17.76	216,274	17.11
Discounted bills	47,160	3.48	55,699	4.40
Total loans	**1,354,819**	**100.00**	1,264,245	100.00

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,006,460	78.87	933,185	78.55
Personal loans	225,866	17.70	201,346	16.95
Discounted bills	43,754	3.43	53,512	4.50
Total loans	**1,276,080**	**100.00**	1,188,043	100.00

Structure of Personal Loans

In the first half of 2011, the Group prudently developed personal housing mortgage loans business and credit card business, with the housing mortgage loans and credit card loans experiencing a growth of 6.59% and 19.59% respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	170,698	70.93	160,149	74.05
Credit card loans	23,404	9.72	19,570	9.05
Others	46,574	19.35	36,555	16.90
Total personal loans	**240,676**	**100.00**	216,274	100.00

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Housing mortgage loans	**160,948**	**71.26**	149,852	74.42
Credit card loans	**23,205**	**10.27**	19,342	9.61
Others	**41,713**	**18.47**	32,152	15.97
Total personal loans	**225,866**	**100.00**	201,346	100.00

Concentration of Loans by Sector

In the first half of 2011, due to China's adjustment of the industrial structure, the Group proactively supported key industries which were highly related to real economy, such as manufacturing, wholesale and retail. At the same time, under the complicated and changing domestic and international economic and financial conditions, the Group also made efforts in segmentation and management of the manufacturing sector, and enhanced its supervision on risks related to those industries with over-capacity (whether actual or potential) or more vulnerable to the macro-economic control, in order to control the risks of different industries effectively. As at the end of the reporting period, the total loans for the top five industries in terms of corporate loans issued by the Group accounted for 68.59% of its total corporate loans. In terms of increment structure, the three industries with the fastest loan growth during the reporting period were real estate, manufacturing and wholesale and retail. The loans to these three industries increased by RMB25.606 billion, RMB24.034 billion and RMB17.771 billion respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**284,298**	**26.64**	260,264	26.23
Transportation, warehousing and postal services	**122,616**	**11.49**	124,734	12.57
Production and supply of power, gas and water	**80,226**	**7.52**	81,869	8.25
Wholesale and retail	**146,713**	**13.75**	128,942	12.99
Real estate	**98,039**	**9.19**	72,433	7.30
Water conservancy, environment and public utilities management	**77,150**	**7.23**	81,205	8.19
Leasing and commercial services	**50,417**	**4.72**	48,444	4.88
Construction	**52,501**	**4.92**	44,798	4.51
Public and social organizations	**46,273**	**4.34**	58,163	5.86
Financial industry	**5,502**	**0.52**	6,245	0.63
Other customers	**103,248**	**9.68**	85,175	8.59
Total corporate loans	**1,066,983**	**100.00**	992,272	100.00

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**277,395**	**27.56**	251,249	26.92
Transportation, warehousing and postal services	**120,194**	**11.94**	122,142	13.09
Production and supply of power, gas and water	**79,892**	**7.94**	81,561	8.74
Wholesale and retail	**142,195**	**14.13**	120,616	12.93
Real Estate	**87,202**	**8.66**	61,780	6.62
Water conservancy, environment and public utilities management	**77,150**	**7.67**	81,155	8.70
Leasing and commercial services	**50,282**	**5.00**	48,263	5.17
Construction	**52,354**	**5.20**	44,630	4.78
Public and social organizations	**46,198**	**4.59**	58,087	6.22
Financial industry	**2,408**	**0.24**	2,512	0.27
Other customers	**71,190**	**7.07**	61,190	6.56
Total corporate loans	**1,006,460**	**100.00**	933,185	100.00

Breakdown of Loans by Type of Guarantee

In order to respond to the uncertain macro-economic changes proactively, in the first half of 2011, the Group continued to enhance the adjustment on the structure of credit guarantee and focused on mitigating risks by obtaining collaterals, which increased the proportion of collateral and pledged loans while the proportion of unsecured loans decreased significantly.

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**325,017**	**23.99**	336,806	26.64
Guaranteed loans	**330,793**	**24.42**	306,510	24.24
Collateral loans	**483,136**	**35.66**	434,657	34.38
Pledged loans	**168,713**	**12.45**	130,573	10.33
Subtotal	**1,307,659**	**96.52**	1,208,546	95.59
Discounted bills	**47,160**	**3.48**	55,699	4.41
Total loans	**1,354,819**	**100.00**	1,264,245	100.00

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**311,030**	**24.37**	322,758	27.17
Guaranteed loans	**312,410**	**24.48**	286,571	24.12
Collateral loans	**447,182**	**35.05**	399,424	33.62
Pledged loans	**161,704**	**12.67**	125,778	10.59
Subtotal	**1,232,326**	**96.57**	1,134,531	95.50
Discounted bills	**43,754**	**3.43**	53,512	4.50
Total loans	**1,276,080**	**100.00**	1,188,043	100.00

Concentration of Borrowers of Corporate Loans

The Group gives emphasis on risk control regarding the concentration of borrowers of corporate loans. Currently, the Group fulfills the applicable regulatory requirements related to the concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, a borrower can be the related party of another borrower.

The Group

Major regulatory indicators	Regulatory standard	**30 June 2011**	31 December 2010	31 December 2009
Percentage of loans to the largest single customer (%)	≦10	**4.64**	5.21	5.06
Percentage of loans to the top 10 customers (%)	≦50	**26.37**	30.01	34.70

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = total balance of loans to the top 10 customers/net capital.

(3) The figures as of the end of 2009 in the above table were restated because the figure of the net capital as of the end of 2009 was restated.

The Group

Unit: RMB million

		30 June 2011		
	Industry	**Amount**	**Percentage in total loans (%)**	**Percentage in regulated capital (%)**
Borrower A	Public and social organizations	**8,000**	**0.59**	**4.64**
Borrower B	Public and social organizations	**7,807**	**0.58**	**4.53**
Borrower C	Production and supply of power, gas and water	**5,221**	**0.39**	**3.03**
Borrower D	Transportation, warehousing and postal services	**4,968**	**0.37**	**2.88**
Borrower E	Manufacturing	**4,215**	**0.31**	**2.44**
Borrower F	Production and supply of power, gas and water	**3,500**	**0.26**	**2.03**
Borrower G	Production and supply of power, gas and water	**3,190**	**0.24**	**1.85**
Borrower H	Transportation, warehousing and postal services	**3,060**	**0.23**	**1.77**
Borrower I	Transportation, warehousing and postal services	**2,861**	**0.21**	**1.66**
Borrower J	Transportation, warehousing and postal services	**2,650**	**0.20**	**1.54**
Total loans		**45,472**	**3.38**	**26.37**

Centering on boosting domestic demands, the Group adhered to its customer strategy of "quality industries, quality enterprises, mainstream market and mainstream customers", and moderately enhanced its support for large-scale quality infrastructure projects and quality large-sized customers. The Group's balance of loans to its top ten corporate loan borrowers totaled RMB45.472 billion, accounting for 3.38% of the Group's total loans balance.

Loan Quality Analysis

This section focuses on the analysis of the Bank's loan quality.

Five-Class Loan Classification

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

In the first half of 2011, the Bank continued to enhance its centralized risk management of different classes of loans and constantly improved its credit asset risk classification management system. While insisting on the core principle of "ensuring the safety of loan recovery", the Bank implemented different risk management measures for different classes of loans after taking into full consideration of various factors that may influence the quality of credit assets.

The procedures for identifying risks based on loan classification implemented by the Bank are as follows: the Bank's business departments carry out post-lending inspections first, and the results of which are subject to the preliminary comments of the credit granting department of the branches, and then the initial recognition by the credit management departments of the branches shall be conducted. After that, the examination and approval by the risk officers of the branches shall be conducted, and then the final recognition by the head office is made. The Bank conducts a dynamic adjustment on classification of loans with material changes in risk conditions.

In the first half of 2011, the Bank continued to collaborate with external audit agency and completed the sample collection and inspection on credit quality and risk classification (with loans to the government financing platform as focus), so that the authenticity and accuracy of the loan classification were further enhanced.

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,337,919**	**98.75**	1,244,478	98.44
Special mention	**8,465**	**0.63**	11,234	0.89
Sub-standard	**2,545**	**0.19**	2,339	0.19
Doubtful	**4,470**	**0.33**	4,870	0.38
Loss	**1,420**	**0.10**	1,324	0.10
Total loans	**1,354,819**	**100.00**	1,264,245	100.00
Performing loans	**1,346,384**	**99.38**	1,255,712	99.33
Non-performing loans	**8,435**	**0.62**	8,533	0.67

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

As at the end of the reporting period, the Group realized the "dual drop" in both the balance of NPLs and the NPL ratio compared with the end of the previous year. The balance of NPLs recognized in accordance with regulatory risk classification standards stood at RMB8.435 billion, down by RMB98 million compared with the end of the previous year, while the NPL ratio stood at 0.62%, down by 0.05 percentage point compared with the end of the previous year.

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion** (%)	Balance	Proportion (%)
Normal	**1,261,185**	**98.83**	1,170,491	98.52
Special mention	**7,457**	**0.59**	10,066	0.85
Sub-standard	**1,958**	**0.15**	1,703	0.14
Doubtful	**4,072**	**0.32**	4,466	0.38
Loss	**1,408**	**0.11**	1,317	0.11
Total loans	**1,276,080**	**100.00**	1,188,043	100.00
Performing loans	**1,268,642**	**99.42**	1,180,557	99.37
Non-performing loans	**7,438**	**0.58**	7,486	0.63

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

Under the complicated economic and financial conditions in the first half of 2011, the Bank, with the prerequisite of ensuring the stability of loan quality, achieved a steady growth of 7.41% in its loan scale through conducting structural adjustments and enhancing loan monitoring and post-lending management. As at the end of the reporting period, normal loans increased by RMB90.694 billion or 7.75% compared with the end of the previous year, with an increase in the proportion of normal loans in the total loans to 98.83%. Special mention loans decreased by RMB2.609 billion compared with the end of the previous year and its proportion in the total loans decreased by 0.26 percentage point, the reason for which is that the Bank accelerated to withdraw from loans with potential risks and the chances where the Bank is affected by risks were further reduced. The NPL ratio of the Bank was 0.58%, representing a 0.05 percentage point decrease compared with the end of the previous year and reaching the best level in history; the balance of NPLs was RMB7.438 billion, representing a decrease of RMB48 million compared with the end of the previous year, which indicated the Bank's good capability in risk control.

In the first half of 2011, the Bank dealt with NPLs mainly through conventional means including collection, legal proceedings, arbitration and restructuring. The Bank recovered and wrote off a total of RMB1.014 billion of NPLs.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five classes during the indicated period:

The Bank

	30 June 2011	31 December 2010	31 December 2009
Migration ratio of normal loans (%)	**0.37**	0.83	0.53
Migration ratio of special mention loans (%)	**1.95**	5.09	6.71
Migration ratio of sub-standard loans (%)	**9.91**	28.65	18.16
Migration ratio of doubtful loans (%)	**4.84**	7.32	5.35
Migration ratio of performing loans to non-performing loans (%)	**0.07**	0.10	0.32

In the first half of 2011, the migration ratio of the Bank's normal loans and special mention loans somewhat decreased respectively compared with the end of 2010. This was mainly due to the Bank's enhancement in credit restructuring, implementation of withdrawal mechanism, enhancement of loan recovery management, mitigation of risks at earlier stage in the first half of 2011. Therefore, the Bank effectively controlled the continuous deterioration of credit risks and reduced the possibility of downward migration.

Loans Overdue

The Group

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,342,586**	**99.10**	1,253,666	99.16
Loans overdue[1]				
1-90 days	**5,179**	**0.38**	3,185	0.25
91-180 days	**480**	**0.04**	582	0.05
181 days or above	**6,574**	**0.48**	6,812	0.54
Subtotal	**12,233**	**0.90**	10,579	0.84
Total loans	**1,354,819**	**100.00**	1,264,245	100.00
Loans overdue for 91 days or above	**7,054**	**0.52**	7,394	0.59
Restructured loans[2]	**3,261**	**0.24**	6,926	0.55

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

(2) Restructured loans refer to the loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

The Bank

Unit: RMB million

	30 June 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,265,377**	**99.16**	1,179,017	99.24
Loans overdue[1]				
1-90 days	**4,577**	**0.36**	2,595	0.22
91-180 days	**409**	**0.03**	533	0.04
181 days or above	**5,717**	**0.45**	5,898	0.50
Subtotal	**10,703**	**0.84**	9,026	0.76
Total loans	**1,276,080**	**100.00**	1,188,043	100.00
Loans overdue for 91 days or above	**6,126**	**0.48**	6,431	0.54
Restructured loans[2]	**3,010**	**0.24**	6,278	0.53

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

(2) Restructured loans refer to the loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

In the first half of 2011, the Bank firmly implemented the risk mitigation of "early identify, early react and early mitigate", continued to intensify its monitoring on overdue principals and interest of loans by means of using management system and notified monthly supervision results regarding the principals and interest overdue of branches, so as to urge them to accelerate the recovery of loans overdue. Those methods yielded satisfactory results. As at the end of the reporting period, both the balance of loans overdue and its proportion of the total loans maintained a comparatively low level, of which the balance of loans overdue for 91 days or above decreased by RMB305 million compared with the end of the previous year.

Breakdown of Non-Performing Loans by Type of Customer

The Group

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**7,533**	**89.31**	**0.71**	7,727	90.55	0.78
Personal loans	**902**	**10.69**	**0.37**	806	9.45	0.37
Discounted bills	**—**	**—**	**—**	—	—	—
Total NPLs	**8,435**	**100.00**	**0.62**	8,533	100.00	0.67

The Bank

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**6,547**	**88.02**	**0.65**	6,701	89.51	0.72
Personal loans	**891**	**11.98**	**0.39**	785	10.49	0.39
Discounted bills	**—**	**—**	**—**	—	—	—
Total NPLs	**7,438**	**100.00**	**0.58**	7,486	100.00	0.63

With the prerequisite of ensuring a stable quality of credit assets, the Bank's credit scale of corporate loans expanded prudently. As at the end of the reporting period, the balance of non-performing corporate loans reduced by RMB154 million and the NPL ratio decreased by 0.07 percentage point. The balance of personal non-performing loans slightly increased and the NPL ratio was the same as that of the end of the previous year.

Breakdown of Personal Non-Performing Loans

The Group

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	**513**	**56.87**	**2.19**	431	53.47	2.20
Housing mortgage loans	**192**	**21.29**	**0.11**	177	21.96	0.11
Others	**197**	**21.84**	**0.42**	198	24.57	0.54
Total personal NPLs	**902**	**100.00**	**0.37**	806	100.00	0.37

The Bank

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	**512**	**57.46**	**2.21**	430	54.78	2.22
Housing mortgage loans	**192**	**21.55**	**0.12**	165	21.02	0.11
Others	**187**	**20.99**	**0.45**	190	24.20	0.59
Total personal NPLs	**891**	**100.00**	**0.39**	785	100.00	0.39

In the first half of 2011, the Bank managed to control the quality of credit card loans through a series of measures including tightening credit policy, strengthening the capability of controlling risks in sales channels and improving approval process. As at the end of the reporting period, the balance of credit card NPLs and the NPL ratio remained basically the same with that at the end of the previous year. The quality of housing mortgage loans and other loans remained in good shape.

Breakdown of Non-Performing Loans by Geographic Region

The Group

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim(Note)	**2,622**	**31.09**	**0.72**	2,362	27.68	0.68
Yangtze River Delta	**1,872**	**22.19**	**0.52**	1,950	22.85	0.60
Pearl River Delta and West Straits	**1,602**	**18.99**	**0.86**	1,583	18.55	0.91
Central region	**659**	**7.81**	**0.38**	479	5.62	0.30
Western region	**462**	**5.48**	**0.29**	531	6.22	0.37
Northeastern region	**291**	**3.45**	**0.66**	651	7.63	1.58
Overseas	**927**	**10.99**	**1.24**	977	11.45	1.36
Total NPLs	**8,435**	**100.00**	**0.62**	8,533	100.00	0.67

Note: Including the head office.

The Bank

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim(Note)	**2,622**	**35.25**	**0.72**	2,362	31.55	0.68
Yangtze River Delta	**1,849**	**24.86**	**0.52**	1,926	25.73	0.59
Pearl River Delta and West Straits	**1,555**	**20.91**	**0.84**	1,537	20.53	0.89
Central region	**659**	**8.86**	**0.38**	479	6.40	0.30
Western region	**462**	**6.21**	**0.29**	531	7.09	0.37
Northeastern region	**291**	**3.91**	**0.66**	651	8.70	1.58
Total NPLs	**7,438**	**100.00**	**0.58**	7,486	100.00	0.63

Note: Including the head office.

The overall loan quality of the Bank remained steady. In particular, the quality of loans to the Pearl River Delta and the West Straits, where more export-oriented and private enterprises concentrated, was not seriously affected by the changes in macro-economic environment. The NPL ratio of these regions was only 0.84%, down by 0.05 percentage point compared with the end of the previous year. The NPL balance in Northeastern region, the Yangtze River Delta and the Western region decreased by RMB360 million, RMB77 million and RMB69 million respectively compared with the end of the previous year, which indicates that the Bank has the capability in managing credit assets and effectively responding to the complicated economic and financial environment.

Breakdown of Corporate Non-Performing Loans by Sector

The Group

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	2,749	36.49	0.97	3,076	39.81	1.18
Transportation, warehousing and postal services	197	2.61	0.16	97	1.26	0.08
Production and supply of power, gas and water	219	2.91	0.27	219	2.83	0.27
Wholesale and retail	1,510	20.05	1.03	1,369	17.72	1.06
Real estate	952	12.64	0.97	1,103	14.27	1.52
Leasing and commercial services	298	3.96	0.59	323	4.18	0.67
Water conservancy, environment and public utilities management	153	2.03	0.20	15	0.19	0.02
Construction	102	1.35	0.19	76	0.98	0.17
Financial industry	64	0.85	1.16	64	0.83	1.02
Public and social organizations	—	—	—	—	—	—
Other customers	1,289	17.11	1.25	1,385	17.93	1.63
Total corporate NPLs	7,533	100.00	0.71	7,727	100.00	0.78

The Bank

Unit: RMB million

	30 June 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	2,638	40.29	0.95	2,941	43.89	1.17
Transportation, warehousing and postal services	197	3.01	0.16	96	1.43	0.08
Production and supply of power, gas and water	219	3.34	0.27	219	3.27	0.27
Wholesale and retail	1,473	22.50	1.04	1,332	19.88	1.10
Real estate	906	13.84	1.04	1,057	15.77	1.71
Leasing and commercial services	298	4.55	0.59	323	4.82	0.67
Water conservancy, environment and public utilities management	153	2.34	0.20	15	0.22	0.02
Construction	102	1.56	0.19	76	1.13	0.17
Financial industry	64	0.98	2.66	64	0.96	2.55
Public and social organizations	—	—	—	—	—	—
Other customers	497	7.59	0.70	578	8.63	0.94
Total corporate NPLs	6,547	100.00	0.65	6,701	100.00	0.72

The Bank, while implementing the credit policy of "quality industries, quality enterprises, mainstream markets and mainstream customers", put greater efforts to adjust the credit structure. The quality of loans to various industries remained steady. The balance of NPLs in manufacturing, real estate, leasing and commercial services decreased by RMB303 million, RMB151 million and RMB25 million respectively compared with the end of the previous year while the NPL ratio decreased by 0.22 percentage point, 0.67 percentage point and 0.08 percentage point respectively compared with the end of the previous year.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group made a timely and adequate provision for loan impairment losses based on the principle of prudence and authenticity. The provision for loan impairment losses consists of two parts, namely the provision evaluated based on single item and that evaluated based on portfolio.

The Group

Unit: RMB million

	As of 30 June 2011	As of 31 December 2010
Beginning balance	**18,219**	15,170
Accruals during the year (1)	**1,916**	4,238
Reversal of impairment allowances (2)	**(71)**	(133)
Transfer out (3)	**(27)**	(93)
Write-offs	**(44)**	(1,105)
Recoveries of loans and advances written off in previous years	**102**	142
Ending balance	**20,095**	18,219

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

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

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

As at the end of the reporting period, the Group's balance of provision for loan impairment increased from RMB18.219 billion as of the end of the previous year to RMB20.095 billion, an increase of RMB1.876 billion compared with the end of the previous year, of which the provision for loan impairment accrued for the first half of 2011 was RMB1.916 billion mainly due to the increase of lending. As at the end of the reporting period, the ratio of the balance of the Group's provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 238.23% and 1.48% respectively.

The Bank

Unit: RMB million

	As of 30 June 2011	As of 31 December 2010
Beginning balance	**17,660**	14,620
Accruals during the year (1)	**1,927**	4,065
Reversal of impairment allowances (2)	**(65)**	(125)
Transfer out (3)	**(15)**	(74)
Write-offs	**—**	(950)
Recoveries of loans and advances written off in previous years	**85**	124
Ending balance	**19,592**	17,660

Notes: (1) Equivalent to the net loan impairment recognized in the Bank's income statement.

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

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

As at the end of the reporting period, the Bank's balance of provision for loan impairment was RMB19.592 billion, an increase of RMB1.932 billion compared with the end of the previous year, of which the provision for loan impairment losses accrued for the first half of 2011 was RMB1.927 billion. The ratio of the balance of the provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 263.40% and 1.54% respectively, and the provision coverage ratio increased by 27.49 percentage points compared with the end of the previous year. The increase in the provision for loan impairment was mainly driven by the increase in loan scale. At the same time, the balance of NPLs remained relatively low, resulting in the increase in provision coverage ratio compared with the beginning of 2011, and the Bank's risk offsetting capability was further improved.

Market Risk Management

The Bank's market risk was mainly aroused from unfavorable changes in interest rate, exchange rate and other market prices. The Bank has established the market risk management system covering market risk identification, measuring, monitoring and control and managed the market risk by exercising access approval and limit management, so as to control the potential market risk within an acceptable level to maximize the risk-adjusted returns.

Management of Interest Rate Risk

The interest rate risk of the Bank mainly rose from the influence on proceeds due to the mismatch of asset and liability interest rate repricing maturity and changes of market interest rate which influenced the fair value of financial instruments. The Bank effectively managed the interest rate risk on balance sheet and investment portfolio of treasury and capital market business primarily by utilizing derivative transactions, such as swaps and futures.

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

The Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation to measure and to control the interest rate risks of the financial instruments in treasury and capital market business and set the risk quotas including interest rate sensitivity, duration and exposure, etc. The Bank carried out the effective monitoring, management and reporting of the implementation of risk quotas by leveraging on advanced market risk management system and independent internal control mid-office platform.

Analysis of Interest Rate Risks

In the first half of 2011, China's economic and financial situation was still complicated and the inflation pressure was lingering high though the economy and finance developed within the preset track under the macro control. The regulatory authority implemented prudent monetary policies, alternatively utilized quantitative and pricing monetary policy instruments and flexibly launched open market operation by increasing the deposit reserve ratio for six rounds and the benchmark interest rates of deposits and loans for two rounds. The market liquidity was stable in general but insufficient in some phases. Market interest rate surged due to the factors such as the long Spring Festival holiday in the beginning of 2011, and continued its upward movement after a temporary downturn. Therefore, the effective loan interest rate of financial institutions grew steadily.

Taking into account of the impact of interest rate changes on proceeds, the Bank carried out the "pricing" strategy with reference to the control measures for credit scale and changes in market liquidity. In addition, on the basis of effective control over the risk of mismatch in relation to asset and liability, the Bank intensified the interest rate evaluation and incentive mechanism, improved its capability in interest rate pricing for credit assets by enhancing pricing management, reasonably controlled the liability cost and made effort to maximize the Bank's efficiency and profit.

The Group

Unit: RMB million

	Non-interest bearing	Within 3 months	3 months – 1 year	1 – 5 years	Over 5 years
Total assets	37,859	1,569,559	536,360	77,217	24,223
Total liabilities	47,852	1,549,247	397,918	89,183	21,361
Assets and liabilities gap	(9,993)	20,312	138,442	(11,966)	2,862

The Bank

Unit: RMB million

	Non-interest bearing	Within 3 months	3 months – 1 year	1 – 5 years	Over 5 years
Total assets	41,024	1,473,292	526,968	72,538	24,219
Total liabilities	41,158	1,479,238	381,155	80,878	21,530
Assets and liabilities gap	(134)	(5,946)	145,813	(8,340)	2,689

Exchange Rate Risk Management

The exchange rate risk of the Bank mainly comes from the currency mismatch of on and off-balance sheet assets and liabilities and the currency position mismatch resulting from foreign exchange trading. The Bank measures exchange rate risk mainly through analysis on foreign exchange exposure. The foreign exchange exposure of the Bank consists of structural exposure and trading exposure, of which the former is mainly derived from the position which is inevitable in foreign currency capital and foreign currency profit operation, and the latter is mainly derived from the exposure of foreign exchange trading. The foreign exchange exposure of the Bank was mainly structural exposure.

As to the exchange rate risk of structural exposure such as foreign currency capital, the Bank mitigated exchange loss mainly through improving its capability in using foreign currency capital and hedging for foreign currency capital.

As to the exchange rate risk of foreign exchange trading exposure, the head office conducted a centralized management of trading exposure, and the foreign exchange positions of all branches had back-to-back squaring with the head office. The head office, through squaring in market or hedging, controlled the exchange rate risk exposure within the limit set by the Bank head office's Market Risk Committee.

Exchange Rate Risk Analysis

The Group

Unit: RMB million

	US Dollars	HK Dollars	Others	Total
Net on-balance sheet positions	34,340	1,733	(8,745)	27,328
Net off-balance sheet positions	(34,441)	23,976	9,241	(1,224)
Total	(101)	25,709	496	26,104

The Bank

Unit: RMB million

	US Dollars	HK Dollars	Others	Total
Net on-balance sheet positions	19,415	(2,059)	(2,172)	15,184
Net off-balance sheet positions	(19,227)	1,885	2,565	(14,777)
Total	188	(174)	393	407

Liquidity Risk Management

The liquidity risk is the risk where the Bank could not obtain capital at reasonable cost in a timely manner to fulfill the needs of customer to withdraw matured liabilities and to promote the growth of the Bank's asset business. The liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, customers' early or centralized drawing of money, and the Bank's funding support for lending, investment, trading and other operating activities.

Management on Liquidity Risk

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

Liquidity Risk Analysis

In the first half of 2011, the Bank proactively put the liquidity three-tier reserve management system in practice, reinforced scenario analysis and stress tests regarding liquidity risks, and continued to perfect the liquidity risk management contingency plan. The Bank kept up with changes in regulatory policies and the Bank's own asset and liability structure, and kept an eye on impacts of innovative products and new businesses on the Bank's liquidity. Moreover, the Bank adjusted its liquidity risk management strategy dynamically, utilized liquidity instruments and arranged the duration structure in a reasonable way, maintained an easy access to financing channels including money market, and endeavored to raising the Bank's capability in preventing, controlling and managing liquidity risks.

During the first half of 2011, the Bank, while fully utilizing the standardized funding products such as placements with banks, continued to use the non-standardized funding business such as deposit with banks as instruments in liquidity portfolio allocation. Under the prerequisite of controllable liquidity risks, the Bank seized market opportunities to adjust its portfolio structure in order to maximize the efficiency of working capital throughout the Bank. In addition, pursuant to the requirements of regulatory authorities, the Bank continued to comply with the *Guidelines of Liquidity Risk Management for Commercial Banks* to expedite the building of the information system for liquidity risk management. Following the successful procedure of tender inviting and bidding, this project officially moved on to the stage of system development and implementation, which marks the Bank's commencement of building a bank-wide unified liquidity risk management platform and signifies the Bank's great leap forward in applying the liquidity risk management technique.

During the first half of 2011, the Central Bank exercised the prudent monetary policy and raised the statutory deposit reserve ratio for six times, which marked the substantial enhancement in the intensity and frequency of the tightening policies. Therefore the accumulative effect of policy execution became apparent gradually. The adjustment of the above policy, coupled with other factors including the deposit of taxes into the national treasury, festivals and holidays, and the fluctuations of funds outstanding for foreign exchange spiked volatility in the market liquidity and led to frequent and periodical liquidity squeeze. Meanwhile, the changes in the intertwining policy and market environment posed higher requirements on the liquidity risk management of commercial banks. Therefore, the adaptability and forward thinking are especially important in the formation of asset and liability policies, and great emphasis shall also be given to the flexible supporting liquidity management strategies.

The Group

Unit: RMB million

Repayable on demand	Within 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Indefinite	Total
(967,467)	9,072	248,259	318,109	256,489	(275,195)	139,657

The Bank

Unit: RMB million

Repayable on demand	Within 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Indefinite	Total
(952,176)	37,095	235,170	294,364	240,268	279,361	134,082

Internal Control and Operational Risk Management

Internal Control

During the reporting period, pursuant to the requirements of the Basic Standards for Enterprise Internal Control and its complementary guidelines, the Bank specified its targets and task of internal control. With the implementation of internal control projects and the operational risk management project based on the New Basel Capital Accord, the Bank optimized the internal control management system and defined the duties of "three firewalls", namely the relevant departments for business process implementation, departments for daily process management and internal audit departments. Based on the improvement of methodology, the Bank reviewed the overall internal control system, standardized the record of business management process, identified risk loopholes and key points for risk control and carried out self-evaluation on risk and control, so as to form a complete set of basic standards for systematic internal control with process as vehicle and risk control as guidance, and further improved its internal control management.

— The Bank optimized the internal control environment

The Bank complied with the current domestic laws and regulations, adopted the advanced international good practice of corporate governance and continuously improved its modern corporate governance structure with "Three Meetings and One Management" which comprises shareholders' general meeting, Board of Directors, Board of Supervisors and senior management. Duties and responsibilities are clearly identified among the power body, decision-making body, supervisory body and executive body, all of which fulfilled their own duties, coordinated with each other and maintained effective check and balance. As a result, the Bank's corporate governance was greatly improved and a favorable internal control environment where all staff members participated and fulfilled their own duties was gradually established.

— The Bank improved the risk identification and evaluation system

To satisfy the requirements of internal management and risk control, the Bank kept improving the risk management system and cultivated the risk management culture of pursuing "risk-adjusted return". The Bank set up special committees to deal with major risks of banking industry such as credit risk, market risk, operational risk and liquidity risk, designated institutions to carry out professional management and established the risk management system and procedures covering all of the Bank's businesses. In consideration of its assets structure, operation model and business features, the Bank primarily finished the comparison of its implementation results with the standards stated in *Basic Standards for Enterprise Internal Control,* its complementary guidelines and the related internal control regulations of the banking industry through reviewing the current internal control policies, regulations and operation rules. Therefore, the Bank identified risks, designed risk handling strategies, continuously improved risk management system, enhanced the capability of risk identification and measurement and promoted the risk responding strategy. Besides, the Bank submitted risk analysis report to the Board of Directors and senior management on a regular basis, which significantly increased its capability of risk identification, evaluation and control.

— The Bank improved the internal control measures

The Bank continued to improve the internal control measures in accordance with the Bank's institutional characteristics, business scale, risk profile and business complexities. In consideration of the results of risk evaluation, branches and management departments of business lines exercised their professional advantages to keep risks under acceptable level and facilitate effective control of business operations by means of separation of incompatible duties, approval rights authorization and accounting system control and through a combination of manual and automatic control measures as well as preventive and detective control measures.

— The Bank extended the channels for information exchange and communication

By integrating all the resources across the Bank, the Bank made full use of its office system as the major channel for display, exchange, publication and communication throughout the Bank and secured the smooth communication of various business management information among different tiers of branches and all departments. In the meantime, the Bank improved the channels for letters, visits, reports and complaints, encouraged and guided all the staff members to take initiatives to participate in the internal control related work of the Bank. In addition, the Bank established the collection and reporting mechanism for external information, improved its management measures in a timely manner, enhanced its internal control to effectively prevent and mitigate risks.

— The Bank optimized the internal control supervision system

Pursuant to the principle of "Prioritizing Internal Control", the Bank strived to improve its internal supervision system, regulations and procedures. Each business department fully exercised their professional advantages and enhanced the inspection and supervision over their own businesses. Each branch strictly implemented all the internal control and risk prevention measures and effectively controlled the risks in business operation. The compliance and audit departments mainly coordinated various examination and supervision and continued to improve the means of supervision, which enhanced the efficiency and efficacy of compliance examination and supervision, enhanced the supervision function and upgraded the value of auditing.

Internal Audit

Centering on the guidelines of "transform, upgrade and develop" regarding internal audit, the Bank further launched a risk-oriented auditing principle and continuously improved the audited value in the first half of 2011. By changing the audit philosophy and completing the professional audit management mechanism and method, the Bank also advanced the coordination mechanism for integrating projects for inspection whilst gradually established an internal control supervision and management system featuring overall coordination and information sharing, so as to safeguard its business transformation and development.

— The Bank organized audit for corporate credit business, on-going audit on information technology risk and audit without notification. In these audits, the Bank attached high importance to loans to real estate sector, credit granting to group customers, notes business, credit granting to small business, and the implementation of the "Three Measures and One Guideline" as well as the control of risk regarding information technology and the management of cash, collaterals, objects under custody, notes certificates and seals, so as to avoid risks and promote compliance operation.

— The Bank supported the National Audit Office to conduct special audit on credit direction and economic responsibility and deployed self-inspection and self-correction. All business lines and branches acted in a serious and prudent manner by voluntarily revealing problems and rectifying irregularities once identified. The Bank took the inspection as an opportunity to further standardize its business operation and management, so as to carry out the State's macro–economic control policy and prevent the potential financial risks.

— The Bank further advanced its work in respect of case prevention. In order to fulfill the obligations of case prevention in each level and strengthen the management on policies and workflow, the Bank formulated *Guidelines for Case Prevention of China CITIC Bank 2011* to carry out the "13 Rules" for operational risk and clarify the responsibilities of staff members in different positions. In addition, the Bank reinforced its risk inspection in key areas, put efforts in evaluation and accountability, further promoted the execution of its internal control systems, so as to realize an overall improvement of quality and effect of case prevention.

Compliance Management

According to the *Guidelines for the Compliance Risk Management of Commercial Banks* and the Bank's reality, the Bank emphasized honesty and integrity as code of behaviour, focused on the building of a compliance management system to gradually give full play to the function of the second firewall in compliance management, reinforce the compliance professional management, continually strengthen the concept of compliance operation as well as enrich the means of compliance risk management, so as to further enhance the capability of compliance risk management.

— The Bank actively carried out compliance examination to gradually reinforce the building of a professional team for compliance examination and inspection throughout the Bank, continuously monitored the changes in external environment and supervisory policies, conducted professional compliance control on the Bank's new products, new businesses and new policies, provided relevant comments, advices and necessary compliance risk notices in accordance with the requirement of the compliance examination, so as to prevent the risk of incompliance in advance and ensure that the operational management is in line with the applicable laws, rules and regulations.

— The Bank actively advanced the Zhuomuniao Compliance Campaign which further deepened the work in building up a culture of internal compliance control, initiated all the staff to actively identify potential risks in reporting system and procedure, set up a bottom-up risk identification channel throughout the Bank, encouraged the staff to participate actively in internal compliance control management, gave full play to the participation of staff members in internal compliance control management, so as to effectively eliminate the potential risks arising from business operation and create a culture of participation of all the staff and a healthy internal control environment.

— The Bank emphasized the compliance concept, promoted compliance evaluation and organized compliance training. The Bank always regards creating compliance culture as long-term task. Through carrying out compliance evaluation, the Bank promoted the concepts of "Compliance as top priority in business management" and "Everyone is responsible for compliance". These concepts were implemented in the process of internal compliance management consistently. The Bank actively explored new methods of compliance evaluation to stimulate its branches to set up relevant mechanism for compliance evaluation with clear goals, objects, obligations as well as appropriate incentive and punishment. Branches were encouraged to include compliance management in their daily work and link the results of compliance evaluation with the evaluation on the performance of branches and staff members, so that the Bank's compliance and risk management can be improved. The Bank put more resources in compliance training while branches at each level actively engaged in various compliance training programs in order to prevent compliance risks from the root of thought.

— The Bank explored and established a database for rules, laws and regulations of regulatory authorities and its own rules and regulations, which is centralized and used bank-wide. The Bank continually kept track of and collected applicable external regulations in a timely manner to establish a comprehensive external regulations information database for immediate reference. An information-oriented system has been established as a vehicle to provide searching function for over 30,000 staff members throughout the Bank, which enabled the Bank to enrich its management tools in internal control, implement regulatory requirements and promote the duty performance in compliance.

Operational Risk

In the first half of 2011, the Bank, by carrying out the operational risk management project based on the New Basel Capital Accord, continued to advance the fundamental work of management of operational risk by gradually building and optimizing the standardized, systemized and regulated internal control and operational risk management systems.

— The Bank perfected the operational risk management system. Under the framework of the *Operational Risk Management Policies of China CITIC Bank*, the Bank started to make research on drafting systems regarding operational risk preference and tolerance and basis rules on operational risk management, so as to provide a system safeguarding the Bank's operational risk management.

— The Bank steadily promoted the design and application of operational risk management instruments. The Bank has been researching the methodology for designing and implementing the three major instruments for operational risk management. By drawing lessons and summing up experience from implementation in four pilot branches and departments of the head office, the Bank expanded the implementation in some other branches in the second half of 2011.

— The Bank launched its development and building of operational risk system. The Bank officially launched the design of operational risk management system. By means of information technology, the Bank promoted a dynamic monitoring, warning and reporting management over operational risks and hence provided a platform for data analysis of operational risk management activities.

— The Bank organized professional trainings on operational risk. The Bank arranged its part-time operational risk specialists and the part-time staff managing operational risks to take training courses in batches, publicizing the philosophy of operational risk management culture and explaining the methods and means of management tools. As a result, the first batch of specialized teams for operational risk management of the Bank has obtained certification after professional training.

Anti-Money Laundering

In the first half of 2011, according to the Anti-Money Laundering Law and relevant regulations of the PBOC, the Bank earnestly fulfilled its anti-money laundering obligations, and the main measures adopted by the Bank in this regard were as follows:

— The Bank earnestly implemented the monitoring, judging, recording, analyzing and reporting systems for anti-money laundering management. Through the anti-money laundering system, the Bank arranged the reporting on large-amount and suspicious payment transactions, and closely monitored the flow and use of funds of the suspicious transactions in money-laundering and terrorism financing.

— The Bank seriously followed the requirements of regulatory authorities to grade clients according to their exposure to risks. The Bank assigned the customers to different risk levels in view of their characteristics or account nature, taking into consideration of relevant factors such as geographical location, business, industry, and whether the client is a foreign political figure, etc. Meanwhile, the Bank also timely adjusted clients' risk levels on the basis of on-going monitoring.

— The Bank promoted anti-money laundering training for its employees. The head office and the branches held training sessions on the internal control system, client identification system and relevant regulations issued by the regulatory authorities for anti-money laundering to further enhance the skills of employees to fight against money laundering and their capabilities to identify suspicious transactions.

Reputation Risk Management

During the reporting period, according to the *Guidelines for the Management of Reputation Risk of Commercial Banks* of the CBRC and the Bank's *Management Measures on Reputation Risk* and its implementation measures, the Bank made progress in further standardizing a news release system, learning from international good practice, enhancing staff trainings in reputation risk management and intensifying the communication with regulators. The Bank maintained a relatively stable status quo in controlling and preventing reputation risk and further improved relevant system and mechanism.

Investment

On 27 April 2007, the Bank issued 2.302 billion A shares at the offer price of RMB5.80 per share and 5.618 billion H shares at the offer price of HKD5.86 per share through an initial public offering (IPO). After the adjustment of the exchange rate, the offer prices for A shares and H shares were the same. The Bank raised a total of approximately RMB44.836 billion from the issuance of both A and H shares (after deducting the listing expenses). As at the end of the reporting period, the Bank had applied all of the funds raised to replenish its capital to raise its capital adequacy ratio and enhance its risk resistance capability in accordance with approvals from the CBRC and the CSRC.

The Bank did not have any material investment with non-raised capital.

Outlook

In the second half of 2011, the international economic and political environment will continue to be volatile, which brings about more uncertainties in the global economic and financial situation. China's economy will operate in a stable manner, while uncertainties will gradually appear. In the first half of 2011, domestic banking industry met more difficulties in business operation and management, though banks achieved relatively good business performance. In the second half of 2011, the Bank will continue to insist on the working principle of "transform, upgrade and develop", make effort to resolve urgent problems in current business operation, research on formulating measures and enhance its effort to organize and promote marketing. Meanwhile, the Bank will further accelerate its transformation, intensify its adjustment and control on business operation of branches, expedite the development of intermediary businesses and emerging businesses and constantly improve its capability in loan pricing. The Bank will also further upgrade its internal management, continue to improve its capability in delicacy management and risk management, effectively implement operation and review in compliance and case-prevention and continuously improve the working capability of staff members at all levels.

CHANGES in Shares and Shareholding of Substantial Shareholders

Changes in Shares

Table on Changes in Shares

Unit: Share

	Before the change		Increase/decrease(+, -)	After the change	
	Number of Shares held	Percentage (%)		Number of Shares held	Percentage (%)
Shares subject to restrictions on sale	2,138,179,203	5.48		2,138,179,203	5.48
Shares held by the state	–	–		–	–
Shares held by state-owned legal persons	213,835,341	0.55		213,835,341	0.55
Shares held by other domestic investors, including	–	–		–	–
Shares held by domestic non-state-owned legal persons	–	–		–	–
Shares held by domestic natural persons	–	–		–	–
Shares held by foreign investors, including	1,924,343,862	4.93		1,924,343,862	4.93
Shares held by foreign legal persons	1,924,343,862	4.93		1,924,343,862	4.93
Shares held by foreign natural persons	–	–		–	–
Shares not subject to restrictions on sale	36,895,164,851	94.52		36,895,164,851	94.52
RMB-denominated ordinary shares	26,417,706,232	67.68		26,417,706,232	67.68
Domestically listed foreign shares	–	–		–	–
Overseas listed foreign shares	10,477,458,619	26.84		10,477,458,619	26.84
Others	–	–		–	–
Total	39,033,344,054	100.00		39,033,344,054	100.00

Information on Shareholders

Total Number of Shareholders

As at 30 June 2011, the Bank's total number of shareholders was 435,626, of which 377,990 were A-share shareholders and 57,636 were H-share shareholders (the number of H-share shareholders was calculated with reference to the Bank's share register maintained at the H-share registrar).

Shareholding of the Top 10 Shareholders

Unit: Share

No.	Name of shareholder	Nature of Shareholders	Class of Shares	Total number of shares held	Percentage of shareholding (%)	Number of shares held subject to restrictions on sale	Increase/ decrease in shares during the reporting period	Shares pledged or frozen
1	CITIC Group	State-owned	A-share	24,115,773,578	61.78	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Foreign	H-share	6,100,342,816	15.63	0	–7,406,260	Unknown
3	BBVA	Foreign	H-share	5,855,001,608	15.00	1,924,343,862	0	0
4	NSSF	State-owned	A-share, H-share (1)	282,094,341	0.72	213,835,341	0	Unknown
5	China Construction Bank	State-owned	H-share	168,599,268	0.43	0	0	Unknown
6	Mizuho Corporate Bank	Foreign	H-share	68,259,000	0.17	0	0	Unknown
7	China Life Insurance Co., Ltd. – Dividends – Dividends to Individuals -005L-FH002 Shanghai	Others	A-share	41,352,077	0.11	0	0	Unknown
8	Bank of China – Merchants Pioneer Securities Investment Fund	Others	A-share	33,899,813	0.09	0	33,899,813	Unknown
9	Bank of Communications – Efunds 50 Index Securities Investment Fund	Others	A-share	29,845,129	0.08	0	29,845,129	Unknown
10	Taikang Life Insurance Co., Ltd. – Dividends – Dividends to Individuals – 019L– FH002 Shanghai	Others	A-share	29,472,154	0.08	0	29,472,154	Unknown

Note: (1) The NSSF held both A shares and H shares in the Bank with a total number of 282,094,341 shares, of which 213,835,341 shares were A shares transferred from CITIC Group in 2009, and 68,259,000 shares were H shares held in the capacity of a H-share cornerstone investor at the time of the Bank's initial public offering.

The five cornerstone investors of H shares, i.e. Mizuho Corporate Bank, NSSF, PICC Property and Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd, undertook to notify the Bank in writing before they sell any H shares purchased pursuant to the placing agreement after expiry of the lock-up period. (The number of H-share holders has been calculated with reference to the Bank's share register maintained at the H-share registrar.)

Shareholding of the Top 10 Shareholders of Non-Restricted Shares

Unit: Share

No.	Name of shareholder	Number of shares held not subject to restrictions on sale	Class of Shares
1	CITIC Group	24,115,773,578	A-share
2	Hong Kong Securities Clearing Company Nominees Limited	6,100,342,816	H-share
3	BBVA	3,930,657,746	H-share
4	China Construction Bank	168,599,268	H-share
5	Mizuho Corporate Bank	68,259,000	H-share
6	NSSF	68,259,000	H-share
7	China Life Insurance Co., Ltd. — Dividends — Dividends to Individuals-005L-FH002 Shanghai	41,352,077	A-share
8	Bank of China – Merchants Pioneer Securities Investment Fund	33,899,813	A-share
9	Bank of Communications – Efunds 50 Index Securities Investment Fund	29,845,129	A-share
10	Taikang Life Insurance Co., Ltd.–Dividends – Dividends to Individuals – 019L– FH002 Shanghai	29,472,154	A-share

Note on the connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank is not aware of any connections among the above shareholders or whether they are parties acting in concert.

Shareholding of the Top 10 Shareholders of Restricted Shares

Unit: Share

Name of shareholder	Number of shares subject to restrictions on sale at the beginning of the reporting period	Number of shares relieved from sale restrictions during the reporting period	Increase in shares subject to restrictions on sale during the reporting period	Number of shares subject to restrictions on sale at the end of the reporting period	Reasons on restrictions	Date of relief
BBVA	1,924,343,862	—	—	1,924,343,862	Note (1)	02 April 2013
NSSF	213,835,341	—	—	213,835,341	Note (2)	28 April 2013
Total	2,138,179,203	—	—	2,138,179,203	—	—

Notes: (1) According to the Share and Option Purchase Agreement (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in a lump sum under this agreement. The lock-up period of the shares increased from exercising of share option will be three years following the completion date. BBVA exercised the share option and bought 1,924,343,862 H shares of the Bank from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for acquired shares is from 1 April 2010 to 1 April 2013.

(2) According to the *Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund* (Cai Qi [2009] No.94) jointly issued by the MOF, the SASAC, the CSRC and the NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to the NSSF, accounting for 0.55% of the issued and outstanding shares of the Bank. This share transfer was completed in December 2009. According to the above rules, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. Therefore, the lock-up period for the above mentioned shares will end on 28 April 2013.

Information on the Restricted Shares Eligible for Trading

Unit: Share

Eligible for trading	Increase in unlocked shares upon expiry of lock-up period	Balance of shares subject to restrictions on sale	Balance of shares not subject to restrictions on sale	Notes
2 April 2013	1,924,343,862	213,835,341	38,819,508,713	Unlocked H shares held by BBVA
28 April 2013	213,835,341	0	39,033,344,054	Unlocked A shares held by NSSF

Interests and Short Positions Held by Substantial Shareholders and Other Persons

According to the register maintained by the Bank pursuant to Section 336 of the *Securities and Futures Ordinance* (the "SFO"), as at 30 June 2011, the following substantial shareholders and other persons had the following interests and short positions in the shares and underlying shares of the Bank:

Unit: Share

Name	Number of shares/interests held	Percentage in total issued share capital of the same class (%)	Class of Shares
BBVA	9,759,705,434 (L) 3,809,655,735 (S)	78.70 (L) 30.72 (S)	H-share
BBVA	24,329,608,919 (L)	91.36 (L)	A-share
CITIC Group	5,733,999,597 (L) 592 (S)	30.72 (L) 0.00 (S)	H-share
CITIC Group	24,402,891,019 (L)	91.38 (L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H-share
Lehman Brothers Asia Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H-share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000 (L) 732,821,000 (S)	6.32 (L) 6.32 (S)	H-share
JP Morgan Chase & Co.	869,929,974 (L) 18,213,587 (S) 188,106,953 (P)	7.01 (L) 0.15 (S) 1.52 (P)	H-share

Note: (L) — long position, (S) — short position, (P) — lending pool.

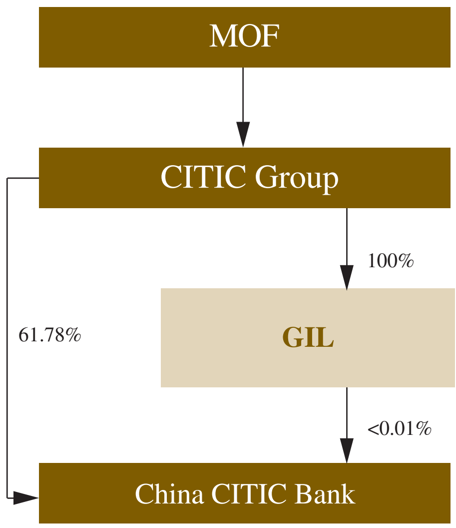
Save for disclosed above, as at 30 June 2011, according to the register maintained by the Bank pursuant to Section 336 of the SFO, none of other interests or short positions of any persons or companies in shares or underlying shares of the Bank were required to be disclosed under sections II and III of Part XV of the SFO.

Controlling Shareholder and *De Facto* Controller of the Bank

CITIC Group is the controlling shareholder and *de facto* controller of the Bank. There was no change in the controlling shareholder and *de facto* controller of the Bank during the reporting period. As at the end of the reporting period, CITIC Group directly held 24,115,773,578 A shares in the Bank, representing 61.78% of the Bank's total issued share capital, and indirectly held 592 H shares in the Bank through GIL, representing less than 0.01% of the Bank's total issued share capital. Therefore, CITIC Group held a total of 61.78% of the issued and outstanding shares in the Bank.

The registered address and place of business of CITIC Group are located in Beijing. With the initiation by Mr. Deng Xiaoping, the chief architect of China's reform and opening-up, and the approval by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former vice-chairman of China, as the first window corporation in China's reform and opening up. After numerous changes in capital, the registered capital of CITIC Group as of the end of the reporting period was RMB55.358 billion, and its legal representative was Mr. Chang Zhenming. CITIC Group is a leading and large state-owned multinational conglomerate in China mainly with its investment focus on industries such as financial service, information technology, energy and heavy industry, etc. At present, CITIC Group has business presence in Hong Kong, the United States, Canada and Australia.

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



Directors, Supervisors, Senior Management and Staff

Basic Information of Directors, Supervisors and Senior Management of the Bank (As at the date when this report is published)

Board of Directors

Name	Title	Name	Title
Tian Guoli	Chairman, Non-executive director	Chen Xiaoxian	Executive director, President
Dou Jianzhong	Non-executive director	Ju Weimin	Non-executive director
Zhang Jijing	Non-executive director	Guo Ketong	Non-executive director
Zhao Xiaofan	Executive director, Vice-president	Chan Hui Dor Lam Doreen	Non-executive director
Ángel Cano Fernández	Non-executive director	José Andrés Barreiro	Non-executive director
Bai Chong-En	Independent non-executive director	Ai Hongde	Independent non-executive director
Xie Rong	Independent non-executive director	Wang Xiangfei	Independent non-executive director
Li Zheping	Independent non-executive director		

Board of Supervisors

Name	Title	Name	Title
Wu Beiying	Chairman of the Board of Supervisors	Wang Shuanlin	Vice-chairman of the Board of Supervisors
Zhuang Yumin	External supervisor	Luo Xiaoyuan	External supervisor
Zheng Xuexue	Supervisor	Lin Zhengyue	Employee representative supervisor
Li Gang	Employee representative supervisor	Deng Yuewen	Employee representative supervisor

Senior Management

Name	Title	Name	Title
Chen Xiaoxian	Executive director, President	Zhao Xiaofan	Executive director, Vice-president
Cao Tong	Vice-president	Ou Yang Qian	Vice-president
Su Guoxin	Vice-president	Cao Bin	Secretary of the Committee for Discipline Inspection
Wang Lianfu	Chairman of the Bank's trade union (vice-president level), Chief Compliance Officer	Cao Guoqiang	Vice-president
Zhang Qiang	Vice-president	Luo Yan	Secretary to the Board of Directors

Changes in Shares Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, Mrs. Chan Hui Dor Lam Doreen, director of the Bank, held 2,974,689 H shares in the Bank and there was no change in her shareholding during the reporting period. Except for Mrs. Chan Hui Dor Lam Doreen, none of the other directors, supervisors and senior management of the Bank held any share in the Bank.

Appointment and Dismissal of Directors, Supervisors and Senior Management

The resolution on the Nomination of Mr. Tian Guoli as a candidate of director by the Bank's shareholders was approved through voting at the 20th meeting of the Bank's second Board of Directors in March 2011. At the 2010 annual general meeting of the Bank held in May 2011, Mr. Tian Guoli was elected as director of the Bank. At the 22nd meeting of the Bank's second Board of Directors held in May 2011, Mr. Tian Guoli was elected as Chairman of the Board of Directors of the Bank. The term of office of Mr. Tian Guoli took effect from July 2011 upon the CBRC's approval of his qualification to the office.

In March 2011, Mr. Kong Dan resigned from the position of Chairman of the Board of Directors and non-executive director of the Bank due to personal working adjustment. The resignation of Mr. Kong Dan became effective since July 2011 when Mr. Tian Guoli's qualification to the office of Chairman of the Board of Directors was approved by the CBRC.

In May 2011, Mr. Chang Zhenming resigned from the position of vice-chairman and non-executive director of the Bank, as well as chairman and member of the Strategic Development Committee under the Board of Directors due to work reallocation, which took effect on the day when the Board of Directors received his resignation letter.

In June 2011, Dr. Ai Hongde resigned from the position of independent non-executive director, chairman and member of the Audit and Related Party Transactions Control Committee under the Board of Directors, member of the Risk Management Committee under the Board of Directors and member of the Nomination and Remuneration Committee under the Board of Directors due to personal work arrangement. To ensure the effective operation of the Bank and to satisfy the requirement that the number of independent directors shall be no less than one third of members in the Bank's Board of Directors, Dr. Ai Hongde's resignation will take effect only after the election of a new independent director by the Bank's shareholders' general meeting and the approval of the new independent non-executive director's qualification to the office by the CBRC. During the period prior to that, Dr. Ai Hongde shall continue to perform his duty as an independent non-executive director according to relevant laws, regulations and the Bank's Articles of Association.

At the 18th meeting of the Bank's second Board of Directors held in March 2011, a resolution was adopted to approve the appointment of Mr. Barreiro to be member of the Strategic Development Committee under the second Board of Directors and the appointment of Dr. Zhao Xiaofan to be member of the Risk Management Committee under the second Board of Directors.

Staff Information

During the reporting period, based on the principle of coordinating effective incentives and strict restrictions, the Bank implemented various measures to continuously improve the human resources management system. To that end, the Bank actively promoted adjustment and arrangement of management staff in branches and the departments in head office, improved appraisal and appointment and removal system, replenished the reserve staff and sought to establish a withdrawal mechanism. The Bank formulated human resource plan in a scientific way, improved recruitment work, improved staff deployment and optimized staff structure. The Bank further improved salary, benefit and insurance system, implemented field study and research analysis, improved fixed remuneration system, regulated welfares and insurance, sought to establish a system of deferred remuneration payment and intensified incentive function. The Bank also strengthened knowledge training and know-how exchange, upgraded human resources information system, so as to continuously improve the capability of professional management.

As at the end of the reporting period, the Bank had 33,240 employees, among which, 24,772 signed labor contracts with the Bank, 8,468 signed engagement letters with the Bank. The Bank had a total of 343 retired staff.

CORPORATE Governance

During the reporting period, the Bank has strictly complied with *Company Law of the People's Republic of China, Securities Law of the People's Republic of China*, *Law of the People's Republic of China on Commercial Banks* and relevant laws and regulations, and continued to improve its corporate governance structure based on its actual situation. The Bank has established a corporate governance structure composed of shareholders' general meeting, Board of Directors, Board of Supervisors and the senior management, namely, the structure of "three meetings and one management level". Besides, the Bank also clearly defined duties of each party in the above-mentioned corporate governance structure, as well as duties of directors, supervisors and senior management team in the Articles of Association and the rules of procedure of the "three meetings, one management level", so as to achieve the integration of rights, obligations and interests. A scientific and effective decision-making, execution and supervision mechanism was established, which guaranteed the coordination and check-and-balance among decision-making body, execution body as well as supervisory body, and ensured that they were able to carry out their respective duties accordingly.

During the reporting period, the Bank further improved all sorts of works regarding corporate governance according to requirements of domestic and overseas regulatory authorities. According to the *Evaluation Measures on Duty Performance of Directors of Commercial Banks (Trial)* issued by the CBRC, the Bank formulated the *Implementation Measures of the Board of Directors on the Evaluation of Duty Performance of Directors (Trial)* and the *Implementation Measures of the Board of Supervisors on the Evaluation Measures on Duty Performance of Directors (Trial)* based on the amendments to the *Evaluation Measures of the Board of Directors on the Duty Performance of Directors and Senior Management* and the *Evaluation Measures of the Board of Supervisor on the Duty Performance of Directors, Supervisors and Senior Management*. Pursuant to the requirements of the above system, the Board of Directors and the Board of Supervisors of the Bank made evaluation on the duty performance of the Bank's directors in 2010 and formulated a duty performance evaluation report. The duty performance evaluation results show that all the directors have fulfilled their responsibility in 2010.

Shareholders' General Meeting, Board of Directors and Board of Supervisors

During the reporting period, one annual general meeting, one extraordinary general meeting, seven meetings of the Board of Directors and five meetings of the Board of Supervisors were held according to the requirements stipulated in the Articles of Association. All of the above-mentioned meetings were convened in compliance with the procedures stipulated in laws, regulations and the Bank's Articles of Association.

Shareholders' General Meeting

During the reporting period, the Bank convened two shareholders' general meetings in total, including the 2010 annual general meeting and the first extraordinary general meeting in 2011, all of which were held in strict compliance with the listing rules of both SSE and SEHK. The shareholders' general meeting of the Bank made decisions on material matters of the Bank, and approved the proposals regarding the work report of the Board of Directors for the year 2010, the work report of the Board of Supervisors for 2010, 2010 financial and annual accounting report, financial budget plan for 2011, profit distribution plan for 2010, election of Mr. Tian Guoli as non-executive director, credit line to CITIC Group as related party of the Bank, the special report on related party transactions of the Bank for 2010, engagement of accounting firms and their remuneration for 2011, report on the use of proceeds from the previous fund raising. Therefore, the Bank safeguarded the legitimate rights and interests of all the shareholders and ensured their lawful implementation, which plays vital role in promoting the long-term, prudent and sustainable development of the Bank.

Board of Directors

The Board of Directors of the Bank consists of 15 members, including two executive directors, eight non-executive directors and five independent non-executive directors.

During the reporting period, the Board of Directors exercised their duties by convening seven meetings, including on-site meetings and meetings in writing, deliberated on and approved proposals regarding the work report of the Board of Directors for 2010, 2010 annual report, 2010 remuneration scheme for senior management, 2010 remuneration plan for staff, financial budget plan for 2011, 2011 first quarterly report, engagement of accounting firms and their remuneration, credit line to CITIC Group as related party of the Bank, appointment of Mr. Tian Guoli as the chairman of the Board of Directors, report on the use of proceeds from the previous fund raising, 2010 social responsibility report, 2010 self-evaluation report on internal control and 2010 special report on related party transactions as well as systems including the *Evaluation Measures of the Board of Directors on the Duty Performance of Directors and Senior Management*, *Implementation Measures of the Board of Directors* on the *Evaluation of Duty Performance of Directors (Trial)*, the *Work Rules of the Secretary to the Board of Directors*, the *Investor Relations Management System*, the *Accountability System in relation to Serious Faults in Information Disclosure in the Annual Report*, the *Administrative Measures for Liquidity Risk*, *Outlines for the Implementation of Liquidity Risk Management*, the *Contingency Plan for Liquidity Management* and the *Work Plan for the Implementation of Internal Control Standards*. In addition, the Board of Directors made evaluation on the duty performance in 2010 of all directors, and formulated a duty performance evaluation report.

Board of Supervisors

The Board of Supervisors of the Bank consists of eight members, including two external supervisors, three shareholder representative supervisors and three employee representative supervisors.

During the reporting period, the Board of Supervisors convened five meetings, where the Board of Supervisors considered and approved the proposals regarding the work report of the Board of Supervisors for 2010, 2010 annual report, 2011 first quarterly report, the Board of Supervisors' evaluation report on the duty performance of directors in 2010. Moreover, the Board of Supervisors further enhance the system foundation for its effective duty performance by deliberating and approving systems such as the *Evaluation Measures of the Board of Supervisor on the Duty Performance of Directors*, *Supervisors and Senior Management (Revised)* and the *Implementation Measures of the Board of Supervisors on the Evaluation Measures on Duty Performance of Directors.*

Senior Management

During the reporting period, the senior management of the Bank consists of 10 members, including one president, eight vice-presidents (including a senior executive of vice-president level), and a secretary to the Board of Directors. There is a strict separation of duties and powers between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management make decisions on matters regarding business operation.

Information Disclosure

The Bank attaches great importance to the information disclosure, strictly observed regulatory rules of listing venues, and disclosed information in accordance with principles of "highest", "strictest" and "maximum", ensured an equal treatment to all investors and protected the interests of all shareholders. During the reporting period, the Bank continued to improve the information disclosure system, formulated the *Accountability System in relation to Serious Faults in Information Disclosure in the Annual Report* and the *Management Measures on Regular Report Compiling and Disclosure*, so as to further strengthen the internal procedure management and accountability in relation to the disclosure of material information such as regular reports.

During the reporting period, the Bank released more than 50 domestic and overseas announcements.

Management of Related Party Transactions

The Bank's Board of Directors and the Audit and Related Party Transactions Control Committee attaches great importance to the management of related party transactions, fulfilled earnestly their functions to approve and supervise in reviewing related party list, approving credit extension related party transactions and promoting system building, which ensures that the Bank's related party transactions are carried out in compliance with laws and regulations.

In the first half of 2011, the Bank strictly adhered to the regulatory requirements of Chinese mainland and Hong Kong, further promoted its management on related party transactions in terms of concept publicity, system building, procedure standardization and delicacy management. The Bank, ensuring compliance as the prerequisite, leveraged on the synergy effect of CITIC financial platform in order to deepen the value creation for shareholders.

With regard to concept publicity, the Bank further intensified the concept of related party transactions by conducting bank-wide training and expanding the coverage of training. With regard to system building, the Bank carried out a classified management on related legal persons and sorted out the name list of related natural persons, so that the management system of related party was further improved. With regard to procedure standardization, the Bank produced the Manual for Related Party Transactions Products, which provided a basis for correctly identifying related party transactions, unifying calculation standards and regulating internal procedure. With regard to delicacy management, the Bank established management account for each business module and improved information delivery mechanism to further improve the efficiency and quality of information reporting and submission.

Management of Investor Relations

Attaching great attention to shareholders' interest and the enterprise's value, the Bank deepened its work on investor relations, by providing quality and immediate service to investors with the management philosophy of "efficient, voluntary and standard", and was well received in market.

During the reporting period, the Bank promoted its communication with capital market. On the one hand, the Bank kept a close tie with investors using its standardized and efficient communication mechanism as well as its innovative and diversified communication platform. And on the other hand, the Bank has done a lot of work effectively to make a comprehensive plan and preparation for rights issue program, communication with shareholders and publication of subscription information. By conducting on-site and on-line road show, the Bank had full communication with investors and received support and satisfaction from investors. Therefore, the A and H-share rights issue program was completed successfully prior to the disclosure of this report, which secured shareholders' interest and increased the enterprise's value.

SIGNIFICANT Events

Rights Issue of A and H Shares

The Bank initiated the A-share and H-share rights issue (the "Rights Issue") in June 2010 to strengthen the capital base of the Bank. Relevant proposals of the Rights Issue have been considered and approved at the 13th meeting of the second Board of Directors of the Bank in 2010, the third extraordinary general meeting of the Bank in 2010, the first A shareholders class meeting of the Bank in 2010 and the first H shareholders class meeting of the Bank in 2010. The approved total proceeds of the Rights Issue shall not be more than RMB26 billion.

In June 2011, having been approved by the CSRC with the approvals titled *Approval in respect of the Rights Issue of China CITIC Bank Corporation Limited* (numbered Zheng Jian Xu Ke [2011] No.963) and *Approval in respect of the Rights Issue of the Overseas Listed Foreign Shares of China CITIC Bank Corporation Limited* (numbered Zheng Jian Xu Ke [2011] No.952), the Bank proceeded the A-share and H-share rights issue and completed the issuance in July and August in 2011. The Bank offered the rights shares on the basis of 2 rights shares for every 10 existing shares held, proportions applied to the A-share and H-share rights issue are the same. The subscription price for the rights shares are: RMB3.33 per rights share for the A-share rights issue, and HKD4.01 per rights share for the H-share rights issue. The rights share price for A-share and H-share are the same upon adjustment according to the foreign exchange rate. The Bank has offered 5,273,622,484 A shares and 2,480,360,496 H shares with a par value of RMB1 per share for the Rights Issue. The total proceeds raised from the Rights Issue are approximately RMB17,561,162,871.72 and HKD9,946,328,240.83. Having deducted the issuance expenses, the net proceed raised from the Rights Issue is approximately RMB25,666,735,790.69, which will all be used to strengthen the Bank's capital base.

The Bank's Profit Distribution and Implementation of the Plan for Converting Capital Reserve into Share Capital and the Plan for Issuing New Shares during the Reporting Period

As approved by the 2010 annual general meeting, neither cash dividend distribution nor conversion of capital reserve into share capital was conducted by the Bank for 2010 so as to ensure a smooth proceeding of its A and H shares rights issue during the reporting period, which is in the interests of the Bank's long-term development. The retained profits will be distributed in the future.

In the first half of 2011, the Bank's profit after tax as set out in both foreign and domestic financial statements prepared according to the *Accounting Standards for Business Enterprises* of PRC and IFRSs was RMB14.412 billion. The Bank's Board of Directors proposed to distribute profit for the first half of 2011 as follows:

10% of the profit after tax with a total amount of RMB1.441 billion shall be transferred to the statutory surplus reserve, RMB0.8 billion shall be transferred to the general reserve, nil to the discretionary reserve, and a total of RMB2.573 billion shall be distributed as proposed dividend. Every 10 shares shall receive a cash dividend of RMB0.55 (pre-tax), calculated on the basis of the total share capital of A and H shares. The cash dividend will be denominated and declared in RMB, and paid to A-share holders and H-share holders in RMB and HKD respectively. The actual amount of dividend for H shares shall be calculated in HKD based on the average benchmark exchange rate between RMB and HKD announced by the PBOC one week (inclusive of the date of the general meeting) before the date the general meeting is convened. The aforesaid profit distribution proposal shall be submitted to the second extraordinary general meeting in 2011 of the Bank for consideration.

Closure of Register of Members

The Bank's register of members will be closed from 26 October 2011 to 31 October 2011 during which period no transfer of H shares will be effected. The Bank sets the last trading day before excluding dividend of H Shares on 21 October 2011 and will begin excluding dividend from 24 October 2011. In order to qualify for the interim dividend proposed for the half year of 2011, holders of H shares should deposit the share certificates together with the relevant transfer documents at the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 25 October 2011. The interim dividend of 2011 will be paid on or about 17 November 2011 upon approval.

Purchase, Sale or Redemption of the Shares of the Bank

During the reporting period, save and except as disclosed in this report, none of the shares of the Bank was purchased, sold or redeemed by the Bank or any of its subsidiaries.

Material Acquisition, Disposal or Assets Restructuring

Save and except as disclosed in this report, the Bank did not engage in any material acquisitions, disposals or asset restructuring during the reporting period.

Material Contracts and Respective Performance

During the reporting period, save and except as disclosed in this report, the Bank did not have material assets business with other companies to hold in trust, contract or lease their assets, and did not entrust other companies to hold in trust, contract or lease its assets.

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

The Bank did not entrust others to handle cash management matters.

Fund Occupation by Substantial Shareholders

No fund of the Bank is occupied by substantial shareholders.

Significant Related Party Transactions

The Bank enters into related party transactions with related parties in the ordinary and usual course of business based on normal commercial terms. The terms are no more favorable to the related parties than those available to non-related parties for the same transactions. Please refer to Note 56 "Related Parties" to the Financial Statements of this report for details on figures of related party transactions.

(I) Related Party Transactions Involving Disposal and Acquisition of Assets

Save and except as disclosed herein, the Bank did not engage in any related party transactions involving disposal and acquisition of assets during the reporting period.

(II) Related Party Transactions of Credit Extension

The Bank attached great importance to the daily monitoring and management on related party transactions and ensured a legal and compliant operation of related party transactions business through enhancing its management on process, risk approval and post-lending. As at the end of the reporting period, the balance of credit extended by the Bank to related parties was RMB2.842 billion, the balance of credit risk exposures of financial derivative products and bond holdings was an amount equivalent to RMB843 million. Among which the balance for credit to CITIC Group and its subsidiaries was RMB2.543 billion, the balance of credit risk exposures of financial derivative products and bond holdings to them was RMB733 million, and; the balance for credit to BBVA and its subsidiaries was RMB299 million, the balance of credit risk exposures of financial derivative products and bond holdings to them was an amount equivalent to RMB110 million. All of the above-mentioned credit extension business to related party shareholders and the related credit risk exposures are of good quality, and are all normal loans. Those transactions would not have material impact on the normal operation of the Bank in terms of amount, structure and quality.

When entering into credit extension related party transactions, the Bank only entered into such transactions on normal commercial terms and the price available to related parties are no more favorable than those available to independent third parties of the same kind of transactions. Meanwhile, the Bank fulfilled the regulatory requirements for approval and disclosure by SSE and the CBRC. As at the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the *Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies* (Zheng Jian Fa [2003] No. 56) and the *Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies* (Zheng Jian Fa [2005] No. 120). The loans between the Bank and CITIC Group, the Bank's largest shareholder, and fellow controlled companies had no adverse impact on the operation and financial condition of the Bank.

(III) Non-Credit Extension Continuing Related Party Transactions

The Bank continued to conduct transactions subject to the respective approved annual caps for the three years under the *2011-2013 Continuing Related Party Transactions Framework Agreement* entered into between the Bank and CITIC Group and its associates, the *2009-2011 Interbank Transactions Master Agreement* entered into between the Bank and BBVA and its subsidiaries, and the *2011-2013 Master Agreement on Capital Transactions* entered into between the Bank and CIFH and its subsidiaries. According to the applicable provisions of Chapter 14A of *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and Chapter 10 of *Rules of Shanghai Stock Exchange for the Listing of Stocks*, the performance of the above-mentioned continuing related party transactions is disclosed as follows:

Non-credit Extension Continuing Related Party Transactions with CITIC Group and its Associates

Third-Party Escrow Service

According to the *Third-Party Escrow Service Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2011, the annual cap for the transactions under the *Third-Party Escrow Service Framework Agreement* is RMB40 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Investment Product Agency Sales Service

According to the *Investment Product Agency Sales Service Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the sale agency services provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2011, the annual cap for the transactions under the *Investment Product Agency Sales Service Framework Agreement* is RMB683.1 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Asset Custody Service

According to the *Asset Custody Service Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to review on a periodic basis. In 2011, the annual cap for the transactions under the *Asset Custody Service Framework Agreement* is RMB91.3 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Loan Asset Transfer

According to the *Loan Asset Transfer Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the transactions conducted between the Bank and CITIC Group and its associates pursuant to the *Loan Asset Transfer Framework Agreement* shall be made on terms not more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance price prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market price shall prevail, and; (3) where there is no such government-prescribed price or guidance price or market price, the price shall be determined by the book value of the financial assets after proper discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the *Loan Asset Transfer Framework Agreement* is RMB40 billion. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Financial Consulting and Asset Management Service

According to the *Financial Consulting and Asset Management Service Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the financial consulting and asset management services to be provided by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The services have no fixed price and rates, which shall be determined upon arm's length negotiations between the parties and made on terms not more favorable than those available to third parties; or, the parties shall determine the price and rates applicable to a particular type of services based on the market price and rates applicable to independent counterparties for the same transactions. In 2011, the annual cap for the transactions under the *Financial Consulting and Asset Management Service Framework Agreement* is RMB111 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Technology Service

According to the *Technology Service Framework Agreement* entered into between the Bank and CITIC Group in August 2010, the technology services provided by CITIC Group and its associates to the Bank include the development, integration, maintenance and support as well as outsourcing services for the management information system and the transaction information system. The service fee payable by the Bank to CITIC Group and its associates shall be made on terms not more favorable than those available to independent third parties. The services have no fixed price and rates. The price and rates applicable to a particular type of services shall be determined upon arm's length negotiations between the parties and based on the market price and rates applicable to independent counterparties for the same transactions. In 2011, the annual cap for the transactions under the *Technology Service Framework Agreement* is RMB70.6 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Capital Market Transactions

According to the *Capital Market Transactions Master Agreement* entered into between the Bank and CITIC Group in August 2010, the Bank and CITIC Group shall conduct capital market transactions in their ordinary and usual course of business according to applicable general market practices and commercial terms. There is no fixed price or rate for the transactions. The price and rates applicable to a particular type of transactions shall be the prevailing market price or the rates generally adopted by the independent counterparties for the same transactions. In 2011, the annual caps for each of realized gains, realized losses, unrealized gains or losses (as the case may be) of the transactions under the *Capital Market Transactions Master Agreement* is RMB1.2 billion, and that for the fair value of derivative financial instruments (whether booked into assets or liabilities or not) is RMB4.2 billion respectively. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Interbank Transactions between the Bank and BBVA

According to the *Interbank Transactions Master Agreement* entered into between the Bank and BBVA in 2009, the Bank and BBVA Group shall conduct interbank transactions in their ordinary and usual course of business according to applicable general interbank transaction practices and on normal commercial terms. There is no fixed price or rate for the transactions. The price and rates applicable to a particular type of transactions shall be the prevailing market price or the rates generally adopted by independent counterparties for the same transactions. In 2011, the annual caps for each of realized gains, realized losses, unrealized gains and losses (as the case may be) of the transactions under the *Interbank Transactions Master Agreement* is RMB480 million respectively, and that for the fair value of derivative financial instruments (whether booked into assets or liabilities or not) is RMB450 million. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for this year.

Capital Market Transactions between the Bank and CIFH

According to the *Capital Market Transactions Master Agreement* entered into between the Bank and CIFH in August 2010, the Bank and CIFH shall conduct capital market transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The price and rates applicable to a particular type of transactions shall be the prevailing market price or the rates generally adopted by independent counterparties for the same transactions. In 2011, the annual caps for each of realized gains, realized losses, unrealized gains or losses (as the case may be) of the transactions under the *Capital Market Transactions Master Agreement* is RMB1 billion respectively, and that for the fair value of derivative financial instruments (whether booked into assets or liabilities or not) is RMB3.5 billion. As at the end of the reporting period, the actual amount incurred did not exceed the annual cap for the year.

Material Litigation and Arbitration

The Bank has been involved in several lawsuits and arbitrations during its daily operation. Most of these lawsuits and arbitrations were sought by the Bank to enforce loan repayment. In addition, there were also lawsuits and arbitrations regarding disputes with clients. As at the end of the reporting period, the Bank was involved in 68 lawsuits and arbitrations with a disputed amount exceeding RMB30 million (including both as plaintiff/claimant and defendant/claimee), with an aggregate disputed amount of RMB4.59 billion; there are 52 unsettled lawsuits and arbitrations (regardless of the disputed amount) in which the Bank is defendant/claimee with an aggregate disputed amount of RMB248 million.

The management of the Bank is of the view that these lawsuits will not have any material impact on the performance and financial position of the Bank.

Investment in Securities

The following table sets out the shareholding of the Group in the shares and securities of other listed companies as at the end of the reporting period:

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book Value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of shares
1	762	China Unicom (HK)	15,795,000.00	—	9,668,735.04	—	8,515,118.78	1,153,616.26	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	28,045,823.64	—	23,627,618.05	4,418,205.59	Available-for-sale financial assets	Free acquisition /bonus
3	MA	Mastercard International	201,629.69	—	1,478,415.11	—	1,121,395.54	357,019.57	Available-for-sale financial assets	Bonus
	Total		**23,506,235.08**		**39,192,973.79**		**33,264,132.37**	**5,928,841.42**		

The following table sets out the shareholding of the Group in non-listed financial enterprises as at the end of the reporting period:

Unit: RMB

Name of company	Initial Investment amount	Shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of shares
China UnionPay Co., Ltd	70,000,000.00	87,500,000	4.24%	113,750,000.00	2,450,000.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	152,996.84	—	—	Available-for-sale financial assets	Bonus
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,283,079.99	—	—	Available-for-sale financial assets	Bonus
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	13,470,373.89	—	—	Available-for-sale financial assets	Bonus
Total	**88,960,234.79**			**131,656,450.72**	**2,450,000.00**			

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB308 million as at the end of the reporting period.

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

During the reporting period, neither the Bank nor its Board of Directors, any director, senior management, shareholder and *de facto* controller was subject to any investigation by competent authorities, coercive measures of judiciary or disciplinary inspection departments, transfer to judiciary authorities or recourse of criminal liabilities, investigation of the CSRC, administrative penalty, banning the entry to securities markets, criticism by notice circulation, identification as inappropriate candidate, material punishment by other administrative departments or public reprimand from any stock exchanges, or any punishment by other regulatory authorities which has material impact on the Bank's operation.

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

The shareholders made no new undertaking during the reporting period, and the undertakings within the reporting period are the same as those disclosed in 2010 annual report. The Bank is not aware of any shareholders with shareholding of 5% or above in the Bank breached any undertaking they made.

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

As at the end of the reporting period, the interests and short positions of the directors, supervisors and senior management of the Bank in the shares, underlying shares or debentures of the Bank and any associated corporation (within the meaning of Part XV of the SFO which are recorded in the register kept by the Bank pursuant to section 352 of the SFO or any interests and short positions which are required to be notified to the Bank and the SEHK pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* are as follows:

Name of director	Name of the associated corporation	Nature of interests	Type/number of shares held	Proportion to the issued share capital in the associated corporation	Execution period
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 (L) options 1,250,000 (L) options	0.56%	9 September 2010 – 8 September 2012 9 September 2011 – 8 September 2014
Chan Hui Dor Lam Doreen	China CITIC Bank	Personal interests	2,974,689 (L) H shares	0.02%	—
Zhang Jijing	CITIC Resources Holdings Limited	Personal interests	10,594,315 (L) options	0.13%	2 June 2006 – 1 June 2013
	CITIC Pacific Limited	Personal interests	500,000 (L) options	0.01%	19 November 2009 – 18 November 2014

Note: (L) stands for long position.

Save as disclosed above, none of directors, supervisors and senior management of the Bank has any other interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporations during the reporting period.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Bank is committed to maintain high-level corporate governance practices. In the first half of 2011, the Bank has been in compliance with the code provisions of the *Code on Corporate Governance Practices* as contained in Appendix 14 to the Listing Rules and most of the recommended best practices set out therein.

Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Listing Rules for the securities transactions by directors and supervisors.

Having made specific inquiry to all directors and supervisors, the Bank confirmed that, in the first half of 2011, all the directors and supervisors complied with the rules on securities transactions by directors and supervisors as stipulated in aforementioned *Model Code*.

Notes on Amendments to Business Plan

Save as disclosed herein, the Bank did not modify its business plan during the reporting period.

Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed matters related to internal control and financial reporting, as well as reviewed the Bank's interim report, and are of the opinion that, save as the disclosed information, the preparation basis of this interim report are consistent with the accounting policies adopted for the preparation of the financial report for the year 2010 of the Group.

Obtaining a Copy of Interim Report

The Bank prepared A-share interim report and H-share interim report in accordance with regulatory requirements of A-share and H-share, and the H-share interim report is available in both Chinese and English. To obtain copies of A-share interim financial report prepared in accordance with the PRC accounting standards, please write to the Bank's Board Office. To obtain copies of H-share interim financial report prepared in accordance with the IFRSs, please write to the Bank's H-share registrar, Computershare Hong Kong Investor Services Limited. The A-share and H-share interim report are also available on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk. If you have any queries about how to obtain copies of interim report and relevant documents, please call the Bank's hotline at 86-10-65558000 or 852-28628555.

NET PROFIT

The Group continued to maintain the rapid growth in profit, and realized a net profit of RMB15.024 billion, up by 40.61% year on year. The good performance in generating net profit and promoting profit growth made it rank among top banks in domestic medium-size joint banks.

RMB

15.024

billion

Independent Auditors' Review Report

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

Introduction

We have reviewed the interim financial report of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 87 to 176 which comprises the consolidated and Bank statements of financial position as at 30 June 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

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

29 August 2011

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2011 Unaudited	2010 Unaudited
Interest income		47,616	33,488
Interest expense		(17,810)	(11,125)
Net interest income	3	29,806	22,363
Fee and commission income		4,212	2,801
Fee and commission expense		(314)	(272)
Net fee and commission income	4	3,898	2,529
Net trading gain	5	1,029	430
Net gain from investment securities	6	110	71
Net hedging loss	7	(1)	(1)
Other operating income		493	175
Operating income		35,335	25,567
Operating expenses	8	(13,159)	(9,483)
Operating profit before impairment		22,176	16,084
Impairment losses on			
– Loans and advances to customers	9	(1,916)	(1,671)
– Others	9	(13)	(153)
Total impairment losses		(1,929)	(1,824)
Revaluation gain on investment properties		29	11
Share of profits of associates		50	10
Profit before tax		20,326	14,281
Income tax	10	(5,053)	(3,442)
Net profit		15,273	10,839
Other comprehensive income for the period			
Available-for-sale financial assets			
– Changes in fair value		149	(12)
– Losses/(gains) on disposal transferred to profit or loss		31	(48)
Income tax relating to available-for-sale financial assets		(37)	—
Other comprehensive income/(loss) for available-for-sale financial assets, net of tax		143	(60)
Exchange difference on translating foreign operations		(327)	(131)
Other comprehensive income of associates		24	1
Others		6	—
Other comprehensive loss, net of tax	11	(154)	(190)
Total comprehensive income		15,119	10,649
Net profit attributable to:			
Shareholders of the Bank		15,024	10,685
Non-controlling interests		249	154
		15,273	10,839
Total comprehensive income attributable to:			
Shareholders of the Bank		14,941	10,588
Non-controlling interests		178	61
		15,119	10,649
Basic and diluted earnings per share (RMB)	12	0.38	0.27

The notes on pages 95 to 176 form part of the unaudited interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2011
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2011 Unaudited	31 December 2010 Audited
Assets			
Cash and balances with central bank	13	**300,934**	256,323
Deposits with banks and non-bank financial institutions	14	**97,342**	81,955
Placements with banks and non-bank financial institutions	15	**84,376**	48,633
Trading financial assets	16	**2,758**	2,855
Positive fair value of derivatives	17	**4,776**	4,478
Financial assets held under resale agreements	18	**134,052**	147,632
Interest receivable	19	**6,893**	6,095
Loans and advances to customers	20	**1,334,724**	1,246,026
Available-for-sale financial assets	21	**148,017**	137,109
Held-to-maturity investments	22	**110,298**	129,041
Investments in associates	23	**2,257**	2,253
Fixed assets	25	**9,807**	9,974
Investment properties	26	**278**	248
Goodwill	27	**838**	857
Intangible assets	28	**221**	217
Deferred tax assets	29	**2,461**	2,565
Other assets	30	**5,186**	5,053
Total assets		**2,245,218**	2,081,314
Liabilities			
Deposits from banks and non-bank financial institutions	32	**143,806**	141,663
Placements from banks and non-bank financial institutions	33	**4,784**	7,072
Trading financial liabilities	34	**8,420**	10,729
Negative fair value of derivatives	17	**3,666**	4,126
Financial assets sold under repurchase agreements	35	**14,979**	4,381
Deposits from customers	36	**1,873,227**	1,730,816
Accrued staff costs	37	**7,436**	7,853
Taxes payable	38	**2,716**	2,598
Interest payable	39	**10,173**	8,569
Provisions	40	**36**	36
Debts securities issued	41	**32,612**	34,915
Other liabilities	42	**3,706**	4,018
Total liabilities		**2,105,561**	1,956,776

The notes on pages 95 to 176 form part of the unaudited interim financial report.

As at 30 June 2011
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2011 Unaudited	31 December 2010 Audited
Equity			
Share capital	43	**39,033**	39,033
Share premium and other reserve	44	**31,578**	31,574
Investment revaluation reserve	44	**(502)**	(632)
Surplus reserve	45	**7,059**	5,618
General reserve	46	**16,498**	15,698
Retained earnings		**43,359**	30,576
Exchange difference		**(1,909)**	(1,692)
Total equity attributable to shareholders of the Bank		**135,116**	120,175
Non-controlling interests		**4,541**	4,363
Total equity		**139,657**	124,538
Total liabilities and equity		**2,245,218**	2,081,314

Approved and authorised for issue by the Board of Directors on 29 August 2011.

Tian Guoli	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**	**Company stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Financial Department*	

The notes on pages 95 to 176 form part of the unaudited interim financial report.

Statement of Financial Position

As at 30 June 2011
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2011 Unaudited	31 December 2010 Audited
Assets			
Cash and balances with central bank	13	**300,259**	255,394
Deposits with banks and non-bank financial institutions	14	**95,146**	67,157
Placements with banks and non-bank financial institutions	15	**70,861**	39,221
Trading financial assets	16	**2,029**	2,298
Positive fair value of derivatives	17	**3,369**	3,094
Financial assets held under resale agreements	18	**134,110**	147,692
Interest receivable	19	**6,467**	5,615
Loans and advances to customers	20	**1,256,488**	1,170,383
Available-for-sale financial assets	21	**132,003**	119,032
Held-to-maturity investments	22	**110,555**	129,301
Investment in subsidiaries	24	**9,884**	9,884
Fixed assets	25	**9,312**	9,508
Intangible assets	28	**221**	217
Deferred tax assets	29	**2,394**	2,473
Other assets	30	**4,943**	4,548
Total assets		**2,138,041**	1,965,817
Liabilities			
Deposits from banks and non-bank financial institutions	32	**155,974**	143,775
Placements from banks and non-bank financial institutions	33	**1,956**	5,813
Trading financial liabilities	34	**7,774**	10,729
Negative fair value of derivatives	17	**2,601**	2,869
Financial assets sold under repurchase agreements	35	**14,979**	4,381
Deposits from customers	36	**1,779,397**	1,634,330
Accrued staff costs	37	**7,243**	7,618
Taxes payable	38	**2,630**	2,573
Interest payable	39	**9,851**	8,243
Provisions	40	**36**	36
Debt securities issued	41	**18,500**	22,500
Other liabilities	42	**3,018**	3,360
Total liabilities		**2,003,959**	1,846,227

The notes on pages 95 to 176 form part of the unaudited interim financial report.

As at 30 June 2011
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2011 Unaudited	31 December 2010 Audited
Equity			
Share capital	43	**39,033**	39,033
Share premium and other reserve	44	**33,706**	33,706
Investment revaluation reserve	44	**(371)**	(451)
Surplus reserve	45	**7,059**	5,618
General reserve	46	**16,450**	15,650
Retained earnings		**38,205**	26,034
Total equity		**134,082**	119,590
Total liabilities and equity		**2,138,041**	1,965,817

Approved and authorised for issue by the Board of Directors on 29 August 2011.

Tian Guoli	Chen Xiaoxian	Cao Guoqiang	Wang Kang	Company stamp
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Financial Department*	

The notes on pages 95 to 176 form part of the unaudited interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 - unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Share premium	Other reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2011		39,033	31,301	273	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538
Movements during the period											
(I) Comprehensive income	11	—	—	4	130	—	—	15,024	(217)	178	15,119
(II) Profit appropriations											
1. Appropriations to surplus reserve	45	—	—	—	—	1,441	—	(1,441)	—	—	—
2. Appropriations to general reserve	46	—	—	—	—	—	800	(800)	—	—	—
As at 30 June 2011		39,033	31,301	277	(502)	7,059	16,498	43,359	(1,909)	4,541	139,657

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2010 (before restatement)		39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253
Change in accounting policy		—	391	33	(1,451)	—	—	—	(218)	—	—	(1,245)
As at 1 January 2010 (restated)		39,033	31,301	254	—	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008
Movements during the period												
(I) Comprehensive income	11	—	—	1	—	(7)	—	—	10,685	(91)	61	10,649
(II) Profit appropriations												
1. Appropriations to shareholders		—	—	—	—	—	—	—	(3,435)	—	—	(3,435)
As at 30 June 2010		39,033	31,301	255	—	(243)	3,535	12,562	24,971	(1,463)	4,271	114,222

	Note	Share capital	Share premium	Other reserve	Properties revaluation reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2010 (before restatement)		39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253
Change in accounting policy		—	391	33	(1,451)	—	—	—	(218)	—	—	(1,245)
As at 1 January 2010 (restated)		39,033	31,301	254	—	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008
Movements during the year												
(I) Comprehensive income		—	—	19	—	(396)	—	—	21,509	(320)	153	20,965
(II) Profit appropriations												
1. Appropriations to surplus reserve	45	—	—	—	—	—	2,083	—	(2,083)	—	—	—
2. Appropriations to general reserve	46	—	—	—	—	—	—	3,136	(3,136)	—	—	—
3. Appropriations to shareholders		—	—	—	—	—	—	—	(3,435)	—	—	(3,435)
As at 31 December 2010		39,033	31,301	273	—	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538

The notes on pages 95 to 176 form part of the unaudited interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2011 - unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
Operating activities		
Profit before tax	**20,326**	14,281
Adjustments for:		
— Revaluation gain on investments and derivatives	**(113)**	(524)
— Investment gains	**(160)**	(78)
— Net (gain)/loss on disposal of fixed assets	**(9)**	1
— Unrealised foreign exchange losses	**190**	77
— Impairment losses	**1,929**	1,824
— Depreciation and amortisation	**649**	577
— Interest expense on subordinated debts/bonds issued	**650**	422
— Dividend income from equity investment	**(2)**	(3)
— Income tax paid	**(5,062)**	(2,514)
	18,398	14,063
Changes in operating assets and liabilities:		
Increase in balances with central bank	**(55,586)**	(42,970)
Increase in deposits with banks and non-bank financial institutions	**(6,976)**	(15,355)
(Increase)/decrease in placements with banks and non-bank financial institutions	**(34,659)**	1,959
Increase in trading financial assets	**(211)**	(2,053)
Decrease in financial assets held under resale agreements	**13,580**	42,168
Increase in loans and advances to customers	**(93,145)**	(128,469)
Increase/(decrease) in deposits from banks and non-bank financial institutions	**8,279**	(152,568)
(Decrease)/increase in placements from banks and non-bank financial institutions	**(1,327)**	464
(Decrease)/increase in trading financial liabilities	**(2,250)**	2,716
Increase in financial assets sold under repurchase agreements	**10,600**	263
Increase in deposits from customers	**144,731**	289,082
Decrease in other operating assets	**1,979**	804
Increase in other operating liabilities	**4,078**	1,425
Net cash flows from operating activities	**7,491**	11,529

The notes on pages 95 to 176 form part of the unaudited interim financial report.

Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2011 - unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2011 Unaudited	2010 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**246,083**	157,515
Proceeds from disposal of fixed assets, land use rights, and other assets		**26**	6
Cash received from equity investment income		**41**	56
Payments on acquisition of investments		**(256,857)**	(195,127)
Payments on acquisition of fixed assets, land use rights and other assets		**(518)**	(594)
Net cash flows used in investing activities		**(11,225)**	(38,144)
Financing activities			
Cash received from bond issuance		**—**	19,897
Interest paid on debt securities issued		**(1,190)**	(502)
Cash paid for redemption of debt securities		**(4,000)**	(5,098)
Net cash flows (used in)/from financing activities		**(5,190)**	14,297
Net decrease in cash and cash equivalents		**(8,924)**	(12,318)
Cash and cash equivalents as at 1 January		**173,910**	167,248
Effect of exchange rate changes on cash and cash equivalents		**(926)**	(221)
Cash and cash equivalents as at 30 June	48	**164,060**	154,709
Cash flows from operating activities include:			
Interest received		**46,886**	33,477
Interest paid, excluding interest expense on subordinated debts/bonds issued		**15,276**	10,822

The notes on pages 95 to 176 form part of the unaudited interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at Block C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China.

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

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

As at 30 June 2011, the Group mainly operates in Mainland China with branches covering 29 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, Hong Kong, and other overseas countries and regions.

CNCB (previously known as "CITIC Industrial Bank") was a state-owned financial institution established on 20 April 1987 with the approval of the State Council of the PRC ("State Council"). CITIC Industrial Bank was wholly owned by China CITIC Group Company ("CITIC Group"), which was previously known as China International Trust and Investment Corporation. CITIC Industrial Bank was renamed to China CITIC Bank on 2 August 2005.

China CITIC Bank was restructured into the Bank by the end of 2006. With the approval from the China Banking Regulatory Commission ("CBRC"), CITIC Group and CITIC International Finance Holdings Limited ("CIFH"), a fellow subsidiary of CITIC Group, as joint promoters established the Bank as a joint stock company in December 2006 and renamed China CITIC Bank into China CITIC Bank Corporation Limited.

The Bank obtained the business license No.1000001000600 on 31 December 2006, as approved by the State Administration for Industry and Commerce ("SAIC") of the PRC, and renewed and obtained the financial service certificate No.B0006H111000001 on 15 May 2007, as approved by the CBRC. On 26 April 2011, the business license No was renewed as 100000000006002, as approved by the SAIC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council. The overseas financial operations of the Group are under the supervision of their respective local jurisdictions.

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

The interim financial report was approved by the Board of Directors of the Bank on 29 August 2011.

2 Basis of preparation

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

The interim financial report has 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 interim financial report contains selected explanatory notes, which provide explanations of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2010. 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 2010.

2 Basis of preparation (continued)

(2) Use of estimates and assumptions

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(3) Consolidation

The interim financial report comprises 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 report 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. Intra-group balances and transactions, and any profits or losses arising from intra-group transactions are eliminated in full in preparing the consolidated financial report.

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.

The Group has established a number of Special Purpose Entities ("SPEs") for investment and wealth management product issuance purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

(4) Significant accounting policies

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

- IAS 24 (revised 2009), *Related party disclosures*;
- Improvements to IFRSs (2010);
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*;
- Amendments to IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*;

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to IFRIC 14, IAS 19 and IFRIC 19 have not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

(Expressed in millions of Renminbi unless otherwise stated)

2 Basis of preparation (continued)

(5) Interim financial report and statutory financial statements

The interim financial report has been reviewed by the Audit and Related Party Transactions Control Committee of the Bank, and was approved by the Board of Directors of the Bank on 29 August 2011. The interim financial report has 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 for the period ended 30 June 2010 and for the year ended 31 December 2010 that is included in the interim financial report as previously reported information does not constitute the Group's statutory financial statements for that period or that year but is derived from those financial statements. The statutory financial statements for the period ended 30 June 2010 and for the year ended 31 December 2010 are available from the Bank's registered office. The auditors have expressed unqualified review and audit opinions on those financial statements in their reports dated 11 August 2010 and 31 March 2011 respectively.

3 Net interest income

	Six months ended 30 June	
	2011	2010
Interest income arising from:		
Deposits with central banks	**2,022**	1,464
Deposits with banks and non-bank financial institutions	**1,024**	205
Placements with banks and non-bank financial institutions	**1,040**	206
Financial assets held under resale agreements	**2,700**	1,055
Loans and advances to customers (note (i))		
— corporate loans	**29,879**	22,679
— personal loans	**6,058**	4,140
— discounted bills	**1,373**	961
Investments in debt securities (note (ii))	**3,510**	2,770
Others	**10**	8
	47,616	33,488
Interest expense arising from:		
Balances due to central banks	**—**	(16)
Deposits from banks and non-bank financial institutions	**(2,715)**	(1,376)
Placements from banks and non-bank financial institutions	**(120)**	(40)
Debts securities issued	**(650)**	(430)
Financial assets sold under repurchase agreements	**(127)**	(14)
Deposits from customers	**(13,992)**	(9,190)
Trading financial liabilities	**(206)**	(59)
	(17,810)	(11,125)
Net interest income	**29,806**	22,363

Notes: (i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB83 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB83 million).

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

(iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB102 million (six months ended 30 June 2010: RMB105 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB206 million (six months ended 30 June 2010: RMB9 million).

(Expressed in millions of Renminbi unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2011	2010
Fee and commission income		
Consultancy and advisory fees	**1,324**	963
Bank card fees	**942**	649
Settlement fees	**819**	486
Guarantee fees	**392**	170
Agency fees and commission (note(i))	**319**	211
Commission for wealth management services	**262**	232
Commission for custodian business	**150**	78
Others	**4**	12
Total	**4,212**	2,801
Fee and commission expense	**(314)**	(272)
Net fee and commission income	**3,898**	2,529

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

5 Net trading gain

	Six months ended 30 June	
	2011	2010
Trading profit/(loss):		
— debt securities	**2**	51
— foreign currencies	**909**	269
— derivatives	**115**	156
— investment funds	**1**	(24)
— financial liabilities designated at fair value through profit and loss	**2**	(22)
Total	**1,029**	430

6 Net gain from investment securities

	Six months ended 30 June	
	2011	2010
Net gain from sale of available-for-sale securities	**129**	10
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	**(31)**	48
Others	**12**	13
Total	**110**	71

7 Net hedging loss

	Six months ended 30 June	
	2011	2010
Net loss of fair value hedge	**1**	1

(Expressed in millions of Renminbi unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2011	2010
Staff costs		
— salaries and bonuses	**4,487**	2,673
— welfare expenses	**289**	202
— social insurance	**514**	300
— housing fund	**247**	185
— housing allowance	**115**	87
— defined contribution retirement schemes	**92**	72
— supplementary retirement benefits	**—**	1
— labor union expenses and employee education expenses	**185**	106
— others	**107**	334
Subtotal	**6,036**	3,960
Property and equipment expenses		
— rent and property management expenses	**794**	592
— depreciation	**449**	411
— amortisation expenses	**200**	166
— electronic equipment operating expenses	**121**	107
— maintenance	**109**	80
— others	**213**	133
Subtotal	**1,886**	1,489
Business tax and surcharges	**2,432**	1,696
Other general and administrative expenses	**2,805**	2,338
Total	**13,159**	9,483

9 Impairment losses on assets

	Six months ended 30 June	
	2011	2010
— Loans and advances to customers	**1,916**	1,671
— Off-balance sheet credit commitments	**51**	83
— Repossessed assets	**(45)**	55
— Others	**7**	15
Total	**1,929**	1,824

10 Income tax

(a) Recognised in the statement of comprehensive income

	Six months ended 30 June	
	2011	2010
Current tax		
— Mainland China	**4,840**	2,951
— Hong Kong	**147**	86
— Overseas	**—**	1
Deferred tax	**66**	404
Income tax	**5,053**	3,442

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2011	2010
Profit before tax	**20,326**	14,281
Income tax calculated at statutory tax rate	**5,082**	3,570
Effect of different tax rates in other regions	**(82)**	(64)
Tax effect of non-deductible expenses (Note (i))	**270**	128
Tax effect of non-taxable income		
— Interest income from PRC government bonds	**(179)**	(163)
— Others	**(38)**	(29)
Income tax	**5,053**	3,442

(Expressed in millions of Renminbi unless otherwise stated)

10 Income tax (continued)

(b) Reconciliation between income tax expense and accounting profit (continued)

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

(ii) In 2009 and 2010, CIFH received letters of enquiry from the Hong Kong Inland Revenue Department ("IRD") regarding gains of approximately HKD14 billion arising from disposal of the Bank's shares during the year of assessment for 2008 and 2009. As at 30 June 2011, CIFH has submitted reply letters to the IRD, but has not received further enquiry from the IRD yet. No tax provision has been made on the aforementioned disposal gains, as management consider it non-assessable income arising from capital gains.

11 Other comprehensive income

	Six months ended 30 June	
	2011	2010
Available-for-sale financial assets		
— changes in fair value recognised during the period	**149**	(12)
— losses/(gains) on disposal transferred to profit or loss	**31**	(48)
Shares of other comprehensive income of associates	**24**	1
Exchange differences on translation	**(327)**	(131)
Others	**6**	—
Total other comprehensive loss	**(117)**	(190)
Income tax effects relating to each component of other comprehensive loss	**(37)**	—
Net other comprehensive loss after tax during the period	**(154)**	(190)

12 Earnings per share

Earnings per share information for the six months ended 30 June 2011 and 2010 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2011 and 2010.

	Six months ended 30 June	
	2011	2010
Net profit attributable to shareholders of the Bank	**15,024**	10,685
Weighted average number of shares in issue or deemed to be in issue (in million shares)	**39,033**	39,033
Basic and diluted earnings per share (RMB)	**0.38**	0.27

13 Cash and balances with central banks

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Cash	**4,297**	4,034	**4,154**	3,876
Balances with central banks				
— Statutory deposit reserve funds (note (i))	**252,000**	197,838	**251,523**	197,109
— Surplus deposit reserve funds (note (ii))	**41,987**	52,428	**41,932**	52,388
— Fiscal deposits	**2,650**	2,023	**2,650**	2,021
Total	**300,934**	256,323	**300,259**	255,394

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

As at 30 June 2011, the statutory deposit reserve placed with the PBOC was calculated at 19.5% (2010: 16.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2010: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

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

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

(Expressed in millions of Renminbi unless otherwise stated)

14 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China					
— Banks		76,697	60,551	68,598	60,519
— Non-bank financial institutions		6,024	251	12,950	251
Subtotal		82,721	60,802	81,548	60,770
Outside Mainland China					
— Banks		14,225	11,858	13,598	6,387
— Non-bank financial institutions		396	9,295	—	—
Subtotal		14,621	21,153	13,598	6,387
Gross balance		97,342	81,955	95,146	67,157
Less: Allowances for impairment losses	31	—	—	—	—
Net balance		97,342	81,955	95,146	67,157

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Demand deposits		33,816	31,831	24,694	17,033
Time deposits with remaining					
— Maturity within one month		42,194	30,900	46,317	30,900
— Between one month and one year		21,332	19,224	24,135	19,224
Gross balance		97,342	81,955	95,146	67,157
Less: Allowances for impairment losses	31	—	—	—	—
Net balance		97,342	81,955	95,146	67,157

15 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China					
— Banks		66,820	35,039	60,709	31,766
— Non-bank financial institutions		4,398	4,649	4,398	4,649
Subtotal		71,218	39,688	65,107	36,415
Outside Mainland China					
— Banks		13,166	8,953	4,899	1,954
— Non-bank financial institutions		—	—	863	860
Subtotal		13,166	8,953	5,762	2,814
Gross balance		84,384	48,641	70,869	39,229
Less: Allowances for impairment losses	31	(8)	(8)	(8)	(8)
Net balance		84,376	48,633	70,861	39,221

(Expressed in millions of Renminbi unless otherwise stated)

15 Placements with banks and non-bank financial institutions (continued)

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Within one month		**39,580**	31,798	**30,439**	26,090
Between one month and one year		**40,966**	11,182	**37,600**	8,609
Over one year		**3,838**	5,661	**2,830**	4,530
Gross balance		**84,384**	48,641	**70,869**	39,229
Less: Allowances for impairment losses	31	**(8)**	(8)	**(8)**	(8)
Net balance		**84,376**	48,633	**70,861**	39,221

16 Trading financial assets

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Held for trading purpose:					
— Debt trading assets	(i)	**2,029**	2,298	**2,029**	2,298
— Equity trading assets	(ii)	**2**	3	**—**	—
— Investment funds	(ii)	**3**	4	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**724**	550	**—**	—
Total		**2,758**	2,855	**2,029**	2,298

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets.

(i) Debt trading assets were measured at fair value and were issued by:

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China				
— Government	**20**	—	**20**	—
— PBOC	**10**	10	**10**	10
— Policy banks	**51**	67	**51**	67
— Banks and non-bank financial institutions	**249**	59	**249**	59
— Corporate entities	**1,699**	2,130	**1,699**	2,130
Subtotal	**2,029**	2,266	**2,029**	2,266
Outside Mainland China				
— Government	**—**	32	**—**	32
Subtotal	**—**	32	**—**	32
Total	**2,029**	2,298	**2,029**	2,298
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**2,029**	2,298	**2,029**	2,298
Total	**2,029**	2,298	**2,029**	2,298

(Expressed in millions of Renminbi unless otherwise stated)

16 Trading financial assets (continued)

(ii) Equity and investment funds issued by:

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Outside Mainland China				
— Corporate entities	5	7	—	—
Total	5	7	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	2	3	—	—
Unlisted	3	4	—	—
Total	5	7	—	—

(iii) Financial assets designated at fair value through profit and loss issued by:

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China				
— Government	26	25	—	—
— Banks and non-bank financial institutions	568	413	—	—
— Corporate entities	115	112	—	—
Subtotal	709	550	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	15	—	—	—
Subtotal	15	—	—	—
Total	724	550	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	67	70	—	—
Unlisted	657	480	—	—
Total	724	550	—	—

17 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives (except for derivatives which are designated as effective hedging instruments (Note 17(i))) are classified as held-for-trading for financial reporting purpose. The held-for-trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the reporting date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

(Expressed in millions of Renminbi unless otherwise stated)

17 Derivatives (continued)

	The Group					
	30 June 2011			31 December 2010		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	5,101	116	—	5,870	48	40
Non-Hedging Instruments						
— Interest rate derivatives	194,485	1,240	1,337	204,489	1,433	1,481
— Currency derivatives	441,494	3,410	2,323	429,730	2,985	2,591
— Credit derivatives	1,060	5	1	968	7	9
— Equity derivatives	148	5	5	395	5	5
Total	642,288	4,776	3,666	641,452	4,478	4,126

	The Bank					
	30 June 2011			31 December 2010		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	154,410	838	902	163,018	885	961
— Currency derivatives	270,343	2,526	1,698	286,138	2,202	1,899
— Credit derivatives	1,060	5	1	968	7	9
Total	425,813	3,369	2,601	450,124	3,094	2,869

Credit risk weighted amounts

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Interest rate derivatives	802	959	365	425
Currency derivatives	4,503	3,581	1,512	1,621
Credit derivatives	27	28	27	28
Equity derivatives	1	19	—	—
Total	5,333	4,587	1,904	2,074

The credit risk weighted amount of Mainland China business has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparties and the maturity characteristics of the instruments.

The credit risk weighted amount of Hong Kong business has been computed in accordance with Banking (Capital) Rules set by Hong Kong Monetary Authority ("HKMA"), and depends on the status of the counterparties and the maturity characteristics of the instruments.

(i) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale securities, certificates of deposit issued and subordinated debts.

The fair value changes of hedging instruments mentioned above and net gain/(loss) from hedged items are recorded in profit and loss.

(Expressed in millions of Renminbi unless otherwise stated)

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	The Group		The Bank	
		30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
In Mainland China					
— Banks		**102,827**	107,572	**102,827**	107,572
— Non-bank financial institutions		**30,825**	39,426	**30,825**	39,426
— Corporate entities		**400**	634	**400**	634
Subtotal		**134,052**	147,632	**134,052**	147,632
Outside Mainland China					
— Non-bank financial institutions		**—**	—	**58**	60
Subtotal		**—**	—	**58**	60
Gross balance		**134,052**	147,632	**134,110**	147,692
Less: Allowances for impairment losses	31	**—**	—	**—**	—
Net balance		**134,052**	147,632	**134,110**	147,692

(b) Analysed by remaining maturity

	Note	The Group		The Bank	
		30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Within one month		**86,378**	95,096	**86,378**	95,096
Between one month and one year		**46,734**	51,968	**46,792**	52,028
More than one year		**940**	568	**940**	568
Gross balance		**134,052**	147,632	**134,110**	147,692
Less: Allowances for impairment losses	31	**—**	—	**—**	—
Net balance		**134,052**	147,632	**134,110**	147,692

19 Interest receivable

	Note	The Group		The Bank	
		30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Debt securities		**2,546**	2,999	**2,446**	2,872
Loans and advances to customers		**4,098**	2,921	**3,938**	2,704
Others		**294**	205	**128**	69
Gross balance		**6,938**	6,125	**6,512**	5,645
Less: Allowance for impairment losses	31	**(45)**	(30)	**(45)**	(30)
Net balance		**6,893**	6,095	**6,467**	5,615

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 30 June 2011	The Group 31 December 2010	The Bank 30 June 2011	The Bank 31 December 2010
Corporate loans					
— Loans		**1,065,087**	990,435	**1,006,460**	933,185
— Discounted bills		**47,160**	55,699	**43,754**	53,512
— Lease payments receivable		**1,896**	1,837	**—**	—
Subtotal		**1,114,143**	1,047,971	**1,050,214**	986,697
Personal loans					
— Residential mortgages		**170,698**	160,149	**160,948**	149,852
— Credit cards		**23,404**	19,570	**23,205**	19,342
— Others		**46,574**	36,555	**41,713**	32,152
Subtotal		**240,676**	216,274	**225,866**	201,346
Gross balance		**1,354,819**	1,264,245	**1,276,080**	1,188,043
Less:	31				
— Individual impairment allowances		**(4,450)**	(4,727)	**(4,231)**	(4,474)
— Collective impairment allowances		**(15,645)**	(13,492)	**(15,361)**	(13,186)
Net balance		**1,334,724**	1,246,026	**1,256,488**	1,170,383

(b) Analysed by assessment method of allowance for impairment losses

The Group

	30 June 2011 Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	5,438	—	64	5,502	1.16%
— non-financial institutions	1,340,946	905	7,466	1,349,317	0.62%
	1,346,384	905	7,530	1,354,819	0.62%
Less: Impairment allowances against loans and advances to					
— financial institutions	(27)	—	(28)	(55)	
— non-financial institutions	(14,846)	(772)	(4,422)	(20,040)	
	(14,873)	(772)	(4,450)	(20,095)	
Net loans and advances to					
— financial institutions	5,411	—	36	5,447	
— non-financial institutions	1,326,100	133	3,044	1,329,277	
	1,331,511	133	3,080	1,334,724	

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses (continued)

The Group (continued)

	31 December 2010				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances(note (i)) for which allowances are collectively assessed	Impaired loans and advances(note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	6,181	—	64	6,245	1.02%
— non-financial institutions	1,249,531	801	7,668	1,258,000	0.67%
	1,255,712	801	7,732	1,264,245	0.67%
Less: Impairment allowances against loans and advances to					
— financial institutions	(24)	—	(28)	(52)	
— non-financial institutions	(12,798)	(670)	(4,699)	(18,167)	
	(12,822)	(670)	(4,727)	(18,219)	
Net loans and advances to					
— financial institutions	6,157	—	36	6,193	
— non-financial institutions	1,236,733	131	2,969	1,239,833	
	1,242,890	131	3,005	1,246,026	

The Bank

	30 June 2011				
	Loans and advances for which allowances are collectively assessed	**Impaired loans and advances(note (i)) for which allowances are collectively assessed**	**Impaired loans and advances(note (i)) for which allowances are individually assessed**	**Total**	**Gross impaired loans and advances as a % of gross total loans and advances**
Gross loans and advances to					
— financial institutions	**2,344**	**—**	**64**	**2,408**	**2.66%**
— non-financial institutions	**1,266,298**	**891**	**6,483**	**1,273,672**	**0.58%**
	1,268,642	**891**	**6,547**	**1,276,080**	**0.58%**
Less: Impairment allowances against loans and advances to					
— financial institutions	**(27)**	**—**	**(28)**	**(55)**	
— non-financial institutions	**(14,563)**	**(771)**	**(4,203)**	**(19,537)**	
	(14,590)	**(771)**	**(4,231)**	**(19,592)**	
Net loans and advances to					
— financial institutions	**2,317**	**—**	**36**	**2,353**	
— non-financial institutions	**1,251,735**	**120**	**2,280**	**1,254,135**	
	1,254,052	**120**	**2,316**	**1,256,488**	

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses (continued)

The Bank (continued)

	31 December 2010				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances(note (i)) for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	2,448	—	64	2,512	2.55%
— non-financial institutions	1,178,109	785	6,637	1,185,531	0.63%
	1,180,557	785	6,701	1,188,043	0.63%
Less: Impairment allowances against loans and advances to					
— financial institutions	(24)	—	(28)	(52)	
— non-financial institutions	(12,494)	(668)	(4,446)	(17,608)	
	(12,518)	(668)	(4,474)	(17,660)	
Net loans and advances to					
— financial institutions	2,424	—	36	2,460	
— non-financial institutions	1,165,615	117	2,191	1,167,923	
	1,168,039	117	2,227	1,170,383	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually, or

— collectively; that is the portfolios of homogeneous loans and advances.

(ii) As at 30 June 2011, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB7,530 million (31 December 2010: RMB7,732 million). The covered portion and uncovered portion of these loans and advances were RMB1,706 million (31 December 2010: RMB1,235 million) and RMB5,824 million (31 December 2010: RMB6,497 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,940 million (31 December 2010: RMB1,418 million. The individual impairment allowances made against these loans and advances were RMB4,450 million (31 December 2010: RMB4,727 million).

As at 30 June 2011, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB6,547 million (31 December 2010: RMB6,701 million). The covered portion and uncovered portion of these loans and advances were RMB1,432 million (31 December 2010: RMB994 million) and RMB5,115 million (31 December 2010: RMB5,707 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,441 million (31 December 2010: RMB1,017 million). The individual impairment allowances made against these loans and advances were RMB4,231 million (31 December 2010: RMB4,474 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(c) Movements of allowances for impairment losses

The Group

	Six months ended 30 June 2011			
	Allowances for loans and advances	Allowances for impaired loans and advances		
	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	12,822	670	4,727	18,219
Charge for the period				
— new impairment allowances charged to profit or loss	2,057	105	327	2,489
— impairment allowances released to profit or loss	—	(3)	(570)	(573)
Unwinding of discount	—	—	(71)	(71)
Transfers out	(6)	—	(21)	(27)
Write-offs	—	(3)	(41)	(44)
Recoveries of loans and advances previously written off	—	3	99	102
As at 30 June	14,873	772	4,450	20,095

	Year ended 31 December 2010			
	Allowances for loans and advances	Allowances for impaired loans and advances		
	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	8,855	926	5,389	15,170
Charge for the year				
— new impairment allowances charged to profit or loss	3,977	201	1,448	5,626
— impairment allowances released to profit or loss	—	(6)	(1,382)	(1,388)
Unwinding of discount	—	—	(133)	(133)
Transfers out	(10)	—	(83)	(93)
Write-offs	—	(457)	(648)	(1,105)
Recoveries of loans and advances previously written off	—	6	136	142
As at 31 December	12,822	670	4,727	18,219

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(c) Movements of allowances for impairment losses (continued)

The Bank

	Six months ended 30 June 2011			
	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	Total
As at 1 January	12,518	668	4,474	17,660
Charge for the period				
— new impairment allowances charged to profit or loss	2,072	103	304	2,479
— impairment allowances released to profit or loss	—	—	(552)	(552)
Unwinding of discount	—	—	(65)	(65)
Transfers out	—	—	(15)	(15)
Recoveries of loans and advances previously written off	—	—	85	85
As at 30 June	14,590	771	4,231	19,592

	Year ended 31 December 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	Total
As at 1 January	8,582	923	5,115	14,620
Charge for the year				
— new impairment allowances charged to profit or loss	3,936	189	1,292	5,417
— reversal of impairment allowances	—	—	(1,352)	(1,352)
Unwinding of discount	—	—	(125)	(125)
Transfers out	—	—	(74)	(74)
Write-offs	—	(444)	(506)	(950)
Recoveries of loans and advances previously written off	—	—	124	124
As at 31 December	12,518	668	4,474	17,660

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period

The Group

	30 June 2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,081	420	1,256	428	3,185
Guaranteed loans	229	91	678	1,454	2,452
Loans with pledged assets					
— Loans secured by tangible assets	3,737	418	1,043	1,140	6,338
— Loans secured by monetary assets	132	79	32	15	258
Total	5,179	1,008	3,009	3,037	12,233

	31 December 2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	634	841	739	397	2,611
Guaranteed loans	268	184	663	1,305	2,420
Loans with pledged assets					
— Loans secured by tangible assets	2,147	769	1,149	1,071	5,136
— Loans secured by monetary assets	136	44	28	204	412
Total	3,185	1,838	2,579	2,977	10,579

The Bank

	30 June 2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,067	366	675	381	2,489
Guaranteed loans	140	61	588	1,431	2,220
Loans with pledged assets					
— Loans secured by tangible assets	3,251	410	991	1,097	5,749
— Loans secured by monetary assets	119	79	32	15	245
Total	4,577	916	2,286	2,924	10,703

(Expressed in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period (continued)

The Bank (continued)

	31 December 2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	599	246	693	397	1,935
Guaranteed loans	87	130	580	1,263	2,060
Loans with pledged assets					
— Loans secured by tangible assets	1,852	681	1,138	1,027	4,698
— Loans secured by monetary assets	57	44	28	204	333
Total	2,595	1,101	2,439	2,891	9,026

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

(e) Lease payments receivables

Lease payments receivables include net investment in motor vehicles and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

	The Group			
	30 June 2011		31 December 2010	
	Present value of minimum leases receivables	**Minimum leases receivables**	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	**208**	**253**	180	222
1 year to 2 years (including 2 years)	**170**	**205**	134	167
2 years to 3 years (including 3 years)	**115**	**143**	92	120
Over 3 years	**1,403**	**1,659**	1,431	1,704
	1,896	**2,260**	1,837	2,213
Less:				
— Individual impairment allowances	**—**		(1)	
— Collective impairment allowances	**—**		—	
Net balance	**1,896**		1,836	

(Expressed in millions of Renminbi unless otherwise stated)

21 Available-for-sale financial assets

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Debt securities	(i)	138,170	129,342	124,492	112,889
Investment funds	(ii)	7,689	6,342	7,384	6,018
Certificates of deposit	(iii)	1,984	1,260	—	—
Equity investments	(iv)	174	165	127	125
Total		148,017	137,109	132,003	119,032

(i) Debt securities issued by

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China					
— Government		10,615	9,794	10,615	9,794
— PBOC		30,292	42,085	30,292	42,085
— Policy banks		19,194	11,549	19,194	11,549
— Banks and non-bank financial institutions		15,753	6,107	15,393	5,795
— Corporate entities		45,181	39,403	45,170	39,342
Subtotal		121,035	108,938	120,664	108,565
Outside Mainland China					
— Government		3,528	4,207	1,353	1,849
— Policy banks		—	46	—	46
— Banks and non-bank financial institutions		10,538	13,042	2,453	2,294
— Public entities		236	348	236	348
— Corporate entities		3,058	2,985	—	—
Subtotal		17,360	20,628	4,042	4,537
Gross balance		138,395	129,566	124,706	113,102
Less: Allowance for impairment losses	31	(225)	(224)	(214)	(213)
Net balance		138,170	129,342	124,492	112,889
Listed in Hong Kong		3,588	3,655	3,588	3,655
Listed outside Hong Kong		3,309	3,883	3,162	2,528
Unlisted		131,273	121,804	117,742	106,706
Total		138,170	129,342	124,492	112,889

(Expressed in millions of Renminbi unless otherwise stated)

21 Available-for-sale financial assets (continued)

(ii) Investment funds issued by

	Note	The Group 30 June 2011	The Group 31 December 2010	The Bank 30 June 2011	The Bank 31 December 2010
Outside Mainland China					
— Banks and non-bank financial institutions		**7,689**	6,359	**7,384**	6,018
Gross balance		**7,689**	6,359	**7,384**	6,018
Less: Allowance for impairment losses	31	**—**	(17)	**—**	—
Net balance		**7,689**	6,342	**7,384**	6,018
Listed in Hong Kong		**—**	—	**—**	—
Listed outside Hong Kong		**—**	—	**—**	—
Unlisted		**7,689**	6,342	**7,384**	6,018
Total		**7,689**	6,342	**7,384**	6,018

(iii) Certificates of deposit issued by

	The Group 30 June 2011	The Group 31 December 2010	The Bank 30 June 2011	The Bank 31 December 2010
In Mainland China				
— Banks and non-bank financial institutions	**418**	306	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**1,566**	954	**—**	—
Total	**1,984**	1,260	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**1,984**	1,260	**—**	—
Total	**1,984**	1,260	**—**	—

(iv) Equity investments issued by

	The Group 30 June 2011	The Group 31 December 2010	The Bank 30 June 2011	The Bank 31 December 2010
In Mainland China				
— Corporate entities	**114**	114	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**13**	11	**13**	11
— Corporate entities	**47**	40	**—**	—
Total	**174**	165	**127**	125
Listed in Hong Kong	**12**	9	**—**	—
Listed outside Hong Kong	**29**	23	**13**	11
Unlisted	**133**	133	**114**	114
Total	**174**	165	**127**	125

(Expressed in millions of Renminbi unless otherwise stated)

22 Held-to-maturity investments

Held-to-maturity investments are debt securities, issued by:

		The Group		The Bank	
	Note	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
In Mainland China					
— Government		**37,723**	52,320	**37,723**	52,320
— PBOC		**23,904**	27,316	**23,904**	27,316
— Policy banks		**20,829**	21,501	**20,829**	21,501
— Banks and non-bank financial institutions		**13,546**	11,579	**13,546**	11,579
— Corporate entities		**12,935**	13,597	**12,935**	13,597
Subtotal		**108,937**	126,313	**108,937**	126,313
Outside Mainland China					
— Government		**29**	30	**29**	30
— Banks and non-bank financial institutions		**722**	742	**1,046**	1,073
— Public sector entities		**90**	1,377	**89**	1,372
— Corporate entities		**627**	688	**561**	622
Subtotal		**1,468**	2,837	**1,725**	3,097
Gross balance		**110,405**	129,150	**110,662**	129,410
Less: Allowance for impairment losses	31	**(107)**	(109)	**(107)**	(109)
Net balance		**110,298**	129,041	**110,555**	129,301
Listed in Hong Kong		**122**	125	**122**	125
Listed outside Hong Kong		**754**	819	**1,013**	1,084
Unlisted		**109,422**	128,097	**109,420**	128,092
Net balance		**110,298**	129,041	**110,555**	129,301
Fair value of held-to-maturity investments		**107,209**	125,644	**107,465**	125,888
In which: Market value of listed securities		**914**	917	**1,171**	1,248

For the six months ended 30 June 2011, the Group sold held-to-maturity investments with a gross carrying value of RMB4,058 million prior to their maturity dates (for the six months ended 30 June 2010: nil), among which RMB3,098 million had a remaining maturity of less than three months. The disposal of the remaining RMB960 million was related to foreign currency bonds for the purpose of avoiding potential credit risk. The amount of disposed held-to-maturity investments accounts for 3.14% (for the six months ended 30 June 2010: nil) of the portfolio before the disposal.

23 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 30 June 2011 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	28%	Investment Holding	HKD 49 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD 2,020 million

(Expressed in millions of Renminbi unless otherwise stated)

23 Investment in associates (continued)

(b) Financial information of the above associates is as follows:

	As at or for the six months ended 30 June 2011				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	8,588	3,586	5,002	338	231
CIAM	2,671	435	2,236	(24)	(57)
Total	11,259	4,021	7,238	314	174

(c) Movement of the Group's investment in associates

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2011	1,375	878	2,253
Investment income and other comprehensive income recognised under equity method	78	(3)	75
Dividend receivable	—	(18)	(18)
Exchange difference	(32)	(21)	(53)
As at 30 June 2011	1,421	836	2,257

	CCHL	CIAM	Total
As at 1 January 2010	1,317	823	2,140
Investment income and other comprehensive income recognised under equity method	106	86	192
Dividend receivable	—	(19)	(19)
Exchange difference	(48)	(12)	(60)
As at 31 December 2010	1,375	878	2,253

24 Investment in subsidiaries

		The Bank	
	Note	30 June 2011	31 December 2010
Investment in subsidiaries			
— CIFH	(i)	9,797	9,797
— China Investment and Finance Limited ("CIFL")	(ii)	87	87
Total		9,884	9,884

(Expressed in millions of Renminbi unless otherwise stated)

24 Investment in subsidiaries (continued)

Major subsidiaries of the Group as at 30 June 2011 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH	Hong Kong	HKD7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL	Hong Kong	HKD25 million	Lending services	95%	5%	98.5%
CITIC Bank International Limited ("CBI") (note)	Hong Kong	HKD7,283 million	Commercial banking	—	100%	100%
CITIC Bank International (China) Limited ("CBI (China)") (note)	Mainland China	RMB1 billion	Commercial banking	—	100%	100%
HKCB Finance Limited (note)	Hong Kong	HKD200 million	Consumer lending	—	100%	100%

Note: subsidiaries held by CIFH.

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009.

(ii) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD25 million. It also has a "Money Lending License" issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL's shares and voting rights. The remaining 5% shares are held by CIFH, the Bank's subsidiary.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

25 Fixed assets

The Group

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	8,847	701	4,246	13,794
Additions	24	4	291	319
Transfers from construction in progress	2	(2)	—	—
Disposals	(31)	—	(42)	(73)
Exchange difference	(11)	—	(15)	(26)
As at 30 June 2011	8,831	703	4,480	14,014
Accumulated depreciation:				
As at 1 January 2011	(1,528)	—	(2,292)	(3,820)
Depreciation charges	(158)	—	(291)	(449)
Disposals	2	—	44	46
Exchange difference	5	—	11	16
As at 30 June 2011	(1,679)	—	(2,528)	(4,207)
Net carrying value:				
As at 1 January 2011 (Note (i))	7,319	701	1,954	9,974
As at 30 June 2011 (Note (i))	7,152	703	1,952	9,807

(Expressed in millions of Renminbi unless otherwise stated)

25 Fixed assets (continued)

The Group (continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
At 1 January 2010 (Before restatement)	8,995	901	4,620	14,516
Change in accounting policies	(102)	—	(898)	(1,000)
As at 1 January 2010 (Restated)	8,893	901	3,722	13,516
Additions	122	49	661	832
Transfers from construction in progress	249	(249)	—	—
Surplus on revaluation on the date of transfers to investment properties	35	—	—	35
Transfers to investment properties	(94)	—	—	(94)
Disposals	(331)	—	(115)	(446)
Exchange difference	(27)	—	(22)	(49)
As at 31 December 2010	8,847	701	4,246	13,794
Accumulated depreciation:				
At 1 January 2010 (Before restatement)	—	—	(2,783)	(2,783)
Change in accounting policies	(1,311)	—	899	(412)
As at 1 January 2010 (Restated)	(1,311)	—	(1,884)	(3,195)
Depreciation charges	(317)	—	(524)	(841)
Disposals	71	—	98	169
Transfers to investment properties	21	—	—	21
Exchange difference	8	—	18	26
As at 31 December 2010	(1,528)	—	(2,292)	(3,820)
Net carrying value:				
As at 1 January 2010 (Restated)	7,582	901	1,838	10,321
As at 31 December 2010 (Note (i))	7,319	701	1,954	9,974

The Bank

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	8,348	701	3,561	12,610
Additions	18	4	221	243
Transfers from construction in progress	2	(2)	—	—
Disposals	(31)	—	(40)	(71)
As at 30 June 2011	8,337	703	3,742	12,782
Accumulated depreciation:				
As at 1 January 2011	(1,333)	—	(1,769)	(3,102)
Depreciation charges	(153)	—	(260)	(413)
Disposals	6	—	39	45
As at 30 June 2011	(1,480)	—	(1,990)	(3,470)
Net carrying value:				
As at 1 January 2011 (Note (i))	7,015	701	1,792	9,508
As at 30 June 2011 (Note (i))	6,857	703	1,752	9,312

(Expressed in millions of Renminbi unless otherwise stated)

25 Fixed assets (continued)

The Bank (continued)

	Bank premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
At 1 January 2010				
(Before restatement)	8,360	901	3,984	13,245
Change in accounting policies	(375)	—	(900)	(1,275)
As at 1 January 2010 (Restated)	7,985	901	3,084	11,970
Additions	122	49	565	736
Transfers from construction in progress	249	(249)	—	—
Disposals	(8)	—	(88)	(96)
As at 31 December 2010	8,348	701	3,561	12,610
Accumulated depreciation:				
At 1 January 2010				
(Before restatement)	—	—	(2,271)	(2,271)
Change in accounting policies	(1,036)	—	900	(136)
As at 1 January 2010 (Restated)	(1,036)	—	(1,371)	(2,407)
Depreciation charges	(298)	—	(478)	(776)
Disposals	1	—	80	81
As at 31 December 2010	(1,333)	—	(1,769)	(3,102)
Net carrying value:				
As at 1 January 2010 (Restated)	6,949	901	1,713	9,563
As at 31 December 2010 (Note (i))	7,015	701	1,792	9,508

Note: (i) As at 30 June 2011, the net book value of the Group's bank premises for which the ownership registration procedures had not been completed was approximately RMB648 million (31 December 2010: RMB654 million). The Group anticipated that there would be no significant issues and costs in completing such procedures.

(ii) Analysed by remaining term of leases

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

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Long term leases (over 50 years), held in Hong Kong	**72**	72	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**196**	205	**—**	—
Medium term leases (10-50 years), held in Mainland China	**6,857**	7,015	**6,857**	7,015
Permanent term lease, held in overseas	**27**	27	**—**	—
Total	**7,152**	7,319	**6,857**	7,015

(Expressed in millions of Renminbi unless otherwise stated)

26 Investment properties

	The Group	
	Six months ended 30 June 2011	Year ended 31 December 2010
Fair value as at 1 January	**248**	161
Addition:		
— Change in fair value	**29**	54
— Transfer from fixed assets	**—**	73
Decrease:		
— Disposal	**—**	(34)
Exchange difference	**1**	(6)
Fair value as at 30 June/31 December	**278**	248

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2011.

All investment properties of the Group were re-valued at 30 June 2011 by an independent firm of surveyors, Prudential Surveyors International Ltd., on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Prudential Surveyors International Ltd. has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group	
	30 June 2011	31 December 2010
Long term leases (over 50 years), held in Hong Kong	**11**	10
Medium term leases (10-50 years), held in Hong Kong	**240**	214
Medium term leases (10-50 years), held in Mainland China	**27**	24
Total	**278**	248

27 Goodwill

The Bank acquired 70.32% of CIFH's shares on 23 October 2009, which was accounted for as a business combination under common control and therefore no goodwill was recognised. The goodwill recognised in CIFH's financial statements arises from CIFH's business combination of subsidiaries under non-common control before the above business combination, and remains in the consolidated statement of financial position of the Group.

	The Group	
	Six months ended 30 June 2011	Year ended 31 December 2010
As at 1 January	**857**	887
Exchange difference	**(19)**	(30)
As at 30 June/31 December	**838**	857

(Expressed in millions of Renminbi unless otherwise stated)

27 Goodwill (continued)

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	The Group	
	30 June 2011	31 December 2010
Corporate banking	**838**	857

The Group considered that there was no indication of impairment of goodwill as at 30 June 2011 (as at 31 December 2010: nil)

28 Intangible assets

The Group and the Bank

	Software	**Others**	**Total**
Cost			
As at 1 January 2011	**392**	**14**	**406**
Additions	**23**	**13**	**36**
As at 30 June 2011	**415**	**27**	**442**
Amortization			
As at 1 January 2011	**(181)**	**(8)**	**(189)**
Charge for the period	**(32)**	**—**	**(32)**
As at 30 June 2011	**(213)**	**(8)**	**(221)**
Net carrying value			
As at 1 January 2011	**211**	**6**	**217**
As at 30 June 2011	**202**	**19**	**221**

	Software	Others	Total
Cost			
As at 1 January 2010	285	14	299
Additions	107	—	107
As at 31 December 2010	392	14	406
Amortization			
As at 1 January 2010	(126)	(8)	(134)
Charge for the year	(55)	—	(55)
As at 31 December 2010	(181)	(8)	(189)
Net carrying value			
As at 1 January 2010	159	6	165
As at 31 December 2010	211	6	217

(Expressed in millions of Renminbi unless otherwise stated)

29 Deferred tax assets

(a) Analysed by nature

The Group

	30 June 2011		31 December 2010	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	**6,093**	**1,499**	5,203	1,275
— Fair value adjustments	**(146)**	**(47)**	628	136
— Employee retirement benefits and salaries payable	**3,868**	**967**	4,412	1,103
— Others	**164**	**42**	202	51
Total	**9,979**	**2,461**	10,445	2,565

The Bank

	30 June 2011		31 December 2010	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	**5,808**	**1,452**	4,900	1,225
— Fair value adjustments	**(268)**	**(67)**	380	95
— Employee retirement benefits and salaries payable	**3,868**	**967**	4,412	1,103
— Others	**168**	**42**	200	50
Total	**9,576**	**2,394**	9,892	2,473

(b) Movement of deferred tax assets

The Group

	Impairment allowances	**Fair value Note (i)**	**Employee retirement benefits and salaries payable**	**Others**	**Total deferred tax assets**
As at 1 January 2011	**1,275**	**136**	**1,103**	**51**	**2,565**
Recognized in profit or loss	**224**	**(145)**	**(136)**	**(9)**	**(66)**
Recognized in other comprehensive income	**—**	**(38)**	**—**	**—**	**(38)**
As at 30 June 2011	**1,499**	**(47)**	**967**	**42**	**2,461**
As at 1 January 2010	943	182	915	55	2,095
Recognized in profit or loss	332	(176)	188	(4)	340
Recognized in other comprehensive income	—	130	—	—	130
As at 31 December 2010	1,275	136	1,103	51	2,565

(Expressed in millions of Renminbi unless otherwise stated)

29 Deferred tax assets (continued)

(b) Movement of deferred tax assets (continued)

The Bank

	Impairment allowances	Fair value Note (i)	Employee retirement benefits and salaries payable	Others	Total deferred tax assets
As at 1 January 2011	**1,225**	**95**	**1,103**	**50**	**2,473**
Recognized in profit or loss	**227**	**(135)**	**(136)**	**(8)**	**(52)**
Recognized in other comprehensive income	**—**	**(27)**	**—**	**—**	**(27)**
As at 30 June 2011	**1,452**	**(67)**	**967**	**42**	**2,394**
As at 1 January 2010	897	128	915	55	1,995
Recognized in profit or loss	328	(175)	188	(5)	336
Recognized in other comprehensive income	—	142	—	—	142
As at 31 December 2010	1,225	95	1,103	50	2,473

Note: (i) Unrealised gains or losses arising from changes in fair value of securities and derivatives are subject to income tax when realised.

(ii) The Bank has no material unrecognised deferred tax assets as at 30 June 2011 (31 December 2010: nil).

30 Other assets

	Note	The Group 30 June 2011	The Group 31 December 2010
Leasehold improvements		**814**	860
Repossessed assets	(i)	**290**	441
Land use rights		**613**	621
Prepaid rent		**375**	320
Prepaid income tax		**1**	51
Others	(ii)	**3,093**	2,760
Total		**5,186**	5,053

	Note	The Bank 30 June 2011	The Bank 31 December 2010
Leasehold improvements		**814**	860
Repossessed assets	(i)	**290**	290
Land use rights		**613**	621
Prepaid rent		**372**	314
Others	(ii)	**2,854**	2,463
Total		**4,943**	4,548

(Expressed in millions of Renminbi unless otherwise stated)

30 Other assets (continued)

(i) Repossessed assets

	Note	The Group 30 June 2011	The Group 31 December 2010
Premises		489	487
Others		33	234
Gross balance		522	721
Less: Allowance for impairment losses	31	(232)	(280)
Net balance		290	441

	Note	The Bank 30 June 2011	The Bank 31 December 2010
Premises		489	484
Others		33	35
Gross balance		522	519
Less: Allowance for impairment losses	31	(232)	(229)
Net balance		290	290

(ii) Others

	Note	The Group 30 June 2011	The Group 31 December 2010	The Bank 30 June 2011	The Bank 31 December 2010
Gross balance		3,706	3,380	3,465	3,078
Less: Allowance for impairment losses	31	(613)	(620)	(611)	(615)
Net balance		3,093	2,760	2,854	2,463

31 Movements of allowances for impairment losses

The Group

	Note	Six months ended 30 June 2011 As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposit with banks and non-bank financial institutions	14	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	15	8	—	—	—	—	8
Financial assets held under resale agreements	18	—	—	—	—	—	—
Interest receivable	19	30	19	(3)	(1)	—	45
Loans and advances to customers	20	18,219	2,489	(573)	4	(44)	20,095
Available-for-sale financial assets	21	241	—	—	(16)	—	225
Held-to-maturity investments	22	109	—	—	(2)	—	107
Repossessed assets	30(i)	280	6	(51)	(1)	(2)	232
Other assets	30(ii)	620	1	(10)	5	(3)	613
Gross balance		19,507	2,515	(637)	(11)	(49)	21,325

(Expressed in millions of Renminbi unless otherwise stated)

31 Movements of allowances for impairment losses (continued)

The Group (continued)

	Note	Year ended 31 December 2010 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	14	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	15	9	—	—	(1)	—	8
Financial assets held under resale agreements	18	—	—	—	—	—	—
Interest receivable	19	—	31	—	—	(1)	30
Loans and advances to customers	20	15,170	5,626	(1,388)	(84)	(1,105)	18,219
Available-for-sale financial assets	21	371	579	—	(130)	(579)	241
Held-to-maturity investments	22	215	—	—	(106)	—	109
Repossessed assets	30(i)	378	79	(3)	(138)	(36)	280
Other assets	30(ii)	590	14	(27)	90	(47)	620
Gross balance		16,733	6,329	(1,418)	(369)	(1,768)	19,507

The Bank

	Note	Six months ended 30 June 2011 As at 1 January	Charge for the period	Reversal for the period	Transfer in/(out)	Write-offs	As at 30 June
Deposit with banks and non-bank financial institutions	14	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	15	8	—	—	—	—	8
Financial assets held under resale agreements	18	—	—	—	—	—	—
Interest receivable	19	30	19	(3)	(1)	—	45
Loans and advances to customers	20	17,660	2,479	(552)	5	—	19,592
Available-for-sale financial assets	21	213	—	—	1	—	214
Held-to-maturity investments	22	109	—	—	(2)	—	107
Repossessed assets	30(i)	229	6	—	(1)	(2)	232
Other assets	30(ii)	615	1	(10)	5	—	611
Gross balance		18,864	2,505	(565)	7	(2)	20,809

	Note	Year ended 31 December 2010 As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	14	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	15	9	—	—	(1)	—	8
Financial assets held under resale agreements	18	—	—	—	—	—	—
Interest receivable	19	—	31	—	—	(1)	30
Loans and advances to customers	20	14,620	5,417	(1,352)	(75)	(950)	17,660
Available-for-sale financial assets	21	300	—	—	(87)	—	213
Held-to-maturity investments	22	215	—	—	(106)	—	109
Repossessed assets	30(i)	366	24	—	(136)	(25)	229
Other assets	30(ii)	587	13	(27)	89	(47)	615
Gross balance		16,097	5,485	(1,379)	(316)	(1,023)	18,864

Note: Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Note 9.

(Expressed in millions of Renminbi unless otherwise stated)

32 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China				
— Banks	70,896	72,315	70,877	72,272
— Non-bank financial institutions	65,928	69,315	72,853	69,315
Subtotal	136,824	141,630	143,730	141,587
Outside Mainland China				
— Banks	6,982	33	12,244	2,188
Subtotal	6,982	33	12,244	2,188
Total	143,806	141,663	155,974	143,775

33 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
In Mainland China				
— Banks	1,351	5,298	1,152	5,000
— Non-bank financial institutions	804	813	804	813
Subtotal	2,155	6,111	1,956	5,813
Outside Mainland China				
— Banks	2,629	961	—	—
Subtotal	2,629	961	—	—
Total	4,784	7,072	1,956	5,813

34 Trading financial liabilities

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Financial liabilities designated at fair value through profit or loss				
— Structured deposits	7,774	10,729	7,774	10,729
— Certificates of deposit issued	646	—	—	—
Total	8,420	10,729	7,774	10,729
Listed in Hong Kong	—	—	—	—
Listed outside of Hong Kong	—	—	—	—
Unlisted	8,420	10,729	7,774	10,729
Total	8,420	10,729	7,774	10,729

(Expressed in millions of Renminbi unless otherwise stated)

35 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
In Mainland China				
— PBOC	**—**	21	**—**	21
— Banks	**—**	300	**—**	300
— Non-bank financial institutions	**9,600**	4,000	**9,600**	4,000
Subtotal	**9,600**	4,321	**9,600**	4,321
Outside Mainland China				
— Banks	**2,258**	60	**2,258**	60
— Non-bank financial institutions	**3,121**	—	**3,121**	—
Subtotal	**5,379**	60	**5,379**	60
Total	**14,979**	4,381	**14,979**	4,381

(b) Analysed by types of collaterals

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Debt securities	**14,979**	4,060	**14,979**	4,060
Discounted bills	**—**	21	**—**	21
Loans and advances to customers	**—**	300	**—**	300
Total	**14,979**	4,381	**14,979**	4,381

36 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Demand deposits				
— Corporate customers	**753,093**	746,278	**738,288**	729,247
— Personal customers	**92,868**	87,521	**78,146**	71,140
Subtotal	**845,961**	833,799	**816,434**	800,387
Time and call deposits				
— Corporate customers	**776,135**	677,843	**732,704**	633,497
— Personal customers	**235,383**	213,233	**214,511**	194,505
Subtotal	**1,011,518**	891,076	**947,215**	828,002
Outward remittance and remittance payables	**15,748**	5,941	**15,748**	5,941
Total	**1,873,227**	1,730,816	**1,779,397**	1,634,330

(Expressed in millions of Renminbi unless otherwise stated)

36 Deposits from customers (continued)

Deposits from customers include pledged deposits for:

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Bank acceptances	**234,423**	218,083	**234,417**	218,082
Letters of credit	**31,897**	24,875	**31,375**	24,803
Guarantees	**8,337**	6,389	**7,945**	6,389
Others	**54,483**	40,792	**49,331**	37,073
Total	**329,140**	290,139	**323,068**	286,347

37 Accrued staff costs

The Group

		Six months ended 30 June 2011			
	Note	**As at 1 January**	**Accrual for the period**	**Payment for the period**	**As at 30 June**
Salaries and bonuses		**7,358**	**4,487**	**(5,060)**	**6,785**
Welfare expenses		**—**	**289**	**(289)**	**—**
Social insurance	(i)	**19**	**514**	**(467)**	**66**
Housing fund		**16**	**247**	**(236)**	**27**
Housing allowance		**28**	**115**	**(111)**	**32**
Defined contribution retirement schemes	(ii)	**—**	**92**	**(92)**	**—**
Supplementary retirement benefits	(iii)	**39**	**—**	**(2)**	**37**
Labor union expenses and employee education expenses		**272**	**185**	**(81)**	**376**
Others		**121**	**107**	**(115)**	**113**
Total		**7,853**	**6,036**	**(6,453)**	**7,436**

		Year ended 31 December 2010			
	Note	As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		6,612	7,406	(6,660)	7,358
Welfare expenses		—	562	(562)	—
Social insurance	(i)	20	759	(760)	19
Housing fund		7	398	(389)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	156	(156)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	301	(257)	272
Others		51	295	(225)	121
Total		6,987	10,053	(9,187)	7,853

(Expressed in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (continued)

The Bank

	Note	Six months ended 30 June 2011 As at 1 January	Accrual for the period	Payment for the period	As at 30 June
Salaries and bonuses		7,127	4,101	(4,634)	6,594
Welfare expenses		—	286	(286)	—
Social insurance	(i)	19	512	(465)	66
Housing fund		16	241	(230)	27
Housing allowance		28	114	(110)	32
Defined contribution retirement schemes	(ii)	—	90	(90)	—
Supplementary retirement benefits	(iii)	39	—	(2)	37
Labor union expenses and employee education expenses		271	184	(80)	375
Others		118	74	(80)	112
Total		7,618	5,602	(5,977)	7,243

	Note	Year ended 31 December 2010 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		6,441	6,693	(6,007)	7,127
Welfare expenses		—	556	(556)	—
Social insurance	(i)	20	755	(756)	19
Housing fund		7	392	(383)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	154	(154)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	299	(256)	271
Others		47	220	(149)	118
Total		6,812	9,245	(8,439)	7,618

(i) Social insurance

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

(ii) Defined contribution retirement schemes

In addition to the above statutory retirement plan, the Group's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. The Bank made annuity contribution amounting to RMB90 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB71 million).

The Group's employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations.

(Expressed in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (continued)

The Bank (continued)

(iii) Supplementary retirement benefits

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

Save for the above schemes in 37(i) to 37(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

38 Taxes payable

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Income tax	**1,108**	1,216	**1,033**	1,201
Business tax and surcharges	**1,567**	1,371	**1,563**	1,368
Others	**41**	11	**34**	4
Total	**2,716**	2,598	**2,630**	2,573

39 Interest payable

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deposits from customers	**9,879**	7,783	**9,763**	7,685
Debt securities issued	**130**	668	**65**	538
Others	**164**	118	**23**	20
Total	**10,173**	8,569	**9,851**	8,243

40 Provisions

	The Group and the Bank	
	30 June 2011	31 December 2010
Litigation provisions	**36**	36

Movement of provisions:

	Six months ended 30 June 2011	Year ended 31 December 2010
As at 1 January	**36**	50
Charge for the period/year	—	36
Reversal for the period/year	—	(10)
Transfer out	—	(40)
As at 30 June/31 December	**36**	36

(Expressed in millions of Renminbi unless otherwise stated)

41 Debt securities issued

		The Group		The Bank	
	Note	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
Notes issued	(i)	**398**	197	**—**	—
Certificates of deposit issued	(ii)	**7,499**	5,943	**—**	—
Subordinated debts bonds issued:					
— by the Bank	(iii)	**18,500**	22,500	**18,500**	22,500
— by CIFH	(iv)	**6,215**	6,275	**—**	—
Total		**32,612**	34,915	**18,500**	22,500

(i) The notes were issued by CBI, a subsidiary of CIFH, and measured at amortized cost.

(ii) Certificates of deposit were issued by CIFH and measured at amortized cost.

(iii) The carrying value of the Bank's subordinated debts bonds issued as at 30 June 2011 and 31 December 2010 represents:

	Note	**30 June 2011**	31 December 2010
Subordinated fixed rate bonds maturing:			
— in June 2016	(a)	**—**	4,000
— in May 2020	(b)	**5,000**	5,000
— in June 2021	(c)	**2,000**	2,000
— in May 2025	(d)	**11,500**	11,500
Total		**18,500**	22,500

(a) On 22 June 2011, the Bank redeemed the debts at par value.

(b) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.00%. The Bank has an option to redeem the debts on 28 May 2015. If they are not redeemed early, the interest rate of the debts will remain 4.00% per annum for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 4.12%. The Bank has an option to redeem the debts on 22 June 2016. If they are not redeemed early, the interest rate of the debts will increase in June 2016 to 7.12% per annum for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30%. The Bank has an option to redeem the debts on 28 May 2020. If they are not redeemed early, the interest rate of the debts will remain 4.30% per annum for the next five years.

(Expressed in millions of Renminbi unless otherwise stated)

41 Debt securities issued (continued)

(iv) The carrying value of CIFH's subordinated debts/bonds issued as at 30 June 2011 and 31 December 2010 represents:

	Note	30 June 2011	31 December 2010
Perpetual subordinated fixed rate notes	(a)	**1,634**	1,678
Subordinated floating rate notes maturing in December 2017	(b)	**1,294**	1,323
Subordinated fixed rate notes maturing in June 2020	(c)	**3,287**	3,274
Total		**6,215**	6,275

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of US$250 million were issued on 23 May 2002 by CKWH-UT2 Limited, a wholly owned subsidiary of CIFH. CBI unconditionally and irrevocably guarantees all amounts payable under the notes. These subordinated notes can be called by CKWH-UT2 Limited in 2012.

(b) On 30 November 2007, CBI launched a USD2 billion Medium Term Notes Programme ("the Programme"). Under the Programme, CBI, subject to compliance with all relevant laws, regulations and directives, may from time to time issue subordinated notes denominated in any currency agreed between CBI and the relevant dealers as defined.

Under the Programme, CBI issued subordinated floating rate notes with face value of USD250 million on 11 December 2007. The interest rate per annum is the LIBOR for three-month US dollar deposits plus an interest margin of 1.75%. The Notes are listed on the SGX-ST and mature on 12 December 2017.

(c) Subordinated notes with an interest rate of 6.875% per annum and with face value of US$500 million were issued on 24 June 2010 by CBI The Notes are listed on SGX-ST and mature on 24 June 2020.

42 Other liabilities

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Settlement accounts	**452**	1,229	**450**	1,229
Dormant accounts	**184**	190	**184**	190
Payment and collection clearance accounts	**271**	197	**271**	197
Government bonds redemption payable	**122**	97	**122**	97
Others	**2,677**	2,305	**1,991**	1,647
Total	**3,706**	4,018	**3,018**	3,360

43 Share capital

	The Group and the Bank	
	30 June 2011	31 December 2010
A-Share	**26,631**	26,631
H-Share	**12,402**	12,402
Total	**39,033**	39,033

(Expressed in millions of Renminbi unless otherwise stated)

44 Share premium, other reserve and investment revaluation reserve

The Group

	Share premium	Other reserve	Investment revaluation reserve Note (i)	Total
As at 1 January 2011	**31,301**	**273**	**(632)**	**30,942**
Other comprehensive income	**—**	**4**	**130**	**134**
As at 30 June 2011	**31,301**	**277**	**(502)**	**31,076**
As at 1 January 2010	31,301	254	(236)	31,319
Other comprehensive income	—	19	(396)	(377)
As at 31 December 2010	31,301	273	(632)	30,942

The Bank

	Share premium	Other reserve	Investment revaluation reserve Note (i)	Total
As at 1 January 2011	**33,706**	**—**	**(451)**	**33,255**
Other comprehensive income	**—**	**—**	**80**	**80**
As at 30 June 2011	**33,706**	**—**	**(371)**	**33,335**
As at 1 January 2010	33,706	—	(23)	33,683
Other comprehensive income	—	—	(428)	(428)
As at 31 December 2010	33,706	—	(451)	33,255

Note: (i) The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the Group's accounting policies.

45 Surplus reserve

Movement of surplus reserve

	The Group and the Bank	
	Six months ended 30 June 2011	Year ended 31 December 2010
As at 1 January	**5,618**	3,535
Appropriations	**1,441**	2,083
As at 30 June/31 December	**7,059**	5,618

Under relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General Meeting.

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

(Expressed in millions of Renminbi unless otherwise stated)

46 General reserve

	The Group		The Bank	
	Six months ended 30 June 2011	Year ended 31 December 2010	Six months ended 30 June 2011	Year ended 31 December 2010
As at 1 January	15,698	12,562	15,650	12,526
Appropriations	800	3,136	800	3,124
As at 30 June/31 December	16,498	15,698	16,450	15,650

Pursuant to relevant MOF notices, the Bank and the Bank's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

47 Profit appropriations

(a) Profit appropriations and distributions other than dividends declared during the period

	The Group		The Bank	
	Six months ended 30 June 2011	Year ended 31 December 2010	Six months ended 30 June 2011	Year ended 31 December 2010
Appropriations to				
— Statutory surplus reserve fund	1,441	2,083	1,441	2,083
— General reserve	800	3,136	800	3,124
As at 30 June/31 December	2,241	5,219	2,241	5,207

In accordance with the approval from the Board of Directors dated 29 August 2011, the Bank appropriated RMB1,441 million to statutory surplus reserve fund and RMB800 million to general reserve, representing 10% and 5.55% of the net profit after taxation under PRC GAAP, respectively.

(b) On 29 August 2011, the Board of Directors proposed a cash dividend of RMB0.55 per ten shares in respect of the period for the six-month period ended 30 June 2011. Subject to the approval of the shareholders at the General Meeting, the total amount of approximately RMB2,573 million is payable to those on the shareholders register as at the relevant record date. This dividend has not been recognized as liability at the reporting date.

48 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	30 June 2011	30 June 2010
Cash	4,297	3,902
Surplus deposit reserve funds	41,987	72,354
Deposits with banks and non-bank financial institutions due within three months when acquired	60,300	25,093
Placements with banks and non-bank financial institutions due within three months when acquired	33,146	42,948
Investment securities due within three months when acquired	24,330	10,412
Subtotal	159,763	150,807
Total	164,060	154,709

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

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

		The Group		The Bank	
	Note	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Contractual amount					
Loan commitments					
— with an original maturity of within one year		60,965	39,177	38,635	18,676
— with an original maturity of one year or beyond		16,368	21,319	13,498	16,193
Subtotal		77,333	60,496	52,133	34,869
Guarantees	(i)	79,679	68,932	76,199	65,474
Letters of credit		138,913	116,529	134,564	113,394
Acceptances		482,616	427,573	481,531	426,538
Credit card commitments		52,349	49,844	46,853	44,169
Total		830,890	723,374	791,280	684,444

Note: (i) CBI has entered into two credit default swaps ("CDS") with notional value of US$456 million (equivalent to RMB2,951million) with the senior loan provider of Farmington Finance Limited ("Farmington"), as a partial credit protection against non-performance of a term loan to Farmington provided by this senior loan provider. Management has assessed the probability that the senior loan provider would exercise its right to recover certain amount of loss under the CDS arrangement with the Group and has made necessary provision accordingly. As at 31 December 2010 and 30 June 2011, the Group has made a provision for the expected payment on the potential call from senior loan provider on the CDS loss of US$32.6 million (equivalent to RMB211 million).

During the six months period ended 30 June 2011, CBI has started to negotiate with the senior loan provider on the settlement arrangement for the two CDS, but no conclusion has been reached. Subsequent to 30 June 2011, the senior loan provider has arranged with the trustee to liquidate the Farmington investments as collaterals of the term loan by public auction in early August 2011. According to a notice dated 25 August 2011, the senior loan provider has demanded that CBI settle the CDS for an amount totalling US$208.60 million (equivalent to RMB1,350 million). The amount of these settlement demands has been fully provided for as a result of management's decision to make the additional provisions by 29 August 2011.

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities (continued)

(b) Credit risk weighted amount

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Credit risk weighted amount of contingent liabilities and commitments	**295,459**	252,529	**287,538**	244,547

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

There are no relevant standards prescribed in IFRSs with regard to the calculation of the above credit risk weighted amounts.

(c) Capital commitments

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

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
— Contracted for	**601**	326	**572**	277
— Authorized but not contracted for	**52**	98	**40**	81

(d) Operating lease commitments

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

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Within one year	**1,329**	1,170	**1,207**	1,039
After one year but within two years	**1,171**	1,075	**1,069**	971
After two years but within three years	**1,037**	988	**948**	900
After three years but within five years	**1,557**	1,657	**1,395**	1,474
After five years	**1,944**	1,751	**1,781**	1,536
Total	**7,038**	6,641	**6,400**	5,920

(e) Outstanding litigations and disputes

As at 30 June 2011, the Group was the defendant in certain pending litigations with gross claims of RMB375 million (as at 31 December 2010: RMB255 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB36 million (as at 31 December 2010: RMB36 million). The Group believes that these accruals are reasonable and adequate.

(f) Securities underwriting obligations

The Group has no underwriting commitments of securities as at 30 June 2011 and 31 December 2010.

(Expressed in millions of Renminbi unless otherwise stated)

49 Commitments and contingent liabilities (continued)

(g) Bonds redemption obligations

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

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

	The Group and the Bank	
	30 June 2011	31 December 2010
Bonds redemption obligations	**5,858**	6,619

The Group estimates that the possibility of redemption before maturity is remote.

(h) Provision against commitments and contingent liabilities

The Group has assessed and has made provision (Note 40) for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

50 Pledged assets

(a) Financial assets pledged as collaterals

The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the reporting date.

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Discounted bills	**—**	21	**—**	21
Debt securities	**17,105**	4,711	**17,105**	4,711
Loans and advances to customers	**—**	300	**—**	300
Others	**1,732**	1,920	**—**	—
Total	**18,837**	6,952	**17,105**	5,032

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2011, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions. As at 31 December 2010, the Group held collateral under resale agreements of RMB90 million at fair value for which the Group was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of Renminbi unless otherwise stated)

51 Transactions on behalf of customers

(a) Entrusted lending business

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

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

Trust assets are not assets of the Group and are not recognised on the statement of financial position. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in profit or loss as fee income.

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

	The Group and the Bank	
	30 June 2011	31 December 2010
Entrusted loans	**121,079**	99,662
Entrusted funds	**121,079**	99,662

(b) Wealth management services

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

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

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

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Investments under wealth management services	160,405	168,983	93,111	103,649
Funds from wealth management services	160,405	168,983	93,111	103,649

Amongst the above funds from wealth management service, RMB29,362 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 30 June 2011 (as at 31 December 2010: RMB23,692 million).

52 Segment reporting

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

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Deferred tax assets and deferred tax liabilities are not included in Segment assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the period to acquire fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

The Group comprises the following main business segments for management purpose:

Corporate banking

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

Personal banking

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

Treasury business

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

CIFH business

This segment covers commercial banking, assets management and other non-banking financial services of CIFH and its subsidiaries in Hong Kong and other regions. The Group manages CIFH and its subsidiaries as a separate segment.

Others

These represent head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2011					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	18,049	3,753	7,342	743	(81)	29,806
Internal net interest income/(expense)	5,144	276	(5,063)	13	(370)	—
Net interest income/(expense)	23,193	4,029	2,279	756	(451)	29,806
Net fee and commission income	2,400	1,172	75	221	30	3,898
Net trading gain	272	2	378	330	47	1,029
Net gain from investment securities	—	—	86	4	20	110
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	99	7	—	226	161	493
Operating income/(expense)	25,964	5,210	2,818	1,536	(193)	35,335
Operating expenses						
— depreciation and amortisation	(320)	(257)	(35)	(34)	(3)	(649)
— others	(7,869)	(3,794)	(121)	(635)	(91)	(12,510)
Impairment losses	(1,634)	(344)	—	61	(12)	(1,929)
Revaluation gain on investment properties	—	—	—	29	—	29
Share of profits of associates	—	—	—	50	—	50
Profit/(loss) before tax	16,141	815	2,662	1,007	(299)	20,326
Capital expenditure	527	438	48	73	3	1,089

	30 June 2011					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
Segment assets	1,323,132	271,658	516,678	121,967	7,065	2,240,500
Investment in associates	—	—	—	2,257	—	2,257
Deferred tax assets						2,461
Total asset						2,245,218
Segment liabilities	1,629,984	299,713	47,097	114,684	14,083	2,105,561
Deferred tax liabilities						—
Total liabilities						2,105,561
Off-balance sheet credit commitments	744,427	46,853	—	39,610	—	830,890

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
External net interest income	17,394	2,406	1,673	888	2	22,363
Internal net interest income/(expense)	889	407	(970)	(6)	(320)	—
Net interest income/(expense)	18,283	2,813	703	882	(318)	22,363
Net fee and commission income/(expense)	1,497	738	64	286	(56)	2,529
Net trading gain/(loss)	216	1	69	150	(6)	430
Net gain from investment securities	—	—	10	17	44	71
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	105	3	—	11	56	175
Operating income/(expense)	20,101	3,555	846	1,345	(280)	25,567
Operating expenses						
— depreciation and amortisation	(231)	(205)	(21)	(31)	(89)	(577)
— others	(5,353)	(2,828)	(98)	(621)	(6)	(8,906)
Impairment losses	(1,492)	(218)	—	(105)	(9)	(1,824)
Revaluation gain on investment properties	—	—	—	11	—	11
Share of profits of associates	—	—	—	10	—	10
Profit/(loss) before tax	13,025	304	727	609	(384)	14,281
Capital expenditure	363	342	22	47	217	991

	31 December 2010					
	Corporate Banking	Personal Banking	Treasury Business	CIFH Business	Others and Unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Investment in associates	—	—	—	2,253	—	2,253
Deferred tax assets						2,565
Total asset						2,081,314
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Deferred tax liabilities						—
Total liabilities						1,956,776
Off-balance sheet credit commitments	640,308	44,169	—	38,897	—	723,374

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 29 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong.

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

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

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

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

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

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

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

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

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

— "Hong Kong" this segment includes all the operations of CIFL, CIFH and its subsidiaries.

	Six months ended 30 June 2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	6,805	3,562	5,173	3,365	3,223	869	6,057	752	—	29,806
Internal net interest income/(expense)	775	750	1,471	537	90	14	(3,648)	(11)	—	—
Net interest income	7,580	4,312	6,644	3,902	3,313	883	2,409	763	—	29,806
Net fee and commission income	836	439	801	390	333	96	779	224	—	3,898
Net trading gain	166	84	183	40	23	7	196	330	—	1,029
Net gain from investment securities	—	—	1	—	—	—	84	25	—	110
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	68	39	56	15	10	7	19	279	—	493
Operating income	8,650	4,874	7,685	4,347	3,679	993	3,487	1,620	—	35,335
Operating expenses										
— depreciation and amortisation	(134)	(68)	(123)	(63)	(66)	(18)	(142)	(35)	—	(649)
— others	(2,992)	(1,705)	(2,444)	(1,460)	(1,338)	(350)	(1,517)	(704)	—	(12,510)
Impairment losses	(622)	(318)	195	(499)	(468)	(96)	(182)	61	—	(1,929)
Revaluation gain on investment properties	—	—	—	—	—	—	—	29	—	29
Share of profits of associates	—	—	—	—	—	—	—	50	—	50
Profit before tax	4,902	2,783	5,313	2,325	1,807	529	1,646	1,021	—	20,326
Capital expenditure	207	111	240	136	142	55	124	74	—	1,089

(Expressed in millions of Renminbi unless otherwise stated)

52 Segment reporting (continued)

(b) Geographical segments (continued)

	30 June 2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	553,115	315,168	586,871	279,049	241,114	56,510	694,016	123,063	(608,406)	2,240,500
Interests in associates	—	—	—	—	—	—	—	2,257	—	2,257
Deferred tax assets										2,461
Total assets										2,245,218
Segment liabilities	546,289	310,768	579,917	275,451	237,415	55,458	593,948	114,721	(608,406)	2,105,561
Deferred tax liabilities										—
Total liabilities										2,105,561
Off-balance sheet credit commitment	224,613	110,114	189,743	123,853	76,619	19,485	46,853	39,610	—	830,890

	Six months ended 30 June 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	5,157	2,487	4,113	2,474	2,361	655	4,225	891	—	22,363
Internal net interest income/(expense)	735	658	1,115	437	21	59	(3,057)	32	—	—
Net interest income	5,892	3,145	5,228	2,911	2,382	714	1,168	923	—	22,363
Net fee and commission income	509	267	512	214	195	49	490	293	—	2,529
Net trading gain/(loss)	112	53	119	29	13	6	(51)	149	—	430
Net gain from investment securities	—	—	—	—	—	—	11	60	—	71
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	55	20	57	12	9	2	9	11	—	175
Operating income	6,568	3,485	5,916	3,166	2,599	771	1,627	1,435	—	25,567
Operating expenses										
— depreciation and amortisation	(127)	(59)	(108)	(51)	(49)	(16)	(135)	(32)	—	(577)
— others	(2,222)	(1,311)	(1,927)	(1,082)	(978)	(256)	(465)	(665)	—	(8,906)
Impairment losses	(595)	(351)	(326)	(254)	(74)	(70)	(49)	(105)	—	(1,824)
Revaluation gain on investment properties	—	—	—	—	—	—	—	11	—	11
Share of profits of associates	—	—	—	—	—	—	—	10	—	10
Profit before tax	3,624	1,764	3,555	1,779	1,498	429	978	654	—	14,281
Capital expenditure	156	90	315	110	115	47	111	47	—	991

	31 December 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Interests in associates	—	—	—	—	—	—	—	2,253	—	2,253
Deferred tax assets										2,565
Total assets										2,081,314
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Deferred tax liabilities										—
Total liabilities										1,956,776
Off-balance sheet credit commitment	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

53 Financial risk management

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

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

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

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

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

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

(a) Credit risk

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

Credit business

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

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

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

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

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

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

Treasury business

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

(i) Maximum credit risk exposure

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

	The Group		The Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Balances with central banks	**296,637**	252,289	**296,105**	251,518
Deposits with bank and non-bank financial institutions	**97,342**	81,955	**95,146**	67,157
Placements with banks and non-bank financial	**84,376**	48,633	**70,861**	39,221
Trading financial assets	**2,753**	2,848	**2,029**	2,298
Positive fair value of derivatives	**4,776**	4,478	**3,369**	3,094
Financial assets held under resale agreements	**134,052**	147,632	**134,110**	147,692
Interest receivable	**6,893**	6,095	**6,467**	5,615
Loans and advances to customers	**1,334,724**	1,246,026	**1,256,488**	1,170,383
Available-for-sale financial assets	**140,154**	130,602	**124,492**	112,889
Held-to-maturity investments	**110,298**	129,041	**110,555**	129,301
Other financial assets	**2,697**	2,532	**2,642**	2,257
Subtotal	**2,214,702**	2,052,131	**2,102,264**	1,931,425
Credit commitments	**830,890**	723,374	**791,280**	684,444
Maximum credit risk exposure	**3,045,592**	2,775,505	**2,893,544**	2,615,869

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Group

	Note	30 June 2011 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,530	30	—	363
Allowance for impairment		(4,450)	(8)	—	(332)
Net balance		3,080	22	—	31
— Collectively assessed					
Gross balance		905	—	—	—
Allowance for impairment		(772)	—	—	—
Net balance		133	—	—	—
Overdue but not impaired	(1)				
Gross balance		5,021	—	—	—
Within which					
— Less than 3 months		4,875	—	—	—
— 3 months to 1 year		146	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(140)	—	—	—
Net balance		4,881	—	—	—
Neither overdue nor impaired					
Gross balance		1,341,363	181,696	134,052	253,174
Allowance for impairment	(2)	(14,733)	—	—	—
Net balance		1,326,630	181,696	134,052	253,174
Net balance of total assets		1,334,724	181,718	134,052	253,205

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Group (continued)

	Note	31 December 2010 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,732	31	—	368
Allowance for impairment		(4,727)	(8)	—	(333)
Net balance		3,005	23	—	35
— Collectively assessed					
Gross balance		801	—	—	29
Allowance for impairment		(670)	—	—	—
Net balance		131	—	—	29
Overdue but not impaired	(1)				
Gross balance		3,162	—	—	—
Within which					
— Less than 3 months		2,972	—	—	—
— 3 months to 1 year		188	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(94)	—	—	—
Net balance		3,068	—	—	—
Neither overdue nor impaired					
Gross balance		1,252,550	130,565	147,632	262,427
Allowance for impairment	(2)	(12,728)	—	—	—
Net balance		1,239,822	130,565	147,632	262,427
Net balance of total assets		1,246,026	130,588	147,632	262,491

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Bank

	Note	30 June 2011 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		6,547	30	—	352
Allowance for impairment		(4,231)	(8)	—	(321)
Net balance		2,316	22	—	31
— Collectively assessed					
Gross balance		891	—	—	—
Allowance for impairment		(771)	—	—	—
Net balance		120	—	—	—
Overdue but not impaired	(1)				
Gross balance		4,429	—	—	—
Within which					
— Less than 3 months		4,283	—	—	—
— 3 months to 1 year		146	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(134)	—	—	—
Net balance		4,295	—	—	—
Neither overdue nor impaired					
Gross balance		1,264,213	165,985	134,110	237,045
Allowance for impairment	(2)	(14,456)	—	—	—
Net balance		1,249,757	165,985	134,110	237,045
Net balance of total assets		1,256,488	166,007	134,110	237,076

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Bank (continued)

		31 December 2010			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		6,701	31	—	357
Allowance for impairment		(4,474)	(8)	—	(322)
Net balance		2,227	23	—	35
— Collectively assessed					
Gross balance		785	—	—	—
Allowance for impairment		(668)	—	—	—
Net balance		117	—	—	—
Overdue but not impaired	(1)				
Gross balance		2,574	—	—	—
Within which					
— Less than 3 months		2,422	—	—	—
— 3 months to 1 year		150	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(87)	—	—	—
Net balance		2,487	—	—	—
Neither overdue nor impaired					
Gross balance		1,177,983	106,355	147,692	244,453
Allowance for impairment	(2)	(12,431)	—	—	—
Net balance		1,165,552	106,355	147,692	244,453
Net balance of total assets		1,170,383	106,378	147,692	244,488

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

As at 30 June 2011, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB583 million (as at 31 December 2010: RMB309 million). The covered portion and uncovered portion of these loans and advances were RMB335 million (as at 31 December 2010: RMB38 million) and RMB248 million (as at 31 December 2010: RMB271 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB871 million (as at 31 December 2010: RMB179 million).

As at 30 June 2011, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB392 million (as at 31 December 2010: RMB34 million). The covered portion and uncovered portion of these loans and advances were RMB215 million (as at 31 December 2010: RMB3 million) and RMB177 million (as at 31 December 2010: RMB31 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB514 million (as at 31 December 2010: RMB18 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

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

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Group

	30 June 2011			31 December 2010		
	Gross balance	%	Loans with pledged assets	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	284,298	21.0	100,700	260,264	20.6	86,555
— Wholesale and retail	146,713	10.8	77,922	128,942	10.2	64,381
— Transportation, storage and postal services	122,616	9.1	43,637	124,734	9.9	38,889
— Real estate	98,039	7.2	78,076	72,433	5.7	54,059
— Production and supply of electric power, gas and water	80,226	5.9	11,229	81,869	6.5	9,130
— Water, environment and public utility management	77,150	5.7	31,390	81,205	6.5	28,103
— Construction	52,501	3.9	15,710	44,798	3.5	12,153
— Rent and business services	50,417	3.7	24,209	48,444	3.8	22,174
— Public management and social organizations	46,273	3.4	26,304	58,163	4.6	35,086
— Financing	5,502	0.4	2,390	6,245	0.5	2,279
— Others	103,248	7.6	31,417	85,175	6.7	22,479
Subtotal	1,066,983	78.7	442,984	992,272	78.5	375,288
Personal loans	240,676	17.8	208,865	216,274	17.1	189,942
Discounted bills	47,160	3.5	—	55,699	4.4	—
Gross loans and advances to customers	1,354,819	100.0	651,849	1,264,245	100.0	565,230

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Bank

	30 June 2011			31 December 2010		
	Gross balance	%	Loans with pledged assets	Gross balance	%	Loans with pledged assets
Corporate loans						
— Manufacturing	277,395	21.8	96,726	251,249	21.1	82,442
— Wholesale and retail	142,195	11.2	74,496	120,616	10.2	61,256
— Transportation, storage and postal services	120,194	9.4	41,826	122,142	10.3	37,012
— Real estate	87,202	6.8	67,407	61,780	5.2	43,548
— Production and supply of electric power, gas and water	79,892	6.3	11,199	81,561	6.8	9,099
— Water, environment and public utility management	77,150	6.0	31,390	81,155	6.8	28,103
— Construction	52,354	4.1	15,614	44,630	3.8	12,039
— Rent and business services	50,282	3.9	24,174	48,263	4.1	22,093
— Public management and social organizations	46,198	3.6	26,304	58,087	4.9	35,086
— Financing	2,408	0.2	576	2,512	0.2	607
— Others	71,190	5.6	24,591	61,190	5.1	18,357
Subtotal	1,006,460	78.9	414,303	933,185	78.5	349,642
Personal loans	225,866	17.7	194,583	201,346	17.0	175,560
Discounted bills	43,754	3.4	—	53,512	4.5	—
Gross loans and advances to customers	1,276,080	100.0	608,886	1,188,043	100.0	525,202

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

The Group

	30 June 2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	2,749	1,911	2,906	72	(14)
Wholesale and retail	1,510	909	1,471	282	(18)

	31 December 2010				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	3,076	2,144	2,647	648	(351)
Wholesale and retail	1,369	860	1,245	464	(81)

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

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

The Bank

	30 June 2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the period	Impaired loan written off during the period
Manufacturing	2,638	1,866	2,845	61	—
Wholesale and retail	1,473	894	1,414	277	—

	31 December 2010				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	2,941	2,084	2,566	546	(339)
Transportation, storage and postal services	96	77	1,201	251	—
Wholesale and retail	1,332	845	1,186	476	(62)

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

The Group

	30 June 2011			31 December 2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	365,698	27.1	152,696	346,098	27.4	139,571
Yangtze River Delta	356,641	26.3	175,889	327,534	25.9	147,473
Pearl River Delta and West Strait	186,189	13.7	99,949	174,510	13.8	88,514
Central	171,243	12.6	79,745	159,534	12.6	65,359
Western	156,797	11.6	79,288	143,237	11.3	68,137
Northeastern	43,774	3.2	24,938	41,239	3.3	19,701
Outside Mainland China	74,477	5.5	39,344	72,093	5.7	36,475
Total	1,354,819	100.0	651,849	1,264,245	100.0	565,230

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

The Bank

	30 June 2011			31 December 2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	364,774	28.6	151,875	345,037	29.0	138,630
Yangtze River Delta	354,569	27.8	174,136	325,678	27.4	145,829
Pearl River Delta and West Strait	184,923	14.5	98,904	173,318	14.6	87,546
Central	171,243	13.4	79,745	159,534	13.4	65,359
Western	156,797	12.3	79,288	143,237	12.1	68,137
Northeastern	43,774	3.4	24,938	41,239	3.5	19,701
Total	1,276,080	100.0	608,886	1,188,043	100.0	525,202

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

The Group

	30 June 2011		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,622	1,367	4,555
Yangtze River Delta	1,872	1,006	4,206
Pearl River Delta and West Strait	1,601	905	2,157
Central	659	398	2,036
Western	462	388	1,884

	31 December 2010		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,362	1,385	4,479
Yangtze River Delta	1,950	1,132	3,497
Pearl River Delta and West Strait	1,583	910	1,870
Central	479	336	1,568
Western	531	425	1,390

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

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

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

The Bank

	30 June 2011		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,622	1,367	4,555
Yangtze River Delta	1,849	995	4,206
Pearl River Delta and West Strait	1,555	905	2,157
Central	659	398	2,036
Western	462	388	1,884

	31 December 2010		
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,362	1,385	4,479
Yangtze River Delta	1,926	1,123	3,496
Pearl River Delta and West Strait	1,537	910	1,870
Central	479	336	1,568
Western	531	425	1,390

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

	The Group		The Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Unsecured loans	325,017	336,806	311,030	322,758
Guaranteed loans	330,793	306,510	312,410	286,571
Secured loans				
— Tangible assets other than monetary assets	483,136	434,657	447,182	399,424
— Monetary assets	168,713	130,573	161,704	125,778
Subtotal	1,307,659	1,208,546	1,232,326	1,134,531
Discounted bills	47,160	55,699	43,754	53,512
Gross loans and advances to customers	1,354,819	1,264,245	1,276,080	1,188,043

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Rescheduled loans and advances to customers

The Group

	30 June 2011 Gross balance	30 June 2011 % of total loans and advances	31 December 2010 Gross balance	31 December 2010 % of total loans and advances
Rescheduled loans and advances	3,261	0.24%	6,926	0.55%
Less:				
— rescheduled loans and advances overdue more than 3 months	2,058	0.15%	2,205	0.17%
Rescheduled loans and advances overdue less than 3 months	1,203	0.09%	4,721	0.38%

The Bank

	30 June 2011 Gross balance	30 June 2011 % of total loans and advances	31 December 2010 Gross balance	31 December 2010 % of total loans and advances
Rescheduled loans and advances	3,010	0.24%	6,278	0.53%
Less:				
— rescheduled loans and advances overdue more than 3 months	2,019	0.16%	2,175	0.18%
Rescheduled loans and advances overdue less than 3 months	991	0.08%	4,103	0.35%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

(b) Market risk

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

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

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk and currency risk are major market risks that confront the Group.

Interest rate risk

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

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

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

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

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

The Group

		30 June 2011					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.46%	300,934	4,297	296,637	—	—	—
Deposits with banks and non-bank financial institutions	2.86%	97,342	—	94,677	2,665	—	—
Placements with banks and non-bank financial institutions	3.42%	84,376	22	63,126	21,228	—	—
Financial assets held under resale agreements	4.69%	134,052	—	124,208	9,019	825	—
Loans and advances to customers (note (ii))	5.76%	1,334,724	148	905,151	421,906	6,024	1,495
Investments (note (iii))	2.93%	263,330	2,932	85,760	81,542	70,368	22,728
Others		30,460	30,460	—	—	—	—
Total assets		2,245,218	37,859	1,569,559	536,360	77,217	24,223

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Group (continued)

		30 June 2011					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	3.30%	143,806	1,097	133,204	9,505	—	—
Placements from banks and non-bank financial institutions	4.14%	4,784	—	3,539	441	—	804
Financial assets sold under repurchase agreements	4.39%	14,979	—	14,979	—	—	—
Deposits from customers	1.65%	1,873,227	19,022	1,387,545	380,198	84,236	2,226
Debts securities issued	3.61%	32,612	—	4,725	4,629	4,927	18,331
Others		36,153	27,733	5,255	3,145	20	—
Total liabilities		2,105,561	47,852	1,549,247	397,918	89,183	21,361
Asset-liability gap		139,657	(9,993)	20,312	138,442	(11,966)	2,862

		31 December 2010					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.40%	256,323	4,034	252,289	—	—	—
Deposits with banks and non-bank financial institutions	1.73%	81,955	—	78,152	3,803	—	—
Placements with banks and non-bank financial institutions	1.49%	48,633	23	45,209	3,401	—	—
Financial assets held under resale agreements	2.82%	147,632	—	129,913	17,225	494	—
Loans and advances to customers (note (ii))	5.00%	1,246,026	171	958,047	276,648	10,637	523
Investments (note (iii))	2.68%	271,258	2,617	90,738	83,498	77,751	16,654
Others		29,487	29,487	—	—	—	—
Total assets		2,081,314	36,332	1,554,348	384,575	88,882	17,177

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Group (continued)

	31 December 2010						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	141,663	206	131,678	9,779	—	—
Placements from banks and non-bank financial institutions	3.43%	7,072	—	5,860	399	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.33%	1,730,816	9,115	1,347,898	317,059	53,256	3,488
Debts securities issued	3.72%	34,915	—	4,177	1,935	6,481	22,322
Others		37,929	27,201	9,014	1,694	20	—
Total liabilities		1,956,776	36,522	1,503,008	330,866	59,757	26,623
Asset-liability gap		124,538	(190)	51,340	53,709	29,125	(9,446)

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

The Bank

	30 June 2011						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.46%	300,259	4,154	296,105	—	—	—
Deposits with banks and non-bank financial institutions	3.41%	95,146	—	91,301	3,845	—	—
Placements with banks and non-bank financial institutions	4.06%	70,861	22	49,645	21,194	—	—
Financial assets held under resale agreements	4.69%	134,110	—	124,266	9,019	825	—
Loans and advances to customers (note (ii))	5.96%	1,256,488	—	835,148	414,262	5,587	1,491
Investments (note (iii))	2.98%	254,471	10,142	76,827	78,648	66,126	22,728
Others		26,706	26,706	—	—	—	—
Total assets		2,138,041	41,024	1,473,292	526,968	72,538	24,219

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Bank (continued)

		30 June 2011					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	3.62%	155,974	32	144,957	10,985	—	—
Placements from banks and non-bank financial institutions	6.75%	1,956	—	1,152	—	—	804
Financial assets sold under repurchase agreements	4.39%	14,979	—	14,979	—	—	—
Deposits from customers	1.70%	1,779,397	15,748	1,313,540	367,025	80,858	2,226
Debts securities issued	4.11%	18,500	—	—	—	—	18,500
Others		33,153	25,378	4,610	3,145	20	—
Total liabilities		2,003,959	41,158	1,479,238	381,155	80,878	21,530
Asset-liability gap		134,082	(134)	(5,946)	145,813	(8,340)	2,689

		31 December 2010					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.40%	255,394	3,876	251,518	—	—	—
Deposits with banks and non-bank financial institutions	2.02%	67,157	—	63,354	3,803	—	—
Placements with banks and non-bank financial institutions	2.00%	39,221	23	36,196	3,002	—	—
Financial assets held under resale agreements	2.82%	147,692	—	129,973	17,225	494	—
Loans and advances to customers (note (ii))	5.14%	1,170,383	—	889,165	270,229	10,469	520
Investments (note (iii))	2.73%	260,515	10,163	79,487	78,995	75,217	16,653
Others		25,455	25,455	—	—	—	—
Total assets		1,965,817	39,517	1,449,693	373,254	86,180	17,173

53 Financial risk management (continued)

(b) Market risk (continued)

The Bank (continued)

	31 December 2010						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	143,775	446	133,550	9,779	—	—
Placements from banks and non-bank financial institutions	4.15%	5,813	—	5,000	—	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.38%	1,634,330	5,941	1,262,069	311,172	51,660	3,488
Debts securities issued	4.22%	22,500	—	—	—	—	22,500
Others		35,428	24,700	9,014	1,694	20	—
Total liabilities		1,846,227	31,087	1,414,014	322,645	51,680	26,801
Asset-liability gap		119,590	8,430	35,679	50,609	34,500	(9,628)

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

(ii) For loans and advances to customers at Group level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB7,323 million as at 30 June 2011 (as at 31 December 2010: RMB5,556 million).

For loans and advances to customers at Bank level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB5,998 million as at 30 June 2011 (as at 31 December 2010: RMB4,228 million).

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

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 30 June 2011 and 31 December 2010.

	30 June 2011 Change in interest rates (in basis point)		31 December 2010 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(1,241)**	**1,241**	(916)	916

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

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

Currency risk

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

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

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

The exposures at the reporting date were as follows:

The Group

	30 June 2011				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	297,331	3,009	418	176	300,934
Deposits with banks and non-bank financial institutions	66,660	27,090	716	2,876	97,342
Placements with banks and non-bank financial institutions	67,453	10,905	5,787	231	84,376
Financial assets held under resale agreements	134,052	—	—	—	134,052
Loans and advances to customers	1,214,730	70,679	45,789	3,526	1,334,724
Investments	226,909	23,304	8,659	4,458	263,330
Others	25,543	1,563	2,838	516	30,460
Total assets	2,032,678	136,550	64,207	11,783	2,245,218
Liabilities					
Deposits from banks and non-bank financial institutions	138,007	2,781	1,121	1,897	143,806
Placements from banks and non-bank financial institutions	289	3,437	254	804	4,784
Financial assets sold under repurchase agreements	9,600	4,794	—	585	14,979
Deposits from customers	1,729,161	75,109	54,851	14,106	1,873,227
Debts securities issued	19,073	7,316	4,023	2,200	32,612
Others	24,219	8,773	2,225	936	36,153
Total liabilities	1,920,349	102,210	62,474	20,528	2,105,561
Net on-balance sheet position	112,329	34,340	1,733	(8,745)	139,657
Credit commitments	690,820	109,863	17,721	12,486	830,890
Derivatives (note(i))	13,676	(34,441)	23,976	9,241	12,452

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Group (continued)

	31 December 2010				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	252,374	3,349	446	154	256,323
Deposits with banks and non-bank financial institutions	53,287	17,106	9,925	1,637	81,955
Placements with banks and non-bank financial institutions	35,730	9,842	2,861	200	48,633
Financial assets held under resale agreements	147,632	—	—	—	147,632
Loans and advances to customers	1,135,409	62,248	45,940	2,429	1,246,026
Investments	232,661	26,310	8,795	3,492	271,258
Others	24,455	1,357	3,284	391	29,487
Total assets	1,881,548	120,212	71,251	8,303	2,081,314
Liabilities					
Deposits from banks and non-bank financial institutions	135,472	5,176	333	682	141,663
Placements from banks and non-bank financial institutions	5,000	1,213	46	813	7,072
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,583,501	67,083	64,094	16,138	1,730,816
Debts securities issued	23,002	6,803	4,845	265	34,915
Others	30,652	4,857	1,739	681	37,929
Total liabilities	1,781,948	85,192	71,057	18,579	1,956,776
Net on-balance sheet position	99,600	35,020	194	(10,276)	124,538
Credit commitments	594,287	100,058	17,433	11,596	723,374
Derivatives (note(i))	11,068	(35,463)	13,928	10,953	486

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Bank

	30 June 2011				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	296,840	2,965	288	166	300,259
Deposits with banks and non-bank financial institutions	65,512	27,060	303	2,271	95,146
Placements with banks and non-bank financial institutions	64,602	6,203	56	—	70,861
Financial assets held under resale agreements	134,052	58	—	—	134,110
Loans and advances to customers	1,212,913	40,903	12	2,660	1,256,488
Investments	235,607	16,823	507	1,534	254,471
Others	25,463	824	5	414	26,706
Total assets	2,034,989	94,836	1,171	7,045	2,138,041
Liabilities					
Deposits from banks and non-bank financial institutions	151,079	2,771	227	1,897	155,974
Placements from banks and non-bank financial institutions	—	1,152	—	804	1,956
Financial assets sold under repurchase agreements	9,600	4,794	—	585	14,979
Deposits from customers	1,712,818	58,683	2,843	5,053	1,779,397
Debts securities issued	18,500	—	—	—	18,500
Others	24,094	8,021	160	878	33,153
Total liabilities	1,916,091	75,421	3,230	9,217	2,003,959
Net on-balance sheet position	118,898	19,415	(2,059)	(2,172)	134,082
Credit commitments	690,324	88,622	846	11,488	791,280
Derivatives (note(i))	15,676	(19,227)	1,885	2,565	899

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(b) Market risk (continued)

The Bank (continued)

	31 December 2010				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	251,957	2,980	309	148	255,394
Deposits with banks and non-bank financial institutions	48,222	16,826	523	1,586	67,157
Placements with banks and non-bank financial institutions	34,201	4,963	57	—	39,221
Financial assets held under resale agreements	147,632	60	—	—	147,692
Loans and advances to customers	1,134,116	34,786	76	1,405	1,170,383
Investments	241,693	16,838	517	1,467	260,515
Others	24,394	721	—	340	25,455
Total assets	1,882,215	77,174	1,482	4,946	1,965,817
Liabilities					
Deposits from banks and non-bank financial institutions	137,523	5,285	285	682	143,775
Placements from banks and non-bank financial institutions	5,000	—	—	813	5,813
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,576,386	45,680	5,095	7,169	1,634,330
Debts securities issued	22,500	—	—	—	22,500
Others	28,941	5,523	198	766	35,428
Total liabilities	1,774,671	56,548	5,578	9,430	1,846,227
Net on-balance sheet position	107,544	20,626	(4,096)	(4,484)	119,590
Credit commitments	594,126	79,045	380	10,893	684,444
Derivatives (note(i))	15,179	(23,762)	4,236	4,710	363

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

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 30 June 2011 and 31 December 2010, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	30 June 2011 Change in foreign currency exchange rate (in basis point)		31 December 2010 Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(41)**	**41**	(2)	2

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

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(c) Liquidity risk

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

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

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

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

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

The Group

	30 June 2011						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	46,284	—	—	—	—	254,650	300,934
Deposits with banks and non-bank financial institutions	33,816	60,861	2,665	—	—	—	97,342
Placements with banks and non-bank financial institutions	—	56,727	23,819	3,341	467	22	84,376
Financial assets held under resale agreements	—	124,093	9,019	940	—	—	134,052
Loans and advances to customers (note(ii))	4,139	237,119	540,688	311,645	237,178	3,955	1,334,724
Investment securities	7,488	49,299	65,221	94,678	43,835	2,809	263,330
Others	4,818	6,429	2,345	1,375	324	15,169	30,460
Total assets	96,545	534,528	643,757	411,979	281,804	276,605	2,245,218
Liabilities							
Deposits from banks and non-bank financial institutions	48,208	85,272	10,326	—	—	—	143,806
Placements from banks and non-bank financial institutions	—	3,030	700	250	804	—	4,784
Financial assets sold under repurchase agreements	—	14,979	—	—	—	—	14,979
Deposits from customers	1,009,993	404,772	371,599	84,637	2,226	—	1,873,227
Debts securities issued	—	563	5,766	4,663	21,620	—	32,612
Others	5,811	16,840	7,107	4,320	665	1,410	36,153
Total liabilities	1,064,012	525,456	395,498	93,870	25,315	1,410	2,105,561
(Short)/Long position	(967,467)	9,072	248,259	318,109	256,489	275,195	139,657

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(c) Liquidity risk (continued)

The Group (continued)

	31 December 2010						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	57,193	—	—	—	—	199,130	256,323
Deposits with banks and non-bank financial institutions	31,831	47,397	2,727	—	—	—	81,955
Placements with banks and non-bank financial institutions	—	38,263	4,717	4,960	670	23	48,633
Financial assets held under resale agreements	—	129,337	17,727	568	—	—	147,632
Loans and advances to customers (note(ii))	2,284	224,589	480,708	312,830	221,695	3,920	1,246,026
Investment securities	6,171	67,002	65,947	94,428	34,889	2,821	271,258
Others	7,421	2,960	2,706	2,926	642	12,832	29,487
Total assets	104,900	509,548	574,532	415,712	257,896	218,726	2,081,314
Liabilities							
Deposits from banks and non-bank financial institutions	66,100	65,784	9,779	—	—	—	141,663
Placements from banks and non-bank financial institutions	—	5,603	257	399	813	—	7,072
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	978,528	377,006	317,154	54,640	3,488	—	1,730,816
Debts securities issued	—	204	3,392	5,721	25,598	—	34,915
Others	13,556	11,860	6,367	3,926	722	1,498	37,929
Total liabilities	1,058,184	464,838	336,949	64,686	30,621	1,498	1,956,776
(Short)/Long position	(953,284)	44,710	237,583	351,026	227,275	217,228	124,538

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(c) Liquidity risk (continued)

The Bank

	30 June 2011						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	46,086	—	—	—	—	254,173	300,259
Deposits with banks and non-bank financial institutions	24,694	66,607	3,845	—	—	—	95,146
Placements with banks and non-bank financial institutions	—	45,833	22,206	2,800	—	22	70,861
Financial assets held under resale agreements	—	124,151	9,019	940	—	—	134,110
Loans and advances to customers (note(ii))	3,509	222,049	521,485	286,965	219,258	3,222	1,256,488
Investment securities	7,488	45,037	61,562	87,461	42,881	10,042	254,471
Others	3,366	6,425	2,345	1,379	324	12,867	26,706
Total assets	85,143	510,102	620,462	379,545	262,463	280,326	2,138,041
Liabilities							
Deposits from banks and non-bank financial institutions	52,671	91,497	11,806	—	—	—	155,974
Placements from banks and non-bank financial institutions	—	1,152	—	—	804	—	1,956
Financial assets sold under repurchase agreements	—	14,979	—	—	—	—	14,979
Deposits from customers	980,466	348,822	367,025	80,858	2,226	—	1,779,397
Debts securities issued	—	—	—	—	18,500	—	18,500
Others	4,182	16,557	6,461	4,323	665	965	33,153
Total liabilities	1,037,319	473,007	385,292	85,181	22,195	965	2,003,959
(Short)/Long position	(952,176)	37,095	235,170	294,364	240,268	279,361	134,082

(Expressed in millions of Renminbi unless otherwise stated)

53 Financial risk management (continued)

(c) Liquidity risk (continued)

The Bank (continued)

	31 December 2010						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	56,264	—	—	—	—	199,130	255,394
Deposits with banks and non-bank financial institutions	17,033	47,397	2,727	—	—	—	67,157
Placements with banks and non-bank financial institutions	—	31,379	3,320	4,499	—	23	39,221
Financial assets held under resale agreements	—	129,397	17,727	568	—	—	147,692
Loans and advances to customers (note(ii))	1,846	212,258	463,194	286,042	204,058	2,985	1,170,383
Investment securities	6,171	60,887	60,451	89,034	33,929	10,043	260,515
Others	5,936	2,958	2,655	2,926	642	10,338	25,455
Total assets	87,250	484,276	550,074	383,069	238,629	222,519	1,965,817
Liabilities							
Deposits from banks and non-bank financial institutions	68,212	65,784	9,779	—	—	—	143,775
Placements from banks and non-bank financial institutions	—	5,000	—	—	813	—	5,813
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	945,115	322,915	311,172	51,640	3,488	—	1,634,330
Debts securities issued	—	—	—	—	22,500	—	22,500
Others	11,826	11,861	6,342	3,926	722	751	35,428
Total liabilities	1,025,153	409,941	327,293	55,566	27,523	751	1,846,227
(Short)/Long position	(937,903)	74,335	222,781	327,503	211,106	221,768	119,590

Notes: (i) For cash and balances with central banks, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in repayable on demand.

(iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale investments, the remaining term to maturity does not represent the Group's intended holding period.

53 Financial risk management (continued)

(d) Operational risk

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

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

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

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

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

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

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

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

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

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

In addition to the above, the Bank's Compliance and Internal Audit Department, which directly reports to the Audit and Related Party Transactions Committee, examines and independently evaluates its risk management policies and procedures and internal controls. Audit and Related Party Transactions Committee directly reports to the Board of Directors.

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

(Expressed in millions of Renminbi unless otherwise stated)

54 Capital Adequacy Ratio

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

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. At the reporting date, the Group is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's sound operations and risk management capability. 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 considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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

	Note	30 June 2011	31 December 2010
Capital adequacy ratio	(i)	**11.40%**	11.31%
Core capital adequacy ratio	(ii)	**8.87%**	8.45%
Components of capital base			
Core capital:			
— Share capital		**39,033**	39,033
— Capital reserve, investment revaluation reserve and exchange difference		**29,167**	29,250
— Surplus reserve and general reserve		**23,557**	21,316
— Retained earnings	(iii)	**39,970**	25,204
— Non-controlling interest		**4,541**	4,363
Total core capital		**136,268**	119,166
Supplementary capital:			
— General provision for doubtful debts		**14,873**	12,822
— Subordinated debts/bonds issued		**24,715**	28,775
— Fair value change of financial assets		**816**	165
Total supplementary capital		**40,404**	41,762
Total capital base before deductions		**176,672**	160,928
Deductions:			
— Goodwill		**838**	857
— Unconsolidated equity investments		**2,273**	2,267
— Others		**1,093**	1,190
Total capital base after deductions		**172,468**	156,614
Core capital base after deductions		**134,155**	116,988
Risk weighted assets	(iv)	**1,508,690**	1,385,262
Market risk capital		**305**	—

(Expressed in millions of Renminbi unless otherwise stated)

54 Capital Adequacy Ratio (continued)

Note: (i) Capital Adequacy Ratio ("CAR") equals to total capital base after deductions divided by the sum of risk weighted assets and 12.5 times of market risk capital.

(ii) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deduction of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by the sum of risk weighted assets and 12.5 times of market risk capital.

(iii) The retained earnings are net of the dividend approved by Board of Directors after the reporting date, but pending for the shareholders' approval at the General Meeting.

(iv) In accordance with CBRC's Guidance Regarding the Risk Management of Loans to Government Financing Vehicles ("GFV") (Yinjianfa [2010]No.110), financial institutions should apply different risk weights for the loans to GFV based on the percentage of their cash flow coverage type for CAR calculation. As at the balance sheet date, the percentage of cash flow coverage type of the loans to GFV has not been confirmed by the relevant regulatory bodies, therefore, the Group has not take into consideration of the aforementioned requirement when calculating the CAR.

55 Fair value

(a) Financial assets

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

Amounts due from central banks, banks and other financial institutions

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

Loans and advances to customers

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

Investments

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 22.

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificate of deposit, and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

	The Group			
	Carrying values		Fair values	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Certificate of deposit (not for trading purpose)	**7,499**	5,943	**7,511**	5,289
Debt securities issued	**398**	197	**397**	197
Subordinated debts/bonds issued	**24,715**	28,775	**22,944**	27,673

	The Bank			
	Carrying values		Fair values	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Subordinated debts/bonds issued	**18,500**	22,500	**16,274**	20,814

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties

(a) Relationship of Related parties

(1) Related parties of the Group include subsidiaries of the Group, CITIC Group and its subsidiaries and BBVA, which is a strategic investor of the Group.

(2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. Its organization code is: 10168558-X. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.

(3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 30 June 2011 (31 December 2010: 15%) and therefore BBVA is recognised as a related party of the Group with significant influence.

(4) Besides the subsidiaries of the Bank mentioned in Note 24, CITIC Group is also a related party of the Bank that has control relations.

(b) Related party transactions

During the relevant periods, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant periods and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2011				
	Ultimate holding company	**Fellow subsidiaries**	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Interest income	**12**	**48**	**24**	**3**	**6**
Fee and commission income	**—**	**49**	**—**	**37**	**—**
Interest expense	**(194)**	**(314)**	**(63)**	**(8)**	**(17)**
Net trading gain/(loss)	**—**	**23**	**(51)**	**—**	**(2)**
Other service fees	**—**	**(23)**	**—**	**(1)**	**(16)**

	Six months ended 30 June 2010				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Interest income	11	104	10	—	6
Fee and commission income	—	77	1	20	—
Interest expense	(102)	(257)	(12)	(4)	(5)
Net trading (loss)/gain	(229)	12	17	—	3
Other service fees	—	(25)	(4)	(34)	—

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties (continued)

(b) Related party transactions (continued)

	30 June 2011				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Assets					
Gross loans and advances to customers	—	2,090	—	247	—
Less: individually assessed allowances for impairment loss	—	—	—	—	—
collectively assessed allowances for impairment loss	—	(17)	—	—	—
Loans and advances to customers (net)	—	2,073	—	247	—
Gross amount of deposits and placements with banks and non-bank financial institutions	—	30	648	—	1,015
Less: Allowances for impairment losses	—	(7)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	—	23	648	—	1,015
Investments	494	257	875	—	10,208
Financial assets held under resale agreements	—	—	—	—	58
Other assets	7	35	169	2	4
Liabilities					
Deposits from customers	17,236	9,090	—	2,599	39
Deposits and placements from banks and non-bank financial institutions	—	9,496	202	—	6,154
Debts securities issued	—	732	2,161	—	—
Financial assets sold under repurchases agreement	7,600	—	—	—	—
Other liabilities	48	91	191	4	—
Off-balance sheet items					
Guarantees and letters of credit	73	530	—	—	—
Acceptances	—	101	—	—	—
Guarantees received	150	—	2	—	341
Nominal amount of derivatives	700	9,032	39,579	—	66

(Expressed in millions of Renminbi unless otherwise stated)

56 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2010				
	Ultimate holding company	Fellow subsidiaries	BBVA	Associates	Subsidiaries Note (i)
Assets					
Gross loans and advances to customers	—	1,980	—	273	—
Less: individually assessed allowances for impairment loss	—	—	—	—	—
collectively assessed allowances for impairment loss	—	(28)	—	—	—
Loans and advances to customers (net)	—	1,952	—	273	—
Gross amount of deposits and placements with banks and non-bank financial institutions	—	33	3	—	1,100
Less: Allowances for impairment losses	—	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	—	25	3	—	1,100
Investments	499	530	943	—	10,215
Financial assets held under resale agreements	—	—	—	—	60
Other assets	9	35	115	1	3
Liabilities					
Deposits from customers	13,865	14,350	—	2,736	44
Deposits and placements from banks and non-bank financial institutions	—	10,282	—	—	2,187
Financial assets sold under repurchase agreements	4,000	—	—	—	—
Other liabilities	25	766	2,345	2	—
Off-balance sheet items					
Guarantees and letters of credit	77	105	—	—	—
Acceptances	—	361	—	—	—
Guarantees received	150	15	2	3	357
Nominal amount of derivatives	1,621	4,870	31,854	—	68

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

(ii) The Bank sold wealth management products to its retail customers, parts of which are managed by CITIC Trust. During the six months ended 30 June 2011, CITIC Trust did not purchase any loans and advances to customer (six months ended 30 June 2010: 2,000 million) on behalf of its customers from the Bank.

56 Related parties (continued)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

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

The aggregate amount of relevant loans outstanding as at 30 June 2011 to directors, supervisors and executive officers amounted to RMB23.96 million (as at 31 December 2010: RMB26.06 million).

The aggregate of the compensations in respect of directors, supervisors and senior executives during the six months ended 30 June 2011 amounted to RMB8.68 million (six months ended 30 June 2010: 8.54 million)

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

The Group has established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 37(iii)).

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

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

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

— lending and deposit taking;

— taking and placing of interbank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

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

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

— rendering and receiving of utilities and other services.

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

57 Ultimate parent

As disclosed in Note 1, the immediate and ultimate parent of the Group is CITIC Group.

58 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2011 and which have not been adopted in the interim financial report.

- Amendments to IFRSs 7, *Financial instruments: Disclosure;*
- Amendments to IAS 12, *Income taxes;*
- Amendments to IAS 1, *Presentation of financial statements;*
- IFRSs 9, *Financial instruments;*
- IFRSs 10, *Consolidated financial statements;*
- IAS 27 (2011), *Separate financial statements;*
- IFRSs 11, *Joint arrangements;*
- IAS 28 (2011), *Investments in associates and joint ventures;*
- IFRSs 12, *Disclosure of interests in other entities;*
- IFRSs 13, *Fair value measurement;*
- Revised IAS 19, *Employee benefits;*

The Group is in the process of making assessment of what the impact of these developments 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 IFRSs 9, Financial instruments, which may have an impact on the Group's results and financial position.

59 Comparative figures

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

60 Events after the reporting date

Following the approval by the Bank's shareholders during the extraordinary general meeting held on 30 September 2010 and by the China Securities Regulatory Commission, the Bank allotted its shareholders two A shares at a price of RMB3.33 per share for every ten A shares purchased on or before 28 June 2011, and two H shares at a price of HKD4.01 per share for every ten H shares purchased on or before 7 July 2011. The allotted A shares and H shares entered market circulation on 13 July 2011 and 3 August 2011 respectively. Following completion of the rights issue, the Bank had issued 31,905 million A shares and 14,882 million H shares, raising funds in the amounts of RMB17.561 billion and HKD9.946 billion, or the equivalent of RMB8.225 billion, respectively. The funds raised (less issuing expenses) were used to supplement the Bank's capital.

(Expressed in millions of Renminbi unless otherwise stated)

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

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation limited (the "Bank") prepares consolidated financial report for the six months ended 30 June 2011, which includes the financial report of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") promulgated by the International Accounting Standards Board.

As a financial institution incorporated in the People's Republic of China (the "PRC"), the Group also prepares its consolidated financial report for the six months ended 30 June 2011 in accordance with the Accounting Standards for Business Enterprises 32, Interim financial reporting ("CAS 32") issued by the Ministry of Finance of the PRC.

There is no difference in the net profit for the six months ended 30 June 2011 or total equity as at 30 June 2011 between the Group's consolidated financial report prepared under IAS 34 and that prepared under CAS 32 respectively.

2 Liquidity ratios

	30 June 2011	31 December 2010
RMB current assets to RMB current liabilities	**66.02%**	56.75%
Foreign currency current assets to foreign currency current liabilities	**89.39%**	55.78%

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

3 Currency concentrations

	30 June 2011			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**136,550**	**64,207**	**11,783**	**212,540**
Spot liabilities	**(102,210)**	**(62,474)**	**(20,528)**	**(185,212)**
Forward purchases	**181,313**	**38,236**	**31,402**	**250,951**
Forward sales	**(215,714)**	**(14,295)**	**(22,194)**	**(252,203)**
Net option position	**(40)**	**35**	**33**	**28**
Net (short)/long position	**(101)**	**25,709**	**496**	**26,104**

	31 December 2010			
	US Dollars	HK Dollars	Others	Total
Spot assets	110,335	71,242	8,305	189,882
Spot liabilities	(86,621)	(71,070)	(18,726)	(176,417)
Forward purchases	185,001	30,497	26,340	241,838
Forward sales	(222,510)	(15,575)	(15,633)	(253,718)
Net (short)/long position	(13,795)	15,094	286	1,585

(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 third parties outside Mainland China as cross-border claims.

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

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

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

	30 June 2011			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**5,919**	**72**	**4,225**	**10,216**
— of which attributed to Hong Kong	**1,570**	**71**	**4,032**	**5,673**
Europe	**9,245**	**287**	**557**	**10,089**
North and South America	**14,767**	**14,424**	**271**	**29,462**
Total	**29,931**	**14,783**	**5,053**	**49,767**

	31 December 2010			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	2,780	73	820	3,673
— of which attributed to Hong Kong	1,464	73	638	2,175
Europe	7,729	287	2	8,018
North and South America	6,583	3,277	817	10,677
Total	17,092	3,637	1,639	22,368

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical segments

	30 June 2011 Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Bohai Rim (include Head Office)	**365,698**	**2,348**	**2,622**
Yangtze River Delta	**356,641**	**1,542**	**1,872**
Pearl River Delta and West Strait	**186,189**	**1,276**	**1,601**
Central	**171,243**	**501**	**659**
Western	**156,797**	**298**	**462**
Northeastern	**43,774**	**232**	**292**
Outside Mainland China	**74,477**	**857**	**927**
Total	**1,354,819**	**7,054**	**8,435**

	31 December 2010 Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Bohai Rim (include Head Office)	346,098	2,397	2,362
Yangtze River Delta	327,534	1,725	1,950
Pearl River Delta and West Strait	174,510	1,254	1,583
Central	159,534	478	479
Western	143,237	363	531
Northeastern	41,239	324	651
Outside Mainland China	72,093	853	977
Total	1,264,245	7,394	8,533

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: that is portfolios of homogeneous loans and advances.

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	30 June 2011	31 December 2010
Gross amounts due from banks and other financial institutions which have been overdue	**30**	31
As a percentage of total gross amounts due from banks and other financial institutions	**0.04%**	0.06%

Note: All overdue amounts have been overdue over 12 months.

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

(ii) Gross amounts of overdue loans and advances to customers

	30 June 2011	31 December 2010
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	480	582
— between 6 and 12 months	528	1,256
— over 12 months	6,046	5,556
Total	7,054	7,394
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	0.03%	0.05%
— between 6 and 12 months	0.04%	0.10%
— over 12 months	0.45%	0.44%
Total	0.52%	0.59%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

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

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

— As at 30 June 2011, the loans and advances to customers of RMB6,006 million (as at 31 December 2010: 6,452 million) and RMB1,048 million (as at 31 December 2010: 942 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB1,086 million (as at 31 December 2010: 996 million) and RMB4,920 million (as at 31 December 2010: 5,456 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,300 million (as at 31 December 2010: 1,168 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB3,932 million (as at 31 December 2010: 4,158 million).

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2011, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial report.

LIST of Domestic and Overseas Affiliates

During the reporting period, the Bank captured opportunities brought by the vigorous development of regional economies and emerging city group economies in China, continued to improve its deployment in Eastern coastal cities and further enhanced its radius exposure in economically developed cities in Central and Western China. During the reporting period, eight branches respectively in Baoji, Bengbu, Zhuhai, Longyan, Handan, Qinzhou, Weinan and Yingkou and 17 sub-branches were opened successively. As at the end of the reporting period, the Bank has set up 725 branch outlets in 93 large and medium-sized cities in Chinese mainland, including 35 tier-one (under the head office directly) branches, 51 tier-two branches and 639 sub-branches. In addition, the Bank has two overseas subsidiaries.

No.	Administrative division	Number of branch outlets	Major branch outlets	Address	Telephone/Fax
1	Beijing	1	Head Office	Address: Fuhua Mansion, 8 Chaoyangmen North Avenue, Dongcheng District, Beijing Postal code: 100027 Website: bank.ecitic.com SWIFT BIC：CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Customer Hotline: 95558
		46	Business Office of Head Office	Address: Block A, Investment Plaza, 27 Jinrong Street, Xicheng District, Beijing Postal code: 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	26	Tianjin Branch	Address: 14 Nanjing Road, Hexi District, Tianjin Postal code: 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	26			
	Shijiazhuang	19	Shijiazhuang Branch	Address: 209 Xinhua East Road, Shijiazhuang, Hebei Province Postal code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	5	Tangshan Branch	Address: 46 Xinhua West Avenue, Tangshan, Hebei Province Postal code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	1	Baoding Branch	Address: 733 Yuhua West Road, Baoding, Hebei Province Postal code: 071000	Tel: 0312-2081598 Fax: 0312-5881160
	Handan	1	Handan Branch	Address: 183 Lianfang East Road, Handan, Hebei Province Postal code: 056004	Tel: 0310-7050655 Fax: 0310-7050655
4	Liaoning Province	56			
	Shenyang	18	Shenyang Branch	Address: 336 Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	19	Dalian Branch	Address: 29 Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	7	Anshan Branch	Address: 35 Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: 10 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal code: 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: 50 Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal code: 125001	Tel: 0429－2808185 Fax: 0429－2800885
	Yingkou	1	Yingkou Branch	Address: 8 Yinggang Road, Bayuquan District, Yingkou, Liaoning Province Postal code: 115007	Tel: 0417-8208988 Fax: 0417-8208989
5	Shanghai	36	Shanghai Branch	Address: Zhendan International Building, 99 Fucheng Road, Pudong New District, Shanghai Postal code: 200120	Tel: 021-58771111 Fax: 021-58776606
6	Jiangsu Province	79			
	Nanjing	19	Nanjing Branch	Address: 348 Zhongshan Road, Nanjing, Jiangsu Province Postal code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	15	Wuxi Branch	Address: 112 Renmin Road, Wuxi, Jiangsu Province Postal code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	9	Changzhou Branch	Address: Boai Mansion, 72 Boai Road, Changzhou, Jiangsu Province Postal code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: 171 Weiyang Road, Yangzhou, Jiangsu Province Postal code: 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	5	Taizhou Branch	Address: 15 Gulou Road, Taizhou, Jiangsu Province Postal code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Suzhou	20	Suzhou Branch	Address: 258 Zhuhui Road, Suzhou, Jiangsu Province Postal code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	2	Nantong Branch	Address: Nantong Mansion, 20 Renmin Middle Road, Nantong, Jiangsu Province Postal code: 226001	Tel: 0513-81120909 Fax: 0513-81120900
	Zhenjiang	1	Zhenjiang Branch	Address: 11 Changjiang Road, Zhenjiang, Jiangsu Province Postal code: 212001	Tel: 0511-89886201 Fax: 0511-89886200
7	Zhejiang Province	70			
	Hangzhou	26	Hangzhou Branch	Address: 88 Yan'an Road, Hangzhou, Zhejiang Province Postal code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	9	Wenzhou Branch	Address: Block 2, North End, Daziran Chengshi Garden Phase II, Shifu Road, Wenzhou, Zhejiang Province Postal code: 325000	Tel: 0577-88858466 Fax: 0577-88858575
	Jiaxing	8	Jiaxing Branch	Address: 639 Zhongshan East Road, Jiaxing, Zhejiang Province Postal code: 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	8	Shaoxing Branch	Address: 289 Renmin West Road, Shaoxing, Zhejiang Province Postal code: 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Ningbo	16	Ningbo Branch	Address: Citic Tower, 36 Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal code: 315010	Tel: 0574-87733065 Fax: 0574-87973742

No.	Administrative division	Number of branch outlets	Major branch outlets	Address	Telephone/Fax
	Taizhou	2	Taizhou Branch	Address: 489 Shifu Avenue, Taizhou, Zhejiang Province Postal code: 318000	Tel: 0576-81889666 Fax: 0576-88819916
	Lishui	1	Lishui Branch	Address: 1 Zijin Road, Lishui, Zhejiang Province Postal code: 323000	Tel: 0578-2082977 Fax: 0578-2082985
8	Anhui Province	17			
	Hefei	13	Hefei Branch	Address: 78 Huizhou Avenue, Hefei, Anhui Province Postal code: 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	2	Wuhu Branch	Address: X1-X4 Jingjie West Street, 8 Jinghu Road, Wuhu, Anhui Province Postal code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	1	Anqing Branch	Address: 101 Zhongxing Avenue, Anqing, Anhui Province Postal code: 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	1	Bengbu Branch	Address: Wealth Mansion, 859 Tushan East Road, Bengbu, Anhui Province Postal code: 233000	Tel: 0552-2087000 Fax: 0552-2087000
9	Fujian Province	38			
	Fuzhou	15	Fuzhou Branch	Address: 99 Hudong Road, Fuzhou, Fujian Province Postal code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	13	Xiamen Branch	Address: Citic Bank Tower, Huijingcheng, 81 Hubin West Road, Xiamen, Fujian Province Postal code: 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	6	Quanzhou Branch	Address: 1-3/F, Kaixiang Mansion, 336 Fengze Street, Quanzhou Postal code: 362000	Tel: 0595-22148687 Fax: 0595-22148222
	Putian	2	Putian Branch	Address: 1-2/F, Fenghuang Mansion, 81 Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	1	Zhangzhou Branch	Address: 1-4/F, Yiquan Mansion, Shengli West Road, Zhangzhou, Fujian Province Postal code: 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	1	Longyan Branch	Address: Fushan International Center, 153 Denggao West Road, Xinluo District, Longyan, Fujian Province Postal code: 364000	Tel: 0597-2956510 Fax: 0597-2956500
10	Shandong Province	58			
	Jinan	14	Jinan Branch	Address: Citic Plaza, 150 Luoyuan Street, Jinan, Shandong Province Postal code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	17	Qingdao Branch	Address: 22 Xianggang Middle Road, Qingdao, Shandong Province Postal code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: Citi Tower, 230 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal code: 2210138	Tel: 0533-3169875 Fax: 0533-2210138
	Yantai	5	Yantai Branch	Address: 207 Shengli Road, Zhifu District, Yantai, Shandong Province Postal code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: 2 Qingdao North Road, Weihai, Shandong Province Postal code: 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	4	Jining Branch	Address: 28 Gongxiao Road, Jining, Shandong Province Postal code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	1	Weifang Branch	Address: 246 Shengli East Street, Kuiwen District, Weifang, Shandong Province Postal code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	1	Dongying Branch	Address: 128 Fuqian Street, Dongcheng, Dongying, Shandong Province Postal code: 257091	Tel: 0546-7922255 Fax: 0546-8198666
11	Henan Province	24			
	Zhengzhou	18	Zhengzhou Branch	Address: CITIC Bank Tower, No. 1, ShangWu Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	Tel: 0371-55588888 Fax: 0371-55588555
	Luoyang	3	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 471000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	1	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 454000	Tel: 0379-64682858 Fax: 0379-64682875
	Nanyang	1	Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel: 0377-61628299 Fax: 0377-61628299
	Anyang	1	Anyang Branch	Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	Tel: 0372-5998026 Fax: 0377-5998086
12	Hubei Province	21			
	Wuhan	20	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangyang	1	Xiangyang Branch	Address: No. 1, Paopu Street, South People's Square, Xiangyang, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
13	Hunan Province Changsha	22	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582179
14	Guangdong Province	80			
	Guangzhou	24	Guangzhou Branch	Address CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	6	Foshan Branch	Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83309903
	Shenzhen	27	Shenzhen Branch	Address: 5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	20	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	1	Jiangmen Branch	Address: 1/F–2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province Postal Code: 529000	Tel: 0750-3939016 Fax: 0750-3939029
	Huizhou	1	Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	Tel: 0752-2898837 Fax: 0752-2898851
	Zhuhai	1	Zhuhai Branch	Address: 1/F–2/F, Guanhai Mingju, No. 1, Jida Jingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	Tel: 0756-3292936 Fax: 0756-3292956
	Zhongshan	1	Zhongshan Branch	Address: No. 84, ZhongshanSi Lu Road, East Area, Zhongshan, Guangdong Province Postal code: 528400	Tel: 0760-88366666 Fax: 0760-88668366

No.	Administrative division	Number of branch outlets	Major branch outlets	Address		Telephone/Fax
15	Chongqing	19	Chongqing Branch	Address: Postal Code:	Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province Chengdu	25	Chengdu Branch	Address: Postal Code:	Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province	19				
	Kunming	17	Kunming Branch	Address: Postal Code:	Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	1	Qujing Branch	Address: Postal Code:	1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	1	Dali Branch	Address: Postal Code:	1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province 671000	Tel: 0872-2323278 Fax: 0872-2323278
18	Guizhou Province Guiyang	2	Guiyang Branch	Address: Postal Code:	Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province 550002	Tel: 0851-5587009 Fax: 0851-5587377
19	Gansu Province Lanzhou	3	Lanzhou Branch	Address: Postal Code:	No. 638, West Donggang Road, Lanzhou, Gansu Province 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province	20				
	Xi'an	18	Xi'an Branch	Address: Postal Code:	CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province 710061	Tel: 029-87820018 Fax: 029-87817025
	Baoji	1	Baoji Branch	Address: Postal Code:	Caifu Building, No. 50, Gaoxin Road, Baoji, Shaanxi Province 721013	Tel: 0917-3158818 Fax: 0917-3158807
	Weinan	1	Weinan Branch	Address: Postal Code:	Shiji Mingzhu Commercial Building, Xinda Plaza, Chaoyang Street, Weinan, Shaanxi Province 714000	Tel: 0913-2089610 Fax: 0913-2089606
21	Shanxi Province	8				
	Taiyuan	7	Taiyuan Branch	Address: Postal Code:	Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	1	Datong Branch	Address: Postal Code:	1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province 037008	Tel: 0352-2513800 Fax: 0352-2513779
22	Jiangxi Province	7				
	Nanchang	6	Nanchang Branch	Address: Postal Code:	Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang, Jiangxi Province 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: Postal Code:	Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province 337000	Tel: 0799-6890078 Fax: 0799-6890005
23	Inner Mongolia Autonomous Region	7				
	Hohhot	5	Hohhot Branch	Address: Postal Code:	No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	1	Baotou Branch	Address: Postal Code:	No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	1	Erdos Branch	Address: Postal Code:	CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region 017000	Tel: 0477-8188000 Fax: 0477-8188002
24	Guangxi Zhuang Autonomous Region	8				
	Nanning	6	Nanning Branch	Address: Postal Code:	No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	1	Liuzhou Branch	Address: Postal Code:	No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region 545026	Tel: 0772-2083625 Fax: 0772-2083622
	Qinzhou	1	Qinzhou Branch	Address: Postal Code:	1/F-3/F, South Tower, "Xingfu Court Shidai Mingcheng", No. 10, West Yongfu Street, Qinzhou, Guangxi Zhuang Autonomous Region 535000	Tel: 0777-2366139 Fax: 0777-3253388
25	Heilongjiang Province Harbin	3	Harbin Branch	Address: Postal Code:	No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province 150090	Tel: 0451-55558112 Fax: 0451-53995558
26	Jilin Province Changchun	3	Changchun Branch	Address: Postal Code:	No. 1177, Changchun Avenue, Changchun, Jilin Province 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Xinjiang Uighur Autonomous Region Urumqi	2	Urumqi Branch	Address: Postal Code:	CITIC Bank Tower, No.165, North Xinhua Road, Urumqi, Xinjiang Uighur Autonomous Region 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address:	Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: 852-25212353 Fax: 852-28017399
		1	CITIC International Financial Holdings Limited	Address:	Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	Tel: 852-36073000 Fax: 852-25253303

DEFINITION

In this report, unless the context otherwise requires, the following terms and expressions have the following meanings:

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/ CITIC Bank	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Board of Directors	Board of directors of China CITIC Bank Corporation Limited
Board of Supervisors	Board of supervisors of China CITIC Bank Corporation Limited
CBI	CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited)
CBRC	China Banking Regulatory Commission
Central Bank/PBOC	The People's Bank of China
China AMC	China Asset Management Co., Ltd
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CIFL	China Investment and Finance Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group
CITIC-Kington Securities	CITIC-Kington Securities Co., Ltd.
CITIC Securities	CITIC Securities Co., Ltd
CITIC Trust	CITIC Trust Co., Ltd
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd
CSRC	China Securities Regulatory Commission
Domestic	The People's Republic of China (excluding Hong Kong, Macao and Taiwan)
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
IFRSs	International Financial Reporting Standards
MOF	Ministry of Finance of the People's Republic of China
NSSF	National Council for Social Security Fund
HKD	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of the People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China

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