THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your H Shares (as defined herein) in China Construction Bank Corporation, you should at once hand this prospectus and the accompanying Provisional Allotment Letter (as defined herein) and Excess Application Form (as defined herein) to the purchaser or other transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. H Shareholders (as defined herein) with registered address in any of the Specified Territories (as defined herein) and the Beneficial H Shareholders (as defined herein) who are resident of the Specified Territories are referred to the important information set out in the paragraphs headed "Excluded Shareholders" and "Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue" in the "Letter from the Board" in this prospectus.

A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form and (where applicable) the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission take no responsibility for the contents of any of these documents.

Dealings in the securities of China Construction Bank Corporation and the H Rights Shares (as defined herein) and Nil Paid H Rights (as defined herein) may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of and permission to deal in the H Rights Shares and Nil Paid H Rights on the Hong Kong Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the H Rights Shares and Nil Paid H Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the H Rights Shares and Nil Paid H Rights or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Hong Kong Exchanges and Clearing Limited, the Hong Kong Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, the Provisional Allotment Letter and the Excess Application Form, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.

中国建设银行
China Construction Bank

中國建設銀行股份有限公司
China Construction Bank Corporation

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 939)

建银国际 CCB International | CICC 中金香港证券 | Morgan Stanley

Joint Global Coordinators, Joint Bookrunners, Joint Lead Underwriters

CITIC 中信証券國際 CITIC Securities International | BofA Merrill Lynch | CREDIT SUISSE | BOC INTERNATIONAL

Joint Bookrunners, Joint Lead Underwriters

PROPOSED H SHARE RIGHTS ISSUE OF 15,728,235,880 H SHARES ON THE BASIS OF 0.7 H RIGHTS SHARES FOR EVERY 10 EXISTING H SHARES AT HK$4.38 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE

Existing H Shares have been dealt in on an ex-rights basis from 10 November 2010. Dealings in the Nil Paid H Rights will take place from 23 November 2010 to 3 December 2010 (both days inclusive). The latest time for acceptance of and payment for the H Rights Shares and application of excess H Rights shares is at 4:00 p.m. on 8 December 2010. Further details on the expected timetable for the H Share Rights Issue are set out in the section headed "Expected Timetable" in this prospectus. The procedure for acceptance or transfer of H Rights Shares is set out in the "Letter from the Board" on pages 67 and 88 of this prospectus.

We are incorporated, and a substantial majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic, and financial systems between the PRC and Hong Kong, and that there are different risk factors relating to investment in companies incorporated in the PRC. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set forth in the section headed "Risk Factors" in this prospectus. The H Share Rights Issue is conditional upon the fulfilment of the conditions set out in the paragraphs headed "Conditions of the H Share Rights Issue" under the section headed "Letter from the Board" in this prospectus. If the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed.

The H Share Rights Issue will proceed on a fully underwritten basis. The Underwriting Agreement (as defined herein) contains provisions entitling a two-thirds majority of the Joint Global Coordinators (as defined herein) and Joint Bookrunners (as defined herein) (excluding any subsidiaries of the Bank) by notice in writing to terminate the Underwriting Agreement on or prior to the Latest Time for Termination (as defined herein) on the occurrence of certain events, including force majeure, as set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 82 to 83 of this prospectus. If the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Shareholders' and potential investors' attention is also drawn to the paragraph headed "Warning of the Risks of Dealing in the H Shares and the Nil Paid H Rights" under the section headed "Letter from the Board" in this prospectus. Shareholders and potential investors in the Bank (as defined herein) should therefore exercise caution when dealing in the H Shares or the Nil Paid H Rights. If in doubt, Shareholders and potential investors are recommended to consult their professional advisers.

19 November 2010

The H Share Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof. Furthermore, if the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed, in which case, a further announcement will be made by the Bank at the relevant time. It should also be noted that the H Shares have been dealt in on an ex-rights basis from 10 November 2010 and that dealings in the Nil Paid H Rights will take place from 23 November 2010 to 3 December 2010 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remain unfulfilled. Any person dealing in the securities of the Bank up to the date on which such conditions are fulfilled or waived and any person dealing in the Nil Paid H Rights from 23 November 2010 to 3 December 2010 (being the first and last day of dealings in the Nil Paid H Rights, respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Bank, the Nil Paid H Rights and/or the H Shares during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE H SHARE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO H SHAREHOLDERS, BENEFICIAL H SHAREHOLDERS OR INVESTORS WHO ARE LOCATED OR ARE RESIDENTS IN, OR WHO ARE CITIZENS OF, OR WHO HAVE REGISTERED ADDRESS IN THE SPECIFIED TERRITORIES. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Nil Paid H Rights or the H Rights Shares or to take up any entitlements to the Nil Paid H Rights or the H Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the Nil Paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will be registered under the securities laws of any of the Specified Territories and none of the Nil Paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will qualify for distribution under any of the relevant securities laws of any of the Specified Territories. Accordingly, the Nil Paid H Rights and the H Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any Specified Territories absent registration or qualification under the respective securities laws of such Specified Territories, or exemption from the registration or qualification requirement under applicable rules of such Specified Territories.

Each person acquiring the Nil Paid H Rights and/or H Rights Shares under the H Share Rights Issue will be required to confirm, or be deemed by his acquisition of the Nil Paid H Rights and/or H Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the Nil Paid H Rights and/or H Rights Shares described in this prospectus.

H Shareholders with registered address in any of the Specified Territories and Beneficial H Shareholders who are residents of the Specified Territories are referred to the paragraphs of this prospectus headed "Excluded Shareholders" and "Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue" under "Letter from the Board".

For a description of certain restrictions regarding the take-up of the Nil Paid H Rights for, and the offering and sale of, the H Rights Shares, see the notices below.

NOTICE TO AUSTRALIAN INVESTORS

This prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 (Cth). The offer to which this prospectus relates is being made in Australia in reliance on Class Order 00/183 ("Foreign Rights Issue") issued by the Australian Securities and Investments Commission. Accordingly, this prospectus does not necessarily contain all of the information a prospective investor would expect to be contained in an offer document or which he/she may require to make an investment decision. This prospectus only constitutes an offer in Australia for the sale of the Nil Paid H Rights and/or H Rights Shares to persons who are recorded as holders of H Shares on the H Share Record Date.

As any offer for the issue of the Nil Paid H Rights and/or H Rights Shares under this prospectus will be made without disclosure in Australia under Part 6D.2 of the Corporations Act 2001 (Cth), the offer of those Nil Paid H Rights and/or H Rights Shares for resale in Australia within 12 months for their sale/issue may, under section 707(3) of the Corporations Act 2001 (Cth), require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act 2001 (Cth) apply to the resale. The Nil Paid H Rights and/or H Rights Shares issued to shareholders under the H Share Rights Issue will be issued for the purpose of raising equity capital and not for the purpose of those shareholders selling or transferring the securities or granting, issuing or transferring interests in, or options over, them.

NOTICE TO CANADIAN INVESTORS

Our Nil Paid H Rights and/or H Rights Shares will not be distributed in Canada. Any resale of our Nil Paid H Rights and/or H Rights Shares in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory registration and prospectus exemptions, under a discretionary exemption granted by the applicable Canadian securities regulatory authority or in a transaction not subject to securities legislation in Canada. Purchasers are advised to seek legal advice prior to any resale of our Nil Paid H Rights and/or H Rights Shares.

NOTICE TO JAPANESE INVESTORS

Our Nil Paid H Rights and/or H Rights Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "FIEL"). Accordingly, our Nil Paid H Rights and/or the H Rights Shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and other applicable laws and regulations in Japan. As used in this paragraph, a "resident of Japan" includes any person residing in Japan, any corporation or other entity organised under the laws of Japan.

NOTICE TO INVESTORS IN MACAU

Our Nil Paid H Rights and/or H Rights Shares may not be promoted, distributed, sold, delivered or offered in Macau to Macau residents or entities except under the terms of and in compliance with the Macau Financial System Act and any other laws, rules and regulations in Macau that may be applicable to the promotion, distribution, sale, delivery or offer of our Nil Paid H Rights and/or H Rights Shares in Macau. Our Nil Paid H Rights and/or H Rights Shares are not registered or otherwise authorised for public offer under the Macau Financial System Act and any other laws, rules and regulations in Macau, and may not be promoted, distributed, sold, delivered or offered in Macau to Macau residents or entities, unless such actions are made by credit or other financial institutions duly licensed in Macau and upon their communication to the Macau Monetary Authority.

NOTICE TO MALAYSIAN INVESTORS

This prospectus has not been and will not be registered as a prospectus with the Malaysian Securities Commission ("SC") under the Capital Markets and Services Act 2007 ("CMSA"). This prospectus will not be deposited as an information memorandum with the SC. Accordingly, this prospectus and any other document or material in connection with the issue or offer for sale, or invitation for acquisition of the Nil Paid H Rights and/or

H Rights Shares shall not be circulated nor distributed, nor may the Nil Paid H Rights and/or H Rights Shares be issued, offered or sold, or be made subject of an invitation for acquisition, whether directly or indirectly, to any person in Malaysia, other than to the persons specified in sections 229(l)(b) or 230(l)(b) or schedules 6 or 7 of the CMSA.

The approval of the SC has not been sought and, consequently, the Nil Paid H Rights and/or H Rights Shares may not be made available, or offered for acquisition, nor may any invitation to acquire the Nil Paid H Rights and/or H Rights Shares, whether directly or indirectly, be issued to any person in Malaysia unless such issue, offer or invitation is exempted from the requirement for the approval of the SC by virtue of schedule 5 to the CMSA.

NOTICE TO PRC INVESTORS

This prospectus does not constitute a public offer of the Nil Paid H Rights and/or H Rights Shares, whether by way of sale or subscription, in the PRC. According to relevant PRC laws and regulations, the Nil Paid H Rights and/or the H Rights Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC other than Huijin, certain Minority Promoters (as defined herein) of the Bank, QDIIs and other qualified PRC investors. Please refer to the section headed “Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue” for further details.

NOTICE TO SINGAPOREAN INVESTORS

This prospectus and any other materials relating to the H Share Rights Issue have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, or the allotment and issuance of the Nil Paid H Rights and/or H Rights Shares in connection with the H Share Rights Issue, may not be issued, circulated or distributed, nor may the Nil Paid H Rights and/or H Rights Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, or be allotted or issued, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with the exemption in Section 273(1)(cd) of the Securities and Futures Act, Cap 289 of Singapore (“SFA”) or any other exemptions as set out in Part XIII, Division 1, Subdivision 4 of the SFA.

This prospectus has been given to you on the basis that you are an existing shareholder of us. In the event that you are not an existing shareholder of us, please return this prospectus immediately. You may not forward or circulate this prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Nil Paid H Rights and/or H Rights Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire the Nil Paid H Rights and/or H Rights Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

NOTICE TO INVESTORS IN TAIWAN

The Nil Paid H Rights and/or H Rights Shares have not been and will not be registered with the Financial Supervisory Commission (“FSC”) of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be offered or sold in Taiwan in the event that any such offer or sale would constitute an offer as defined under the Securities and Exchange Act of Taiwan and require the registration thereof or report thereon with or to the FSC. No individual or entity in Taiwan has been authorised to offer, sell or otherwise advise on the offer or sale of the Nil Paid H Rights and/or H Rights Shares in Taiwan.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This prospectus has not been delivered for approval to the Financial Services Authority ("FSA") in the United Kingdom or to an authorised person within the meaning of Financial Services and Markets Act 2000, as amended ("FSMA"). No approved prospectus within the meaning of section 85 of FSMA or of the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading ("Prospectus Directive") has been published or is intended to be published in relation to the Offers. Accordingly, this prospectus may not be offered to persons in the United Kingdom except in circumstances which will not result in an offer to the public in the United Kingdom in contravention of section 85(1) of FSMA.

Within the United Kingdom, this prospectus is only being addressed and distributed to persons to whom interests may lawfully be promoted pursuant to section 21 of FSMA. In particular, this prospectus may be addressed and distributed only to (a) persons to whom article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") applies or (b) persons to whom it may be lawfully communicated (together being referred to as "Relevant Persons"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

NOTICE TO U.S. INVESTORS

None of the Provisional Allotment Letters, the Excess Application Form, the Nil Paid H Rights and the H Rights Shares have been or will be registered under the U.S. Securities Act or securities laws of any state or territory of the United States, nor may they be offered, sold, taken up, resold, renounced, transferred, delivered, directly or indirectly, in or into the United States, except pursuant to applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the applicable state securities laws.

Accordingly, we are not extending the H Share Rights Issue into the United States unless an exemption from the registration requirements of the U.S. Securities Act is available and, subject to certain exceptions, none of this prospectus, the Provisional Allotment Letter or the crediting of Nil Paid H Rights to a stock account in CCASS constitute, or will constitute, form or will form, part of any offer or an invitation to sell or issue, or any solicitation of any offer to purchase or acquire, any Nil Paid H Rights and/or H Rights Shares in the United States. Subject to certain limited exceptions, none of this prospectus, any Provisional Allotment Letter or any Excess Application Form will be sent to any H Shareholders with a registered address, or who is located, in the United States. Subject to certain limited exceptions, Provisional Allotment Letters, Excess Application Forms or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons purchasing or taking up Nil Paid H Rights or subscribing for or acquiring H Rights Shares and wishing to hold such H Rights Shares must provide an address outside the United States for registration of the H Rights Shares issued upon the subscription thereof. Although the Nil Paid H Rights will be credited to the CCASS accounts of all H Shareholders in CCASS who hold their H Shares through nominees with a non-U.S. address, such crediting of Nil Paid H Rights does not constitute an offer to such H Shareholders and any such H Shareholder will not be entitled to take up rights in the H Share Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Any person purchasing or taking up the Nil Paid H Rights or subscribing for or accepting H Rights Shares will be required to represent, among others, that such person:

(i) is not within the United States;

(ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid H Rights or the H Rights Shares;

(iii) is not doing so for the account of any person who is located in the United States, unless:

(a) the instruction to take up was received from a person outside the United States; and

(b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the H Rights Shares in an "offshore transaction" within the meaning of Regulation S; and

(iv) is not acquiring the Nil Paid H Rights or the H Rights Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in (ii) above.

Notwithstanding the foregoing, we may offer the H Rights Shares in the United States to a limited number of persons whom we reasonably believe to be QIBs (as defined herein) in transactions exempt from the registration requirements under the U.S. Securities Act, provided that such persons fulfil relevant requirements to our satisfaction. Registered shareholders who are QIBs and are permitted to participate in the H Share Rights Issue will each be provided with a Provisional Allotment Letter, an Excess Application Form and a private placement offering memorandum in substantially the same form as this prospectus.

In addition, until 40 days after the commencement of the H Share Rights Issue, or the procurement of purchasers by the Underwriters of the H Rights Shares not initially taken up, any offer, sale or transfer of the Nil Paid H Rights or the H Rights Shares in or into the United States by a dealer (whether or not participating in the H Share Rights Issue) may violate the registration requirements of the U.S. Securities Act.

Please refer to the section headed "Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue" in this prospectus for further details.

NOTICE TO PHILIPPINES INVESTORS

Our Nil Paid H Rights and/or H Rights Shares have not been and will not be registered with the Securities and Exchange Commission under the Securities Regulation Code (the "Code"). Accordingly, our Nil Paid H Rights and/or H Rights Shares may not be offered or sold, directly or indirectly, in the Philippines or to or for the benefit of any resident of the Philippines, except where such offer or sale qualifies as an exempt transaction or is otherwise in compliance with the applicable registration requirements under the Code. As used in this paragraph, a "resident of the Philippines" includes any person residing in the Philippines, any corporation or other entity organised under the laws of the Philippines.

NOTICE TO NEW ZEALAND INVESTORS

This prospectus and the information contained in or accompanying this prospectus are not, and are under no circumstances to be construed as, an offer of securities for subscription to any person resident or domiciled in New Zealand in terms of the Securities Act 1978 (N.Z.). This prospectus and the information contained in or accompanying this prospectus may be provided to any person resident or domiciled in New Zealand for his, her or its information only and any offer is not capable of acceptance by any person resident or domiciled in New Zealand.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders, and the Bank agrees with each of the Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Each acquirer of the H Rights Shares agrees with the Bank, each of the Shareholders, Directors, supervisors, managers and officers and the Bank acting for itself and for each of its Directors, supervisors, managers and officers agrees with each of the Shareholders to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearing in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders that the H Rights Shares are freely transferable by the holder thereof.

Each acquirer of the H Rights Shares authorises the Bank to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders stipulated in the Articles of Association.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “envisage”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, service offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements.

Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised. Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

ARBITRATION OF DISPUTES

If you have a claim against or dispute with us, our Director, supervisor, or officer, an H Shareholder, a holder of our Nil Paid H Rights or H Rights Shares, or an A Shareholder or a holder of rights to subscribe to our A Rights Shares relating to any rights or obligations conferred or imposed by our Articles of Association (as defined herein) or by the PRC Company Law (as defined herein) or other relevant laws and administrative regulations concerning our affairs or with respect to the transfer of our Shares, our Articles of Association require you to submit the dispute or claim to either China International Economic and Trade Arbitration Commission, or Hong Kong International Arbitration Centre, for arbitration. Our Articles of Association further provide that the arbitral award will be final and conclusive and binding on all parties.

EXPECTED H SHARE RIGHTS ISSUE TIMETABLE

Last day of dealings in H Shares on a cum-rights basis	9 November 2010
First day of dealings in H Shares on an ex-rights basis	10 November 2010
Latest time for lodging transfers of H Shares in order to qualify for the H Share Rights Issue	4:30 p.m. 11 November 2010
H Share Register closed	12 November 2010 to 16 November 2010 (both days inclusive)
H Share Record Date	16 November 2010
H Share Register re-opened	17 November 2010
Despatch of Prospectus Documents	19 November 2010
First day for acceptance of, and payment for, H Rights Shares and application for excess H Rights Shares	19 November 2010
First day of dealings in Nil Paid H Rights	23 November 2010
Latest time for splitting Nil Paid H Rights	4:30 p.m. 30 November 2010
Last day of dealings in Nil Paid H Rights	3 December 2010
Latest time for acceptance of, and payment for, H Rights Shares and application for excess H Rights Shares	4:00 p.m. 8 December 2010
Latest time for the termination of the Underwriting Agreement and for the H Share Rights Issue to become unconditional	5:00 p.m. 13 December 2010
Announcement of results of acceptance of and excess applications for H Rights Shares	14 December 2010
Despatch of certificates for fully-paid H Rights Shares	15 December 2010
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess H Rights Shares	15 December 2010
Commencement of dealings in fully-paid H Rights Shares	9:30 a.m. 16 December 2010

Shareholders should note that the dates specified in the expected timetable for the H Share Rights Issue as set out above, and in other parts of this prospectus, are indicative only. In the event any special circumstances arise, the Board or the authorised person by the Board may extend or make adjustments to the timetable if it considers appropriate. Any such change to the expected timetable will be announced and notified to the H Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR H RIGHTS SHARES AND APPLICATION FOR EXCESS H RIGHTS SHARES

The latest time for acceptance of and payment for H Rights Shares and application for excess H Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

  (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date. Instead the latest time of acceptance of and payment for the H Rights Shares and application for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date. Instead the latest time for acceptance of and payment for the H Rights Shares and application for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the H Rights Shares and application for excess H Rights Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made by the Bank in such event.

The following information is derived from, and should be read in conjunction with, the full text of this prospectus.

H Share Rights Issue Statistics

Basis of H Share Rights Issue:	0.7 H Rights Shares for every 10 existing H Shares held on the H Share Record Date by the H Shareholders
Number of H Shares in issue:	224,689,084,000 H Shares as at the Latest Practicable Date
Number of H Rights Shares proposed to be issued:	15,728,235,880 H Shares
Subscription Price for the H Rights Share:	HK$4.38

A Share Rights Issue Statistics

Basis of A Share Rights Issue:	0.7 A Rights Shares for every 10 existing A Shares held on the A Share Record Date by the A Shareholders
Number of A Shares in issue:	9,000,000,000 A Shares as at the Latest Practicable Date
Number of A Rights Shares proposed to be issued:	630,000,000 A Shares
Subscription Price for the A Rights Share:	RMB3.77

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"A Rights Shares"	the new A Shares proposed to be allotted and issued to A Shareholders pursuant to the A Share Rights Issue (less any A Shares not taken up by the A Shareholders)
"A Shares"	domestic ordinary share(s) with a par value of RMB1.00 each in the share capital of the Bank, listed on the Shanghai Stock Exchange and traded in RMB
"A Share Record Date"	4 November 2010, by reference to which entitlements to the A Share Rights Issue are to be determined
"A Share Rights Issue"	the proposed issue of up to 630,000,000 A Rights Shares at the Subscription Price on the basis of 0.7 A Rights Shares for every ten (10) existing A Shares held on the A Share Record Date
"A Share Rights Issue Prospectus"	the prospectus, which is in Chinese, containing the details of the A Share Rights Issue which has been published by the Bank on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 2 November 2010
"A Share Joint Sponsors"	China International Capital Corporation Limited and Haitong Securities Company Limited
"A Shareholder(s)"	holder(s) of the A Shares
"A Shareholders Class Meeting"	the 2010 first class meeting of the A Shareholders convened on 24 June 2010 at which, among other matters, the Rights Issue was considered and approved
"ATM"	automatic teller machine
"Announcement"	the announcement dated 2 November 2010 issued by the Bank in relation to the proposed Rights Issue
"Annual General Meeting"	the 2009 Annual General Meeting of the Shareholders convened on 24 June 2010 at which, among other matters, the Rights Issue was considered and approved
"Articles of Association"	the Articles of Association of the Bank (as amended from time to time)

"Bank"	China Construction Bank Corporation, a joint stock limited company duly incorporated in the PRC with limited liability, whose H Shares and A Shares are listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively
"Bank of America"	Bank of America Corporation
"Beneficial H Shareholder"	any beneficial owner of H Shares whose H Shares are registered as shown in the H Share Register in the name of a registered H Shareholder
"Board"	the board of directors of the Bank
"Business Day"	any day other than Saturday or Sunday on which commercial banks and financial institutions in Hong Kong are open for business
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCB International"	CCB International (Holdings) Ltd.
"China Cinda"	China Cinda Asset Management Corporation (中國信達資產管理公司), a company incorporated in the PRC whose name was changed to China Cinda Asset Management Co. Ltd. (中國信達資產管理股份有限公司) on 29 June 2010 as approved by the State Council
"CIRC"	China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of the Bank
"Excess Application Form(s)"	application form(s) for excess H Rights Shares
"Excluded Shareholder(s)"	H Shareholder(s) whose name(s) appeared in the H Share Register at the close of business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in the PRC or the U.S. who fulfil the relevant requirements to the satisfaction of the Bank; and any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Bank to be

	resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders resident in the PRC or the U.S. who fulfil the relevant requirements to the satisfaction of the Bank
"Group"	the Bank and, except where the context otherwise requires, all of its subsidiaries
"H Rights Shares"	the new H Shares proposed to be allotted and issued pursuant to the H Share Rights Issue
"H Share(s)"	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Bank, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Share Record Date"	16 November 2010, or such other date to be determined by the Board or its authorised person(s) by reference to which entitlement to the H Share Rights Issue is to be determined
"H Share Register"	the H Shareholders' register of the Bank
"H Share Registrar"	Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, being the Bank's registrar of the H Shares
"H Share Rights Issue"	the proposed issue of 15,728,235,880 H Rights Shares at the Subscription Price on the basis of 0.7 H Rights Shares for every ten (10) existing H Shares held on the H Share Record Date
"H Shareholder(s)"	holder(s) of the H Shares
"H Shareholders Class Meeting"	the 2010 first class meeting of the H Shareholders convened on 24 June 2010 at which, among other matters, the Rights Issue was considered and approved
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Hong Kong Takeovers Codes"	the Codes on Takeovers and Mergers and Share Repurchases
"Huijin"	Central Huijin Investment Ltd.
"IAS"	International Accounting Standards and their interpretations
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"), including IAS
"Joint Bookrunners"	CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley & Co. International plc, CITIC Securities Corporate Finance (HK) Limited, Merrill Lynch Far East Limited, Credit Suisse (Hong Kong) Limited and BOCI Asia Limited
"Joint Global Coordinators"	CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited and Morgan Stanley & Co. International plc
"Joint Lead Underwriters"	CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley & Co. International plc, CITIC Securities Corporate Finance (HK) Limited, Merrill Lynch Far East Limited, Credit Suisse (Hong Kong) Limited and BOCI Asia Limited
"Large-size Commercial Banks"	Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd. and us
"Last Acceptance Date"	8 December 2010, being the last date for acceptance and payment in respect of provisional allotments and excess applications under the H Share Rights Issue, provided that if on such date a storm warning (being a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal issued in Hong Kong) is in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. then references to the "Last Acceptance Date" shall mean the first Business Day thereafter on which no such storm warning remains in force at any time between 9:00 a.m. and 4:00 p.m.
"Latest Practicable Date"	12 November 2010, being the last practicable date to determine certain information as set forth herein prior to the publication of this prospectus
"Latest Time for Termination"	5:00 p.m. on 13 December 2010
"Minority Promoters"	Baosteel Group Corporation and China Yangtze Power Co., Limited, each being a promoter of the Bank, and Shandong Luneng Group Co., Ltd., State Grid Asset Management Company Limited and State Grid International Technical Equipment Co., Ltd., all being existing

	H Shareholders incorporated in the PRC and whose H Shares are transferred from State Grid Corporation of China, the original promoter of the Bank who no longer directly holds any Shares of the Bank
"MOF"	the PRC Ministry of Finance
"Nil Paid H Rights"	rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid form) before the Subscription Price is paid
"NPC"	the PRC National People's Congress
"PBOC"	the People's Bank of China, the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC, as enacted by the Standing Committee of the Eighth NPC on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the financial reporting standards of enterprises promulgated by Chinese Accounting Standards Committee under the Ministry of Finance of the PRC and related interpretation bulletins
"PRC" or "China"	the People's Republic of China, excluding, for purposes of this prospectus, the Hong Kong Special Administrative Region of the PRC, or Hong Kong, the Macau Special Administrative Region of the PRC, or Macau, and Taiwan
"Price Determination Date"	1 November 2010, the date on which the Subscription Price was fixed for the purpose of the Rights Issue, being the last trading day of Shares immediately before the date of the Announcement
"Prospectus Documents"	this prospectus, the Provisional Allotment Letter and the Excess Application Form
"Provisional Allotment Letter(s)"	provisional allotment letter(s) for the H Rights Shares
"QDII"	qualified domestic institutional investor
"QFII"	qualified foreign institutional investor
"QIBs"	qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act
"Qualifying Shareholder(s)"	the Qualifying H Shareholder(s) and Qualifying A Shareholder(s)
"Qualifying A Shareholder(s)"	the A Shareholder(s) whose name(s) appear(s) on the A Shareholders' register on the A Share Record Date

"Qualifying H Shareholder(s)"	the H Shareholder(s) whose name(s) appear(s) on the H Share Register on the H Share Record Date and who are not Excluded Shareholders
"Receiving Bank"	China Construction Bank (Asia) Limited
"Rights Issue"	the A Share Rights Issue and the H Share Rights Issue
"Rights Share(s)"	the H Rights Share(s) and the A Rights Share(s)
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the A and/or H Shares of the Bank
"SME"	small and medium-sized enterprises
"State Council"	the State Council of the PRC
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) issued by the State Council of the PRC on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"Specified Territories"	the U.S., the PRC, Japan, Canada, Malaysia, Taiwan, the Philippines and New Zealand
"Subscription Price"	the final subscription price for the A Rights Shares and the H Rights Shares to be offered pursuant to the Rights Issue
"subsidiary(ies)"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"Undertaking"	the undertaking given by Huijin to the Bank to subscribe for rights shares to be issued by the Bank, the details of which are set out in the Bank's announcement dated 21 June 2010
"Underwriters"	CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley & Co.

	International plc, CITIC Securities Corporate Finance (HK) Limited, Merrill Lynch Far East Limited, Credit Suisse (Hong Kong) Limited, BOCI Asia Limited, DBS Asia Capital Limited and UBS AG, Hong Kong Branch
"Underwriting Agreement"	the underwriting agreement dated 1 November 2010 entered into between the Bank and the Underwriters in relation to the H Share Rights Issue
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended
"%"	percent

In this prospectus, the "Bank," "our bank" and "our company" refer to either or both of China Construction Bank Corporation and our predecessor, China Construction Bank, as applicable.

Unless otherwise specified in this prospectus, translations of RMB into HK$ are made in this prospectus for illustration only, at the rate of RMB0.86 to HK$1.00. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates or at all.

You should carefully consider, in addition to the other information contained in this prospectus, the risks described below before making an investment decision. The occurrence of any of the following events could harm us. If these events occur, the trading prices of our H Shares and the Nil Paid H Rights could decline, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

RISKS RELATING TO OUR BUSINESS

We have a concentration of credit exposure to certain customers and certain sectors.

As at 30 June 2010, our loans to our ten largest single borrowers were RMB111,903 million, which represented 2.09% of our total loans and advances to our customers. As of the same date, our total loans to our ten largest group borrowers were RMB362,401 million, which represented 6.77% of our total loans and advances to our customers. If any of the loans to our top ten single or group borrowers deteriorates, our asset quality, results of operations and financial condition may be materially and adversely affected.

As at 30 June 2010, our loans to the domestic (i) manufacturing industry; (ii) transportation, storage and postal industries; (iii) production and supply of electric power, gas and water; and (iv) real estate industry accounted for 24.91%, 15.87%, 13.38% and 10.13% of our total domestic corporate loans, respectively. If any of these industries in which our loans are highly concentrated experiences a significant downturn, our asset quality, results of operations and financial condition may be materially and adversely affected.

Although we follow credit risk management policies when extending credit to different industry sectors, such as credit extension guidelines for different industry sectors, and we monitor our credit risks in different industries closely, any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increasing the level of our impaired loans and related provisions for impaired loans, all of which will in turn reduce our net profit and adversely affect our financial condition and results of operations.

Other than our exposure to real estate loans, we are also exposed to the fluctuations of the real estate market through our extension of personal residential mortgage loans, individual commercial property mortgage loans and home equity loans, which in total represent 20.35% of our total loans and advances to customers. Our real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. As at 31 December 2009, our corporate real estate loans amounted to RMB358,651 million, representing 7.44% of our total loans and advances to customers, and its corresponding non-performing loan ratio was 2.60%. As at 30 June 2010, our corporate real estate loans amounted to RMB378,611 million, representing 7.08% of our total loans and advances to customers and its corresponding non-performing loan ratio was 1.97%. As at 31 December 2009, our personal residential mortgage loans amounted to RMB852,531 million, representing 17.69% of our total loans and advances to customers and its corresponding non-performing loan ratio was 0.42%. As at 30 June 2010, our personal residential mortgage loans amounted to RMB1,002,221 million, representing 18.74% of our total loans and advances to customers and its corresponding non-performing loan ratio was 0.36%, representing a decrease of 6 basis points compared to the year end of 2009. Notwithstanding prudent measures we have put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant decline in the future, our assets quality will likely be negatively affected. Further, the PRC government has plans to and has already implemented certain adjustment measures aiming at managing the fluctuations of the real estate market. These policies may have an adverse effect on the quality of loans extended to the real estate industry and may also adversely affect the quality of our mortgage loan portfolio. In addition, if the real estate market in China experiences a significant downturn, the value of the real estate securing our loans may decrease, resulting in a reduction in the amount we can recover. This will in turn materially and adversely affect our asset quality, results of operations and financial condition.

According to national policies aiming at limiting the over-development of certain industries with excess capacity, including wind power equipment, steel, cement, coal and chemicals, poly-silicon, flat glass and shipping among other industries, we adopted a strict policy towards extending loans to these industries. In order to reduce our loan exposure and strictly control risks associated with loans to these high-risk industries, we carefully manage the exposure to these industries.

As at 30 June 2010, our loans to industries designated as having overcapacity by the PRC government amounted to RMB205,857 million, with the non-performing loan ratio of 0.62%. We have closely followed the changes to PRC's macro-economic policies and have reviewed and adjusted our credit policies in a timely manner. We have further imposed higher standards for extending loans to customers from such industries. The new loans we extend to industries with overcapacity are mainly directed towards key projects that are in line with PRC industrial policies, with over 99% of such loans being directed to low-risk businesses and high-quality clients.

Notwithstanding the credit measures we have put in place, in the event the PRC government issues policies to further restrict such industries or there is deterioration in the production and operations of our customers from industries with overcapacity, the quality of our loans will suffer which will in turn have an adverse effect on our financial position and results of operations.

A local governmental investment and financing platform corporation is an enterprise and an independent legal entity, which is funded by contributions from a certain level of the PRC government as well as its departments and institutions through the appropriation of assets such as land and equity, and functions as a governmental investment vehicle. As at 30 June 2010, among our loans to local governmental investment and financing platform corporations, the proportion of our total loans extended to economically developed regions, including the Yangtze River Delta, the Pearl River Delta and Bohai Ring was over 60%, among which, the balance of loans extended by Guangdong, Tianjin, Jiangsu, Shanghai and Zhejing branches ranked top five, accounting for 41.86%, and the proportion of loans extended to provincial and municipal levels was 81.08%. The proportion of our total loans with maturity of five years or less was 65.48% and the proportion of loans pledged by collaterals and guarantees was 76.71%. The non-performing loan ratio of loans to the local governmental investment and financing platform corporations was 0.11%, far lower than our overall non-performing loan ratio.

While we have introduced heightened criteria in 2009 to manage the risk associated with these loans, including stricter requirements for guarantees, we cannot assure you that these loans will not default in the event of macroeconomic instability or other policy changes introduced by the PRC government. Given their importance to the make-up of our loan portfolio, the default of any portion of such loans for any reason, including macroeconomic volatility or policy changes, may affect our loan quality and will materially and adversely affect our financial position and results of operations.

We may be unable to realise the full value of the collateral or guarantees securing our loan portfolio.

As at 30 June 2010, the balances of our unsecured loans, guaranteed loans, loans secured by mortgages and loans secured by pledges were RMB1,432,594 million, RMB1,133,068 million, RMB2,272,258 million and

RMB511,462 million, respectively, accounting for 26.78%, 21.18%, 42.48% and 9.56% of our total loans and advances to customers. If there is substantial deterioration in the business conditions of a borrower which adversely affects the borrower's ability to repay, we may not be able to recover the amounts lent under unsecured loans, which will in turn adversely affect our financial position and results of operations. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, our exposure to the guarantor is generally unsecured and if the financial position of the guarantor largely deteriorates, our ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain regulations in the PRC, including the Guarantee Law of the PRC. A significant percentage of our loan portfolio is secured by collateral, mainly domestic assets such as properties, land use rights and bonds. The value of the collateral is generally higher than the amount loaned but such value is affected by factors we cannot control including factors affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to a judicial interpretation issued by the Supreme Court of the PRC, effective 21 December 2005, courts may not enforce the eviction of a borrower and his dependent families out of their residence if such residence under collateral is their primary residence in the six months following the courts' decision authorising that such collateral be auctioned, sold or liquidated. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing non-performing loans. Furthermore, certain specified claims may enjoy priority over our rights on loan collaterals. According to the "PRC Enterprise Bankruptcy Laws" promulgated on 27 August 2006 and effective on 1 June 2007, claims raised by employees on arrears of pay as well as other fees and expenditures prior to 27 August 2006 for enterprises in bankruptcy proceedings shall be given priority over the Bank's rights on collaterals, on the premise that other assets of the enterprise are not sufficient to fulfil such claims. Accordingly, if a borrower fails to repay and if we are not able to timely realise the entire or sufficient part of the value of collaterals, pledged assets or guarantees represented, our asset quality, financial condition and results of operations may be materially and adversely affected.

We may not be able to maintain or further reduce our current non-performing loan ratio.

Our results of operations have been negatively affected by our non-performing loans, which may continue to affect our current and future business performance. The proportions of non-performing loans (which consist of loans classified as substandard, doubtful or loss), to our total loan portfolio as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were 2.60%, 2.21%, 1.50% and 1.22%, respectively.

Although our non-performing loan ratio has been continually reduced in recent years, we cannot guarantee that we will continue to reduce or even maintain the same level in the future. This is because the quality of our loan portfolio is affected by factors which we are unable to control, including any adverse changes to the PRC economic structure, deterioration in the PRC's economy, deterioration in the global economy including the on-going credit crisis and financial turmoil in Europe. Adverse changes in the economic environment in the PRC as well as force majeure events including natural disasters or outbreak of diseases may all have a negative impact on our borrowers' ability to repay our loans. Factors such as deterioration in the credit conditions of our customers' trading partners, decline in both residential and commercial property prices, an increase in the unemployment rate in China and a deterioration in the profitability of corporate borrowers will also lead to a reduction in the quality of our assets. All of these factors can lead to an increase in our non-performing loan ratio, which will correspondingly affect our financial condition and results of operations.

Our allowance for impairment losses may not be adequate to cover future actual losses to our loan portfolio.

As at 30 June 2010, our allowance for impairment losses on loans was RMB133,409 million, the ratio of our allowance for impairment losses to total loans extended to customers was 2.49%, and the ratio of our allowance for impairment losses to non-performing loans was 204.72%. The amount of the allowance for impairment losses to loans is based on our current assessment of and expectations concerning various factors that may affect the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as China's economy, macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond our control. If our assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of our loan portfolio deteriorates, our allowance for impairment losses may not be adequate to cover our actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

Our expanding range of products and services exposes us to new risks.

We have expanded and we intend to continue to expand the range of our products and services. In respect of our extended customer services and business areas, as at 30 June 2010, we had two representative offices in Sydney and London, several branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York and Ho Chi Minh City, and several subsidiaries. Expansion of our business activities exposes us to a number of risks and challenges, including the following:

- we may have limited or no experience in certain new business activities or geographies and may not be able to or may take a relative long period to compete effectively in these areas;
- there is no guarantee that our new business activities will meet our expectations for their profitability;
- we may not be able to hire or retrain personnel who are able to conduct new business activities; and
- we may not be able to continually add to the capability of our risk management and information technology systems to support a broader range of activities.

If we are not able to achieve the intended results in these new business areas, our business, results of operations and financial condition may be materially and adversely affected. In addition, if we fail to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, we may fail to maintain our market share or lose some of our existing customers to our competitors.

Furthermore, our international expansion into multiple jurisdictions exposes us to a variety of new regulatory and business challenges and risks and has increased the complexity of our risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk and operational risk. If we are unable to manage the risks resulting from our international expansion, our business, reputation, results of operations and financial condition may be materially and adversely affected.

We are subject to liquidity risk.

Customer deposits have historically been the main source of our funding. As at 30 June 2010, 71.70% of our total customer deposits, amounting to RMB6,159,837 million, had remaining maturities of three months or less or were payable on demand. A substantial proportion of our assets have longer-term maturities, with loans of remaining maturities of three months or less amounting to RMB558,332 million, representing only 10.70% of our total loans and advances to customers. As a result, there is a mismatch between the maturities of our liabilities and the maturities of our assets. Generally, our short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, we cannot assure you that this will continue to be the case. If a substantial portion of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. In such case, we may have no choice but to seek other sources of funding to meet our funding requirements. We cannot guarantee that we can source financing based on normal commercial terms when necessary. Furthermore, our ability to obtain additional funds may also be affected by other factors including factors that we may find difficult to control or totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or bleak outlook for industries where we have substantial credit exposure. All of these factors may result in significant adverse effects on our liquidity, financial position and business performance.

We are subject to credit risks with respect to certain off-balance sheet commitments and guarantees.

In the normal course of our business, we make commitments and guarantees which are not reflected as liabilities on our balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. As at 30 June 2010, the balance of our credit commitments was RMB2,005,110 million. We are subject to credit risks on our commitments and guarantees because certain of our commitments and guarantees may need to be fulfilled as a result of our customers' default. If we are not able to obtain payment from our customers in respect of these commitments and guarantees or enforce our contracts with them, our results of operations and financial condition may be materially and adversely affected.

We are subject to risks associated with our hedging activities and other derivative transactions.

We have entered into derivative transactions for hedging purposes as well as conducted derivative transactions on behalf of our customers. Accordingly, we face market and operational risks associated with these transactions. At present, the regulation of China's derivative market remains in development stage and requires further improvement and this increases the risks of the derivative transactions we enter into. Further, our capabilities in monitoring, analysing and reporting these transactions are subject to limitations in our information technology developments. Accordingly, our financial position and results of operations may be materially and adversely affected given the volatility of the price of these derivatives.

Changes in accounting policy may impact our financial position and results of operations.

Some of China's financial accounting policies are currently undergoing gradual improvement and relevant regulatory institutions are constantly adjusting specific accounting policies applicable to the banking sector. Changes in specific accounting policies may affect the financial position of the Bank. The new "Accounting Standards for Enterprises" promulgated by the MOF in February 2006 with effect from 1 January 2007 is being implemented by the Bank. The accounting policies adopted in the declared financial statements of recent three year and the first half of 2010 prepared by the Bank have strictly followed the above-mentioned provisions.

Going forward, the Bank may be required to revise its accounting policies and estimates according to the amendment of domestic accounting standards, the interpretation and guidance of promulgations and others. If the Bank is required to implement significant changes to the handling of certain financial items or the alteration of accounting estimates, it may have adverse effects on the financial position and business performance of the Bank.

Our provisioning policies and loan classification may be different in certain respects from those applicable to banks in certain other countries or regions.

We determine a level of allowance for impairment losses and recognise any related provisions made in a year using the concept of impairment under IAS 39. Our provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IAS 39. As a result, our allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported if we were incorporated in those countries or regions.

We classify our loans as "pass", "special-mention", "sub-standard", "doubtful" and "loss" by using the five-category classification system according to CBRC's requirements. Our five-category classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if we were incorporated in those countries or regions.

Future amendments to IAS 39 and interpretive guidance on its application may require us to change our provisioning practice.

We assess our loans and investment assets for impairment under IAS 39, as amended from time to time. The International Accounting Standards Board issued an exposure draft in November 2009 on amortised cost and impairment which, if adopted, will become effective on 1 January 2013 and result in the replacement of the incurred loss model under IAS 39 with an expected cash flow model. In addition, the International Financial Reporting Interpretations Committee and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. Any future amendments to IAS 39 and interpretive guidance on the application of IAS 39 may require us to change our current provisioning practice and may, as a result, materially affect our financial condition and results of operations.

We are subject to certain risks relating to the bond issued by China Cinda.

In 1999, our predecessor, the former China Construction Bank, received a ten-year non-transferrable bond with a face value of RMB247.0 billion issued by China Cinda and RMB3.0 billion in cash in exchange for the disposal to China Cinda of non-performing assets with an aggregate principal amount of RMB250.0 billion (the "Cinda Bond"). China Cinda's ability to make full and timely payment of interest and principal on the Cinda Bond depends primarily on the availability of proceeds generated from its disposal of non-performing loans it holds. China Cinda has repaid interest to us on time in the past.

As approved by the State Council, the MOF issued a notice dated 15 September 2004, which provides that (i) beginning 1 January 2005, in the event that China Cinda is unable to pay any interest on the Cinda Bond to us in full, the MOF will provide financial support, and (ii) when necessary, the MOF will provide support with respect to China Cinda's repayment of the principal of the Cinda Bond.

In September 2009, we received notice from the MOF stating that the corporate bonds of China Cinda held by us shall be extended for 10 years upon maturity with interest rate maintained at the current annual rate of 2.25% and that the MOF shall continue to provide support on the payment of the principal and interest of Cinda Bond to us. We released an announcement on the above-mentioned matter on 21 September 2009.

On 27 July, 2010, the MOF issued a notice that the MOF and China Cinda have established a jointly managed fund to secure the payment of the principal of the Cinda Bond. The MOF continues to provide support for the repayment of the interest under the Cinda Bond. The term of the jointly managed fund is from 1 July 2009 to 21 September 2019. The jointly managed fund is owned by the MOF and jointly managed by the MOF and China Cinda during its term. The funding sources of the jointly managed fund include, among others, enterprise income tax payable by the Bank during the term and other appropriations made by the MOF. If the principal under the Cinda Bond is fully repaid before 21 September 2019, the jointly managed fund may be terminated before the end of its term. If the jointly managed fund is not sufficient to fully repay the principal under the Cinda Bond by 21 September 2019, the MOF may extend the terms of the Cinda Bond and the jointly managed fund, provide financial support or use other means to settle the outstanding principal amount of the Cinda Bond, subject to the approval by the State Council. We released an announcement on the above-mentioned matter on 9 August 2010.

On 29 July 2010, the Bank received RMB29.7 billion apportioned to us out of the account of the jointly managed fund. In accordance with the document numbered *Cai Jin Han [2010] no. 112 (財金函[2010]112號)*, such capital was applied to repay the principal of the bond. As at 30 September 2010, the balance of the principal under the Cinda Bond was RMB217.3 billion.

The above arrangements on Cinda Bond made by the MOF, a governmental authority entitled to manage state-owned financial assets, are valid and legally binding under the PRC laws. However, given the absence of precedents involving the request or other legal proceedings to enforce the implementation of similar commitments of the MOF or other government institutions in the past, we cannot assure you that we will be able to enforce such notices. If China Cinda cannot fulfil the payment liabilities of such bonds and we are also not able to enforce the notices, our financial position and results of operations will be materially and adversely affected.

We cannot assure you that our risk management and internal control policies and procedures will be effective in completely managing and avoiding all of our risks.

In recent years, we have achieved progress in terms of risk management by improving our policies and procedures. However, as these policies and procedures are relatively new, we will require additional time to fully measure the impact of, and evaluate our compliance with, these policies and procedures. Moreover, our staff will require time to adjust to these policies and procedures and we cannot assure you that our staff will be able to consistently follow or correctly apply these new policies and procedures. In addition, our risk management capabilities are limited by the information, tools and technologies available to us. Furthermore, our ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments we may hold. If we are unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, our asset quality, results of operations and financial condition may be materially and adversely affected.

Our business is highly dependent on the proper functioning and improvement of our information technology systems.

Our business is highly dependent on the ability of our information technology systems to accurately process large numbers of transactions across numerous markets and products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branch outlets and our main data processing centre, is critical to our business and our ability to compete effectively. Our data centre at Beijing and Shanghai provide backup data that could be used in the event of a system breakdown or a failure of our primary systems, and have established alternative communications networks where available. However, we do not operate all of our backup systems on a real-time basis and cannot assure you that our business activities would not be substantially disrupted if there is a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software flaws, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and plan for, and respond to, market changes and other developments in our current operating environment. As a result, we are making and intend to continue making investments to improve or upgrade our information technology systems. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties on a timely basis.

We may suffer from economic loss, penalties from regulatory institutions and severe damages to our reputation as a result of fraudulence or other misconduct committed by our employees or third parties. Types of misconduct by our employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds; mishandling of customer deposits and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and acceptance of bribes. Types of misconduct by third parties against us include, among other things, fraud, theft, robbery and certain armed crimes. In addition, our employees may commit errors that could subject us to financial claims as well as regulatory actions. As at 30 June 2010, we had a total of 13,403 domestic branch outlets. While we are constantly strengthening our inspection efforts and increasing our precautionary measures to prevent misconduct by employees and third parties, given our significant number of branch outlets, we cannot guarantee that we can identify and prevent all fraudulent behaviours of misconduct or the preventive measures we have adopted will be effective in every circumstance. We cannot assure you that fraud or other misconduct committed by our employees or third parties, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, results of operations and financial condition.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where we have operations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom we report have the power and authority to impose fines and other penalties on us, which could harm our business and reputation.

We do not possess the relevant land use right certificates or building ownership certificates for some of the properties held by us, and we are subject to risks that certain leased properties may not be renewed.

As at 30 June 2010, we occupied 8,775 parcels of land and owned 12,219 buildings, including 34 parcels of land and 1,064 buildings for which we do not have the relevant land use right certificates or building ownership certificates, accounting for approximately 0.73% and 3.64% of the total area of land and buildings we occupied. We are making efforts to apply for the relevant land use right and building ownership certificates that we do not hold. However, we cannot assure you that our ownership rights would not be adversely affected in respect of any parcels of land or buildings for which we were unable to obtain the relevant certificates.

As at 30 June 2010, we lease 13,829 properties in China, primarily as business premises for our branch outlets. 191 properties that we lease, accounting for approximately 0.55% of the total leasing area, do not have the relevant land use right certificates or building ownership certificates. As a result, third parties may be able to challenge the validity of our leases. In addition, we cannot assure you that we will be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of challenges by third parties or failure of the lessors to renew them upon expiration, we may be forced to relocate affected branch outlets and, if we fail to find suitable replacement sites on terms acceptable to us, our business, results of operations and financial condition may be materially and adversely affected.

After the Rights Issue, Huijin, our largest Shareholder, can continue to assert substantial influence.

Following the Rights Issue, Huijin, our largest shareholder, after fully participating in the Rights Issue, will continue to hold approximately 57.09% of our issued share capital. Accordingly, subject to our Articles of Association and applicable laws and regulations, Huijin will continue to have substantial influence on our operations, including:

- timing of the distribution and amount of dividends;
- offering of new securities;
- the nomination and selection of directors and supervisors;
- the appointment of our management team, including the composition of our senior management team;
- our business strategies and policies;
- our plans for substantial merger, acquisition, joint venture, investment or disposal of investment;
- changes to our Articles of Association; and
- reserve matters of the Board which must be approved by special resolution.

The interests of Huijin may at times conflict with our interests or the interests of our other Shareholders. Furthermore, Huijin is a state-owned sole proprietorship incorporated in accordance with the laws of China, and it may have substantial interests in the implementation of economic or monetary policies promulgated by the relevant economic supervisory authorities, including the State Council, the PBOC and/or the MOF, which may not be in the current interests of us or our other Shareholders.

We may face situations where we cannot meet the capital adequacy requirements imposed by the relevant PRC regulators

According to the Measures for the Management of Capital Adequacy Ratios of Commercial Banks formulated by the CBRC in 2004 and amended on 3 July 2007, the minimum capital adequacy ratio and core capital adequacy ratio for commercial banks are 8% and 4%, respectively. As at 30 June 2010, our core capital adequacy ratio was 9.27% and capital adequacy ratio was 11.68%, which were in compliance with the Measures for the Management of Capital Adequacy Ratios of Commercial Banks. In 2010, the CBRC adopted a dynamic approach in the management of capital adequacy ratio of commercial banks by imposing different benchmarks for banks in different stages. While we have devised our mid-term plans to strengthen our capital structure, further improved our capital management and strengthened our sustainability, our ability to comply with the capital adequacy ratio requirements can be impaired by certain developments and changes, including a decline in assets quality, devaluation of investments, higher minimum capital adequacy ratio and changes in calculation of capital adequacy ratios imposed by the CBRC. In such circumstances, we may not be able to meet the CBRC's dynamic requirements on capital adequacy ratio.

In order to support the steady growth and development of our business, we may need to raise additional capital to ensure that our capital adequacy ratio meets or exceeds minimum regulatory requirement. Any future financing activities may result in our offering of new equity securities (which can be taken into account in our core capital), debts or bonds (which can be taken into account in calculating our supplementary capital). Any equity we offer may dilute the rights and interests of our Shareholders. Our capital raising capabilities may be limited due to the factors including our future operations, financial position and business performance, our credit ratings, requisite regulatory approvals, the overall market conditions at the time of the fund raising exercise as well as the global and domestic economic, political and other conditions.

In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in China. The CBRC has announced a plan to require large-size commercial banks which have operational entities with active business in other countries or regions (including Hong Kong and Macau), and a comparatively large portion of international business to start implementing the Basel II capital accord as early as possible by the end of 2010 and not later than 2013 in any event. Given that the methodologies of computing our capital adequacy ratios under the Basel II capital accord differ from our current practice, our capital adequacy ratio may be significantly impacted. In October 2009, the CBRC released the "Circular Concerning the Capital Replenishment Mechanisms of Commercial Banks" requesting that, when nationwide commercial banks calculate their capital adequacy ratios, subordinated bonds in the supplementary capital should not exceed 25% of the core capital and the long-term subordinated bonds issued by other banks held since 1 July 2009 should be deducted. After this circular becomes effective, only nationwide commercial banks with a core capital adequacy ratio of no less than 7% will be able to issue subordinated bonds. Notwithstanding that we remain compliant with our current capital adequacy ratio, this new requirement may have material and adverse effects on our capital adequacy ratio and we may face difficulties in meeting the applicable regulatory requirements on capital adequacy in the future.

If we fail to meet the capital adequacy requirements, the CBRC may require us to take corrective measures, including, for example, restricting the growth of our loans and other assets or restricting our declaration or distribution of dividends. These measures could materially and adversely affect our reputation, financial condition and results of operations.

We are subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities. We are also subject to the supervision and inspection of domestic regulators and overseas regulators in jurisdictions where we operate.

We are subject to regular and irregular supervision and inspection by China's regulatory institutions, including the MOF, the PBOC, the CBRC, the CSRC, the CIRC, the State Administration of Taxation, the State Administration of Industry & Commerce, the SAFE and the National Audit Office.

We are subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. During the three years ended 31 December 2009 and the six months ended 30 June 2010, we have met all of the key indicators of the operational requirements and guiding principles of domestic regulatory institutions to which we are subject. However, we cannot assure you that we will be able to meet these operational requirements and guidelines in the future at all times, or that no sanction will be imposed on us in the future if we fail to do so. If sanctions are imposed on us for the breaches of these or other operational requirements and guidelines, our business, results of operations and financial condition may be materially and adversely affected.

Furthermore, we may also be subject to inspection and supervision of overseas regulatory institutions in overseas jurisdictions where we operate. Our overseas branches, subsidiaries and representative offices must follow local laws, regulations and the regulatory requirements of relevant local regulatory institutions of their respective jurisdictions. We cannot guarantee that our overseas branches, subsidiaries and representative offices will be able to meet the applicable laws and regulatory requirements at all times. If we are not able to meet these requirements, there may be significant adverse impact on our business in these jurisdictions. Some of these inspections have led to penalties and other sanctions imposed on us as a result of non-compliance. Although none of the penalties and sanctions imposed on us have had a material adverse impact on our operations, financial position, and business performance, we cannot guarantee that future inspections by regulatory institutions will not result in penalties or sanctions which may materially and adversely affect our operations, financial position, business performance or reputation.

We may be subject to OFAC penalties if we conduct transactions in violation of OFAC regulations.

The United States currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. OFAC sanctions are intended to address a variety of policy concerns, primarily denying certain countries, including Cuba, Iran, Syria and Sudan, and certain individuals and entities in those and other countries, the ability to support international terrorism and, in the case of Iran, North Korea and Syria, as well as certain individuals and entities in those and other countries, to pursue weapons of mass destruction and missile programmes. We do not believe that these sanctions are applicable to any of our activities. However, if our branch within the U.S. were to provide such services by any means, or if it was otherwise determined that any of our transactions violated the OFAC regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. persons could be adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The highly competitive nature of the PRC banking industry could adversely affect our profitability.

The PRC banking industry is intensely competitive. We compete primarily with the other domestic commercial banks and financial institutions, as well as foreign-invested financial institutions. These commercial banks and financial institutions compete with us for substantially the same loan, deposit and fee customers.

Following the removal of regulatory restrictions on their geographical presence, customer base and operating license in China in December 2006 as part of China's WTO accession commitments, we have experienced increased challenges from foreign-invested commercial banks. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement, which permits smaller Hong Kong banks to operate in China, has also increased the competition in China's banking industry.

The increased competitive pressures resulting from the above and other factors may materially and adversely affect our business and prospects, as well as our financial condition and results of operations by, among other things:

- reducing our market share in our principal products and services;
- affecting the growth of our loan portfolio or deposit base and other products and services;
- decreasing our interest income or increasing our interest expense, thereby decreasing our net interest margin;
- reducing our fee and commission income;
- increasing our non-interest expenses, such as marketing expenses;
- deteriorating our asset quality; and
- increasing the turnover of senior management and qualified professional personnel.

We may not always be able to maintain our competitive advantages or successfully compete in all the business areas in which we currently or will in the future operate.

Our businesses are highly regulated and we may be materially and adversely affected by future regulatory changes.

Our business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect our business, financial condition and result of operations nor can we assure you that we will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on our activities and could also have a significant impact on our business.

The rate of growth of the PRC banking market may not be sustainable.

We expect the banking market in the PRC to expand as a result of anticipated growth in the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. The prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system is currently not clear. Consequently, we cannot assure you that the growth and development of the PRC banking market will be sustainable.

Fluctuations in interest rates may adversely affect our lending business and our financial condition.

As with most commercial banks, our results of operations depend to a great extent on our net interest income. For the year ended 31 December 2009 and for the six months ended 30 June 2010, net interest income respectively represented 78.68% and 76.63% of our operating income. Fluctuations in interest rates could affect our financial condition and profitability in different ways. For example, a decrease in interest rates may reduce our interest income and yields from interest-earning investments. An increase in interest rates may decrease the value of our investment debt securities portfolio and raise our funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce our origination of new loans, as well as increase the risk of customer default. Interest rate fluctuations will also affect the market value of and return on derivative financial instruments. Volatility in interest rates may also result in a gap between our interest rate sensitive assets and interest rate sensitive liabilities.

In addition, increasing competition in the banking industry and further deregulation of interest rates by the PBOC may result in more volatility in market interest rates. If the interest rates we pay for our deposits increase to a greater extent than the interest rates we receive for our loans, our net interest spread will narrow, leading to a reduction in our net interest income. Increases in interest rates might also affect borrowers' financial condition and hence their ability to repay loans. As a result, fluctuations in interest rates may materially and adversely affect our lending operations and our financial condition.

Our results of operations may be materially and adversely affected if the PBOC further expedites the deregulation of interest rates.

In recent years, the PBOC has adopted reform measures to liberalise China's interest rate regime. For example in 2002, the PBOC substantially liberalised interest rates for foreign currency-denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB-denominated loans and the minimum interest rate for RMB-denominated deposits. Under the current PBOC regulations, commercial banks in China cannot set interest rates (1) below 90% of the relevant PBOC benchmark rate for RMB-denominated loans (for RMB-denominated residential mortgage loans, since 27 October 2008, the interest rates cannot be set below 70% of the relevant PBOC benchmark rate) or (2) above the relevant PBOC benchmark rate for RMB-denominated deposits. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations were substantially liberalised or eliminated, competition in China's banking industry would likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby materially and adversely affecting our results of operations.

The effectiveness of our credit risk management system is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been in operation since January, 2006. However, as the information infrastructure in China is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of our credit applicants. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information, and our ability to effectively manage our credit risk may be materially and adversely affected.

Investments in commercial banks in China are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in commercial banks in China are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in China. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining the CBRC's prior approval, the shareholder will be subject to the CBRC's sanctions, which include, among other things, correction of such misconduct, fines and confiscation of related earnings. In addition, under the PRC Company Law, we may not extend any loans that use our Shares as collateral, and according to our Articles of Association, any shareholder who owns more than 5% of our Shares must report to our Board before such Shareholder pledges the Shares to any lender as collateral.

Future changes in ownership restrictions imposed by the PRC government may materially and adversely affect the value of your investment.

We cannot guarantee the accuracy of facts and statistics contained in this prospectus with respect to the PRC, its economy or its banking industry.

Some of the facts or statistics in this prospectus relating to the PRC, its economy and its banking industry are derived from various official and other publicly available sources generally believed to be reliable. However, we cannot guarantee the quality and reliability of such official source material. In addition, these facts or statistics have not been independently verified by us and therefore we make no representation as to the accuracy of such facts or statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

A substantial majority of our assets are located in the PRC, and accordingly, a substantial majority of our revenues are derived from our operations in the PRC. Accordingly, our financial condition, results of operations and prospects will be affected to a significant extent by economic, political and legal developments in the PRC.

PRC economic, political and social conditions and government policies could affect our financial condition and the results of operations.

A substantial majority of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

China's economy has historically been a planned economy. A substantial portion of productive assets in China are still owned by the PRC government. The government also exercises significant control over China's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. These measures are aimed to benefit the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, our operating results may be adversely affected by government control over capital investments or changes in, interpretation of, and application of applicable tax regulations.

The PRC government is entitled to implement macroeconomic control measures to regulate the economy of China. China's GDP growth maintained its rapid pace for years before it slowed down due to the recent global financial crisis. In response to the global financial crisis and market volatility, the PRC government has implemented a series of macroeconomic measures and relatively loose monetary policies from the second half of 2008, including a RMB4 trillion economic stimulus package and lower benchmark interest rates. Some of the measures may have material effects on our financial condition, results of operations and asset quality. The PRC government may take measures to prevent the economy of China from overheating following the success of the above economic stimulus measures, including restraining investment in industries with excess production capacity, adjusting its tax policy on real estates, raising benchmark interest rates, raising deposit reserve rate or issuing administrative guidelines to control bank lending. Furthermore, there is a risk of a "double dip" recession in the global economy, including China's economy, and the PRC government may again implement its macroeconomic control measures accordingly. As the PRC government continues to regulate the economy by using monetary and fiscal policies, our financial condition and results of operations may be continuously and materially affected.

The legal protections available to you are subject to interpretation and enforcement under the PRC laws and regulations.

We are organised under the laws of the PRC. The PRC legal system is based on written statutes. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new, and because of the limited volume of published cases and their nonbinding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organisations in Hong Kong or the PRC. Awards that are made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you as to the results of enforcement of any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favour of holders of H Shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H Shares of their rights under the Articles of Association of their respective investee companies or the PRC Company Law.

In addition, according to the applicable PRC laws, under certain conditions shareholders have the right to sue the directors, supervisors, senior officers or other shareholders in the interest of the company and to enforce a claim against such party or parties that the corporation has failed to enforce itself. However, to our knowledge, there is no relevant precedent in this regard. Our Shareholders may be required to rely on other means to enforce their rights. PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among non-controlling and controlling Shareholders in terms of their rights and protections. Furthermore, our non-controlling Shareholders may not have the same protections enjoyed by shareholders of companies incorporated under the laws of the United States and certain other countries.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors and officers.

We are a company incorporated under the laws of the PRC, and substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside within the PRC, and the assets of our Directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws.

Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

In addition, although we are subject to the Hong Kong Listing Rules and the Hong Kong Takeovers Codes upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Hong Kong Takeovers Codes do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Holders of H Shares may be subject to PRC taxation.

Under the applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H Shares and gains realised by non-PRC resident individual holders of H Shares upon sale or other disposal of H shares are both subject to PRC individual income tax at a rate of 20%. However, according to various rules by the State Administration of Taxation, these taxes have not been collected by the PRC tax authorities in practice.

Under the applicable PRC tax laws, dividends paid by us to non-PRC resident enterprise holders of H Shares and gains realised by non-PRC resident enterprise holders of H Shares upon sale or other disposal of H shares are both subject to enterprise income tax at a rate of 10%, unless otherwise provided in relevant tax treaties.

There are significant uncertainties as to the interpretation and application of applicable PRC tax laws, including, among others, (i) whether and how PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H shares and on gains realised by such individual holders on the sale or other disposal of H Shares will be collected by the PRC tax authorities in the future, and (ii) whether and how enterprise income tax on gains realised by non-PRC resident enterprises upon the sale or other disposal of H shares has been collected by the PRC tax authorities, and whether and how such taxes will be collected in the future. If there is any change to applicable tax laws and interpretation or application with respect to such laws, holders of H Shares may be subject to PRC income tax or a higher rate of PRC income tax on the dividends paid by us and gains realised upon sale or other disposal of H Shares, which are currently not subject to or have not been collected by the PRC tax authorities in practice.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profit is deemed to be the lesser of the distributable profit determined in accordance with PRC GAAP and the distributable profit determined in accordance with IFRS, and can only be distributed as dividends after accounting for allowances for making up cumulative losses, allocations to the statutory reserve and general provisions according to relevant regulations. As a result, we may not have sufficient distributable profits to make dividend distributions to Shareholders even in those years when we record a profit.

In addition, the CBRC has the discretionary authority to prohibit any bank that has a total capital adequacy ratio below 8% or a core capital adequacy ratio below 4% or has violated certain other PRC banking regulations from paying dividends and other forms of distributions.

We are subject to PRC government controls on currency conversion and future movements in exchange rates.

We receive a substantial majority of our revenues in RMB, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our demands for foreign currency. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the RMB against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in Chinese and international political and economic conditions. Since 1994, China had adopted a market-based, managed and unified floating exchange rate regime to determine the exchange rate of RMB with reference to the exchange rate determined by the PBOC based on the interbank exchange rates and the prevailing rate of the international financial market on the previous business day. Thereafter, the official exchange rate of RMB against the U.S. dollar remained stable. On 21 July 2005, the PRC government adopted a more flexible market-based and managed floating exchange rate regime with reference to a basket of currencies when the exchange rate of RMB against the U.S. dollar recorded a one-off increase of 2%. Under the new system, the exchange rate of RMB was allowed to fluctuate within a regulated band. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. As at 31 December 2009, the exchange rate of RMB against the U.S. dollar had appreciated by approximately 18.77% since 21 July 2005. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate.

Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. As at 30 June 2010, 4.56% of our assets and 4.04% of our liabilities were denominated in foreign currencies. We are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future force majeure events, such as occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 Flu, may materially and adversely affect our business and results of operations. Possible force majeure events may incur additional costs to us and have adverse effects on the quality of our assets, our financial condition and results of operation. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect our business. Moreover, China has experienced natural disasters like earthquakes, floods and drought in the past few years. For example, on 12 May 2008, China experienced an earthquake with a reported magnitude of 8.0 on the Richter scale in Sichuan province, resulting in the death of tens of thousands of people. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 Flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material adverse effect on our results of operations.

RISKS RELATING TO THE RIGHTS ISSUE

Unless you exercise all of the Nil Paid H Rights initially allotted to you, this offering will dilute your investment and proportionate ownership interest in us.

If you choose not to exercise your allotted Nil Paid H Rights fully, your proportionate ownership and voting interest in us will be diluted. Even if you elect to sell your Nil Paid H Rights prior to the expiration of the applicable trading period, or such Nil Paid H Rights are sold on your behalf, the consideration you receive therefore may not be sufficient to compensate you fully for such dilution of your proportionate ownership and voting interest in us.

The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period.

Once you exercise your Nil Paid H Rights pursuant to this offering, you may not revoke the exercise. Although the Subscription Price of HK$4.38 for the H Rights Shares represented a discount to the closing price of HK$7.64 at the Price Determination Date, the market prices may fall below the Subscription Price prior to the expiration of the subscription period as a result of, among other things, global or China's economic or political conditions, market's perception of the likelihood of completion of this offering, regulatory changes affecting our operations and variations in our financial results. Many of these factors are out of our control. If you take up your Nil Paid H Rights and the market price of our H Shares trades below the Subscription Price on the date the H Rights Shares are issued to you in respect of such Nil Paid H Rights, then you will have purchased those Shares at prices higher than the market price.

Any decrease in market prices may continue after the completion of this offering and as a result, you may not be able to sell such H Rights Shares at a price equal to or greater than the Subscription Price.

Trading characteristics of the A Share and H Share markets may differ.

Our H Shares have been listed and have traded on the Hong Kong Stock Exchange since October 2005 and our A Shares have been listed and have traded on the Shanghai Stock Exchange since September 2007. This Rights Issue consists of both the A Share Rights Issue and the H Share Rights Issue. Without approval from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. The A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of individual and institutional participation. As a result of these differences, the trading prices of our A Shares and H Shares may not be the same.

Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of our A Shares may not be indicative of the price trend of our H Shares performance. You should therefore not place undue reliance on the recent trading history of our A Shares and the progress or results of the A Share Rights Issue when evaluating the H Share Rights Issue.

An active trading market for the Nil Paid H Rights may not develop on the Hong Kong Stock Exchange or any over-the counter trading market and, even if a market does develop, the trading price of the Nil Paid H Shares may fluctuate.

A trading period has been set for the Nil Paid H Rights from 23 November to 3 December 2010 (both days inclusive). We cannot assure you that an active trading market in the Nil Paid H Rights on the Hong Kong Stock Exchange will develop during the applicable trading period for Nil Paid H Rights or that any over-the-counter trading market in the Nil Paid H Rights will develop. Even if active markets develop, the trading prices of the Nil Paid H Rights may be volatile and subject to the same factors affecting the price of our H Shares. See "—The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period."

The Subscription Price is not an indication of our underlying value.

The Subscription Price was determined on the Price Determination Date by reference to the closing price of H Shares on that date, which was the last trading day before the date of Announcement. Consistent with the customary practice for a rights issue, the Subscription Price was set at a discount to the market price of our H Shares at that time. The Subscription Price does not bear a direct relationship to past operations, cash flow, earnings, financial condition or any other established criteria for value and you should not consider the Subscription Price to be any indication of our underlying value.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our H Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

Unless you have obtained prior approval from the CBRC to hold 5% or more of the registered capital or total issued Shares of us, you may be subject to CBRC's sanctions if your shareholding in us exceeds 5% after the Rights Issue.

In the event that the A Rights Shares are not fully subscribed, this may result in the shareholding of those H Shareholders whose shareholding in us is close to 5% prior to the Rights Issue, to end up with a shareholding of more than 5% after the Rights Issue. This will violate the ownership restriction of the CBRC, as discussed in the section headed "Risk Factors—Risks Relating to the PRC Banking Industry—Investments in commercial banks in China are subject to ownership restrictions that may adversely affect the value of your investment" and hence, may be subject to CBRC's sanctions.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

The cash dividend we distributed in 2009 was RMB0.202 per share (before tax). Any future declaration of dividends will be proposed by our Board and the amount of any dividends will depend on various factors, including our results of operations, financial condition, future business prospects and other factors that our board may determine to be important. We cannot guarantee if and when we will pay dividends in the future.

Our corporate disclosure standards may differ from those in other jurisdictions.

We are subject to the disclosure requirements under the Hong Kong Listing Rules. These disclosure requirements differ in certain respects from those applicable to companies in certain other countries, including the United States. There may be less publicly available information about public companies listed in Hong Kong, such as our Bank, than is regularly made available by public companies in other countries, including the United States.

You may not be able to participate in future rights issues and may experience dilution of your holdings.

We may, from time to time, continue to distribute rights to our Shareholders, including rights to acquire securities. We will not distribute the securities to which these rights relate to U.S. holders of our H Shares unless such securities are either exempt from registration under the U.S. Securities Act or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Accordingly, U.S. holders of our H Shares may be unable to participate in rights offerings and may experience dilution of their holdings as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case U.S. holders of our H Shares will receive no value for these rights.

Overview

We are a leading commercial bank in China providing a comprehensive range of banking products and financial services. According to information released by the PBOC, we were the second largest bank in China in terms of total assets as at 30 June 2010, and our market shares by total loans and total deposits were approximately 10.80% and 12.43%, respectively, as at the same date. As at 30 June 2010, our market capitalisation reached approximately US$189.2 billion, ranking second among listed banks in the world. As at 30 June 2010, our total assets, total liabilities and total equity were RMB10,235,981 million (including total loans and advances to customers of RMB5,349,382 million), RMB9,655,783 million (including total deposits from customers of RMB8,591,701 million) and RMB580,198 million, respectively.

In 2009, we were ranked 12th among the "Top 1000 World Banks" and 9th among the "Top 500 Financial Brands" by *The Banker* magazine. We also received the "Best Bank in China" award from the *Euromoney* magazine and the "Best Corporate Social Responsibility Bank" award by *The Banker* magazine in 2009.

We primarily operate in China and our principal business activities include corporate banking, personal banking, treasury operations, investment banking and overseas operations.

Within our corporate banking business, we offer a broad range of products and services to corporations, government agencies and financial institutions, including infrastructure loans, working capital loans, supply-chain financing, loans to SMEs, trade financing, loans through our e-banking platform and merger and acquisition financing. We also offer corporate deposits under various terms and commission/fee based services, including institutional services and fund custodial services for corporate bonds and trust loans and custodial services for securities settlement and clearing.

We provide a broad range of personal banking products and services under well recognised brands, including residential mortgage loans, entrusted housing provident fund mortgage loan services and bank cards services.

Our treasury operations primarily consist of money market trading activities, investment portfolio management and agency treasury transactions. We conduct our treasury services mainly through our trading centres in Beijing and Hong Kong.

We conduct our investment banking business through the investment banking department at the head office and branch levels as well as through CCB International. We offer a comprehensive and diversified suite of financial services to our customers which includes, among others, financial advisory services, equity capital financing, debt financing, asset securitisation and wealth management services.

Leveraging our vast resources and geographic advantages in the Chinese domestic market, we are committed to providing a world-wide banking and financial services platform to service the overseas banking needs of our domestic corporate and personal banking customers and the domestic banking needs of our overseas corporate and personal banking customers seeking to trade with or invest in China.

Headquartered in Beijing, China, we provide convenient and quality banking services to our customers through an extensive network comprised of nationwide branches, self-service facilities and electronic banking service platform. As at 30 June 2010, we had 13,403 domestic branch outlets in Mainland China, branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York and Ho Chi Minh City, and two representative offices in Sydney and London. We have approximately 300,000 employees and we also have subsidiaries including China Construction Bank (Asia) Corporation Limited, CCB International, China Construction Bank (London) Limited, CCB Principal Asset Management Company Limited, CCB Financial Leasing Corporation Limited, and Jianxin Trust Company Limited.

OUR COMPETITIVE STRENGTHS

We believe the following strengths provide us with a stable and effective platform through which we will be able to maintain our competitive advantages in China's banking industry.

Large customer base and established relationships

We have a quality corporate customer base and large personal banking customer base. As at 30 June 2010, we extended credit facilities to approximately 82,300 corporate credit customers and managed approximately 1.21 million primary settlement accounts. As at 30 June 2010, we had approximately 195 million personal deposit customers and approximately 11.74 million personal wealth management customers. We also have approximately 6.20 million personal loan customers and approximately 22.21 million credit card customers. We have a broad and valuable customer base which provides us with not only a stable source of funding, but also opportunities to explore new business areas.

Extensive distribution network and a diversified service channel

As at 30 June 2010, with 13,403 domestic branch outlets, we ranked third in the Chinese commercial banking industry. We have established 131 wealth management centres, 5 private banking centres and 575 personal loan centres to service the needs of our personal high net worth and high-end customers who seek customised wealth management services. As at 30 June 2010, we had 8,741 self-service banking centres and 37,487 ATMs, ahead of most of our peers in terms of the number of self-service facilities. We continuously enhance our distribution network and service channels to give us the competitive measures and resources for sustainable development.

Leading positions in key products and services, pioneering new product and service development

We believe our leading positions in our core product and service offerings have allowed us to continue enhancing our business structure and, in turn, created a favourable environment to generate leading profitability among our peers. We have historically been the major provider of infrastructure projects loans and mid-to-long term loans to large and medium sized enterprises and we are the only commercial bank in China qualified to provide project cost consultancy and advisory services. While strengthening our capabilities and management level of personal residential mortgage loans, we have supported our residential mortgage loan applicants in their purchase of self-use housing and subsidised housing. As at 30 June 2010, we have issued approximately 26.38 million credit cards in total. For the year 2009 and the first half of 2010, the total spending through our credit cards amounted to approximately RMB292,781 million and RMB180,266 million, respectively, ranking us one of the first among our peers.

In addition to strengthening our core product and service offerings, we have also placed emphasis on pioneering new products and services to optimise our business structure. In recent years, we have increased our lending to SMEs, major agricultural projects, environmentally conscious or "green" projects and new and emerging services. We are increasingly focused on providing financial services support to social services sectors such as healthcare, education and development of social culture as well as exploring new products and services such as domestic factoring, syndicated loans and wealth management. We have also launched two credit service brands "Speedy Credit" (速貸通) and "The Road to Growth" (成長之路), specially tailored to SMEs. As at 30 June 2010, over RMB960 billion worth of credit was granted.

Prudent risk management and internal control practices

We continue to promote risk management system reform and have established an overall risk management framework which reflects our philosophy that value should be created upon a sound risk management system. As one of the first banks in China to centralise our risk management through the development of a comparatively independent and vertical risk management system, we have implemented a "Parallel Operation" system to separate the roles of risk managers and customer managers. We have also assigned designated credit reviewers and adopted a comparatively independent and vertically managed internal audit system. As a result of our risk management and internal control efforts over the years, our average non-performing loan ratio for the last three years was at a comparatively lower level among the Large-size Commercial Banks. As at 30 June 2010, our non-performing loan ratio and allowance to non-performing loan ratio were 1.22% and 204.72%, respectively.

Advanced financial management capabilities and financial controls

We are one of the first domestic banks to establish a resource allocation and performance evaluation assessment system on the basis of the economic value-added approach. We have further centralised our financial management and promoted an overall cost control system, while increasing our research efforts on strategic cost management. In addition, we follow the successful experiences of leading global banks and developed an internal fund transfer pricing (FTP) system, an enterprise resource planning (ERP) system and a management accounting system.

We believe that our advanced financial management capabilities and sound financial controls have allowed us to implement development strategies effectively, optimise resource allocation, and improve overall operating efficiency.

Rapidly growing commission/fee based businesses

From 2007 to 2009, our net income from fees and commissions achieved rapid growth at a CAGR of 23.89%. In the first half of 2010, our net income from fees and commissions accounted for 21.88% of total operating income.

Effective strategic cooperation

We have cooperated with our strategic investor, Bank of America, in a number of areas including personal banking business, risk management, corporate governance, information technology and human resources. As at 30 June 2010, we, together with Bank of America, have completed a total of 42 cooperation projects, 31 consulting projects and 246 experience-sharing projects. Close to 4,000 of our staff have received training from Bank of America. In addition, we have entered into business cooperation with Bank of America including the establishment of CCB Financial Leasing Corporation Limited. We have also benefited greatly from the cooperation with Bank of America in areas of trade financing, cash management, ATM cash withdrawal, foreign currency exchange, U.S. dollars settlement, fund raising and joint marketing activities.

Our strategic investor, Temasek Holdings (Private) Limited ("Temasek"), has shared their experiences with us and provided training to us in relation to SME business operation, human resource management, money market trading and other areas. More than 1,800 staff from six of our business and management areas have received training from Temasek.

Experienced management team

Our Chairman, Mr. Guo Shuqing, our Vice Chairman and President, Mr. Zhang Jianguo and the Chairman of our supervisory committee, Mr. Zhang Furong and other senior management team members, have extensive management experiences in the banking and financial sector in China. Under their leadership, our operations have further strengthened in recent years. For the year ended 31 December 2009 and the first half of 2010, our average returns on assets were 1.24% and 1.43% (annualised), respectively, and our average returns on equity were 20.87% and 24.00% (annualised), respectively, one of the highest among domestic and international peers.

OUR PRINCIPAL BUSINESS ACTIVITIES

Our principal businesses include corporate banking, personal banking, treasury business, investment banking and overseas operations.

The following table sets forth, for the periods indicated, the operating income of each of our major business segments:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)									
Corporate banking	117,061	53.04	142,076	52.67	144,662	53.71	71,490	54.38	78,986	51.38
Personal banking	73,441	33.27	74,573	27.65	80,967	30.06	38,229	29.08	45,071	29.32
Treasury business(1)	25,117	11.38	47,366	17.56	35,040	13.01	17,849	13.58	26,717	17.38
Other businesses(2)	5,098	2.31	5,732	2.12	8,645	3.22	3,897	2.96	2,951	1.92
Total operating income	220,717	100.00	269,747	100.00	269,314	100.00	131,465	100.00	153,725	100.00

(1) The income from investment banking business is reported under treasury business and other businesses.
(2) This item includes the income from our equity investments and the income from our overseas branches and subsidiaries.

CORPORATE BANKING

Overview

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our corporate banking operations represented 53.04%, 52.67%, 53.71% and 51.38%, respectively, of our total operating income. We offer a broad range of corporate banking products and services for corporations, government agencies and financial institutions. As at 30 June 2010, we had RMB3,737,338 million of corporate loans, representing 69.87% of our total loans, RMB194,644 million of discounted bills outstanding, representing 3.64% of our total loans, and RMB4,600,951 million of corporate deposits, representing 53.55% of our total deposits.

Key Products and Services

Corporate loans products

Corporate loans have historically been the largest component of our loan portfolio. As at 30 June 2010, the balance of our corporate loans amounted to RMB3,737,338 million, representing an approximately 22.76% market share among the Large-size Commercial Banks. Our corporate loan products are mainly composed of medium to long-term loans and short-term loans. As at 30 June 2010, our medium to long-term loans and short-term loans amounted to RMB2,664,640 million and RMB1,072,698 million, representing 71.30% and 28.70%, respectively, of our total corporate loans.

Infrastructure loans

We provide various infrastructure loan products to meet the funding requirements relating to the construction and expansion of our customers' infrastructure projects. The continual expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in increased demand for infrastructure loans. As at 30 June 2010, our infrastructure loans amounted to RMB1,490,175 million, representing approximately 39.87% of our total corporate loans.

Working capital loans

We offer working capital loans primarily to provide liquidity for our customers' regular business production and operational turnover needs, and for their temporary funding needs. Our working capital loans are mainly granted to our high quality customers to supplement their infrastructure loans. We also provide working capital loans to SMEs. As at 30 June 2010, we had working capital loans of RMB1,686,888 million, representing 45.14% of our total corporate loans.

Other corporate loan products

We offer various other corporate loan products, including trade finance facilities, supply-chain financing and merger and acquisition financing. As at 30 June 2010, our trade finance balance amounted to RMB215,036 million, and we had approximately 8,800 supply-chain financing customers and outstanding loans of RMB62.1 billion. In March 2009, we became one of the first commercial banks approved to undertake merger and acquisition financing business pursuant to the *Guidelines to M&A Loan Risk Management of Commercial Banks* issued by the CBRC and we were one of the first to launch corporate merger and acquisition financing products which were aimed to facilitate the financing needs of our customers' merger and acquisition transactions by providing a comprehensive set of financial resources. As at 30 June 2010, we provided a total of RMB16,753 million merger and acquisition financing to 36 large and medium enterprises, ranked as one of the top banks among our peers.

The expansion of loans to SMEs is an important measure of the Bank to realise our strategic transformation of corporate banking business, which amounted to RMB1,397,630 million as at 30 June 2010, representing 37.40% of our total corporate loans.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by us from our customers at a discount. We provide discounted bills as part of our comprehensive financing solution for our corporate customers. As at 30 June 2010, bank acceptance bills accounted for over 90% of our discounted bills. As at 30 June 2010, we had outstanding discounted bills of RMB194,644 million, of which direct discounted bills and re-discounted bills accounted for 82.93% and 17.07% of our total balance of discounted bills, respectively.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, we offer a variety of time and demand deposit products to our corporate and institutional customers. In addition, we also accept negotiated deposits from customers including insurance companies, the NSSF and the Postal Savings Bank of China, whereby interest rates and other conditions are separately negotiated between them and ourselves.

As at 30 June 2010, we were the second largest holder of RMB and foreign currency corporate deposits in China, with a market share of approximately 25.41% among the Large-size Commercial Banks. From 31 December 2007 to 31 December 2009, our corporate deposits increased from RMB2,945,305 million to RMB4,303,509 million, representing a CAGR of 20.88%. As at 30 June 2010, our corporate deposits further increased to RMB4,600,951 million, representing a growth of 6.91% from the end of 2009.

Commission/fee based products and services

We provide our corporate customers with a broad range of commission/fee based products and services. The development of our commission/fee based products and services remains as the focus of our future business transformation. From 2007 to 2009, net fee and commission income from our corporate banking business increased from RMB7,471 million to RMB19,884 million, representing a CAGR of 63.14%. In 2009, net fee and commission income from our corporate banking business accounted for 41.37% of our net fee and commission income. Income from our project cost advisory services, corporate banking RMB settlement services and domestic guarantees were RMB3,579 million, RMB2,876 million and RMB912 million, respectively, in 2009, together accounting for 37.05% of our income from fees and commissions from corporate banking. For the first half of 2010, our net fee and commission income from our corporate banking business amounted to RMB15,388 million, representing an increase of 54.06% compared to the same period in 2009.

Agency services

We act as an agent at the request of our clients in providing payment disbursement, collection, settlement, clearance and other agency services to corporations and government agencies. The key products and services we provide include agency treasury settlement, agency premium collection and payment and entrusted loans. We also act as payroll agent as well as the agent to collect utilities, telecommunication, and taxes payment and surcharges. We are the largest agency payment bank authorised by the State's treasury. We ranked first in 2009 in terms of both the number of entities that we serve and the amount of funds disbursed. Our agency services business accounted for a market share of over 40% in 2009. We are a major correspondent bank for the China Development Bank. We also distribute products and services on behalf of insurance companies and securities firms, and provide payment and fee collection services to public utility and telecommunications companies. We realised RMB2,748 million and RMB2,202 million of fee income from our insurance agency services in 2009 and the first half of 2010, respectively, leading the market in the PRC banking industry. In addition, we provide entrusted lending services to our corporate customers. We charge a fee for providing entrusted lending services and do not take the credit risk with respect to these loans. In addition to generating fee income, our agency services also help us develop and enhance our relationships with our customers.

Project cost consulting and advisory services

Project cost consulting and advisory services include project consultancy services, cost evaluation and control services and project funding monitoring services for infrastructure projects. We are the only commercial bank in China licensed to provide project cost consulting and advisory services and we believe we have teams with extensive domestic experience in this area. In 2008, we launched the "Project Funding Monitoring Business", which is an extension to our project cost consulting services and integrates our project cost consulting platform with our credit risk management platform. We provide funding monitoring services for projects through our professional project cost consultant team, along with our investment management team. Income from our project cost consulting and advisory services amounted to RMB3,579 million for 2009, representing a growth of 106.34% compared to 2008, and RMB2,634 million for the first half of 2010, representing a growth of 26.21% compared to the same period in 2009.

Syndicated loan services

We have provided to customers various syndicated loan products including, among others, direct external syndicate loan, internal syndicate loan and transferable syndicate loan products. We have maintained strong growth in our syndicated loan businesses. For the year ended 31 December 2009 and the six months ended 30 June 2010, income derived from arrangement fees for our syndicated loans amounted to RMB817 million and RMB627 million, respectively.

As at 30 June 2010, our syndicated loans amounted to approximately RMB458,300 million. In 2008, we won the "Best Development Award" and "Best Management Award" issued by the China Banking Association for syndicated loans in China's banking industry.

Domestic factoring services

In 2003, we were among the first commercial banks in China to obtain approval to undertake domestic factoring businesses. In conducting our domestic factoring business, we aim to further optimise our credit portfolio mix, expedite the transformation of our corporate banking business, encourage the development of supply-chain financing businesses and support and develop our SME customers, all of which we believe will enhance our ability to provide integrated services as a commercial bank. As at 30 June 2010, we had outstanding factoring advances of RMB44,706 million from over 4,592 customers. In 2009 and the first half of 2010, our income from domestic factoring advances amounted to RMB492 million and RMB792 million, respectively.

Cash management services

We were one of the first domestic commercial banks to provide cash management services. In recent years, our cash management services expanded rapidly as we introduced various new cash management products, such as "*Yu Dao (禹道)—Smart Win Cash Management*", which covers major service lines including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and on-line banking services. We have approximately 100 cash management products and over 10 tailor-made industry specific cash management solutions for multinational corporations, large and medium sized enterprises, government agencies and financial institutions. In addition, through our internet and other electronic channels as well as our customer-oriented branch network, we have been able to provide comprehensive cash management services to our customers.

Remittance and settlement services

We provide account management, remittance, foreign currency exchange, bills and promissory notes, corporate checks, domestic letters of credit, electronic commerce exchange bills, agency settlement, asset custodial services and other settlement services. Income derived from our corporate RMB settlement services amounted to RMB2,876 million in 2009, representing an increase of 90.00% from 2008, and RMB3,427 million in the first half of 2010, representing an increase of 87.88% compared to the same period in 2009.

Investment custodial services

Our offering of custodial services is among the most comprehensive in China, including securities investment funds, targeted customer funds, QDII, QFII, social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. As at 30 June 2010, we had RMB1,082,643 million of investment under custody, representing a growth of 8.69% from the end of 2009. In 2009 and the first half of 2010, our income from custodial services amounted to RMB1,337 million and RMB839 million, respectively. In the first half of 2010, our custodial business for securities investment funds grew robustly, with 32,787 million new funds and ranking first in the market with such increasing amount; and a net asset value of funds under custody maintaining the second place with an increasing market share. Twenty five of our funds under custody claimed the China Fund Industry Golden Bull Award for 2009, leading among our peers. As at 30 June 2010, our industrial investment custodial business achieved further growth and funds under custody reached a size of RMB300,105 million, representing a growth of 183.51% from the end of 2009. Our custodial business for corporate annuity funds exceeds RMB30 billion, ranking second in the market.

Guarantee and commitment services

We offer our corporate customers letters of credit, bid bonds, performance bonds and other forms of guaranteed payment and performance security services. Our customers in construction-related industries often obtain bid bonds or performance bonds from us for their construction projects. Our guarantee and commitment services are generally subject to substantially the same credit approval procedures as those applicable to our loan products. In 2009, our guarantee and commitment service fees decreased by 10.54% to RMB2,775 million from

2008, as a result of policy adjustments to our loan commitment services. In the first half of 2010, our guarantee and commitment service fees amounted to RMB1,835 million, representing a growth of 24.58% compared to the same period in 2009. In particular, our commitment services generated income of RMB850 million, representing a growth of 30.77%.

International settlement services

We offer international settlement products and services including import letters of credit, export letters of credit, import collection, export collection, outward remittance, inward remittance and guarantee. In 2009, the volume of our international settlement increased by 3.78% from the previous year to US$465.10 billion. We are qualified by the PBOC as the Hong Kong dollar settlement bank and qualified by China Foreign Exchange Trade System as the U.S. dollar agency settlement bank in the interbank foreign currency markets. We were one of the first PRC banks to provide cross-border trade RMB settlement services, and this pioneer status has allowed us to be one of the market leaders of this service in 2009 and the first half of 2010.

Annuity management services

In 2007, we were qualified to be trustee and custodian for corporate annuity funds and were authorised to offer related services including annuity planning, consulting, corporate annuity custodian and personal account management. As at 30 June 2010, we managed 2.30 million personal enterprise annuities accounts and our assets under trust amounted to RMB11,820 million.

Customer Base

As at 30 June 2010, we had approximately 82,300 corporate credit customers to which we provide credit facilities. We have business relationships with 499 out of the largest 500 enterprises in China as ranked by China Enterprise Confederation and China Entrepreneur Association based on operating revenue as of 31 December 2009. As a leading provider of capital for some of the key industries in China such as infrastructure, energy, transportation and telecommunication, we have maintained close relationships with leading corporations in industries that are strategically important to China's economy and with major government agencies and financial institutions.

We have focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. Private enterprises have become important customers to us, as they experienced significant growth in China in recent years and have become a major sector in China's economy. We also focus on expanding our range of high-quality SME customers. As at 30 June 2010, the number of SME customers to whom we have extended loans exceeded 68,600.

Marketing

Based on our customer-focused philosophy, we employ both industry-wide and localised marketing strategies tailored to specific regions, customers and products. Our head office formulates our overall corporate business development based on industry, geographical region, customer and product considerations. Our tier-one branches then develop detailed marketing plans according to these guidelines tailored to local market needs.

Our corporate banking marketing channel primarily involves our corporate and institutional customer managers, our branch outlets, our electronic banking channels which include on-line banking and phone-banking. Our corporate and institutional customer managers are our key marketing channel for our corporate banking business. They are responsible for exploring new market opportunities, promoting our banking products, coordinating and accessing our bank-wide resources to provide a package of personalised and comprehensive financial services to our corporate and institutional customers. As at 30 June 2010, we had approximately 35,000 corporate and institution customer managers.

Our branch outlets offer the physical venue for us to provide services to corporate and institutional customers. Through our branch outlets, we promote and sell our products, mainly providing payment and settlement services and SME corporate customer services, and developing corporate liabilities business and commission/fee based business. As at 30 June 2010, we had 8,765 branch outlets which conduct corporate banking businesses.

We also provide our customers with e-banking channels such as our cash management service system, corporate online banking, 95533 customer hotline service centre and mobile phone banking platform, thereby providing greater access for our customers.

We seek to provide differentiated products and services to our important customers to meet their specific banking needs. Our head office generally coordinates client coverage and marketing efforts for our largest corporate customers to ensure consistency and quality of service. Our senior management at the headquarters and branch level are often directly involved in and taking leadership in these marketing efforts. Our branches in key cities provide differentiated, high quality, professional and integrated products and services to meet our customers' specific banking needs. By providing integrated financial solutions to our customers and improving our cross-selling synergies among our products and services, we aim to further increase overall customer satisfaction and optimise value for our customers.

For SMEs, we have established a specialised and standard marketing system that allows us to further integrate our resources of products, distribution channels and brands to provide more efficient services with controlled risks.

PERSONAL BANKING

Overview

We provide a broad range of personal banking products and services. As at 30 June 2010, personal loans rose by 14.63% from the end of 2009 to RMB1,247,708 million, accounting for 23.32% of our gross loans and advances to customers; and personal deposits grew by 8.47% from the end of 2009 to RMB3,888,190 million, representing 45.26% of our total deposits and providing us with a stable source of funds. Our operating income derived from personal banking in 2009 and the first half of 2010 amounted to RMB80,967 million and RMB45,071 million, respectively, representing 30.06% and 29.32% of our total operating income for the same period. In addition, we are also the largest bank housing provident fund business provider in China. As at 30 June 2010, the outstanding personal loans and residential mortgage loans accounted for approximately 23.32% and 25.45% of the market share among Large-size Commercial Banks, respectively.

Key Products and Services

We provide a broad range of products and services including personal housing financing services, personal consumption loans and other related financial services for our personal banking customers based on their needs. We also provide bank card services and fee-based personal banking services such as personal wealth management services, settlement services for our personal banking customers. We are committed to providing comprehensive banking services to our personal banking customers and are focused on creating and improving our personal banking product chain and value chain. We set out below our key personal banking products and services.

Personal housing financing services

We are one of the earliest providers of and we continue to be the market leader of personal housing financing services in China. As at 30 June 2010, we had the largest housing provident fund deposits and the largest housing provident loan portfolio among Chinese banks.

Recently, in line with PRC government policies for the real estate industry in China, we have placed greater focus on providing financing services for first-time home buyers and those homeowners who wish to improve their standards of living. We have introduced a differentiated pricing strategy, taking into consideration various factors including percentage of down payment, product coverage, customer creditability and post-credit performance. As a result, the asset quality of our mortgage loans improved and our residential mortgage loans increased in value. As at 30 June 2010, our non-performing loan ratio for residential mortgage loans was 0.36%, representing a decrease of 6 basis points from the end of 2009, demonstrating our leading asset quality among our peers.

Residential mortgage loans

We provide residential mortgage loans to individuals to finance the purchase and construction of their residential properties. Residential mortgage loans include new home residential mortgage loans, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgage loans. As at 30 June 2010, our personal residential mortgage loans rose by 17.56% from the end of 2009 to RMB1,002,221 million, representing 80.32% of our total personal loans. We believe that residential mortgage loans are key to our personal housing financing services. We generally offer loans with maturities of up to 30 years and for up to 70% of the property value. In 2010, we introduced a differentiated residential mortgage loan policy based on the latest national policy which requires families having one mortgage loan already to make not less than 50% down payment and at least 110% of the PRC benchmarking lending rate when purchasing their second homes. Residential mortgage loans to families purchasing their third or more homes have been temporarily suspended.

We have also introduced the home equity loan, whereby the borrower uses his self-owned residential property as maximum collateral to take out loans that can be revolved within the validity period and within the loan limit. This product targets the re-financing needs of our customers. We appraise the value of the residential property regularly and clearly express that the loan cannot be used for securities trading purpose. As at 30 June 2010, the balance of our home equity loan reached RMB16,685 million.

Individual commercial property mortgage loans

We offer commercial property mortgage loans to individuals requiring financing for purchasing commercial properties. These loans are generally required to be secured by the underlying property and have a maximum maturity of ten years. As at 30 June 2010, our individual commercial property mortgage loans amounted to RMB69,759 million, representing 5.59% of our total personal loans.

Entrusted housing financing services

We act as an agent to national housing fund management departments to collect housing provident funds, and housing maintenance funds, and provide individual housing provident funds mortgages. We are one of the earliest banks and the largest in China approved to engage in housing provident fund management business. We maintain sound business cooperation with local administrative centres of housing provident fund across China, from which we take deposits as a steady funding source. Through implementing national policies on supporting the construction of homes and providing financing to mid and low-income households, we are able to capture such specialised market opportunities. As at 30 June 2010, our housing provident fund loans amounted to RMB466,780 million and our housing provident fund deposits amounted to RMB275,822 million, maintaining our leading position among our peers in terms of both entrusted housing provident fund loans and deposits. Through innovative financial services, we have launched new products and services including small amount cross-bank payment for housing provident fund, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans.

Home savings services

In February 2004, we formed Sino-German Bausparkasse Corporation Limited with Bausparkasse Schwaebisch Hall, a German home savings bank. We hold a 75.1% equity interest in Sino-German Bausparkasse Corporation Limited. Our home savings bank products allow our customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse Corporation Limited has improved our ability to develop more personal housing financing products. In 2009 and the first half of 2010, Sino-German Bausparkasse Corporation Limited recorded rapid growth in the home credit business, with loans increasing by RMB2,557 million and RMB2,465 million, respectively.

Personal consumption loans

Our personal consumption loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit history and the value of collateral provided. Our automobile loans are primarily secured by the purchased automobile and residential properties. As at 30 June 2010, we had personal consumption loans of RMB76,410 million, representing 6.12% of our total personal loans.

Other personal loans

Our other personal loan products primarily consist of personal business loans, education loans and other personal loans. In 2009, we introduced personal business loans for private business owners in various specialised markets. We also introduced personal rural loans to farmers on a trial basis in line with PRC government's policy of supporting economic development of rural areas.

Bank card business

We offer a variety of bank card products comprising credit card and debit card (including quasi-credit card) to our customers under the registered "Long Card" ("龍卡") brand. As at 30 June 2010, we had issued 309 million bank cards, including 26.38 million credit cards and 281 million debit cards (including quasi-credit cards). For the year ended 31 December 2009, the fee and commission income from our bank card business increased to RMB9,186 million from RMB5,254 million for the year ended 31 December 2007, representing a CAGR of 32.23%. For the first half of 2010, the fee and commission income from our bank card business increased by 29.07%, compared to the same period in 2009, to RMB5,524 million.

Since we are a member of China Unionpay, our customers can complete transactions through ATMs and point-of-sale terminals connected to the China Unionpay network. China Unionpay is responsible for establishing and operating a nationwide, interbank bank card information exchange and transaction network for its members. We are one of the founding members of China Unionpay and hold a 4.85% equity interest in China Unionpay. We joined the MasterCard network in 1990 and the Visa network in 1991. Our dual-currency debit cards and dual-currency credit cards are also accepted outside of China through our association with the MasterCard and Visa networks. In August 2009, we further joined JCB international credit card network. As at 30 June 2010, we had approximately 290,700 fixed POS machines, 22,600 mobile POS machines and 189,400 bank card merchants.

Credit cards

Through our credit card centre in Shanghai established in December 2002, which centrally manages our credit card and quasi-credit card business, we seek to enhance our operational efficiency, improve our risk management, and maintain a consistent level of customer service quality. We have also established credit card departments in most of our tier-one branches to manage our operations locally. As approved by the CBRC and accepted by the Shanghai Banking Regulatory Bureau in 2008, our credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009. As at 30 June 2010, we had issued 26.38 million credit cards. The total transaction volume from our credit cards was RMB292,781 million in 2009, representing a growth of 85.41% compared to 2008, and was RMB180,266 million in the first half of 2010, representing a growth of 43.38% compared to the same period in 2009. As at 30 June 2010, our credit card balances increased 7.34% from the end of 2009 to RMB38,999 million, and the non-performing loan ratio stood at 1.79%. As such, we ranked as one of the top banks in respect of total number of credit card customers, transaction volume and asset quality.

Our primary credit card product is our RMB and U.S. Dollar-denominated dual currency credit card, which we began to issue in 2003. Our dual currency credit cards are accepted through our own network and through the China Unionpay network which are located in the PRC and various other countries, and are also accepted overseas through our association with the Visa and MasterCard networks. We have established five product lines including standard cards (標準卡), co-branded cards (三名卡) (being cards co-branded with primary cities (名城), well-known enterprises (名企), and top-tier universities (名校)), specialty cards (特色卡), public welfare cards (公益卡) and corporate cards (商务卡), which primarily target mid- to high-end customers and cover various marketing channels. We also issue diamond cards, which target high-end customers. As at 30 June 2010, we had issued approximately 1,895,300 specialised car-owner credit cards, with the average transaction volume per card exceeding RMB16,100 and active ratio of 83.37%.

Debit cards

A debit card is directly linked to the cardholder’s bank account. We issue different types of debit cards to offer differentiated services to different customer groups, including Dragon Cards to ordinary customers and wealth management cards to high net worth and high-end customers. Our wealth management cards are further classified into, among others, gold cards and platinum cards. As at 30 June 2010, we issued 281 million debit cards in aggregate, with 5,464,700 wealth management cards in issue. Total spending through our debit cards increased 77.24% to RMB790,663 million in 2009, and increased 72.53% to RMB546,542 million in the first half of 2010 compared to the same period in 2009. Fee income from our debit cards amounted to RMB4,536 million and RMB3,336 million, respectively, in 2009 and the first half of 2010, representing growths of 14.76% and 26.03% from the same period in the previous year. Our wealth management card is developed as a multi-currency integrated financial product which provides multi-account functions through a single card. Customers can link multiple accounts to their wealth management cards, which would allow access to a range of wealth management services including foreign exchange trade, certificate bonds, funds, bank and securities accounts transfer and margin business. Our wealth management cardholders can spend and withdraw cash through point-of-sale machines and ATMs across 200 countries and areas worldwide and purchase foreign currency using RMB deposits. Through our strategic cooperation with Bank of America, our customers using the wealth management cards can withdraw cash through approximately 17,000 ATMs across the United States free of charge.

Personal deposits

We provide our personal banking customers with a broad range of demand and time deposit services denominated in RMB and other foreign currencies. Personal demand deposit products include demand savings deposit and demand pledged deposit.

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide us with a stable funding source. As at 31 December 2009, our personal deposits increased to RMB3,584,727 million from RMB2,316,321 million as at 31 December 2007, representing a CAGR of 24.40%. As at 30 June 2010, our personal deposits increased further to RMB3,888,190 million, representing a growth of 8.47% compared to the end of 2009.

Commission/fee based products and services

In addition to bank card businesses, we offer a broad range of commission/fee based products and services for our personal banking customers, including personal wealth management, personal settlement, securities agency, insurance agency and online banking services. For the year ended 31 December 2009, the net fee and commission income from our personal banking business decreased to RMB17,882 million from RMB20,344 million in 2007, mainly attributable to the volatility of fee income from agency sales of funds due to the financial crisis and the volatile capital market in China. As at 30 June 2010, the net fee and commission income from our personal banking business amounted to RMB11,325 million, representing a growth of 44.29% compared to the same period in 2009.

Personal wealth management business

We offer our wealth management customers a number of value-added wealth management services, such as financial advisory services, priority branch services, exclusive wealth management products, product discounts and airport VIP lounge services. We have established personal wealth management centres and wealth centres which are staffed with dedicated personal customer managers to serve our wealth management customers. As at 30 June 2010, we had over 11.74 million personal wealth management customers.

Personal settlement business

We provide RMB and foreign currency-denominated money transfer and remittance services. We market our RMB-denominated remittance services under the brand, "Swift Remit" (速匯通). In August 2006, we introduced RMB personal deposit full access services across China to satisfy customer needs for cross-region payment. To meet the increasing demand for foreign currency in China, we further introduced nationwide foreign currency full access services across China in 2009. Our personal settlement business provides convenience to our personal banking customers and generates attractive fee income for us. In 2009 and the first half of 2010, our fee income from personal settlement business amounted to RMB1.3 billion and RMB651 million, respectively.

Securities agency business

We act as an agent for the distribution of government bonds and securities investment fund products. In 2009, we acted as an agent for 116 new funds and comprehensive schemes in aggregate, with total sales of such new funds of RMB76,574 million, and the income from our fund agency business amounted to RMB2.7 billion. In the first half of 2010, we acted as an agent for 61 new funds and comprehensive schemes, with total sales of such new funds of RMB15,797 million, and the income from our fund agency business amounted to RMB1,346 million.

Insurance agency business

We also cooperate with insurance companies to undertake insurance agency sales business. We focus on innovations in the insurance agency business, and have developed a bancassurance interface system and the "*Compulsory Auto Insurance*" system, which improved our capability in selling insurance products. In 2009 and the first half of 2010, our income from insurance agency business amounted to RMB2,748 million and RMB2,202 million, respectively.

Personal electronic banking

We generate income from personal electronic banking business primarily through facilitating transactions for our personal banking customers through electronic means. In 2009, income from our personal electronic banking business was RMB1.16 billion, representing an increase of 90% from 2008. In the first half of 2010, our income from personal electronic banking business was RMB835 million, representing an increase of 63% compared to the same period in 2009.

Customer Base

We have established an extensive personal customer base. As at 30 June 2010, we had 195 million personal deposit customers, 6.20 million personal loan customers and 11.74 million wealth management customers. We also have 197 million debit card customers and 22.21 million credit card customers.

To serve customers more efficiently, we classify our personal banking customers on a monthly basis by their daily assets under management ("AUM"). Our personal banking customers are classified as mass customers (with AUM of less than RMB50,000), mass high net worth customers (with AUM of more than RMB50,000 but less than RMB200,000), high net worth customers (with AUM of more than RMB200,000 but less than RMB3,000,000) and high-end customers (with AUM of more than RMB3,000,000). As at 30 June 2010, we had 110,900 high net worth customers and high-end customers including 13,500 high-end customers with AUM of over RMB10 million. As at 30 June 2010, we had 131 wealth management centres and 5 private banking centres. We have successfully established dedicated telephone banking services for our high-end customers, creating a high-end customer service network with a focus on wealth management and private banking services.

Marketing

Our head office generally formulates marketing initiatives and sets marketing guidelines for our bank-wide personal banking products. Our tier-one branches develop detailed marketing plans to implement these initiatives based on the economic and market conditions of their respective geographical regions. We conduct our marketing activities mainly through our branch network, which we supplement with specialised sales centres for specific products such as personal wealth management centres and residential mortgage loan centres. As at 30 June 2010, we had 131 wealth management centres, 5 private banking centres, 575 personal loans centres, with an aggregate of approximately 14,400 personal customer managers. We also conduct personal banking product marketing through e-banking channels, such as online banking, telephone banking and mobile phone banking.

We offer different products and services and adopt different marketing strategies to cater for different customer groups' needs. For high net worth and high-end customers, we focus on building a one-to-one customer manager marketing relationship to develop a more focused marketing strategy for promoting our products. For mass customers and mass high net worth customers, we adopt a mass marketing strategy focusing on our outlets, taking initiatives in product and service marketing through introduction by our lobby managers, on-site promotion of our products and media advertising campaigns. We also adopt an interactive marketing strategy for our personal banking business, whereby our personal loan department and corporate banking department cooperate to take a proactive approach in exploring business opportunities in residential mortgage loans while granting real estate development loans. In addition, we focus on cross-selling our personal banking products such as promoting our credit cards and wealth management cards to our residential mortgage loan customers. We also sell various loan products to the holders of our wealth management cards and credit cards.

TREASURY BUSINESS

Our treasury operations primarily consist of our money market activities, the management of our investment portfolio, treasury transactions on behalf of our customers, bond underwriting and development of treasury products. Our treasury business recorded operating income of RMB35,040 million in 2009 and RMB26,717 million in the first half of 2010, representing 13.01% and 17.38% of our total operating income, respectively.

Key products and services

Money market activities

Our money market activities primarily consist of (i) repurchase and reverse repurchase with PBOC; (ii) borrowings from and loans to other domestic and foreign banks and non-bank financial institutions, often referred to as the interbank money market activities; (iii) purchase of securities under resale agreements, often referred to as repurchase and reverse repurchase transactions via the interbank market, bond repurchase pledge or buy-out, sell-out of RMB-denominated treasury bonds, policy bank bonds and central bank notes; and (iv) money market transactions with major international banks such as foreign currency fund lending, foreign currency denominated bond repurchase and foreign exchange swap on international financial market.

We are an active participant in the interbank money market, one of the first market-makers in interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. In 2009, we are accredited as one of the "Top 100 of Transaction Volume in China Interbank Market 2009". As at 30 June 2010, the net funds we had placed and loaned to the interbank money market amounted to RMB93,149 million, representing 0.91% of our total assets. As at the same date, the total funds placed by and borrowed by us from the interbank money market and other financial institutions amounted to RMB763,617 million, representing 7.91% of our total liabilities.

Investment portfolio management

Our investment portfolio mainly targets bond investment. We classify our portfolio as: (i) financial assets at fair value through profit or loss; (ii) debt securities classified as receivables; (iii) available-for-sale financial assets; and (iv) held-to-maturity investments. Trading financial assets are primarily used in proprietary trading, while debt securities classified as receivables, available-for-sale financial assets and held-to-maturity investments are used in proprietary investment.

As at 30 June 2010, trading financial assets, debt securities classified as receivables, available-for-sale financial assets and held-to-maturity investment represented 1.39%, 15.90%, 25.25% and 57.46% of our investment portfolio, respectively.

Proprietary trading

We conduct short-term proprietary trading in order to gain short-term spread income and avoid market risk. Proprietary trading mainly include treasury bonds, central bank notes, policy bank bonds, short-term debentures issued by large-scale prime enterprises, mid-term notes, foreign exchange trading and precious metal trading.

Additionally, we hedge our investment risk through financial derivative trading, which mainly includes interest rate swap contract and foreign exchange spot, forward, swap and option contracts. Apart from the hedging of our risks, we generally do not hold financial derivatives for short-term gain.

Proprietary investment

We manage our investment portfolio to maximise our investment return. We determine the average investment term of our investment portfolio, duration and investment return objective based on our judgment on risk factors such as interest rates, exchange rates and credit risks. Our RMB-denominated securities investments primarily include government bonds, central bank notes, policy financial bonds, commercial bank bonds, short-term debentures, corporate bonds and asset-backed securities. Our foreign currency denominated securities investments are primarily in sovereign bonds, financial institution bonds, corporate bonds and asset-backed securities of investment rating and above as rated by internationally recognised ratings agencies. The rating of our foreign currency denominated securities investment is usually maintained at "A-/A3" or above.

Treasury transactions on behalf of customers

Our treasury transactions on behalf of our customers mainly include agency foreign exchange derivatives trading, agency precious metal business, bond settlement agency business, agency sale and purchase of foreign exchange and foreign exchange trading. In 2009 and the first half of 2010, income generated from agency sale and purchase of foreign exchange and foreign exchange trading amounted to RMB2,345 million and RMB1,476 million, respectively. We generally hedge our risk exposure by trading risk-matched derivatives in the market.

Bond underwriting

We are an active underwriter in the domestic bond market and we are also a Class A underwriter in MOF treasury bond underwriting syndicate. We are a primary dealer in the PBOC open market. We are also a financial bond underwriter for financial institutions.

Innovation and development of treasury products

We have established a dedicated innovation and development team to develop our treasury products. We have launched a wide range of treasury products which we believe closely match our customers' needs. For example, we offer personal gold trade services under the brand "Jian Hang Jin" (建行金). In 2009, a total of 919.77 tonnes of gold were traded, an increase of 98.73% from 2008, generating income of RMB382 million, an increase of 62.54% from 2008. In the first half of 2010, a total of 510.62 tonnes of gold were traded, an increase of 9% compared to the same period in 2009, generating income of RMB289 million, an increase of 51% compared to the same period in 2009.

INVESTMENT BANKING BUSINESS

We conduct investment banking business through the investment banking department at our head office and branch levels as well as our subsidiary CCB International, providing customers with financial service packages such as short-term debentures, international bonds, trust benefit voucher, asset securitization, project financing, outbound IPO and refinancing, equity investment, financial advisory and wealth management services. Our substantial customer resources, extensive marketing network, strong funding capability and research and development strength lay a foundation for the development of our investment banking business. In 2009, income generated from our investment banking business was RMB9,799 million, an increase of 48.22%, compared to 2008. In the first half of 2010, income generated from our investment banking business was RMB7,234 million, an increase of 35.98% from the same period in 2009.

In 2009, we established the equity investment and strategy cooperation department to coordinate and manage our subsidiaries.

Key products and services

Financial advisory service

Our financial advisory business refers to our provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency, and optimising financial management. Furthermore, we focused on providing our customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, we took the industry lead in launching FITS (Financial Total Solution), a comprehensive financial solution also known as "Feichi" (飛馳). Depending on different situations and financial needs, FITS combines products and vehicles such as traditional commercial banking, new investment banking, various funds and bank wealth management programs in order to provide comprehensive and diversified financial services plans. The income from our financial advisory business was RMB7,046 million in 2009, representing a growth of 44.71%, compared to 2008, and RMB4,175 million in the first half of 2010, representing a growth of 3.34% compared to the same period in 2009.

Equity financing service

Through CCB International and our overseas branches and subsidiaries, we provide enterprises with equity financing services such as listing sponsorship and underwriting services for their overseas capital markets IPOs and refinancing services and strategic investor introduction services in Hong Kong and Singapore. Separately we also cooperate with our business partners, including domestic and overseas securities companies to provide equity financing related services, such as domestic and overseas listing guidance, sponsorship, underwriting and financial advisory services. As at 30 June 2010, we have provided equity financing services for 50 clients with total proceeds of HK$220.63 billion.

Bond financing service

We provide composite bond financing services for clients including short-term debentures, and mid-term notes. We are one of the first commercial banks in China qualified to underwrite corporate short-term debentures and mid-term notes. In 2009, we underwrote 39 batches of short-term debentures and mid-term notes with an aggregate size of RMB164.5 billion, representing an increase of RMB82.25 billion or approximately 100% over the previous year. In the first issuance of mid-term notes on government financing platform, we successfully obtained qualification to act as lead underwriter and joint lead underwriter for mid-term notes issuances on governmental finance platforms in Shanghai, Guangdong and Gansu, securing a significant market share. In the first half of 2010, our underwriting business for bond financing generated income of RMB498 million, representing a growth of 36.07% from the same period in 2009; the total amount of debentures that we have underwritten amounted to RMB108,512 million, representing a growth of 24.63% from the same period in 2009; and the total amount of the 20.5 short-term debentures we had underwritten amounted to RMB80,435 million, representing a growth of 154.62% from the same period in 2009.

Asset securitisation

We were among the first commercial banks approved to undertake asset securitisation business. In 2005, we issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. The transaction was named by *The Banker* magazine as "Transaction of the Year in China". In 2007 and 2008, we successively issued the "Jianyuan 2007-1 personal residential mortgage-backed securities" with a size of RMB4.16 billion and the "Jianyuan 2008-1 realigned asset securitization trust asset-backed securities" with a size of RMB2,765 million. We have developed specialised information system for our securitisation products and we have extensive experience in the development of securitisation products and the execution of such transactions.

Wealth management service

We designed and launched various wealth management products according to customer needs to provide wealth management services to customers. In the development of "Li De Ying" (利得盈), a wealth management product, we introduced a trust benefit voucher investment product and launched the "CCB Fortune" (建行財富) series of wealth management products for high-end customers. The investment scope of our wealth management products includes not only new share subscriptions and trust loans, but also fund-based wealth management products which we launched among the first in the market. In addition to serving high-end personal customers, we also provide the "Qian Tu" (乾圖) series of special wealth management products for corporate and institutional customers. These wealth management products play an important role in securing our customers, particularly high-end customers. In addition, we proactively adjusted the development approach of our wealth management business, intensified product innovations and introduced treasury bond certificates, alternative investment products, SME collective credit and other innovative wealth management products to the market in a timely fashion. Through this, we were able to widen the geographic area and scope of our product issuance for highly liquid wealth management products based on an open-ended asset portfolio, thereby expanding the variety of our wealth management products. In 2009, taking into account the changing market and customer needs, we expanded our wealth management products including new products combining domestic and foreign currencies, and we designed and issued 546 new wealth management products. As at 30 June 2010, our outstanding balance of wealth management products was RMB279.2 billion, representing an increase of 57.03% from the end of 2009 and we recorded income of RMB2.47 billion for the first half of 2010, representing an increase of 135% compared to the same period in 2009.

Customer base

Our prime corporate and personal customers from our commercial banking business have formed a solid customer base for developing our investment banking business through the years. Most domestic PRC conglomerates and top quality corporates have established extensive and close business relationships with us. We believe that there remains potential for our investment banking businesses in the areas of bond financing, equity financing, asset securitisation, financial advisory, wealth management and trust services. We also proactively strive to provide equity financing and equity investment services to SMEs that present promising growth. Our personal banking customers, especially our high net worth and high-end clients, will also help us expand our wealth management business and ensure the successful offering of our wealth management products.

Marketing

Our major marketing model for the investment banking business involves cooperation between the head office, domestic and overseas offices and different business lines. A key strategy of our bank-wide marketing efforts is to combine the marketing efforts of investment banking business and commercial banking business.

OVERSEAS BUSINESS

As at 30 June 2010, we had branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, and Ho Chi Minh City, and two representative offices in Sydney and London. As at 30 June 2010, we have various wholly owned subsidiaries such as China Construction Bank (Asia) Corporation Limited, CCB International and China Construction Bank (London) Limited. We have established agency relationships with over 1,300 banks, covering nearly 130 countries and regions in the world. As at 30 June 2010, total assets of our overseas operating units were RMB253,598 million, representing 2.48% of our total assets, and the total amount of loans issued by our overseas operating units reached RMB169,692 million, representing 3.17% of our total loans.

Subsequent to the acquisition of the entire equity interests of Bank of America (Asia) Limited, we effectively integrated our combined entities and resources in Hong Kong and Macau. The integration was completed in September 2007 and the combined entity was renamed as China Construction Bank (Asia) Corporation Limited. In 2009, China Construction Bank (Asia) Corporation Limited successfully acquired AIG Finance (Hong Kong) Limited and renamed it China Construction Bank (Asia) Finance Limited. With these developments, we have built up a complete business platform for credit card businesses, providing a range of financial services to our customers.

With an in-depth understanding of the outbound business needs of domestic companies and individuals, as well as the needs for trading and investment into and involvement with China from overseas companies and individuals, our overseas branches mainly provide deposits, commercial loans, syndicated loans, guarantees, trade financing, investment advisory, clearance, remittance and other services. Our overseas branches also engage in interbank lending/borrowing and bond investment.

RISK MANAGEMENT

Overview

Our risk management objective

Our risk management objective is to actively manage our risks under standardised risk preferences and control our risks within an acceptable range to our Shareholders; we also aim to facilitate the sound development of our businesses and the creation of value for our Shareholders.

Features of our risk management

Advanced risk management culture and philosophy

Through objectively analysing our risk management conditions and implementing the New Basel Capital Accord in accordance with international banking practices, we seek to advocate innovation, promote our risk management culture and philosophies, know our customers, understand the market, emphasize employee dedication and participation, and emphasize on key aspects of our risk management and internal control. Through these efforts, we centralised the risk management practices and created shared values among our front, middle and back offices.

Total risk management system

Taking into account capital-to-risk restrictions, the accommodation of business development and risk control and the need to balance risks and financial returns, we emphasize the strengthening of our fundamental risk management. We have established a state-of-the-art, sound and effective risk management system by focusing on our credit, market, operation and liquidly risks. By introducing tools such as economic capital measurement and industry cap management, we have improved our risk-oriented performance evaluation, enhanced and ensured the achievement of our business objectives.

Sound risk management structure

Further details are set out in the section headed "Risk Management and Internal Control—Our Risk Management Structure".

Sound and effective risk management rules and regulations

We have established a set of sound and effective rules and regulations to govern each of our business lines and business processes by fully and systematically incorporating the principles and requirements of risk management and internal control into such rules and regulations.

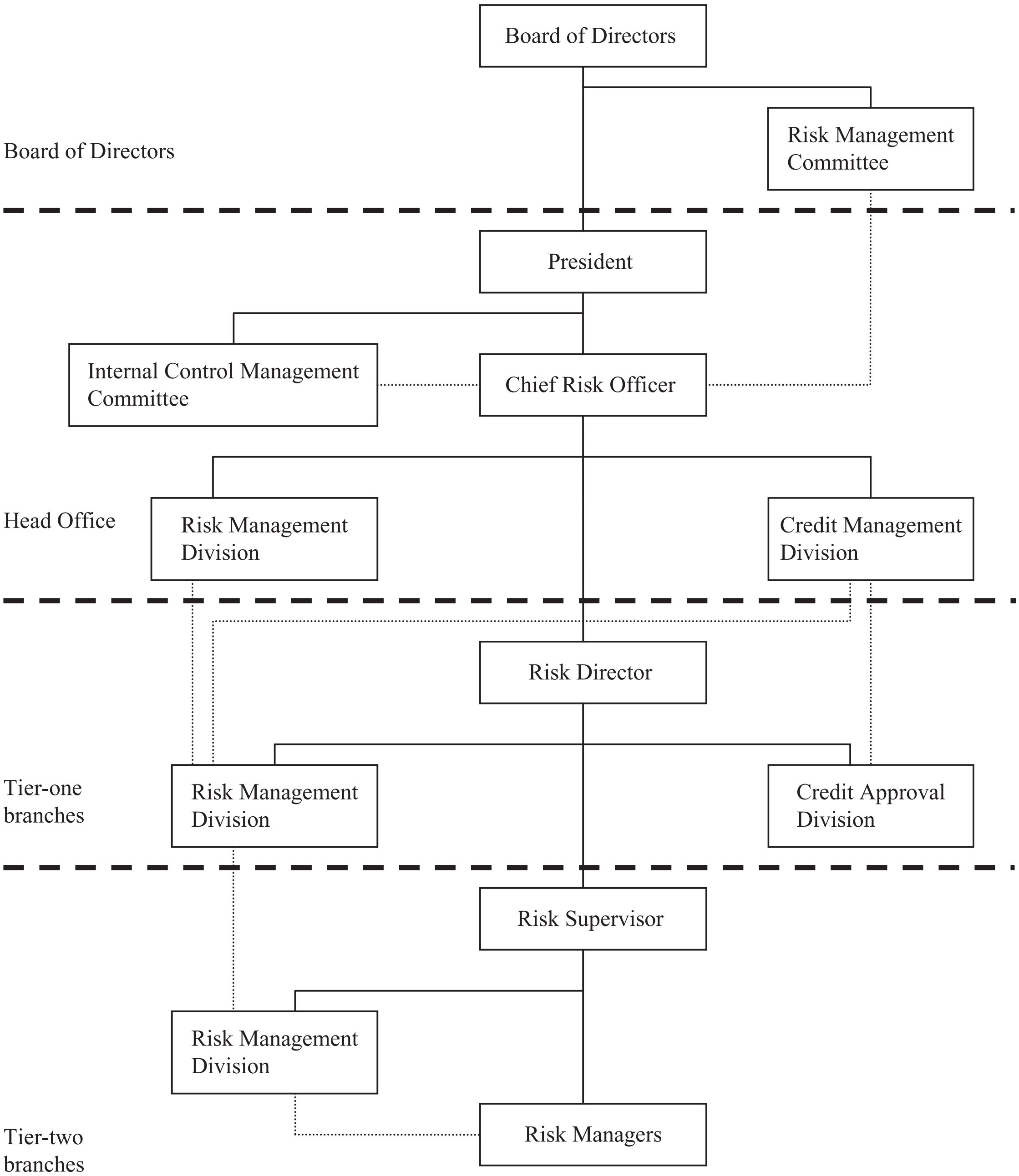
Taking into account our principle of balancing risks and financial returns, we have standardised our risk preferences to determine the level of risks we can undertake and further elaborated our credit structure adjustments within our "increasing, maintaining, controlling, reducing and exiting" risk management framework. We have formulated risk management policies including, among others, economic capital and risk limits as well as risk management rules including, among others, credit rating, 12-grade risk classification, credit limits, credit approval and pre-cautionary monitoring. These policies and rules cover our overall risk management process that consists of risk identification, measurement, assessment, risk classification and pre-cautionary monitoring. We have compiled various business risk management and internal control manuals, highlighted the prevention of business risks and implemented basic principles and requirements of risk management and internal controls throughout all business workflow and all operational aspects of our businesses.

Innovative risk management techniques and tools

We have actively promoted the establishment of an innovative system of techniques and tools for risk management, and improved the standards for specialised and refined risk management. Our ability to define asset risks has been further enhanced by a 12-grade classification system for credit assets. We are the first in the industry to bring in management tools such as economic capital and industry cap to enable a switch from the management of individual risks to the management of portfolio risks. We also upgraded the original 10-grade corporate credit rating system to a 16-grade system and completed the development of retail scorecards and small enterprise customer ratings. We have also established a specialised and refined credit rating system that covers various types of customers, and a collateral management system, therefore significantly enhanced our ability to reduce risks. We have in place a customer early tracking management system, which enables us to handle problematic customers. The launch of our credit business risk monitoring system has strengthened operations of key aspects of our business processes, and monitoring of changes in credit risks of our corporate customers. We have led the industry in initiating stress tests that target interest rates, housing prices and other major market fluctuations on asset quality; we have since achieved high technical standards, and provided essential support to our business and management decision-making.

Our Risk Management Structure

The chart below illustrates the organisational structure of our risk management system:



Our risk management organisational structure comprises of our Board and its special committees, our senior management, and our head office risk management related departments as well as our branches.

Our Board and its special committees

Our Board is our highest risk management decision-making body. Established under our Board is the Risk Management Committee that approves and revises our risk strategies and is responsible for reviewing risk management and internal control policies as well as monitoring and evaluating their implementation and effectiveness. The Risk Management Committee also reviews risk and internal control reports, conducts regular assessment of risk and internal control status, monitors and evaluates the establishment, organisational structure, work procedures and effectiveness of our risk management divisions and assesses our senior management's progress on risk management.

Senior management

President

The President receives reports from the Chief Risk Officer ("CRO"). The president has veto power over the credit approval decisions made by the credit approval committee.

Committee under Our Senior Management

Established within the senior management level is the internal control management committee which coordinates, considers and executes internal control and risk management. It is responsible for coordinating our internal control and risks management. It reviews our internal control policies, target for internal control, medium- and long-term internal control planning, risk strategies, risk management policies and risk management planning. It is also responsible for reviewing our basic system, rules and regulations, control and management manuals, risk assessment standards, internal control standards and standards for identifying defects as well as organising the establishment and implementation of an internal control and risk management system that covers all levels of our departments and branch outlets.

Chief Risk Officer

Our CRO assists the President in organising our overall risk management and reports to the President and our Internal Control Management Committee as well as the Risk Management Committee of the Board. The CRO is responsible for drafting our overall risk management strategies and plans, proposing risk management policies and procedures and implementing the same upon review and approval by the Risk Management Committee. Other duties of the CRO include supervising the implementation of risk management policies and procedures, establishing risk management assessment standards. The CRO also plans credit business authorization and credit business approval, customer credit rating certification within authorization limits. Additionally, the CRO is responsible for implementing risk management and internal control measures, and assessing the risk director and the establishment of a risk management team.

Our head office risk management related departments

Under the supervision and guidance of our senior management and its special committees, a number of our departments implement risk management functions. The responsibilities of our risk management related departments include:

Risk management department

The risk management division is a general management department for business risks across our Bank. It is responsible for setting risk preferences and risk management strategies, constructing and advancing the risk management system, formulating risk management policies and fundamental rules, developing and operating risk measurement tools, controlling and assessing asset quality, and reporting overall risk. The division is also responsible for managing portfolio risk and measuring economic capital, authorizing credit, managing non-credit asset risk, managing product risk, collateral, operational risk management, and business continuity, as well as the implementation of the Basel Capital Agreement. A market risk management division (second-tier division) is established under the risk management department to take the lead in formulating market risk management policies, systems and procedures, and managing daily risks of trading markets and overseas branches.

Credit management department

In 2008, to further strengthen our risk control efficiency, we integrated the existing risk monitoring department and credit approval department by establishing a credit management department responsible for credit approval guidelines and other credit policies as well as relevant management and maintenance. The credit management department is responsible for formulating credit business operating procedures across the Bank, managing, carrying out and guiding parallel operations of systems as well as organising the review of the finalisation of credit terms. It is also responsible for credit approval management across the Bank, including customer credit approval as well as acceptance compliance investigation of credit rating within the authority of the headquarters, and organising approval (verification) and information feedback. It takes responsibility for organising credit asset risk classification, estimating credit asset impairment across the Bank, organising the implementation of credit policy as well as the monitoring, inspection, reminding and early warning of credit asset quality and risk profile of credit business across our Bank.

Other departments

In addition to the above risk management functional departments, our other departments also implement risk management policies and procedures. They are the asset liability management department, financial accounting division, financial market division, fund settlement division, operations management division, legal and compliance and information technology management divisions etc. In addition, other business departments bear their respective risk management functions in their respective business areas.

Risk management of branches and subsidiaries

Our management has initially established a comprehensive risk management system covering all domestic and overseas branches and subsidiaries.

Control over domestic branches

A risk director is assigned to each tier-one branch, who is accountable and reports to the CRO. Risk directors are responsible for organising and promoting overall risk management at each branch and their credit approval processes. A risk supervisor is assigned to each tier-two branch and a risk manager is assigned to each sub-branch, who are responsible for the risk management of their branches respectively. These risk management personnel have two reporting lines: the first is to the person in charge of risk management at the higher levels; the second being to the person in charge of the entities or business units where they are located. Risks are therefore reported in a timely and effective manner and risk management is carried out independently and professionally. We promote a horizontal organisational structure in central cities and implement centralised risk management of our risk lines in cities where tier-one branches are located. Overall, we integrate our risk management resources and further enhance the quality and efficiency of our risk management.

Control over overseas branch

In 2009, we formed a risk management team for overseas offices within the risk management department; the team was assigned to the risk management division of overseas offices to take charge of risk management of overseas entities. We have strengthened the development of our risk management and internal control through risk management structure, risk management policies, risk management tools, risk profile reporting and risk information monitoring of our overseas entities to further improve the risk management standards of our overseas entities.

Control over subsidiaries

We have established a multi-level consolidated risk management system under the leadership of our Board, for which members of our senior management are jointly responsible and under which the relevant functional departments discharge their responsibilities. This system incorporates all banking subsidiaries, non-banking financial institutions and non-financial institutions in China, and institutions overseas into our overall risk management system. Our overall risk management measures for subsidiaries establish clear standards on our exposure to significant risks including, among others, liquidity risk, market risk, operational risk, financial risk, legal risk and reputation risk of our subsidiaries. They provide clear rules and identify major risk events, implement risk control initiatives and put in place a risk reporting procedure and system support; this is to facilitate the monitoring and assessment of the risks our subsidiaries are exposed to and to minimise risks and their escalation. These measures are designed to govern and strengthen risk control of our subsidiaries, increase our subsidiaries' risk management standards, meet external regulatory requirements, and maximise our value and the value of shareholders of our subsidiaries. We currently have a risk supervisor at China Construction Bank (London) Limited.

Our Risk Management Profile

Credit risk management

Credit risks refer to the risks of possible losses incurred due to the failure of debtors or counterparties to fulfil their contractual obligations or commitments to the Bank. The Bank's credit risks are primarily associated with loan portfolios, investment portfolios, various forms of guarantee and other internal or external credit risk exposures.

To manage credit risks, we have adopted extensive credit business processes and standards which are reviewed and revised by the risk management division of our head office in conjunction with other relevant departments on a regular basis. The processes of these credit businesses, including corporate loans and personal loans, are roughly divided into three parts: (1) acceptance and pre-lending investigation; (2) credit approval; and (3) draw-down of loans and post-lending management.

Credit risk management of corporate loans

Acceptance and pre-lending investigation: Initial examination is conducted on loan application letters and application materials submitted by the borrower. A credit report is then produced. Through face-to-face interviews, telephone interviews and site visits to the borrower, we investigate and assess the truthfulness, legitimacy and completeness of the documents submitted by the borrower as well as its solvency and certainty of collateral, focusing on the credit risks and the valuation of the collateral involved. In respect of secured loans, we usually request an independent appraiser approved by us to appraise the collateral for granting new loans.

Credit rating: Under normal circumstances, we require credit ratings of corporate customers when applying for new loans. When rating the credit risk of a loan applicant, we primarily consider a number of qualitative and quantitative factors, including the applicant's operating risk and financial risk. The credit risk rating of a loan applicant is normally valid for one year. If the business or financial conditions of the customer deteriorate during this time, we will immediately review the credit rating of the customer.

In 2009, customers' credit ratings have been further classified from the original 10 grades into 16 grades: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB, B, CCC, CC, C and D. Customers who are rated above AA- grade or A grade as a result of changes to the rating system are usually validated by our head office and our first-tier branches.

We grant credit loans only to customers with high ratings. For other applicants, we generally provide only property and currency asset-backed or third party secured loans. For secured loans, we only accept priority security interests or secondary security interests in limited cases. We generally do not provide new loans to applicants with a credit rating of BBB- grade or below unless they have certificates of deposit in the full amount of the loan or pledges of treasury bills.

In 2009, we completed the development of the credit rating model and a rating system catering to small enterprises by the classification of their sales income and trade classifications. The rules to this rating system were formulated and promoted bank-wide, to facilitate the calculation of the probability of default of small enterprise customers and set risk limits according to the probability of default and their credit ratings.

Credit approval:

- *Approval authorization:* Our credit approval authorization (delegated authorisation) is divided into two parts, horizontal authorisation (delegated authorisation) and vertical authorization (delegated authorisation). Vertical authorization covers four levels—head office, tier-one branches, second-tier branches and sub-branches. In accordance with our principle of unified management system and accountability at all levels, each level delegates and re-delegates its authorization to the office under it within the perimeters of its authority. Horizontal delegation refers to the delegation of authorisation by the relevant persons responsible at each office to functional departments and staff within the perimeters of its authority. Credit authorisation is valid for one year in principle, and may be extended, if no adjustment is necessary, to a maximum of two years. Meanwhile, during the valid period, the authorising party may revise the authorisation limit based on our needs for business development.
- *Loan approvers:* We implement a credit approval regime under which the approval process and the lending function are separated, allowing loan approvers to make independent decisions. Taking into account the need to balance risks and financial returns, credit approvers independently approve and make decisions on granting credit for projects which have been negotiated and finalised by our business department. As at 30 June 2010, we had 2,228 full-time loan approvers (including 273 full-time lead loan approvers), of whom 19 were at our head office, 856 were from our tier-one branches and 1,353 were from our second-tier or lower level branches.
- *Approval methods:* We use four methods in our credit approval process: approval by one staff member, approval by two staff members, approval by counter signature and approval by meeting. Our branches at various levels determine the approval methods for their credit businesses within their authorization limits according to our credit approval authorisation rules and appropriate approval methods imposed by our head office. In principle, credit businesses with higher risks are approved through meeting discussions.

  In combination with the small enterprise rating system launched in 2009, we adopted the small enterprise operation centre business with a "credit factory" in place to handle the small enterprise credit business through a seamless professional approach. In particular, the credit rating, credit line limit and expense approval for small enterprise customers are at the same level and can be submitted at the same time through the corporate lending process management system (CLPM), so as to provide small enterprises with quality, efficient and expedient credit services which we believe has increased customer satisfaction of our small enterprise customers.

- *Approval conclusions:* Corporate credit applications can be consented to, reconsidered or rejected. An appeals system is implemented for the approval of credit business. In the case of material conflict of interest in the approval of a credit business, the relevant loan approver may be asked to explain the conflict and apply for withdrawal. In principle, any loan approver who has previously participated in the approval of a customer's normal credit business may not participate in the approval of the preservation of assets of that customer.

Draw-down of loans and post-lending management:

- *Draw-down of loans:* Prior to draw-down, the loan needs to be approved, the loan documents negotiated and finalised, the drawn-down conditions satisfied and the loan registered. When a loan is approved, it will be granted by an authorised person in accordance with the conditions of grant. Following the finalisation and signing of the loan documentation, they will be perfected in accordance with the relevant legal procedures to ensure that they are enforceable before draw-down takes place.

- *Loan monitoring:* Our account managers and risk managers are responsible for monitoring the loans of customers for whom they are responsible. The account managers are directly responsible for post-lending management to identify risks that may affect the repayment, and are expected to take relevant preventive measures. Risk managers monitor post-lending risks and the account managers manage risk pre-warning and tracking, identify risk classification and estimate impairment loss. During the post-lending management stage, the risk management department is responsible for off-site monitoring of post-lending risks and organising comprehensive and special inspections of credit assets.

  Loan monitoring covers general information about customers and guarantors, details of operation, management and finance, contractual performance, use of credit funds, mortgage (pledge) guarantee, risk classification for credit assets, maturity management, and major risk events. We focus on monitoring any factors of our corporate loans that are likely to create a negative impact on the repayment capabilities of borrowers. In 2005, we compiled an internal control list of problem credit customers. The customers included in this list are subject to stringent credit restrictions and internal controls for the purpose of carrying out pre-warning, preventing and eliminating credit risks.

- *Loan classification and provisioning:* Prior to 1999, we categorised risks for loans in accordance with the four-grade categorisation scheme. Since 1999, we have a five-grade loan categorisation scheme in compliance with the requirements of the PBOC. In the fourth quarter of 2003, we optimised and revised the categorisation scheme under the IAS, and began to make provisions for loan loss impairment under the requirements of IFRS. In 2008, we launched a 12-grade categorisation scheme for credit assets in order to refine risk measurement and counter-measures. Backed by the New Basel Capital Accord, the categorisation scheme is a method based on a mathematical statistics model that follows expert judgments. The 12-grade categorisation scheme comes with a two-dimensional grading, which analyses risk status in accordance with customer ratings and debt rating; this categorisation scheme determines the initial categorisation ratings based on expected loss (EL) and forms categorisation conclusions following expert judgments.

- *Management of non-performing assets:* The asset preservation department is responsible for managing our non-performing assets and special assets such as re-possessed assets and debt-equity swaps as well as corporate loans under the third level of the special mention category. Since 2005, we have been reforming our asset preservation business unit and promoting the management centralisation of our non-performing assets. Our operations department transfers problem assets to the preservation department on a regular basis. After the transfer, the asset preservation department formulates a disposal scheme by applying various means to promptly, and rapidly and effectively collect and dispose non-performing assets. Non-performing assets are disposed of primarily through routine request for repayment, recovery by legal means, restructuring, disposal of mortgaged or pledged assets, bulk disposal (asset securitization) and write-off. Non-performing assets disposal plans are approved after individual authorization at respective levels and collective approval; they are managed according to hierarchy and authority. Loans written off must meet the requirements stipulated by the MOF.

Credit risk management of personal loans

Acceptance and pre-lending investigation: Initial examination is conducted on loan application letters and application materials submitted by the borrower. A credit report is then produced. Through a face-to-face interview, telephone interviews and site visit to the borrower, we investigate and assess the truthfulness, legitimateness and completeness of the documents submitted by the borrower as well as its solvency and certainty of collateral, focusing on its credit risks and the valuation of the collateral involved. In respect to secured loans, we usually request an independent appraiser approved by us to appraise the collateral for granting new loans. We mainly rely on the applicants' credit evaluation as the basis for granting personal credit lines and utilise the individual credit information system of the PBOC. According to the outcome of such evaluation, the loan officer prepares a report, produces its investigation results and submits relevant document for further approval.

Credit approval: Unified standards and processes are adopted for personal credit examination and approval. The credit approval department assigns a team to personal loan centres to centralise their back offices and set up personal credit approval centres for branch outlets that do not have such centres. In doing so, we centralise the screening of personal credit. There are loan officers that specialise in personal credit approvals. Personal credit approval is mainly conducted by one or two loan approvers except for large, high-risk personal credit businesses. Currently, we have developed scorecards for application of credit cards, residential mortgage loans, personal consumer loans and personal automobile loans which support the examination and automatic approval of our retail customers' credit applications. We believe this has standardised retail credit risk appetite and increased risk control efficiency.

Draw-down of loans and post-lending management: The grant of personal loan takes place after the inspection of the customer's key information and verification of such information in our system, finalisation of the loan grant terms, examination of the core grant terms and opening of loan account notices by accountants. In terms of post-lending management, we focus on the borrowers' repayment capability, the price of collaterals and changes to such value. Once a loan is overdue, the account manager will, based on the reasons leading to the non-performing loan and the risk status, collect overdue receivables through payment reminders by way of text messages, emails and mails, collection in person, outsourced collection and legal collection, in order to have the overdue payments settled or disposed of. We have developed a standardised collection system for personal loans. The standardised operation process for collecting personal loans is achieved by integrating our electronic banking channels with an external collection platform and vehicle. Conditional upon compliance with regulatory requirements, we classify our personal loan risks into 12 grades by adopting the retail credit asset risk classification matrix approach and according to the relevant collaterals, overdue amount of principal or interest and the categories of products. The credit management information system (CMIS II) automatically generates classification result of loans according to risk classification rules for retail credit assets, and if necessary, makes individual adjustment according to individual adjustment rules. Non-performing personal loans are managed by our asset preservation department. Depending on each case, effective claims and processing may be made by either one or several methods including request for payment through telephone text messages, email and letters, routine request for repayment, outsourced collection, legal action, offsetting debts with assets, restructuring and/or write-off.

Credit risk management of credit card business

We formulate risk management policies for our credit cards under the unified bank-wide risk preference, and monitor overall credit card business and overdraft to strengthen credit risk prevention. Our credit card centre at our headquarters is responsible for the management of policy formulation, collection, and authorisation; they also monitor and control transaction risks, handle fraud cases, manage asset preservation and write off bad debts. The branch credit card centres or corresponding offices are responsible for examining and verifying whether credit reports and the subsequent collection and disposal regarding local credit cards comply with the policies formulated by the headquarters.

We control the risk of issuing cards through the implementation of a unified credit granting policy and a standardised credit reporting process, which identifies and solves fraud risks promptly by monitoring and analysing irregular credit card transactions. The system collects and handles outstanding credit card overdraft loans through payment reminders by phone, mail and in person, as well as taking legal actions and outsourcing collections.

Credit risk management of treasury business

Credit risks exist in our treasury business since we engage in the investment of non-sovereign securities, interbank borrowing and lending business. For securities investment in China including corporate bonds, financial bonds, short-term financing bills, medium-term notes and the domestic inter-financial institution borrowing and lending business, our credit management department will propose a credit limit for each counterparty or investment product. Upon obtaining approval at the credit approval meeting of the headquarters, the said credit limit will be allocated to our financial market department for investment management. Generally, there is no restriction for investments in China's sovereign bonds. As for foreign securities investment and interbank borrowing and lending, we, arrange credit limits for the issuers or institutions based on the credit limits for various nations or region. The financial markets department carries out the management and transaction of the asset portfolio within its authorised limit.

Credit risk management information system

We collect and manage credit information through the new generation credit management information system (CMIS II). This system is the source for most data we use while making management decisions. We have developed, optimised and upgraded the internal rating system, corporate lending processing system (CLPM) and personal credit management system (A+P) to rate our customers analyse our asset portfolio, manage our risk limits and our economic capital management with a view to better manage and analyse the support we may need and for the effective monitoring of our credit quality. We launched the Special Assets Resolution Management System (SARM), the Credit Loss Reserve Management System (CLRMS) and a 12-grade credit asset classification system.

Liquidity risk management

Liquidity risk means the risk of failing to realise assets at reasonable prices in time to provide funding for liabilities due by us. We aim to maintain a reasonable level of liquidity by ensuring payment and settlement security while complying with regulatory requirements. We strive to deploy funds in a reasonable and effective way to enhance our returns.

Our asset and liability management committee is responsible for establishing our liquidity management policy and process. Our asset and liability management department is responsible for managing daily liquidity, formulating relevant policies and regulations and carrying out organisation and co-ordination tasks. The financial market department is responsible for the comprehensive management of our liquidity position. The financial accounting departments of all tier-one branches are responsible for daily capital dispatching, ensuring external payment and liquidation at these branches as well as monitoring, analysing and evaluating the liquidation status of these branches. Our head office is responsible for the overall allocation, management and utilisation of liquidity funds across the firm. After extra capital is collected by individual branches, the head office will roughly estimate the liquidity position. After retaining cleared funds, we will submit the surplus funds to the financial market department for utilisation, dispose the surplus funds by investing in central bank bills with a high liquidity or in short-term buy-back and borrowing, and lend assets to maintain adequate liquidity reserve to achieve a reasonable balance between liquidity and efficiency.

Primarily through the management of our daily liquidity position and reserve ratios, regular index management and gap analysis, we have enhanced the financial management between our head office and branches, created liquidity trading portfolios, and established a fund management contingency plan for unexpected situations. We monitor, prevent and timely mitigate liquidity risks. The liquidity indicators we regularly monitor include: current ratio, liquidity gap ratio, core debt dependency ratio, inventory ratio and cash reserve ratio.

Market risk management

Market risk is the risk of loss, in respect of our on and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, stock prices and commodity prices. Market risk exists in both our transactional and non-transactional businesses. Our main measurement tools used for monitoring market risk include gap analysis, stress test, and risk value. Our market risk management objective is to ensure market risk is maintained in a tolerable range, which is independently measured, monitored and reported by the business units.

Our risk management department leads our overall risk management and specifically manages the risks confronted by the financial market. The assets and liabilities management department takes charge of the interest rate risk and the exchange rate risk management of all our accounts. In particular, the risk management department takes charge of formulating unified market risk management policies and market risk limits of our entire financial market business, setting up the market risk measurement method and management system of our financial market business. The department is also responsible for carrying out the measurement, monitoring market risk and measuring market risk capital, and leading in the report on our overall market risk situation. The assets and liabilities department takes charge of establishing the measurement method and management system of interest rate risk and exchange rate risk of bank accounts, developing interest rate risk and exchange rate risk measurement, conducting risk control and hedging through arrangement and adjustment of the total amount and structure of the assets and liabilities, and submitting risk reports regularly.

Interest rate risk management

Interest rate risk means the risk affecting the financial position of a bank due to the adverse changes in the interest rate level. Our interest rate risk is mainly caused by the mismatch of the term structure and re-pricing period of our asset-liability portfolio. The net interest income may be affected by change in the interest rate level on account of the mismatch of the term structure.

For non-trading business interest rate risk management, since 2004, we have adopted re-pricing gap, scenario simulation, net interest income sensitivity and economical value to measure interest rate risk. Moreover, duration analysis is applied to bond investment in order to compute the sensibility of bond prices to interest rate fluctuations. We measure and calculate the portfolio risk exposure caused by potential interest rate change through interest rate sensibility analysis, risk value analysis and stress test. In 2006, the assets and liabilities management system Phase I we developed went on-stream bank-wide, providing partially automation of risk measurement as well as technical support to bank-wide pricing and interest rate monitoring. From 2007, the full capital pricing system was promoted bank-wide to centralise interest rate risk management at the headquarters; internal and external pricing systems were timely adjusted and improved in line with macro monetary policies and the changing financial market. In 2009, we improved forward-looking interest rate management by enhancing long-term fixed-rate deposit management. The assets and liabilities management system Phase II was started to optimise the risk management module in order to meet the Pillar 2 requirements under the New Basel Capital Accord.

We hedge our interest rate risk in connection with transactions denominated in foreign currencies and investment portfolios through contracts of derivatives such as interest rate swaps and interest rate options. As hedging tools in the domestic market are not fully developed, we generally do not use these tools to hedge the interest rate risk of RMB-denominated securities.

Foreign exchange risk management

Foreign exchange rate risk means the risk affecting the financial position of a bank on account of the adverse change in the exchange rate level. The exchange rate risk posed to us is mainly caused by holding of loans, deposits, securities and other financial derivatives that are not RMB-denominated. In order to manage exchange risk, we strive to match each currency and hedge against the risk of currency trading transactions for its own account by using spot, forward, swap or option contracts. A clear quota is set for our transactional exchange rate risk, and we ensure transactions to stay within the quota. We carry out risk management of market transactions and non-market transactions by means of various systems such as the Reuters. In 2009, we launched the second phase of development of our asset and liability management system to enhance foreign exchange risk management and to comply with requirements in internal management, external supervisory and information disclosure etc. Certain functions were already implemented to automatically measure our foreign exchange risk exposure on a daily basis. The accuracy of the measures has significantly increased.

Operational risk management

Operational risk is the potential loss resulting from inadequate or flawed internal processes, people and systems, or external events. Operational risks mainly include risks associated with internal fraud, external fraud, breach of contract, product defects, other external events, system malfunction, equipment failure, execution of transactions and process management and labour protection.

The objective of operational risk management is to reduce uncertain operational risks, control operational risks to an acceptable and reasonable range, improve service efficiency, optimise process, reduce management costs, improve income level, reduce the impact of emergency events, and ensure normal and sustainable business commencement.

We established a complete operational risk management structure. Our Board is our highest policy-making body for operational risk management. The supervisory committee is responsible for monitoring our operational risks and internal control. Each business department and supporting department is responsible for establishing systems, processes and measures for operational risk management of their business. The risk management functional departments of the headquarters is in charge of designing and operating the risk management framework, drafting policies, processes and risk assessment criteria, and coordinating, guiding, evaluating and monitoring operational risk management activities conducted by each business department and each back office, and monitoring and examining critical risk points. The auditing department is responsible for supervising and evaluating the implementation of operational risk management, evaluating sufficiency and efficiency of operational risk management and monitoring processes. The operational risk management committee is established at first-tier branches, responsible for the implementation of policies, systems and standards for operational risks and the coordination in resolving relevant problems.

Compliance risk management

Compliance risk refers to the risk of legal sanction or regulatory penalty, significant financial loss or reputation loss due to its failure to comply with the laws, regulatory stipulations, rules and regulations. Our legal and compliance department is the functional department in charge of the legal affairs and compliance management across the bank. The department is in charge of the provision of a legal and compliance base for the decisions by our management and the provision of legal and compliance support and services for our operations and management activities, to ensure compliance with legislation. The legal and compliance department is in the charge of various tasks such as formulation and management of rules and regulations, management of legal person authorisations, review and management of legal documents, management of legal disputes, management of intellectual property, lead management of rectifications to problems identified in internal and external audits and regulatory inspection, management of connected transactions, our management of anti-money laundering.

Anti-money laundering management

We have established an anti-money laundering steering working team, which is responsible for leading anti-money laundering functions. This working team is mainly responsible for the research and preparation of anti-money laundering plans and policies and the establishment of an anti-money laundering system. The anti-money laundering working team takes the lead responsibilities in routine anti-money laundering issues, mainly including the coordination, organisation and management of anti-money laundering, drafting of relevant rules and regulations, and supervision and inspection.

We have developed a monitoring and analysis system for anti-money laundering. Block trade reports are collected and reported to the Chinese Anti-Money Laundering Monitoring and Analysis Centre by the system, and suspicious transactions are manually analysed, judged and screened and reported according to specified procedures. Overseas branches carry out relevant tasks such as customer due diligence investigation and reporting of suspicious transactions according to our anti-money laundering policies and systems and local regulatory requirements.

Connected transaction management

Our Board and the Connected Transaction Control Committee are responsible for the management and supervision of our connected transactions including confirmation of connected parties and identification of connected transactions. The office of our Board is responsible for the daily routine affairs of the Connected Transaction Control Committee. Our legal and compliance department is responsible for taking the lead in carrying out routine management of connected transactions.

Economic capital management

In 2001, we introduced the economic capital management concept, which has positive impact on the control of the total increment in our risk assets, establishment of a capital constraint concept and guidance to financial resources allocation. We have used the economic capital management concept as an effective tool for guiding business development and allocating credit resources to actively restructure credit. The measurement results of economic capital have been applied in various fields such as business plan, product pricing, customer risk-return analysis, and performance appraisal.

Industry cap management

Since 2007, we have implemented industry cap management. It has brought about the implementation of risk margin management, adjustment of credit structure and control of concentration risks. The industry cap, based on the economic capital, measures certain constraints of the total economic capital, confirms the limit allocation scheme of various industries in accordance with the principle of balancing risk preference, income and risks, sets up the limit monitoring system incorporating both economic capital limit and nominal limit, and makes use of customers' credit rating to formulate mechanisms to handle situations where limit has been exceeded. It plays an important role in limiting our overall credit risks during economic fluctuation as well as stabilising the quality of assets. The credit risk monitoring system (CRMS) monitors the execution of the industry limit on monthly basis.

Internal audit

In order to establish effective internal controls, risk management and sound corporate governance, our internal audit evaluates the effectiveness of our internal controls and risk management, the efficiency of business operations, the effectiveness of our corporate governance, and financial responsibilities of key managers and where appropriate, make suggestions for necessary improvements. Our internal audit department plays a relatively independent role which is managed vertically and reports to our Board and our audit committee; it also reports to our supervisory committee and senior management. We also have an Audit Department at the head office and 39 audit units at tier-one branches and Hong Kong responsible for managing and conducting audit projects.

INTERNAL CONTROL

Key principles of our internal control

Our internal control is based on the following key principles:

Comprehensive principle. Internal control should cover each business process and each operational aspect, all departments and positions, involving all staff members. All decisions and operations are to be recorded properly.

Prudential principle. Internal control aims at risk prevention and prudential operation. Business operation and management, especially in the establishment of a new office or commencement of a new business, must place internal control as priority.

Material principle. Based on our comprehensive control, we focus on priority business matters and high risk areas and select the appropriate factors, sub-systems, policy procedures and key control procedures for major workflows to suit the development of such businesses.

Effective principle. Internal control must be highly authoritative. All personnel at our Bank is subject to internal control. All feedback and rectification of internal control problems must be made on a timely basis.

Check-and-balance principle. Our internal control system functions as a check-and-balance mechanism on governance structure, organisation structure, authorisation and responsibility allocation and business process which can maintain operational efficiency at the same time.

Compliance principle. Internal control must comply with the laws, rules and regulations as well as the rules and standards of supervising authorities and self-regulatory rules of China.

Moderation principle. Internal control must be compatible with our operation scale, business scope and risk characteristics to achieve our internal control objective at reasonable costs.

Management structure of our internal control

Our internal control management structure consists of three levels: decision-making of internal control, establishment and implementation, and supervision and assessment. The heads of branches and departments of all levels are held responsible. The entire staff of the Bank is involved in the internal control management structure.

Decision-making level: The Board was established according to the Articles of Association and relevant rules. It is the decision-making body of our internal control. The Directors are primarily responsible for determining the strategic objectives of our risk control and risk tolerance, making decisions regarding our internal control policies, examining and implementing our internal control system, putting in place procedures and methods to implement an effective internal control system, ensuring the sufficiency and effectiveness of the internal control system, reviewing its effectiveness and making recommendations for improvement. It will also be responsible for continuously evaluating and supervising our senior management in improving and perfecting our internal control system.

Establishment and implementation level: Our senior management and departments of all levels are responsible for formulating and implementing the internal control policies of the Bank.

- **Senior management**

Senior management is responsible for implementing the decisions of our Board, formulating internal control policies, setting up and perfecting the internal organisational structure to ensure that all internal control functions are performed effectively. They are also responsible for setting up procedures for identification, measurement, monitoring and control of risks, monitoring and evaluating the sufficiency and effectiveness of our internal control system, as well as reporting and rectifying any problems.

- **Management of the branches**

Branch management is responsible for setting up an appropriate internal control mechanism pursuant to the requirements of senior management and departments, which mainly consists of internal rules and regulations and an operational risk control system in line with its business activities needs. All business management departments organise and carry out internal control activities and internal control inspections within their functions, report and rectify any existing problems.

- **Business and management departments**

The business departments, with direct exposure to risks, take the primary responsibility for executing our risk management policies.

The responsibilities of our risk management related departments include: firstly, identifying risk preference, formulating risk management strategies and unified risk management policies and standards for the Bank; secondly, designating risk control managers to participate in the risk controlling process of the business departments, mitigate risks and approve loans independently; and thirdly, supervising risk management activities of separate business units independently.

Supervision and assessment level: The supervisory committee, the audit committee of our Board and our internal audit department constitute the supervisory and assessment body of our internal control system and its implementation.

中國建設銀行股份有限公司
China Construction Bank Corporation
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 939)

Executive Directors:
Guo Shuqing
Zhang Jianguo
Chen Zuofu
Zhu Xiaohuang

Independent non-executive Directors:
Lord Peter Levene
Joseph Yam Chi-kwong
Dame Jenny Shipley
Elaine La Roche
Zhao Xijun
Wong Kai-Man

Non-executive Directors:
Wang Yong
Wang Shumin
Zhu Zhenmin
Li Xiaoling
Sue Yang
Lu Xiaoma
Chen Yuanling

Registered office:
No. 25, Finance Street
Xicheng District
Beijing 100033
China

Principal place of business in Hong Kong:
44th Floor & 45th Floor Tower One
Lippo Centre
89 Queensway
Hong Kong

19 November 2010

To the Qualifying H Shareholders and, for information purpose only, the Excluded Shareholders, other than U.S. persons

Dear Sirs,

PROPOSED H SHARE RIGHTS ISSUE OF 15,728,235,880 H RIGHTS SHARES ON THE BASIS OF 0.7 H RIGHTS SHARES FOR EVERY TEN (10) EXISTING H SHARES AT HK$4.38 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE

A. INTRODUCTION

Reference is made to the circular issued by the Bank on 7 May 2010 and the Announcement in relation to, among other things, the proposed Rights Issue. The resolutions to approve the proposed Rights Issue were duly passed at the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting held on 24 June 2010. The CBRC has given its written approval dated 26 July 2010 in respect of the Rights Issue. On 28 October 2010, the Bank received CSRC's written approval (Zheng Jian Xu Ke [2010] no. 1490) in respect of the A Share Rights Issue and written approval (Zheng Jian Xu Ke [2010] no. 1483) in respect of the H Share Rights Issue.

Pursuant to the authorisation granted to the Board at the Annual General Meeting, the Board has finalised the terms of the Rights Issue. A summary of the major terms of the H Share Rights Issue and the expected timetable of the H Share Rights Issue are set out in this prospectus. The H Share Register was closed from Friday, 12 November 2010 to Tuesday, 16 November 2010 (both days inclusive). The last day of dealings in the H Shares on a cum-rights basis was Tuesday, 9 November 2010 and the H Shares have been dealt in on an ex-rights basis since Wednesday, 10 November 2010. To qualify for the subscription of the H Rights Shares, an H Shareholder must be a Qualifying H Shareholder at the close of business on the H Share Record Date and must not be an Excluded Shareholder.

The H Share Rights Issue will be fully underwritten by the Underwriters on the terms and conditions set out in the Underwriting Agreement.

The A Share Rights Issue Prospectus, which is in Chinese, containing the detailed terms of the A Share Rights Issue, has been made available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Shanghai Stock Exchange (www.sse.com.cn) from the date of the Announcement. The A Share Rights Issue Prospectus is also available on the Bank's website at (www.ccb.com). Neither the A Share Rights Issue Prospectus nor any other information on either of the above websites is incorporated in this prospectus. A summary of the major terms and the expected timetable of the A Share Rights Issue are set forth herein for information purposes only.

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions of the H Share Rights Issue" in this prospectus. **If the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed. Furthermore, in the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Shareholders' and potential investors' attention is drawn to the paragraph headed "Warning of the Risk of Dealing in the H Rights Shares and Nil Paid H Rights" in this prospectus. If in any doubt, investors are recommended to consult their professional advisers.**

The purpose of this prospectus is to provide you with, among other things, details of the Rights Issue as well as certain financial and other information in respect of the Group.

B. RIGHTS ISSUE

The Rights Issue is conducted on the basis of 0.7 Rights Shares for every ten (10) existing Shares held by the Shareholders on the A Share Record Date and H Share Record Date. The Board has determined the Subscription Price per A Rights Share to be RMB3.77 and that per H Rights Share to be HK$4.38, both of which are more than RMB2.39 (equivalent to approximately HK$2.78), being the latest audited net asset value per Share as stated in the audited consolidated financial statements of the Bank as at 31 December 2009 prepared under PRC GAAP (on the basis of the total number of Shares in issue as at 31 December 2009).

The Subscription Prices of RMB3.77 per A Rights Share and HK$4.38 per H Rights Share were determined by the president of the Bank, who was authorised by the Board, and in consultation with the joint lead underwriters for the A Share Rights Issue and the Joint Lead Underwriters for the H Share Rights Issue on the

Price Determination Date, based on a discount to market trading prices having regard to the current prevailing market conditions. The Subscription Prices of A Rights Shares and H Rights Shares shall be the same after exchange rate adjustment.

The Rights Issue, consisting of the A Share Rights Issue and the H Share Rights Issue, will raise (i) gross proceeds in an aggregate amount of approximately RMB61,620 million (assuming full subscription for the A Rights Shares) or RMB60,908 million (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all the costs and expenses incidental to the Rights Issue) in an aggregate amount of approximately RMB61,507 million (assuming full subscription for the A Rights Shares) or RMB60,797 million (assuming 70% subscription for the A Rights Shares), on the basis of the Subscription Price of RMB3.77 per A Rights Share and HK$4.38 per H Rights Share and translations of RMB into HK$ at the rate of RMB0.86 to HK$1.00. The net price per H Rights Share upon full allotment of the 15,728,235,880 H Rights Shares will be approximately HK$4.37 per H Rights Share.

C. H SHARE RIGHTS ISSUE

The H Share Rights Issue is subject to the fulfilment of the conditions specified in the section headed "Conditions of the H Share Rights Issue" of this prospectus. Details of the H Share Rights Issue are as follows:

H Share Rights Issue Statistics

Basis of H Share Rights Issue:	0.7 H Rights Shares for every 10 existing H Shares held on the H Share Record Date by the H Shareholders
Number of H Shares in issue:	224,689,084,000 H Shares as at the Latest Practicable Date
Number of H Rights Shares proposed to be issued:	15,728,235,880 H Shares
Subscription Price for the H Rights Share:	HK$4.38
Joint Global Coordinators: (H Share Rights Issue)	CCB International Capital Limited
	China International Capital Corporation Hong Kong Securities Limited
	Morgan Stanley & Co. International plc
Joint Bookrunners and Joint Lead Underwriters:	CCB International Capital Limited
	China International Capital Corporation Hong Kong Securities Limited
	Morgan Stanley & Co. International plc[Note 1]
	CITIC Securities Corporate Finance (HK) Limited
	Merrill Lynch Far East Limited
	Credit Suisse (Hong Kong) Limited
	BOCI Asia Limited

The Bank has no outstanding convertible securities or warrants in issue which confer any right to subscribe for, convert or exchange into the H Shares as at the Latest Practicable Date.

Note 1: In so far as Morgan Stanley & Co. International plc, in performing its functions under the Underwriting Agreement, is "dealing in securities" as defined in Part 2 of Schedule 5 of the SFO, it shall only do so through its agent Morgan Stanley Asia Limited and only in circumstances such that none of the sub-provisos (I), (II), (III), (IV) and (V) in sub-paragraph (iv) to the definition of "dealing in securities" in Part 2 of Schedule 5 of the SFO is applicable.

Basis of Entitlement

Subject to fulfilment of the conditions set out below in the paragraph headed "Conditions of the H Share Rights Issue", Qualifying H Shareholders will be allotted 0.7 H Rights Shares for every 10 existing H Shares held on the H Share Record Date at the Subscription Price, being HK$4.38, for each H Rights Share payable in full on acceptance. The Bank will issue a total number of 15,728,235,880 H Shares in the H Share Rights Issue, representing 7% of the Bank's existing issued H Shares capital as at the Latest Practicable Date and approximately 6.54% of the enlarged issued H Share capital of the Bank immediately after the H Share Rights Issue. Immediately after the Rights Issue, the percentage of the H Rights Shares relative to the Bank's total enlarged issued share capital is approximately 6.29%, assuming all the Rights Shares are fully taken up.

Qualifying H Shareholders

The Bank will send the Prospectus Documents to the Qualifying H Shareholders only. To qualify for the H Share Rights Issue, a Shareholder must:

(i) be registered as an H Shareholder of the Bank on the H Share Record Date; and

(ii) not be an Excluded Shareholder (see the paragraph headed "Excluded Shareholder" below).

Distribution of this prospectus and the other Prospectus Documents

The Bank will only send this prospectus accompanied by the other Prospectus Documents to the Qualifying H Shareholders. However, to the extent reasonably practicable and legally permitted, the Bank will send this prospectus to the Excluded Shareholders for information purposes only, provided that this prospectus shall not be sent to the Excluded Shareholders who are known by the Bank to be residents in the United States and Canada. The Bank will not send any Provisional Allotment Letter or Excess Application Form to the Excluded Shareholders.

Distribution of this prospectus and the other Prospectus Documents into jurisdiction other than Hong Kong may be restricted by law. Persons who are in possession of the Prospectus Documents (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any H Shareholder or Beneficial H Shareholder who is in any doubt as of his/her/its position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Bank, this prospectus should not be distributed, forwarded to or transmitted in, into or from any of the Specified Territories with or without the Provisional Allotment Letter or the Excess Application Form.

It is the responsibility of any person (including but not limited to agent, custodian, nominee and trustee) outside Hong Kong, who wishes to make an application for the H Rights Shares, to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Bank that these local laws and requirements have been fully complied with. Shareholders should consult their professional advisers if in doubt.

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

H Shareholders with registered address in any of the Specified Territories and the Beneficial H Shareholders who are residents of the Specified Territories are referred to the important information set out in the sections headed "Notices", "Excluded Shareholders" and "Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue" in this prospectus.

Excluded Shareholders

Pursuant to Rule 13.36(2) of the Hong Kong Listing Rules, the Directors have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the H Rights Shares to the H Shareholders or Beneficial H Shareholders in those territories. Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exceptions as described below, it is necessary or expedient to restrict the ability of H Shareholders or Beneficial H Shareholders in the Specified Territories to take up their rights under the H Share Rights Issue due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps the Bank and H Shareholders or Beneficial H Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in those territories and/or legal or regulatory restrictions imposed in those territories.

Accordingly, for the purposes of the H Share Rights Issue, the Excluded Shareholders are:

(a) H Shareholders whose name(s) appeared in the H Share Register at the close of business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in the PRC or the U.S. who fulfil the relevant requirements to the satisfaction of the Bank; and

(b) any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Bank to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders resident in the PRC or the U.S. who fulfil the relevant requirements to the satisfaction of the Bank.

Notwithstanding any other provision in this prospectus or the Provisional Allotment Letter or the Excess Application Form, the Bank reserves the right to permit any H Shareholder or Beneficial H Shareholder to take up his/her/its rights, if the Bank, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Receipt of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or the crediting of Nil Paid H Rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or whose stock account in CCASS is credited with Nil Paid H Rights should not, in connection with the H Share Rights Issue, distribute or send the same in, into or from, or transfer Nil Paid H Rights to any person in, into or from, any of the Specified Territories. If a Provisional Allotment Letter or an Excess Application Form or a credit of Nil Paid H Rights in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the Provisional Allotment Letter or transfer the Provisional Allotment Letter (or apply for any excess H Rights Shares under the Excess Application Form) or transfer the Nil Paid H Rights in CCASS unless the Bank determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this prospectus or a Provisional Allotment Letter or an Excess Application Form in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Arrangements will be made for the Nil Paid H Rights of Excluded Shareholders who hold their existing H Shares in certificated form to be provisionally allotted to a nominee or nominees appointed by the Bank for the benefit of the Excluded Shareholders and, if a premium (net of expenses) can be obtained, to be sold by the nominee on such Excluded Shareholders' behalf on the Hong Kong Stock Exchange as soon as practicable after the commencement of the dealings in the Nil Paid H Rights. The proceeds of such sale, less expenses, will be divided on a pro rata basis and paid to the Excluded Shareholders, provided that individual amounts of HK$100 or less will be paid to the Bank for its own benefit. With respect to Excluded Shareholders who hold interests in H Shares through CCASS, their nominees, custodians or other intermediaries may sell, on such Excluded Shareholders' behalf, their entitlements to the Nil Paid H Rights in compliance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time and applicable securities laws and distribute the proceeds thereof as appropriate. Any H Rights Shares in respect of unsold fractional entitlements, unsold entitlements of Excluded Shareholders, together with any H Rights Shares in respect of Nil Paid H Rights not taken up by the Qualifying H Shareholders or otherwise not subscribed for by transferees of Nil Paid H Rights, will be made available for excess application on Excess Application Forms by Qualifying H Shareholders.

Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue

Notwithstanding what is said in the section headed "Excluded Shareholders" above, the following limited categories of persons in the Specified Territories may be able to take up their rights under the H Share Rights Issue:

(1) H Shareholders or Beneficial H Shareholders in the U.S. are generally Excluded Shareholders; however, a limited number of H Shareholders and Beneficial H Shareholders in the U.S. whom the Bank reasonably believes are QIBs may be able to take up their Nil Paid Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration requirements under the U.S. Securities Act, provided that they fulfil relevant requirements to the satisfaction of the Bank, including confirming to the Bank in writing that they satisfy the requirements to be a QIB as defined under Rule 144A of the U.S. Securities Act and representing to the Bank that their financial status satisfies the relevant exemption requirements in the U.S. and stating in writing to the Bank their intentions in subscribing for the H Rights Shares.

(2) Huijin, the Minority Promoters, QDIIs and other qualifying PRC investors in the PRC may be able to take up their Nil Paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue, provided that they fulfil the relevant requirements under PRC laws and regulations.

In each case, the Bank reserves the absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

Subscription Price for the H Rights Shares

The Subscription Price of HK$4.38 per H Rights Share is payable in full when a Qualifying H Shareholder accepts the relevant provisional allotment of H Rights Shares or applies for excess H Rights Shares or when a transferee of Nil Paid H Rights accepts the H Rights Shares.

The Subscription Price of HK$4.38 per H Rights Share represents:

(1) a discount of approximately 42.7% to the closing price of HK$7.64 per H Share as quoted on the Hong Kong Stock Exchange on 1 November 2010 (being the Price Determination Date);

(2) a discount of approximately 41.0% to the average closing price of HK$7.43 per H Share as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including 1 November 2010 (being the Price Determination Date);

(3) a discount of approximately 41.0% to the average closing price of HK$7.43 per H Share as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including 1 November 2010 (being the Price Determination Date);

(4) a discount of approximately 39.6% to the average closing price of HK$7.25 per H Share as quoted on the Hong Kong Stock Exchange for the 20 consecutive trading days up to and including 1 November 2010 (being the Price Determination Date);

(5) a discount of approximately 41.0% to the theoretical ex-right price of HK$7.43 per H Share based on the closing price of HK$7.64 per H Share as quoted on the Hong Kong Stock Exchange on 1 November 2010 (being the Price Determination Date); and

(6) a discount of approximately 41.0% to the closing price of HK$7.43 per H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

Status of the H Rights Shares

The H Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the H Shares then in issue. Holders of fully-paid H Rights Shares will be entitled to all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.

Fractional Entitlements

Fractional entitlements to H Rights Shares will not be provisionally allotted to the H Shareholders and Qualifying H Shareholders' entitlements will be rounded down to the nearest whole number. The Nil Paid H Rights representing the aggregate of fractions of H Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Bank and, if a premium (net of expenses) can be obtained, will be sold by the Bank or its appointed nominee in the market in their nil-paid form after dealing in the Nil Paid H Rights commences and the net proceeds of sale (if any, after deduction of expenses) will be retained by the Bank for its own benefit. Any unsold fractions of H Rights Shares will be available for excess application by Qualifying H Shareholders.

Application for Excess H Rights Shares

Qualifying H Shareholders may apply, by way of excess application, unsold fractional entitlements, unsold entitlements of the Excluded Shareholders and any H Rights Shares provisionally allotted but not accepted by Qualifying H Shareholders or otherwise subscribed for, by transferees of Nil Paid H Rights.

Application for excess H Rights Shares can be made by completing the Excess Application Form and lodging the same with a separate remittance for such excess H Rights Shares at any one of the branches of the Receiving Bank as mentioned below by no later than 4:00 p.m. on 8 December 2010. Unless otherwise agreed by the Bank, all remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "CCB Nominees Limited-CCB-EAF" and must be crossed.

	Branch Name	Address
Hong Kong Island	1. Central Branch	6 Des Voeux Road Central, Central
	2. Sai Ying Pun Branch	73 Des Voeux Road West, Sai Ying Pun
	3. Wanchai Hennessy Road Branch	139 Hennessy Road, Wanchai
	4. Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
	5. Shau Kei Wan Branch	2 Po Man Street, Shaukeiwan
Kowloon	6. Yaumati Branch	556 Nathan Road, Yaumati
	7. Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	8. Kwun Tong Branch	56 Hoi Yuen Road, Kwun Tong
New Territories	9. Tsuen Wan Branch	282 Sha Tsui Road, Tsuen Wan
	10. Shatin Plaza Branch	Shop 5, Level 1, Shatin Plaza, Shatin

An Excess Application Form can be lodged from 19 November 2010 to 8 December 2010 (both days inclusive) at the following times:

Monday to Friday:	9:00 a.m. to 5:00 p.m.;
Saturday:	9:00 a.m. to 1:00 p.m.; and
Last Acceptance Date (8 December 2010):	9:00 a.m. to 4:00 p.m.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will not be given to the applicant. Completion and lodgement of an Excess Application Form together with a cheque or cashier's order in payment for the excess H Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Any Excess Application Form in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected. The applicant must pay the exact amount payable upon application for the H Rights Shares, underpaid application will be rejected. In event of overpaid application, a refund cheque will be made out to you only if the overpaid amount is HK$100 or above.

If no excess H Rights Shares are allotted to you, the amount tendered on application by you is expected to be refunded in full without interest by means of cheque(s) despatched by ordinary post at your own risk on or about 15 December 2010. If the number of excess H Rights Shares allotted to you is less than the number applied for, the surplus application monies are also expected to be returned to you without interest by means of cheque(s) despatched by ordinary post at your own risk on or about 15 December 2010.

The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All enquiries in connection with the Excess Application Form should be addressed to the H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

If the Underwriters exercise the rights to terminate their obligations or if the conditions precedent under the Underwriting Agreement are not fulfilled before the Latest Time for Termination, and in each case, the H Share Rights Issue does not proceed, the monies received in respect of relevant applications for excess H Rights Shares will be returned to the relevant persons without interest, by means of cheque(s) to be despatched by ordinary post at the risk of such persons on or about 15 December 2010.

Any excess H Rights Shares will, at the sole discretion of the Directors, be allocated and allotted on a fair and reasonable basis and as far as practicable, (i) preference will be given to those applications that will top up odd lots into whole board lots, unless the total number of excess H Rights Shares are not sufficient to top up all odd lots into whole board lots or the Directors are satisfied that such applications are made with the intent to abuse this mechanism, and (ii) after applying the principle in (i) above, the remaining excess H Rights Shares (if preference will be given) or all excess H Rights Shares (if no preference will be given) will be allocated to Qualifying H Shareholders who have applied for excess H Rights Shares on a pro rata basis with reference to their number of excess H Rights Shares applied for.

Important Notice for Beneficial H Shareholders

Beneficial H Shareholders with their H Shares held by a registered H Shareholder, or which are held in CCASS, should note that the registered H Shareholder (including HKSCC Nominees Limited) is regarded as a single H Shareholder according to the H Share Register. Accordingly, beneficial H Shareholders whose H Shares are registered in the name of a registered H Shareholder, or which are held in CCASS, should note that the aforesaid top up arrangement in relation to the allocation of the excess H Rights Shares will not be extended to beneficial owners individually.

Receiving bank arrangement and contingency plan

In order to ensure that large volume of applications for the H Rights Shares and application for excess H Rights Shares can be processed within a short period of time, the Receiving Bank will make available 10 of its branches initially to collect the applications and the subscription money. The details and opening hours of these 10 branches are set out in the section headed "Procedures for Acceptance or Transfer of H Rights Shares by Qualifying H Shareholders" in this prospectus.

In the event that subscription level of the H Share Rights Issue is substantially higher than expected, the Receiving Bank will:

- extend the opening hours on certain Business Days in the week prior to the end of the offer period for the H Share Rights Issue;
- extend the opening hours on the weekend prior to the end of the offer period for the H Share Rights Issue; or
- open up to 6 additional branches to collect and process the applications and subscription money.

The Bank will make a separate announcement if such arrangement is made.

H Shareholders are encouraged to call the H Shareholder hotline maintained by the H Share Registrar on (852) 2862 8646 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday (other than public holidays) if they have any questions in relation to the H Share Rights Issue.

H Shareholders are also encouraged to call the Receiving Bank's hotline on (852) 2779 5533 during business hours from 8:30 a.m. to 8 p.m., Monday to Friday (other than public holidays) and from 8:30 a.m. to 5:00 p.m. on Saturday if they have any questions in relation to the H Share Rights Issue.

H Shareholders and investors should note that the H Shareholder hotline and the Receiving Bank hotline are the key channels of communications between the Bank and its H Shareholders, brokers and custodians. The telephone hotline maintained by the H Share Registrar is dedicated to answering questions of H Shareholders and their brokers or custodians, whereas the hotline maintained by the Receiving Bank is dedicated to answering questions of H Shareholders. Accordingly, H Shareholders, brokers and custodians are strongly encouraged to call these hotlines if they have any questions in relation to the H Share Rights Issue. The Bank also has in place internal communication processes to ensure any difficult issues arising from the implementation of the H Share Rights Issue are dealt with in an appropriate manner.

Shareholders should note that the dates specified in the expected timetable for the H Share Rights Issue as set out below, and in other parts of this prospectus, are indicative only. In the event any special circumstances arise, the Board or the authorised person by the Board may extend or make adjustments to the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be announced and notified to the Shareholders as and when appropriate. The Bank, with the assistance of the H Share Registrar, will monitor the process of the H Share Rights Issue to ensure that the H Share Rights Issue will be conducted in a fair and orderly manner.

If necessary, the H Share Registrar and the Receiving Bank will assign additional trained staff at the designated branches of the Receiving Bank to assist the H Shareholders to fill in the applications for the H Rights Shares or the excess H Rights Shares and to answer their enquiries.

Effect of bad weather on latest time for acceptance of and payment for H Rights Shares and application for excess H Rights Shares

The latest time for acceptance of and payment for H Rights Shares and application for excess H Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

  (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 8 December 2010. Instead the latest time of acceptance of and payment for the H Rights Shares and application for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;

  (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 8 December 2010. Instead the latest time for acceptance of and payment for the H Rights Shares and application for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the H Rights Shares and application for excess H Rights Shares does not take place on 8 December 2010, the dates mentioned in the section headed “Expected H Share Rights Issue Timetable” in this prospectus may be affected. An announcement will be made by the Bank in such event.

Conditions of the H Share Rights Issue

The H Share Rights Issue is conditional upon the fulfilment of the following matters:

(i) the approval of the Rights Issue by the Shareholders at the Annual General Meeting;

(ii) the approval of the Rights Issue at the H Shareholders Class Meeting and the A Shareholders Class Meeting, respectively;

(iii) the approval of the Rights Issue by the CBRC;

(iv) the approval of the Rights Issue by the CSRC;

(v) the Listing Committee of the Hong Kong Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Bank accepts and the satisfaction of such conditions (if any) by no later than the date of posting of this prospectus; and

(vi) the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by law to be filed by and registered with the Registrar of Companies in Hong Kong.

None of the above conditions for completion of the H Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, conditions (i) to (iv) above have been satisfied. **If any of the conditions is not satisfied, the H Share Rights Issue will not proceed**.

Furthermore, it should be noted that the H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19 of the Hong Kong Listing Rules. Please refer to the section headed "H Share Rights Issue Underwriting Arrangement" below for details of the underwriting arrangement. **In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.**

Procedures for Acceptance or Transfer of H Rights Shares by Qualifying H Shareholders

For each Qualifying H Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualifying H Shareholder to subscribe for the number of H Rights Shares shown therein. If you are a Qualifying H Shareholder and wish to exercise your right to take up the H Rights Shares specified in the enclosed Provisional Allotment Letter, you must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, at any one of the branches of the Receiving Bank as mentioned below by no later than 4:00 p.m. on 8 December 2010. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the H Rights Shares to the transferee(s) by both you and the transferee(s). Unless otherwise agreed by the Bank, all remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "CCB Nominees Limited-CCB-PAL" and must be crossed.

	Branch Name	Address
Hong Kong Island	1. Central Branch	6 Des Voeux Road Central, Central
	2. Sai Ying Pun Branch	73 Des Voeux Road West, Sai Ying Pun
	3. Wanchai Hennessy Road Branch	139 Hennessy Road, Wanchai
	4. Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
	5. Shau Kei Wan Branch	2 Po Man Street, Shaukeiwan
Kowloon	6. Yaumati Branch	556 Nathan Road, Yaumati
	7. Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	8. Kwun Tong Branch	56 Hoi Yuen Road, Kwun Tong
New Territories	9. Tsuen Wan Branch	282 Sha Tsui Road, Tsuen Wan
	10. Shatin Plaza Branch	Shop 5, Level 1, Shatin Plaza, Shatin

A Provisional Allotment Letter can be lodged from 19 November 2010 to 8 December 2010 (both days inclusive) at these times:

Monday to Friday: 9:00 am to 5:00 pm;

Saturday: 9:00 am to 1:00 pm; and

Last Acceptance Date (8 December 2010): 9:00 am to 4:00 pm

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged at any one of the branches of the Receiving Bank as mentioned above by 4:00 p.m. on 8 December 2010 whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Bank may, at its discretion, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

If you wish to transfer all of your rights to subscribe for the H Rights Shares provisionally allotted to you, you must complete and sign the form of transfer and nomination in the Provisional Allotment Letter, and hand the Provisional Allotment Letter to the transferee(s) or through whom you are transferring such rights of yours to subscribe for the H Rights Shares. The transferee(s) must then complete and sign the registration application form in the Provisional Allotment Letter, and lodge the Provisional Allotment Letter intact together with a remittance for the full amount payable on acceptance at any one of the branches of the Receiving Bank as mentioned above not later than 4:00 p.m. on 8 December 2010.

If you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment to more than one person, the Provisional Allotment Letter must be surrendered by not later than 4:30 p.m. on 30 November 2010 to the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong which will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required.

All enquiries in connection with the Provisional Allotment Letter should be addressed to the H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Bank reserves the right to refuse to register any transfer in favour of any person in respect of which the Bank believes such transfer may violate applicable legal or regulatory requirements.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will not be given to the applicant. Any Provisional Allotment Letter in respect of which the accompanying cheque or cashier's order is not honoured on first presentation is liable to be rejected, and in that event the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriters exercise their right to terminate the Underwriting Agreement before the Latest Time for Termination and the H Share Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest and by means of cheques despatched by ordinary post at the risk of such persons on or about 15 December 2010.

You must pay the exact amount payable upon application for the H Rights Shares by cheque or cashier order or any method agreed by the Bank, underpaid application will be rejected.

In the event of overpaid application, a refund cheque will be made out to you only if the overpaid amount is HK$100 or above.

Application for Listing

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Rights Shares and the Nil Paid H Rights. Dealings in the H Rights Shares and the Nil Paid H Rights will be subject to the payment of stamp duty, Hong Kong Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong. The board lot size of Nil Paid H Rights is the same as that of the fully-paid H Rights Shares of 1,000 Shares.

Subject to the granting of listing of, and permission to deal in, the H Rights Shares and the Nil Paid H Rights on the Hong Kong Stock Exchange, the H Rights Shares and the Nil Paid H Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the H Rights Shares and the Nil Paid H Rights on the Hong Kong Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Please note that without approval from the relevant regulatory authorities, the H Rights Shares and the A Rights Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets.

Proceeds of the H Share Rights Issue

The H Share Rights Issue will raise (i) gross proceeds in an aggregate amount of approximately HK$68,890 million (equivalent to approximately RMB59,245 million); and (ii) net proceeds (after deducting all the costs and expenses incidental to the Rights Issue) in an aggregate amount of approximately HK$68,774 million (equivalent to approximately RMB59,145 million).

H Share Rights Issue Underwriting Arrangement

The H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19 of the Hong Kong Listing Rules. Details on the underwriting arrangement relating to the H Share Rights Issue are set out below:

The H Share Underwriting Arrangement

Date:	1 November 2010
Joint Lead Underwriters:	CCB International Capital Limited China International Capital Corporation Hong Kong Securities Limited Morgan Stanley & Co. International plc CITIC Securities Corporate Finance (HK) Limited Merrill Lynch Far East Limited Credit Suisse (Hong Kong) Limited BOCI Asia Limited CCB International Capital Limited is a wholly owned subsidiary of the Bank. Bank of America is a substantial Shareholder of the Bank. Merrill Lynch Far East Limited, being a wholly-owned subsidiary of Bank of America, is therefore a connected person of the Bank for the purpose of Chapter 14A of the Hong Kong Listing Rules. The transaction of Merrill Lynch Far East Limited acting as one of the Underwriters of the H Share Rights Issue is exempted from the requirements of reporting, announcement and independent Shareholders' approval pursuant to Rule 14A.31(3)(c) of the Hong Kong Listing Rules.
Co-Lead Underwriters:	DBS Asia Capital Limited UBS AG, Hong Kong Branch
Total number of H Rights Shares underwritten:	Pursuant to the Underwriting Agreement, the Underwriters have agreed to fully underwrite up to 15,728,235,880 H Rights Shares not taken up in proportion to their respective purchase obligations

Conditions of the Underwriting Agreement

The several obligations of the Underwriters under the Underwriting Agreement are conditional upon the following conditions:

(a) the H Rights Shares being duly issued and provisionally allotted by the authorised representatives of the Board on the terms set out in the Prospectus Documents to the Qualifying H Shareholders;

(b) the Bank having delivered to the Joint Global Coordinators (on behalf of the Underwriters) the documents listed therein by the times and dates specified in the Underwriting Agreement;

(c) the approval of the H Share Rights Issue granted by the CBRC being valid and not having been withdrawn, amended or revoked;

(d) the approval of the H Share Rights Issue granted by the CSRC being valid and not having been withdrawn, amended or revoked;

(e) the delivery of the Prospectus Documents and all the documents required by section 342C of the Companies Ordinance to be delivered to the Registrar of Companies to the Hong Kong Stock Exchange and the issue by the Hong Kong Stock Exchange of a certificate of authorization of registration before 3:00 p.m. or such later time as agreed by the Hong Kong Stock Exchange on the Business Day before the date of this prospectus;

(f) the Registrar of Companies registering the Prospectus Documents and all the documents required by the provisions of section 342C of the Companies Ordinance on or before the despatch of the prospectus;

(g) the grant of listing of and permission to deal in the Nil Paid H Rights and the H Rights Shares (either unconditional or subject only to allotment and despatch of the share certificates in respect thereof) by the Hong Kong Stock Exchange and dealings in the Nil Paid H Rights and the H Rights Shares being allowed by the Hong Kong Stock Exchange (and such listing and permission not subsequently being withdrawn or revoked);

(h) posting of the Prospectus Documents to the Qualifying H Shareholders on or before the date of this prospectus or such later date to be agreed with the Joint Global Coordinators and the posting, to the extent reasonably practicable and legally permitted, of this prospectus for information purposes only to the Excluded Shareholders; provided that this prospectus shall not be posted to Excluded Shareholders who are known by the Bank to be resident in the United States;

(i) the A Share Joint Sponsors shall have confirmed to the Joint Global Coordinators the substantial completion of the A Share Rights Issue at or prior to the Prospectus Date (with at least 70% of the A Rights Shares being validly subscribed);

(j) the Joint Global Coordinators (on behalf of the Underwriters) having received from the Bank the Undertaking; and

(k) no matter having arisen prior to the Latest Time for Termination which might reasonably be expected to give rise to an indemnification claim under the Underwriting Agreement and which, in any such case, the Joint Global Coordinators (on behalf of the Underwriters) might consider, in their absolute discretion (acting in good faith), to be material in the context of the H Share Rights Issue or the underwriting of the H Share Rights Issue.

If the conditions of the Underwriting Agreement are not duly satisfied, when and as required by the Underwriting Agreement to be satisfied (unless otherwise waived or modified by the Joint Global Coordinators (on behalf of the Underwriters)), or if the Underwriting Agreement shall be terminated as described below, save in respect of certain rights and obligations under the Underwriting Agreement, all liabilities of the parties under the Underwriting Agreement will cease. In such circumstances, the Bank shall, pursuant to the Underwriting

Agreement and subject to certain deduction or limitation specified thereunder, remain liable to pay certain expenses incurred by the Bank or on behalf of the Bank but shall not be liable to pay to any of the Underwriters the underwriting commissions thereunder.

Any of the conditions set out above (except conditions a, c, d, e, f, g, h) may be waived at any time by the Joint Global Coordinators (on behalf of the Underwriters), in their sole discretion, subject to such terms and conditions as are determined by the Joint Global Coordinators (on behalf of the Underwriters).

If the Underwriting Agreement does not become unconditional or is terminated according to the terms thereof, the H Share Rights Issue may not proceed.

Termination of the Underwriting Agreement

The obligations of the several Underwriters under the Underwriting Agreement may be terminated with immediate effect if prior to the Latest Time for Termination and in the sole and unanimous opinion of a two-thirds majority of the Joint Global Coordinators and Joint Bookrunners (excluding any subsidiaries of the Bank) (on behalf of the Underwriters) and after consultation with the Bank by the Joint Global Coordinators and Joint Bookrunners:

(A) there shall have developed, occurred, happened or come into effect any change (whether permanent or not) in the assets, liabilities, conditions, business, general affairs, management, prospects, profits, losses or financial or trading position or performance of the Group taken as a whole, in the aggregate, in the sole and absolute judgment of a two-thirds majority of the Joint Global Coordinators and Joint Bookrunners (excluding any subsidiaries of the Bank) (on behalf of the Underwriters), so material and adverse as to make it impracticable to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated in the prospectus or is likely to have a material adverse effect on the success of the H Share Rights Issue or the level of the H Rights Shares taken up;

(B) there has been any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement, or there has been a breach on the part of the Bank of any other provision of the Underwriting Agreement; or

(C) there shall have developed, occurred, happened or come into effect any of the following:

(i) a suspension or limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, or the Shanghai Stock Exchange;

(ii) a suspension or limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in any securities of the Bank listed or quoted on a stock exchange;

(iii) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong, the PRC, the United States or a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong, the PRC and the United States;

(iv) a change or development in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC or the United States;

(v) any new laws likely to result in a change or affecting existing laws or the interpretation or application of existing laws by any court or other competent authority in Hong Kong, the PRC or the United States or any other jurisdiction relevant to any member of the Bank which will have an adverse effect on the investment in the H Rights Shares;

(vi) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting Hong Kong or the PRC; or

(vii) there shall have occurred any outbreak or escalation of hostilities, or any change in any financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) in or affecting Hong Kong, the PRC or the United States,

if the effect of any such event or circumstance specified above, individually or in the aggregate, in the judgment of a two-thirds majority of Joint Global Coordinators and Joint Bookrunners (excluding any subsidiaries of the Bank) (on behalf of the Underwriters) is so material and adverse as to make it impracticable or inadvisable to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated in this prospectus.

If a two-thirds majority of Joint Global Coordinators and Joint Bookrunners (excluding any subsidiaries of the Bank) elect to terminate the Underwriting Agreement in accordance with the termination provisions therein, the Bank shall be notified promptly in writing. In such event, a further announcement will be made by the Bank at the relevant time.

Lock-up Undertakings

Pursuant to the Underwriting Agreement, the Bank has undertaken to the Underwriters that:

(i) except for the H Rights Shares and A Rights Shares to be allotted and issued pursuant to the H Share Rights Issue and the A Share Rights Issue respectively; or

(ii) with the prior written consent of the Joint Global Coordinators (and which may be given or withheld at the absolute discretion of the Joint Global Coordinators),

from the date of the Underwriting Agreement up to 90 days after the first day of trading of the H Rights Shares on the Hong Kong Stock Exchange, the Bank will not (A) allot or issue or sell, or offer to allot or issue or sell, accept subscription for, pledge, lend, mortgage, assign, charge, purchase any option or contract to sell, or grant any option, right or warrant to subscribe for or purchase or lend or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or other equity securities of the Bank or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for any Shares or which carry rights to subscribe for or purchase or receive Shares), or deposit Shares with a depositary in connection with the issue of depositary receipts, or (B) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or such securities of the Bank or any interest therein or has an effect on the market in the Shares similar to that of a sale of interest in Shares or repurchase any Shares, or (C) enter into any transaction with the same economic effect as any transaction described in (A) or (B) above, or (D) offer or agree or contract or announce any intention to enter into or effect any such transaction described in (A), (B) or (C) above whether any of the foregoing transactions described in (A), (B) or (C) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; provided, however, that the foregoing restrictions shall not apply to (1) any issuance of stock dividends, (2) the application of any capital reserve to issue Shares, or (3) the execution of customer orders to trade any Shares.

Shareholder Undertaking

Pursuant to the Undertaking, Huijin has undertaken to subscribe in cash all the offered rights shares, which will be allotted to Huijin according to the rights issue plan approved by the third meeting of the Board in 2010 in proportion to its shareholding ratio in the Bank. On 3 September 2010, Huijin has also undertaken to the Bank that, Huijin shall not dispose its shareholdings in the Bank within 6 months from the date of listing of the H Rights Shares, and if so, the gains derived therefrom shall be retained by the Bank.

Huijin is a promoter and a substantial Shareholder of the Bank. At the time of the Bank's listing on the Hong Kong Stock Exchange, according to Rule 19A.19 of the Hong Kong Listing Rules, the Bank has made written representations to satisfy the Hong Kong Stock Exchange that Huijin should be treated as a PRC Governmental Body as defined under the Hong Kong Listing Rules and as a result, Huijin would not be treated as a connected person of the Bank. As such, the above Undertaking are exempt from the requirements of reporting, announcement and independent shareholders' approval.

As agreed by the Bank and as approved by the SAFE, the subscription monies to be paid by Huijin to the Bank will be paid in RMB at the central parity rate set by the PBOC prevailing on the payment date. Such subscription monies will be paid by Huijin into the Bank's bank account in the PRC.

Save for the Undertaking, the Bank has not obtained undertakings from any other H Shareholders that they will subscribe for any or all of the H Rights Shares to be provisionally allotted to them as at the date of this prospectus.

Warning of the Risks of Dealing in the H Shares and the Nil Paid H Rights

Existing H Shares are expected to be dealt in on an ex-rights basis from 10 November 2010. Dealings in the Nil Paid H Rights are expected to take place from 23 November 2010 to 3 December 2010 (both days inclusive). **If the conditions of the H Share Rights Issue (see the section headed "Conditions of the H Share Rights Issue" above) are not fulfilled, the H Share Rights Issue will not proceed.**

Furthermore, in the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.

Any dealing in the H Shares or the Nil Paid H Rights is at the investor's own risk. If in any doubt, investors are recommended to consult their professional advisers.

Despatch of H Share Certificates and the Refund Cheques for the H Rights Shares

Subject to the fulfilment of the conditions of the H Share Rights Issue, it is expected that the certificates for the H Rights Shares and the refund cheque(s) in respect of wholly or partly unsuccessful applications for excess H Rights Shares (if any) will be despatched by ordinary post to the allottees and those entitled thereto, at their own risk, to their registered addresses by the H Share Registrar on or about 15 December 2010.

Taxation

Qualifying H Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the H Rights Shares and/or the Nil Paid

H Rights and, as regards the Excluded Shareholders, their receipt of the net proceeds of the Nil Paid H Rights otherwise falling to be issued to them under the H Share Rights Issue. It is emphasised that neither the Bank, the Directors nor any other party involved in the H Share Rights Issue accept responsibility for any tax effects or liabilities of holders of the H Rights Shares resulting from the purchase, holding, disposal of, or dealing in the H Rights Shares and/or the Nil Paid H Rights or receipt of such net proceeds.

D. A SHARE RIGHTS ISSUE

Details of the A Share Rights Issue are as follows:

A Share Rights Issue Statistics

Basis of A Share Rights Issue:	0.7 A Rights Shares for every 10 existing A Shares held on the A Share Record Date by the A Shareholders
Number of A Shares in issue:	9,000,000,000 A Shares as at the Latest Practicable Date
Number of A Rights Shares proposed to be issued:	630,000,000 A Shares
Subscription Price for the A Rights Share:	RMB3.77
A Share Joint Sponsors:	China International Capital Corporation Limited
	Haitong Securities Company Limited

Basis of Entitlement

Subject to fulfilment of the conditions set out below in the paragraph headed “Conditions of the A Share Rights Issue”, Qualifying A Shareholders will be allotted 0.7 A Rights Shares for every 10 existing A Shares held on the A Share Record Date at the Subscription Price, being RMB3.77, for each A Rights Share payable in full on acceptance.

Qualifying A Shareholders

To qualify for the A Share Rights Issue, an A Shareholder must be registered as a Shareholder on the A Share Record Date.

Expected Timetable of A Share Rights Issue

CBRC granting approval for the A Share Rights Issue	26 July 2010
CSRC granting approval for the A Share Rights Issue	28 October 2010
Publication of A Share Rights Issue Prospectus on the website of the Shanghai Stock Exchange	2 November 2010
Road Show on the Internet	3 November 2010
A Share Record Date	4 November 2010
Commencement of the A Share Rights Issue	5 November 2010
Suspension of trading in the A Shares	5 November to 12 November 2010
First day for acceptance of and payment for the A Rights Shares	5 November 2010
Close of the A Share Rights Issue	11 November 2010
Last day for payment for the A Rights Shares	11 November 2010
Verification of payment for subscription for the A Rights Shares	12 November 2010
Announcement of results of the A Share Rights Issue	15 November 2010
Ex-rights date and resumption of trading in the A Shares	15 November 2010

Shareholders should note that the dates specified in the expected timetable of the A Share Rights Issue as set out above, and in other parts of this prospectus, are indicative only and may be changed by the Board. Any such change to the expected timetable will be announced and notified to the Shareholders as and when appropriate.

The listing of, and the commencement date of dealing in, the A Rights Shares will be subject to further determination by the relevant PRC regulatory authorities. A further announcement will be made by the Bank when such details are available.

Conditions of the A Share Rights Issue

The A Share Rights Issue is conditional upon each of the following events being fulfilled:

(i) the approval of the Rights Issue by the Shareholders at the Annual General Meeting;

(ii) the approval of the Rights Issue at the A Shareholders Class Meeting and the H Shareholders Class Meeting, respectively;

(iii) the approval of the Rights Issue by the CBRC;

(iv) the approval of the Rights Issue by the CSRC;

(v) the fulfilment by the controlling Shareholder of the Bank of its public undertaking to be made prior to the convening of the Shareholders' general meeting with respect to the number of Shares it will subscribe; and

(vi) the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue.

None of the above conditions for the completion of the A Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, conditions (i) to (v) above have been satisfied. **If any of the conditions is not satisfied, the A Share Rights Issue will not proceed**.

A Share Rights Issue to Proceed on a Non-underwritten Basis

The A Share Rights Issue will proceed on a non-underwritten basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue.

The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights.

Application for Listing

Application has been made to the Shanghai Stock Exchange for the listing of the A Rights Shares.

Proceeds of the A Share Rights Issue

The A Share Rights Issue will raise (i) gross proceeds in an aggregate amount of approximately RMB2,375 million (assuming full subscription for the A Rights Shares) or RMB1,663 million (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all the costs and expenses incidental to the A Share Rights Issue) in an aggregate amount of approximately RMB2,362 million (assuming all subscription for the A Rights Shares) or RMB1,652 million (assuming 70% subscription for the A Rights Shares), on the basis of the Subscription Price of RMB3.77.

A Share Rights Issue Prospectus

The A Share Rights Issue Prospectus, which is in Chinese, is available for public inspection on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and Shanghai Stock Exchange (www.sse.com.cn) from the date of the Announcement. The A Share Rights Issue Prospectus is also available on the Bank's website at (www.ccb.com). Neither the A Share Rights Issue Prospectus nor any other information on either of the above websites is incorporated in this prospectus.

E. CHANGES OF THE SHAREHOLDING OF THE BANK AS A RESULT OF THE RIGHTS ISSUE

The following table sets out the Bank's current shareholding structure and its proposed shareholding structure upon completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 0.7 Rights Shares for every 10 existing Shares with full subscription for the A Rights Shares and the H Rights Shares and assuming no change in the issued share capital of the Bank between the Latest Practicable Date and the H Share Record Date):

Share class	Total number of issued Shares before the Rights Issue as at the Latest Practicable Date	Percentage of the total number of issued Shares (%)	Number of Shares to be issued under the Rights Issue	Total number of issued Shares immediately after the Rights Issue	Percentage of the total number of issued Shares immediately after the Rights Issue (%)
H Shares	224,689,084,000	96.15%	15,728,235,880	240,417,319,880	96.15%
A Shares	9,000,000,000	3.85%	630,000,000	9,630,000,000	3.85%
Total	233,689,084,000	100%	16,358,235,880	250,047,319,880	100%

The following table sets out the Bank's current shareholding structure and its proposed shareholding structure upon completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 0.7 Rights Shares for every 10 existing Shares with 70% subscription level for the A Rights Shares and full subscription of the H Rights Shares and assuming no change in the issued share capital of the Bank between the Latest Practicable Date and the H Share Record Date):

Share class	Total number of issued Shares before the Rights Issue as at the Latest Practicable Date	Percentage of the total number of issued Shares (%)	Number of Shares to be issued under the Rights Issue	Total number of issued Shares immediately after the Rights Issue	Percentage of the total number of issued Shares immediately after the Rights Issue (%)
H Shares	224,689,084,000	96.15%	15,728,235,880	240,417,319,880	96.22%
A Shares	9,000,000,000	3.85%	441,000,000	9,441,000,000	3.78%
Total	233,689,084,000	100%	16,169,235,880	249,858,319,880	100%

As of the Latest Practicable Date, the public shareholding of the Bank was approximately 31.5% (approximately 27.7% of the total issued shares was held by public H Shareholders and approximately 3.8% of the total issued shares was held by public A Shareholders). Pursuant to the public float waiver granted by the Hong Kong Stock Exchange, the minimum public float percentage that the Bank has to meet after 26 December 2007 is approximately 20.8%. Upon completion of the Rights Issue, the Bank will continue to comply with such minimum public float percentage.

The Bank has not engaged in any equity fund raising activity in the past 12 months from the date of this prospectus.

F. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

In order to satisfy the regulatory requirements, increase risk management capabilities and achieve a long-term, steady and healthy development of its businesses, the Bank has launched a refinancing plan by means of rights issue of A Shares and H Shares.

The purpose of the Rights Issue is to strengthen the capital base of the Bank, which in turn will improve the Bank's core capital adequacy ratio. The Directors consider that the Rights Issue is in the interests of the Bank and the Shareholders as a whole and the Rights Issue is an appropriate means of raising capital to strengthen the capital base of the Bank, which in turn will improve the Bank's core capital adequacy ratio.

G. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus, in the 2009 annual report, the 2010 interim report and the 2010 third quarter report of the Bank.

Yours faithfully,
By Order of the Board
China Construction Bank Corporation
Zhang Jianguo
Vice Chairman, Executive Director and President

(1) SUMMARY OF FINANCIAL INFORMATION

An unqualified audited opinion in respect of the financial statements of the Group has been issued for each of the years ended 31 December 2007, 2008 and 2009. A summary of the results of the Group prepared under IFRS as extracted from the annual reports of the Group for the years ended 31 December 2007, 2008 and 2009 and as extracted from the interim reports for the six months ended 30 June 2009 and 2010 are set out below.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(Expressed in millions of RMB)				
Statement of Comprehensive Income Data					
Net interest income	192,775	224,920	211,885	102,468	117,799
Profit before tax	100,816	119,741	138,725	72,469	92,194
Net profit	69,142	92,642	106,836	55,841	70,779
Basic and diluted earnings per share (in RMB)	0.30	0.40	0.46	0.24	0.30

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(Expressed in millions of RMB, except percentages)				
Statement of Financial Position Data					
Total assets	6,598,177	7,555,452	9,623,355	9,110,171	10,235,981
Include: loans and advances to customers	3,183,229	3,683,575	4,692,947	4,409,152	5,215,973
Total liabilities	6,175,896	7,087,890	9,064,335	8,603,637	9,655,783
Include: deposits from customers	5,329,507	6,375,915	8,001,323	7,610,022	8,591,701
Total equity	422,281	467,562	559,020	506,534	580,198
Net assets per share (in RMB)	1.81	2.00	2.39	2.17	2.48
Major Financial Ratios (%)					
Return on average total assets[1]	1.15	1.31	1.24	1.34	1.43
Return on average equity[2]	19.50	20.68	20.87	22.54	24.00
Net interest spread	3.07	3.10	2.30	2.34	2.32
Net interest margin	3.18	3.24	2.41	2.46	2.41
Net fee and commission income to operating income	14.19	14.25	17.84	17.82	21.88
Cost to income ratio[3]	41.83	36.77	39.04	35.13	33.64
Capital Adequacy Ratio (%)					
Core capital adequacy ratio[4]	10.37	10.17	9.31	9.30	9.27
Capital adequacy ratio[4]	12.58	12.16	11.70	11.97	11.68
Total equity to total assets	6.40	6.19	5.81	5.56	5.67
Asset quality indicators (%)					
Non-performing loan ratio	2.60	2.21	1.50	1.71	1.22
Allowances to non-performing loans	104.41	131.58	175.77	150.51	204.72
Allowances to total loans	2.72	2.91	2.63	2.57	2.49

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year. Ratios for the six months ended 2009 and 2010 are annualised return on average assets, calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying by two.
2. Calculated in accordance with CSRC's *No. 9 Guideline on Contents and Format for Information Disclosure of Companies That Make Public Offering of Securities—Calculation and Disclosure of Return on Net Assets Ratio and Earnings per Share*.
3. Calculated by dividing operating cost (including business tax and surcharges) by operating income.
4. Calculated in accordance with the guidelines issued by the CBRC.

(2) AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Interest income		339,463	356,500
Interest expense		(127,578)	(131,580)
Net interest income	6	211,885	224,920
Fee and commission income		49,839	40,056
Fee and commission expense		(1,780)	(1,610)
Net fee and commission income	7	48,059	38,446
Net trading gain	8	2,233	3,213
Dividend income	9	100	150
Net gain/(loss) arising from investment securities	10	4,471	(2,252)
Other operating income, net	11	2,566	5,270
Operating income		269,314	269,747
Operating expenses	12	(105,146)	(99,193)
		164,168	170,554
Impairment losses on:			
—Loans and advances to customers		(24,256)	(36,246)
—Others		(1,204)	(14,583)
Impairment losses	13	(25,460)	(50,829)
Share of profits less losses of associates and jointly controlled entities		17	16
Profit before tax		138,725	119,741
Income tax expense	16	(31,889)	(27,099)
Net profit		106,836	92,642
Other comprehensive income:			
Gain/(loss) of available-for-sale financial assets arising during the year		2,174	(18,998)
Less: Income tax relating to available-for-sale financial assets		(544)	4,744
Reclassification adjustments for losses included in profit or loss		386	9,000
		2,016	(5,254)
Exchange difference on translating foreign operations		281	(1,345)
Others		25	—
Other comprehensive income for the year, net of tax		2,322	(6,599)
Total comprehensive income for the year		109,158	86,043
Net profit attributable to:			
Equity shareholders of the Bank		106,756	92,599
Minority interests		80	43
		106,836	92,642
Total comprehensive income attributable to:			
Equity shareholders of the Bank		109,069	86,002
Minority interests		89	41
		109,158	86,043
Basic and diluted earnings per share (in RMB)	17	0.46	0.40

Consolidated Statement of Financial Position

As at 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Assets:			
Cash and deposits with central banks	18	1,458,648	1,247,450
Deposits with banks and non-bank financial institutions	19	101,163	33,096
Precious metals		9,229	5,160
Placements with banks and non-bank financial institutions	20	22,217	16,836
Financial assets at fair value through profit or loss	21	18,871	50,309
Positive fair value of derivatives	22	9,456	21,299
Financial assets held under resale agreements	23	589,606	208,548
Interest receivable	24	40,345	38,317
Loans and advances to customers	25	4,692,947	3,683,575
Available-for-sale financial assets	26	651,480	550,838
Held-to-maturity investments	27	1,408,873	1,041,783
Debt securities classified as receivables	28	499,575	551,818
Interests in associates and jointly controlled entities	30	1,791	1,728
Fixed assets	31	74,693	63,957
Land use rights	32	17,122	17,295
Intangible assets	33	1,270	1,253
Goodwill	34	1,590	1,527
Deferred tax assets	35	10,790	7,855
Other assets	36	13,689	12,808
Total assets		9,623,355	7,555,452
Liabilities:			
Borrowings from central banks		6	6
Deposits from banks and non-bank financial institutions	39	774,785	447,464
Placements from banks and non-bank financial institutions	40	38,120	43,108
Financial liabilities at fair value through profit or loss	41	7,992	3,975
Negative fair value of derivatives	22	8,575	18,565
Financial assets sold under repurchase agreements	42	—	864
Deposits from customers	43	8,001,323	6,375,915
Accrued staff costs	44	27,425	25,153
Taxes payable	45	25,840	35,538
Interest payable	46	59,487	59,695
Provisions	47	1,344	1,806
Debt securities issued	48	98,644	53,810
Deferred tax liabilities	35	216	5
Other liabilities	49	20,578	21,986
Total liabilities		9,064,335	7,087,890
Equity:			
Share capital	50	233,689	233,689
Capital reserve	51	90,266	90,241
Investment revaluation reserve	52	13,163	11,156
Surplus reserve	53	37,421	26,922
General reserve	54	46,806	46,628
Retained earnings	55	136,112	59,593
Exchange reserve		(1,982)	(2,263)
Total equity attributable to equity shareholders of the Bank		555,475	465,966
Minority interests		3,545	1,596
Total equity		559,020	467,562
Total liabilities and equity		9,623,355	7,555,452

Approved and authorised for issue by the board of directors on 26 March 2010.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

Statement of Financial Position

As at 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Assets:			
Cash and deposits with central banks	18	1,455,370	1,247,053
Deposits with banks and non-bank financial institutions	19	100,679	28,425
Precious metals		9,229	5,160
Placements with banks and non-bank financial institutions	20	23,143	28,426
Financial assets at fair value through profit or loss	21	10,251	44,491
Positive fair value of derivatives	22	7,730	20,335
Financial assets held under resale agreements	23	588,706	208,548
Interest receivable	24	40,129	38,297
Loans and advances to customers	25	4,626,024	3,639,940
Available-for-sale financial assets	26	649,979	551,156
Held-to-maturity investments	27	1,408,465	1,041,783
Debt securities classified as receivables	28	499,575	551,818
Investments in subsidiaries	29	8,816	4,670
Fixed assets	31	74,098	63,723
Land use rights	32	17,062	17,229
Intangible assets	33	1,242	1,233
Deferred tax assets	35	11,323	8,059
Other assets	36	33,310	26,222
Total assets		9,565,131	7,526,568
Liabilities:			
Borrowings from central banks		6	6
Deposits from banks and non-bank financial institutions	39	776,582	448,461
Placements from banks and non-bank financial institutions	40	31,968	53,191
Financial liabilities at fair value through profit or loss	41	7,992	3,975
Negative fair value of derivatives	22	7,894	18,103
Financial assets sold under repurchase agreements	42	2,625	864
Deposits from customers	43	7,955,240	6,342,985
Accrued staff costs	44	26,708	24,807
Taxes payable	45	25,549	35,310
Interest payable	46	59,442	59,652
Provisions	47	1,344	1,806
Debt securities issued	48	98,383	52,531
Deferred tax liabilities	35	22	—
Other liabilities	49	20,057	21,321
Total liabilities		9,013,812	7,063,012
Equity:			
Share capital	50	233,689	233,689
Capital reserve	51	90,266	90,241
Investment revaluation reserve	52	13,213	11,138
Surplus reserve	53	37,421	26,922
General reserve	54	46,209	46,200
Retained earnings	55	130,785	55,867
Exchange reserve		(264)	(501)
Total equity		551,319	463,556
Total liabilities and equity		9,565,131	7,526,568

Approved and authorised for issue by the board of directors on 26 March 2010.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Minority interests	Total equity
As at 1 January 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the year	—	25	2,007	10,499	178	76,519	281	1,949	91,458
(1) Total comprehensive income for the year	—	25	2,007	—	—	106,756	281	89	109,158
(2) Changes in share capital	—	—	—	—	—	—	—	1,878	1,878
i Disposal of shares of subsidiaries to minority interests	—	—	—	—	—	—	—	100	100
ii Minority interests of new subsidiaries	—	—	—	—	—	—	—	130	130
iii Minority interest of acquisition of a subsidiary	—	—	—	—	—	—	—	1,648	1,648
(3) Profit distribution	—	—	—	10,499	178	(30,237)	—	(18)	(19,578)
i Appropriation to surplus reserve	—	—	—	10,499	—	(10,499)	—	—	—
ii Appropriation to general reserve	—	—	—	—	178	(178)	—	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(19,560)	—	(18)	(19,578)
As at 31 December 2009	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020
As at 1 January 2008	233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281
Movements during the year	—	—	(5,252)	9,077	15,080	27,429	(1,345)	292	45,281
(1) Total comprehensive income for the year	—	—	(5,252)	—	—	92,599	(1,345)	41	86,043
(2) Changes in share capital	—	—	—	—	—	—	—	274	274
i Capital injection by minority interests	—	—	—	—	—	—	—	212	212
ii Disposal of shares of a subsidiary to minority interests	—	—	—	—	—	—	—	38	38
iii Minority interests of a new subsidiary	—	—	—	—	—	—	—	24	24
(3) Profit distribution	—	—	—	9,077	15,080	(65,170)	—	(23)	(41,036)
i Appropriation to surplus reserve	—	—	—	9,077	—	(9,077)	—	—	—
ii Appropriation to general reserve	—	—	—	—	15,080	(15,080)	—	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(41,013)	—	(23)	(41,036)
As at 31 December 2008	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562

Statement of Changes in Equity

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2009	233,689	90,241	11,138	26,922	46,200	55,867	(501)	463,556
Movements during the year	—	25	2,075	10,499	9	74,918	237	87,763
(1) Total comprehensive income for the year	—	25	2,075	—	—	104,986	237	107,323
(2) Profit distribution	—	—	—	10,499	9	(30,068)	—	(19,560)
i Appropriation to surplus reserve	—	—	—	10,499	—	(10,499)	—	—
ii Appropriation to general reserve	—	—	—	—	9	(9)	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(19,560)	—	(19,560)
As at 31 December 2009	233,689	90,266	13,213	37,421	46,209	130,785	(264)	551,319
As at 1 January 2008	233,689	90,241	16,388	17,845	31,200	30,190	(36)	419,517
Movements during the year	—	—	(5,250)	9,077	15,000	25,677	(465)	44,039
(1) Total comprehensive income for the year	—	—	(5,250)	—	—	90,767	(465)	85,052
(2) Profit distribution	—	—	—	9,077	15,000	(65,090)	—	(41,013)
i Appropriation to surplus reserve	—	—	—	9,077	—	(9,077)	—	—
ii Appropriation to general reserve	—	—	—	—	15,000	(15,000)	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(41,013)	—	(41,013)
As at 31 December 2008	233,689	90,241	11,138	26,922	46,200	55,867	(501)	463,556

Consolidated Statement of Cash Flows

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Profit before tax		138,725	119,741
Adjustments for:			
—Impairment losses	13	25,460	50,829
—Depreciation and amortisation	12	10,876	9,351
—Unwinding of discount		(1,270)	(1,564)
—Revaluation gain on financial instruments at fair value through profit or loss		(924)	(1,977)
—Share of profit less losses of associates and jointly controlled entities		(17)	(16)
—Dividend income	9	(100)	(150)
—Unrealised foreign exchange (gain)/loss		(3,628)	10,454
—Interest expense on bonds issued		3,211	2,030
—Net (gain)/loss on disposal of investment securities	10	(4,471)	2,252
—Net gain on disposal of fixed assets and other long-term assets		(110)	(99)
		167,752	190,851
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		(258,955)	(198,447)
Net (increase)/decrease in placements with banks and non-bank financial institutions		(1,243)	7,770
Net increase in loans and advances to customers		(1,030,197)	(551,987)
Net increase in financial assets held under resale agreements		(381,058)	(71,322)
Decrease/(increase) in other operating assets		18,705	(89,651)
		(1,652,748)	(903,637)
Changes in operating liabilities:			
Net (decrease)/increase in placements from banks and non-bank financial institutions		(6,947)	15,084
Net increase in deposits from customers and from banks and non-bank financial institutions		1,948,273	989,418
Net decrease in financial assets sold under repurchase agreements		(864)	(107,171)
Net increase in certificates of deposit issued		4,107	2,435
Income tax paid		(44,567)	(32,187)
Increase in other operating liabilities		8,573	25,853
		1,908,575	893,432
Net cash from operating activities		423,579	180,646

Consolidated Statement of Cash Flows

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Cash flows from investing activities			
Proceeds from disposal and redemption of investment		1,168,724	968,424
Dividend received		106	150
Proceeds from disposal of fixed assets and other long-term assets		727	655
Proceeds from acquisition of subsidiaries	56(2)	3,862	24
Proceeds from capital contribution by minority interests	56(4)	—	212
Proceeds from disposal of shares of subsidiaries	56(5)	100	38
Payments on acquisition of investment		(1,568,911)	(912,363)
Payments on acquisition of fixed assets and other long-term assets		(22,045)	(17,699)
Payments on acquisition of associates and jointly controlled entities	56(3)	(54)	(682)
Net cash (used in)/from investing activities		(417,491)	38,759
Cash flows from financing activities			
Proceeds from bonds issued		79,880	2,852
Dividend paid		(19,576)	(40,960)
Interest paid on bonds issued		(1,972)	(2,005)
Repayments of debt securities issued		(40,000)	—
Net cash from/(used in) financing activities		18,332	(40,113)
Effect of exchange rate changes on cash and cash equivalents		18	(3,989)
Net increase in cash and cash equivalents		24,438	175,303
Cash and cash equivalents as at 1 January	56(1)	355,811	180,508
Cash and cash equivalents as at 31 December	56(1)	380,249	355,811
Cash flows from operating activities include:			
Interest received		327,930	283,299
Interest paid, excluding interest expense on bonds issued		(125,785)	(108,771)

Notes to the Financial Statements

(Expressed in millions of RMB unless otherwise stated)

1 COMPANY INFORMATION

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

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

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

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

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

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

These financial statements were authorised for issue by the board of directors of the Bank on 26 March 2010.

2 BASIS OF PREPARATION

These financial statements for the year ended 31 December 2009 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments designated at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at deemed cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic branches and subsidiaries of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

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

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(22).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During 2009, the Group adopted the following amendments to standards and interpretations: (i) IAS 1 (revised 2007) *Presentation of financial statements;* (ii) Amendments to IAS 27, *Consolidated and separate financial statements—cost of an investment in a subsidiary, jointly controlled entity or associate;* (iii) Improvements to IFRSs (2008); (iv) Amendments to IFRS 7, *Financial instruments: Disclosures-improving disclosures about financial instruments;* and (v) IFRS 8, Operating segments.

IAS 1 (revised 2007) Presentation of financial statements requires to present, in a statement of changes in equity, all changes in equity arising from transactions with shareholders in their capacity as shareholders (ie shareholder changes in equity). All non-shareholder changes in equity (ie comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Reclassification adjustments and income tax relating to each component of other comprehensive income shall be disclosed. Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Dividends recognised and related amounts per share are not permitted to be presented in the statement of comprehensive income.

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

As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 62(6) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

IFRS 8, *Operating segments* requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 clarifies the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The Group, at the acquisition date, allocates the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that day. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and minority interests

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank shall make necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as minority interests and presented as "minority interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to minority interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation (such as the articles of association or agreement stipulate) to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Special purpose entities

The Group has established a number of Special Purpose Entities ("SPEs") for investment and securitisation 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.

(d) Associates and jointly controlled entities

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

A jointly controlled entity is an enterprise which operates under joint control between the Group and other parties. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

Investments in associate or jointly controlled entity are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate or jointly controlled entity. The Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associate or jointly controlled entity 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 associate or jointly controlled entity are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

The Group discontinues recognising its share of net losses of the associate or jointly controlled entity after the carrying amount of investments in associate and jointly controlled entity together with any long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or jointly controlled entity makes net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholder's equity in the statement of financial position.

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

(b) Derivatives and embedded derivatives

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(d) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised, impaired, or through the amortisation process.

(e) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but was not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sales or disposals. The appropriate quoted price in an active market for financial assets held or liabilities to be issued is usually the current bid price and for financial assets to be acquired or liabilities held, the asking price. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(i) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell with changes in fair value less cost to sell included in "net trading gain" in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as deemed cost on the Restructuring Date. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises the construction materials, direct labour costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Depreciation rates
Bank premises	30–35 years	3%	2.8%–3.2%
Equipment	3–8 years	3%	12.1%–32.3%
Others	4–11 years	3%	8.8%–24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

(6) Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Finance income implicit in the lease payment is recognised as "interest income" over the period of the leases in proportion to the funds invested. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(e).

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(7) Land use rights

The Group acquires land use rights by long-term lease prepayments. Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of Restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives which range from 30 to 50 years, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(b) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to the statutory provision schemes, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

(c) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. In calculating the Group's obligations, to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the end of each reporting period, that portion is recognised in profit or loss. Otherwise, the gain or loss is not recognised.

(d) Housing fund and other social insurance

In accordance with the related laws, regulations and policies of the PRC, the Group participates in mandatory social insurance programmes, including housing fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance etc. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employees' salary and expenses and recognises them in profit or loss on an accrual basis.

(e) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period, when both of the following conditions are satisfied: (i) the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately; (ii) the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

Early retirement expenses

The Group recognises the present value of all its liabilities to employees who agreed to retire early in return for certain future payments as expenses in profit or loss when the relevant staff accepts the early retirement arrangement and ceases to provide any services to the Group. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(13) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(14) Financial guarantees

Financial guarantees are contracts that require the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(15) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(16) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest basis is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(17) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(18) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(19) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(20) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, joint control or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled, jointly controlled, or significantly influenced by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(21) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments and etc., which the management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(22) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(d) Classification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group in sustaining the intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated as 1%–7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

6 NET INTEREST INCOME

	2009	2008
Interest income arising from:		
Deposits with central banks	18,511	17,960
Deposits with banks and non-bank financial institutions	430	548
Placements with banks and non-bank financial institutions	310	1,423
Financial assets at fair value through profit or loss	1,178	2,383
Financial assets held under resale agreements	8,493	4,749
Investment securities	70,488	77,494
Loans and advances to customers		
—Corporate loans and advances	186,649	189,568
—Personal loans and advances	48,255	54,785
—Discounted bills	5,149	7,590
Total	339,463	356,500
Interest expense arising from:		
Deposits from banks and non-bank financial institutions	(12,737)	(9,764)
Placements from banks and non-bank financial institutions	(386)	(1,360)
Financial liabilities at fair value through profit or loss	(27)	(299)
Financial assets sold under repurchase agreements	(11)	(571)
Debt securities issued	(3,441)	(2,426)
Deposits from customers		
—Corporate deposits	(50,651)	(55,494)
—Personal deposits	(60,325)	(61,666)
Total	(127,578)	(131,580)
Net interest income	211,885	224,920

Notes:

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

	2009	2008
Impaired loans	1,270	1,652
Other impaired financial assets	1,022	1,852
Total	2,292	3,504

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

7 NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income:		
Consultancy and advisory fees	10,962	6,998
Agency service fees	9,840	10,289
Bank card fees	9,186	7,153
Commission on trust and fiduciary activities	6,672	4,759
Settlement and clearing fees	6,308	4,797
Guarantee fees	1,519	1,311
Credit commitment fees	1,256	1,791
Others	4,096	2,958
Total	49,839	40,056
Fee and commission expense:		
Bank card transaction fees	(963)	(888)
Interbank transaction fees	(347)	(327)
Others	(470)	(395)
Total	(1,780)	(1,610)
Net fee and commission income	48,059	38,446

8 NET TRADING GAIN

	2009	2008
Debt securities	(518)	846
Derivatives	1,043	1,795
Equity investments	1,495	385
Others	213	187
Total	2,233	3,213

For the year ended 31 December 2009, net trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB1,013 million (2008: RMB812 million). Net trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB70 million (2008: RMB46 million).

9 DIVIDEND INCOME

	2009	2008
Dividend income from listed trading equity investments	6	15
Dividend income from available-for-sale equity investments		
—Listed	38	95
—Unlisted	56	40
Total	100	150

10 NET GAIN/(LOSS) ARISING FROM INVESTMENT SECURITIES

	2009	2008
Net gain on sale of available-for-sale financial assets	1,960	1,898
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	925	(247)
Net gain/(loss) on sale of held-to-maturity investments	1,575	(3,905)
Net gain on sale of debt securities classified as receivables	11	2
Total	4,471	(2,252)

11 OTHER OPERATING INCOME, NET

	2009	2008
Net foreign exchange (loss)/gain	(250)	2,642
Net gain on disposal of fixed assets	110	99
Net gain on disposal of repossessed assets	356	197
Gain on acquisition (note 56(2)(c))	473	—
Others	1,877	2,332
Total	2,566	5,270

Net foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge long positions in foreign currency assets).

12 OPERATING EXPENSES

	2009	2008
Staff costs		
—Salaries, bonuses and allowances	33,545	32,252
—Defined contribution retirement schemes	5,941	4,294
—Other social insurance and welfare	6,239	5,813
—Housing funds	2,941	2,612
—Union running costs and employee education costs	1,238	1,073
—Supplementary retirement benefits	537	568
—Early retirement expenses	679	—
—Compensation to employees for termination of employment relationship	18	45
	51,138	46,657
Premises and equipment expenses		
—Depreciation charges	9,005	7,671
—Rent and property management expenses	4,048	3,581
—Maintenance	1,480	1,627
—Utilities	1,423	1,342
—Others	799	736
	16,755	14,957
Amortisation expenses	1,871	1,680
Business tax and surcharges	15,972	15,793
Audit fees	157	167
Other general and administrative expenses	19,253	19,939
Total	105,146	99,193

13 IMPAIRMENT LOSSES

	2009	2008
Loans and advances to customers		
—Additions	40,415	44,869
—Releases	(16,159)	(8,623)
Available-for-sale debt securities	999	10,622
Available-for-sale equity investments	5	134
Held-to-maturity investments	76	3,126
Debt securities classified as receivables	32	(645)
Fixed assets	2	28
Others	90	1,318
Total	25,460	50,829

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2009				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (vi))	Total (note (i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Guo Shuqing (note (vii))	—	600	26	280	906
Zhang Jianguo (note (vii))	—	576	26	280	882
Xin Shusen (note (ii)&(vii))	—	492	26	238	756
Chen Zuofu (note (ii)&(vii))	—	492	26	239	757
Non-executive directors					
Wang Yonggang (note (iii))	—	—	—	—	—
Wang Yong (note (iii))	—	—	—	—	—
Wang Shumin (note (iii))	—	—	—	—	—
Liu Xianghui (note (iii))	—	—	—	—	—
Zhang Xiangdong (note (iii))	—	—	—	—	—
Li Xiaoling (note (iii))	—	—	—	—	—
Gregory L. Curl (note (iv))	390	—	—	—	390
Independent non-executive directors					
Lord Peter Levene	360	—	—	—	360
Song Fengming	440	—	—	—	440
Dame Jenny Shipley	360	—	—	—	360
Elaine La Roche	410	—	—	—	410
Wong Kai-Man	390	—	—	—	390
Tse Hau Yin, Aloysius	440	—	—	—	440
Supervisors					
Xie Duyang (note (vii))	—	564	26	278	868
Liu Jin (note (vii))	—	354	26	198	578
Jin Panshi (note (vii))	—	354	26	198	578
Cheng Meifen (note (v))	26	—	—	—	26
Sun Zhixin (note (v))	26	—	—	—	26
Shuai Jinkun (note (ii)&(v))	26	—	—	—	26
Guo Feng	250	—	—	—	250
Dai Deming	270	—	—	—	270
	3,388	3,432	182	1,711	8,713

	2008						
	Fees	Salaries and allowance	Variable compensation	Sub-total	Contributions to defined contribution retirement schemes	Other benefits in kind (note (vi))	Total (note (i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Guo Shuqing	—	898	566	1,464	23	82	1,569
Zhang Jianguo	—	873	584	1,457	23	81	1,561
Xin Shusen (note (ii))	—	741	570	1,311	23	75	1,409
Non-executive directors							
Wang Yonggang (note (iii))	—	—	—	—	—	—	—
Wang Yong (note (iii))	—	—	—	—	—	—	—
Wang Shumin (note (iii))	—	—	—	—	—	—	—
Liu Xianghui (note (iii))	—	—	—	—	—	—	—
Zhang Xiangdong (note (iii))	—	—	—	—	—	—	—
Li Xiaoling (note (iii))	—	—	—	—	—	—	—
Gregory L. Curl (note (iv))	390	—	—	390	—	—	390
Independent non-executive directors							
Lord Peter Levene	360	—	—	360	—	—	360
Song Fengming	440	—	—	440	—	—	440
Dame Jenny Shipley	360	—	—	360	—	—	360
Elaine La Roche	410	—	—	410	—	—	410
Wong Kai-Man	388	—	—	388	—	—	388
Tse Hau Yin, Aloysius	440	—	—	440	—	—	440
Supervisors							
Xie Duyang	—	860	557	1,417	23	78	1,518
Liu Jin	—	548	369	917	23	61	1,001
Jin Panshi	—	548	369	917	23	61	1,001
Cheng Meifen (note (v))	26	—	—	26	—	—	26
Sun Zhixin (note (v))	26	—	—	26	—	—	26
Shuai Jinkun (note (ii)&(v))	2	—	—	2	—	—	2
Guo Feng	250	—	—	250	—	—	250
Dai Deming	270	—	—	270	—	—	270
	3,362	4,468	3,015	10,845	138	438	11,421
Former executive directors retired in 2008							
Zhao Lin (note (ii))	—	309	237	546	9	32	587
Luo Zhefu (note (ii))	—	741	569	1,310	23	76	1,409
Former supervisors retired in 2008							
Ning Liming (note (ii)&(v))	19	—	—	19	—	—	19
	3,381	5,518	3,821	12,720	170	546	13,436

Notes:

(i) The amounts of emoluments for the year ended 31 December 2009 in respect of the services rendered by the directors and supervisors are subject to approval of the Bank's shareholders in 2009 Annual General Meeting.

(ii) 2008 Annual General Meeting of the Bank elected Mr. Chen Zuofu as executive director of the Bank. CBRC has approved of Mr. Chen Zuofu qualifying for the position. Mr. Chen Zuofu has become executive director of the Bank since July 2009.

2007 Annual General Meeting of the Bank held on 12 June 2008 elected Ms. Xin Shusen as executive director of the Bank. CBRC has approved of Ms. Xin Shusen qualifying for the position. Ms. Xin Shusen has become executive director of the Bank since 21 July 2008. The amounts of emoluments for Ms. Xin Shusen represent the emoluments for the whole year of 2008 for her services as executive director and vice president.

At the staff representative conference of the Bank held on 10 November 2008 elected Mr. Shuai Jinkun as the employee representative supervisor, until 2009 Annual General Meeting of the Bank.

Mr. Zhao Lin is no longer director, vice president of the Bank since 6 May 2008.

Mr. Luo Zhefu is no longer director, vice president of the Bank since 26 December 2008.

Ms. Ning Liming is no longer supervisor of the Bank since 12 September 2008.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2009 and 2008.

(iv) The amount will be payable to Bank of America Corporation ("BOA") for his services as director after the approval of the Bank's shareholders as mentioned in note (i).

(v) The amounts only included fees for their services as supervisors.

(vi) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2009 and 2008.

(vii) The total compensation package for these directors and supervisors for the year ended 31 December 2009 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's and the Bank's financial statements for the year ended 31 December 2009. The final compensation will be disclosed in a separate announcement when determined.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and allowance	11,176	9,387
Variable compensation	22,639	14,127
Contributions to defined contribution retirement schemes	540	794
Other benefits in kind	96	136
	34,451	24,444

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2009	2008
RMB4,000,001–RMB4,500,000	—	3
RMB5,000,001–RMB5,500,000	—	1
RMB5,500,001–RMB6,000,000	3	—
RMB6,000,001–RMB6,500,000	1	—
RMB6,500,001–RMB7,000,000	—	1
RMB11,000,001–RMB11,500,000	1	—

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2009 and 2008.

16 INCOME TAX EXPENSE

(1) Income tax expenses

	2009	2008
Current tax	35,764	34,226
Adjustments for prior years	(359)	(285)
Deferred tax	(3,516)	(6,842)
Total	31,889	27,099

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

(2) Reconciliation between income tax expense and accounting profit

	2009	2008
Profit before tax	138,725	119,741
Income tax calculated at statutory tax rate	34,681	29,935
Non-deductible expenses		
—Staff costs	376	684
—Impairment losses and bad debt write-off	1	8
—Others	780	446
	1,157	1,138
Non-taxable income		
—Interest income from PRC government bonds	(3,777)	(3,466)
—Others	(303)	(223)
	(4,080)	(3,689)
Total	31,758	27,384
Adjustments on income tax for prior years which affect profit or loss	131	(285)
Income tax expense	31,889	27,099

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2009 and 2008 have been computed by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares that were in issue during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2009 and 2008.

	2009	2008
Net profit attributable to shareholders of the Bank	106,756	92,599
Weighted average number of shares (in million shares)	233,689	233,689
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB)	0.46	0.40

18 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	2009	2008	2009	2008
Cash		40,396	34,313	40,198	34,110
Deposits with central banks					
—Statutory deposit reserves	(1)	1,144,675	921,817	1,144,470	921,680
—Surplus deposit reserves	(2)	265,453	277,981	262,578	277,924
—Fiscal deposits		8,124	13,339	8,124	13,339
		1,418,252	1,213,137	1,415,172	1,212,943
Total		1,458,648	1,247,450	1,455,370	1,247,053

Notes:

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

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

	2009	2008
Reserve rate for RMB deposits	15.5%	15.5%
Reserve rate for foreign currency deposits	5.0%	5.0%

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

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

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	2009	2008
Banks	89,955	21,206	89,571	18,212
Non-bank financial institutions	11,226	11,911	11,126	10,234
Gross balances	101,181	33,117	100,697	28,446
Allowances for impairment losses (Note 37)	(18)	(21)	(18)	(21)
Net balances	101,163	33,096	100,679	28,425

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	2009	2008
Mainland China	85,743	20,055	86,125	17,835
Overseas	15,438	13,062	14,572	10,611
Gross balances	101,181	33,117	100,697	28,446
Allowances for impairment losses (Note 37)	(18)	(21)	(18)	(21)
Net balances	101,163	33,096	100,679	28,425

Deposits with bank and non-bank financial institutions mainly include the following balances with restrictions on use: (i) Pledged deposits with overseas counterparties for the purpose of derivative transactions (Note 59(1)); and (ii) Subsidiary's deposits in a special account required by the supervisory authority. As at 31 December 2009, the balances of the aforesaid deposits with restrictions on use are not significant, and have been excluded from the cash and cash equivalents of the Group and the Bank.

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	2009	2008
Banks	21,160	16,778	21,161	28,368
Non-bank financial institutions	1,188	310	2,113	310
Gross balances	22,348	17,088	23,274	28,678
Allowances for impairment losses (Note 37)	(131)	(252)	(131)	(252)
Net balances	22,217	16,836	23,143	28,426

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	2009	2008
Mainland China	8,113	14,203	8,113	14,203
Overseas	14,235	2,885	15,161	14,475
Gross balances	22,348	17,088	23,274	28,678
Allowances for impairment losses (Note 37)	(131)	(252)	(131)	(252)
Net balances	22,217	16,836	23,143	28,426

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
	Note	2009	2008	2009	2008
Financial assets held for trading purpose	(1)				
—Debt securities		10,606	44,693	10,251	44,491
—Equity investments		867	227	—	—
—Funds		—	93	—	—
Subtotal		11,473	45,013	10,251	44,491
Financial assets designated at fair value through profit or loss	(2)				
—Debt securities		3,911	2,447	—	—
—Equity instruments		3,487	2,849	—	—
Subtotal		7,398	5,296	—	—
Total		18,871	50,309	10,251	44,491

(1) Financial assets held for trading purpose

	Group		Bank	
	2009	2008	2009	2008
Debt securities				
—Government	622	931	622	931
—The PBOC	3,781	34,375	3,781	34,375
—Policy banks	1,762	3,719	1,761	3,717
—Banks and other financial institutions	3,910	3,718	3,556	3,518
—Others	531	1,950	531	1,950
Total	10,606	44,693	10,251	44,491
Listed	93	1,209	93	1,209
—of which in Hong Kong	—	86	—	86
Unlisted	10,513	43,484	10,158	43,282
Total	10,606	44,693	10,251	44,491
Equity investments & Funds				
—Banks and non-bank financial institutions	—	6	—	—
—Others	867	314	—	—
Total	867	320	—	—
Listed	867	320	—	—
—of which in Hong Kong	853	218	—	—
Total	867	320	—	—

(2) Financial assets designated at fair value through profit or loss

	Group	
	2009	2008
Debt securities		
—Policy banks	281	—
—Banks and non-bank financial Institutions	749	252
—Others	2,881	2,195
Total	3,911	2,447
Listed	559	252
—of which in Hong Kong	436	30
Unlisted	3,352	2,195
Total	3,911	2,447
Equity instruments		
—Banks and non-bank financial Institutions	6	—
—Others	3,481	2,849
Total	3,487	2,849
Listed	978	206
—of which in Hong Kong	944	192
Unlisted	2,509	2,643
Total	3,487	2,849

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

22 DERIVATIVES

(1) Analysed by type of contract

Group

	2009			2008		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	173,170	3,826	4,015	183,695	9,016	9,451
Exchange rate contracts	510,831	4,614	4,531	489,431	11,758	9,114
Precious metal contracts	1,244	38	—	510	10	—
Equity instrument contracts	1,540	978	29	806	515	—
Total	686,785	9,456	8,575	674,442	21,299	18,565

Bank

	2009			2008		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	170,398	3,815	3,997	183,037	8,981	9,395
Exchange rate contracts	424,815	3,870	3,897	472,676	11,344	8,708
Precious metal contracts	1,244	38	—	510	10	—
Equity instrument contracts	34	7	—	34	—	—
Total	596,491	7,730	7,894	656,257	20,335	18,103

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	2009	2008	2009	2008
Interest rate contracts	4,030	9,304	4,015	9,297
Exchange rate contracts	6,277	7,070	5,430	6,665
Precious metal contracts	31	1	31	1
Equity instrument contracts	736	526	7	—
Total	11,074	16,901	9,483	15,963

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

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	Group		Bank	
	2009	2008	2009	2008
Securities				
—Government bonds	474,557	143,622	474,557	143,622
—Bills issued by the PBOC	3,502	20,164	3,502	20,164
—Debt securities issued by banks and non-bank financial institutions	15,030	14,651	15,030	14,651
—Others	315	1,051	315	1,051
	493,404	179,488	493,404	179,488
Discounted bills	86,185	23,913	86,185	23,913
Loans	10,017	5,158	9,117	5,158
Gross balances	589,606	208,559	588,706	208,559
Allowances for impairment losses (Note 37)	—	(11)	—	(11)
Net balances	589,606	208,548	588,706	208,548

24 INTEREST RECEIVABLE

	Group		Bank	
	2009	2008	2009	2008
Deposits with central banks	555	567	555	567
Deposits with banks and non-bank financial institutions	112	40	112	29
Placements with banks and non-bank financial institutions	26	29	26	117
Financial assets held under resale agreements	1,833	410	1,833	410
Loans and advances to customers	8,423	9,298	8,315	9,214
Investment securities	29,346	27,845	29,228	27,837
Others	51	129	61	124
Gross balances	40,346	38,318	40,130	38,298
Allowances for impairment losses (Note 37)	(1)	(1)	(1)	(1)
Net balances	40,345	38,317	40,129	38,297

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2009	2008	2009	2008
Corporate loans and advances				
—Loans	3,471,337	2,790,631	3,436,206	2,765,460
—Finance leases	8,254	4,514	—	—
	3,479,591	2,795,145	3,436,206	2,765,460
Personal loans and advances				
—Residential mortgages	869,075	615,429	851,397	602,982
—Personal consumer loans	80,377	74,964	78,645	74,964
—Credit cards	39,547	23,291	36,401	23,033
—Others	122,436	121,796	120,739	120,385
	1,111,435	835,480	1,087,182	821,364
Discounted bills	228,747	163,318	228,747	163,318
Gross loans and advances to customers	4,819,773	3,793,943	4,752,135	3,750,142
Allowances for impairment losses (Note 37)	(126,826)	(110,368)	(126,111)	(110,202)
—Individual assessment	(46,360)	(50,548)	(46,308)	(50,478)
—Collective assessment	(80,466)	(59,820)	(79,803)	(59,724)
Net loans and advances to customers	4,692,947	3,683,575	4,626,024	3,639,940

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

	Loans and advances for which allowances are collectively assessed (note (a))	Impaired loans and advances (note (b)) for which allowances are collectively assessed	Impaired loans and advances (note (b)) for which allowances are individually assessed	Total
Group				
As at 31 December 2009				
Gross loans and advances to customers	4,747,617	7,362	64,794	4,819,773
Allowances for impairment losses	(75,628)	(4,838)	(46,360)	(126,826)
Net loans and advances to customers	4,671,989	2,524	18,434	4,692,947
As at 31 December 2008				
Gross loans and advances to customers	3,710,061	8,840	75,042	3,793,943
Allowances for impairment losses	(54,122)	(5,698)	(50,548)	(110,368)
Net loans and advances to customers	3,655,939	3,142	24,494	3,683,575
Bank				
As at 31 December 2009				
Gross loans and advances to customers	4,680,210	7,208	64,717	4,752,135
Allowances for impairment losses	(74,971)	(4,832)	(46,308)	(126,111)
Net loans and advances to customers	4,605,239	2,376	18,409	4,626,024
As at 31 December 2008				
Gross loans and advances to customers	3,666,346	8,840	74,956	3,750,142
Allowances for impairment losses	(54,026)	(5,698)	(50,478)	(110,202)
Net loans and advances to customers	3,612,320	3,142	24,478	3,639,940

Notes:

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

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

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

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2009 is 1.50% (2008: 2.21%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2009 is 1.51% (2008: 2.23%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 62(1).

(d) As at 31 December 2009, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB64,794 million (2008: RMB75,042 million). The covered portion and uncovered portion of these loans and advances were RMB11,613 million (2008: RMB20,426 million) and RMB53,181 million (2008: RMB54,616 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB12,461 million (2008: RMB21,126 million). The individual impairment allowances made against these loans and advances were RMB46,360 million (2008: RMB50,548 million).

As at 31 December 2009, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB64,717 million (2008: RMB74,956 million). The covered portion and uncovered portion of these loans and advances were RMB11,598 million (2008: RMB20,421 million) and RMB53,119 million (2008: RMB54,535 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB12,440 million (2008: RMB21,120 million). The individual impairment allowances made against these loans and advances were RMB46,308 million (2008: RMB50,478 million).

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

(3) Movements of allowances for impairment losses

Group

	Note	2009			
		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		54,122	5,698	50,548	110,368
Charge for the year		21,094	25	19,296	40,415
Release during the year		—	(134)	(16,025)	(16,159)
Unwinding of discount		—	—	(1,270)	(1,270)
Acquisition of the subsidiaries	(a)	412	4	—	416
Transfers out	(b)	—	(77)	(360)	(437)
Write-offs		—	(724)	(6,121)	(6,845)
Recoveries		—	46	292	338
As at 31 December		75,628	4,838	46,360	126,826

	Note	2008			
		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		35,785	4,928	48,215	88,928
Charge for the year		18,337	1,404	25,128	44,869
Release during the year		—	—	(8,623)	(8,623)
Unwinding of discount		—	—	(1,564)	(1,564)
Transfers out	(b)	—	(20)	(6,825)	(6,845)
Write-offs		—	(623)	(5,956)	(6,579)
Recoveries		—	9	173	182
As at 31 December		54,122	5,698	50,548	110,368

Bank

	Note	2009			
		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		54,026	5,698	50,478	110,202
Charge for the year		20,945	—	19,272	40,217
Release during the year		—	(134)	(16,019)	(16,153)
Unwinding of discount		—	—	(1,270)	(1,270)
Transfers out	(b)	—	(78)	(383)	(461)
Write-offs		—	(693)	(6,061)	(6,754)
Recoveries		—	39	291	330
As at 31 December		74,971	4,832	46,308	126,111

		2008			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		35,733	4,928	48,183	88,844
Charge for the year		18,293	1,402	25,073	44,768
Release during the year		—	—	(8,611)	(8,611)
Unwinding of discount		—	—	(1,564)	(1,564)
Transfers out	(b)	—	(20)	(6,820)	(6,840)
Write-offs		—	(621)	(5,950)	(6,571)
Recoveries		—	9	167	176
As at 31 December		54,026	5,698	50,478	110,202

(a) Acquisition of the subsidiaries include the transfer-in of allowances for impairment losses from the acquisition of the subsidiaries during the year.

(b) Transfers out include the transfer of allowances for impairment losses to repossessed assets and on the disposal of non-performing loans.

(4) Overdue loans analysed by overdue period

Group

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

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,839	517	1,169	1,500	5,025
Guaranteed loans	4,569	3,458	6,699	6,523	21,249
Loans secured by tangible assets other than monetary assets	28,399	11,873	12,210	8,993	61,475
Loans secured by monetary assets	4,207	3,341	1,708	1,049	10,305
Total	39,014	19,189	21,786	18,065	98,054
As a percentage of gross loans and advances to customers	1.03%	0.50%	0.57%	0.48%	2.58%

Bank

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

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,831	496	1,169	1,499	4,995
Guaranteed loans	4,569	3,458	6,699	6,523	21,249
Loans secured by tangible assets other than monetary assets	28,353	11,872	12,208	8,993	61,426
Loans secured by monetary assets	4,207	3,341	1,708	1,049	10,305
Total	38,960	19,167	21,784	18,064	97,975
As a percentage of gross loans and advances to customers	1.04%	0.51%	0.58%	0.48%	2.61%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group		Bank	
	Note	2009	2008	2009	2008
Debt securities	(1)	626,763	535,379	627,598	536,049
Equity instruments	(2)	24,402	15,444	22,381	15,107
Funds	(2)	315	15	—	—
Total		651,480	550,838	649,979	551,156

(1) Debt securities

	Group 2009	Group 2008	Bank 2009	Bank 2008
Government	92,616	36,112	92,616	36,112
Central banks	269,431	372,104	269,133	371,927
Policy banks	22,495	15,732	22,495	15,732
Banks and non-bank financial institutions	100,075	86,140	101,440	87,040
Public sector entities	1,937	2,523	1,937	2,523
Other enterprises	140,209	22,768	139,977	22,715
Total	626,763	535,379	627,598	536,049
Listed	26,564	31,745	25,664	31,663
—of which in Hong Kong	3,705	453	2,839	422
Unlisted	600,199	503,634	601,934	504,386
Total	626,763	535,379	627,598	536,049

(2) Equity instruments and funds

	Note	Group 2009	Group 2008	Bank 2009	Bank 2008
Debt equity swap (“DES”) investments	(a) (b)	20,734	14,359	20,734	14,359
Other equity instruments		3,668	1,085	1,647	748
Funds		315	15	—	—
Total		24,717	15,459	22,381	15,107
Listed		19,021	10,037	18,390	10,035
—of which in Hong Kong		1,283	393	984	393
Unlisted		5,696	5,422	3,991	5,072
Total		24,717	15,459	22,381	15,107

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

(b) Certain DES entities were converted into listed A shares with lock-up period restriction up to March and September 2010. The fair value of these restricted shares is estimated based on the quoted market price of the corresponding listed shares, adjusted for the impact of the restriction. The adjustment, which is made by reference to historical volatility of the respective shares and the restriction, is estimated using the Asian Option Model. The Group calculated the fair value for listed A shares with no disposal restriction based on the quoted market prices as at the end of the reporting period.

27 HELD-TO-MATURITY INVESTMENTS

	Group		Bank	
	2009	2008	2009	2008
Government	467,499	334,949	467,399	334,949
Central banks	508,396	354,437	508,088	354,437
Policy banks	114,193	61,493	114,193	61,493
Banks and non-bank financial institutions	314,115	276,734	314,115	276,734
Public sector entities	1,363	10,826	1,363	10,826
Other enterprises	9,393	10,896	9,393	10,896
Gross balances	1,414,959	1,049,335	1,414,551	1,049,335
Allowance for impairment losses (Note 37)	(6,086)	(7,552)	(6,086)	(7,552)
Net balances	1,408,873	1,041,783	1,408,465	1,041,783
Listed	5,740	36,831	5,432	36,831
—of which in Hong Kong	308	4,112	—	4,112
Unlisted	1,403,133	1,004,952	1,403,033	1,004,952
Total	1,408,873	1,041,783	1,408,465	1,041,783
Market value of listed securities	6,439	39,633	6,131	39,633

The Group and the Bank sold held-to-maturity investments with a gross carrying value of RMB37,932 million prior to their maturity dates during the year ended 31 December 2009(2008: the Group RMB64,084 million, the Bank RMB63,923 million). Part of disposal was related to issuers whose performance has suffered heavily as a result of continued economic uncertainty in year 2009. Excluding those, the Group and the Bank sold RMB26,065 million (2008: the Group RMB22,620 million, the Bank 22,459 million), which accounts for 2.12% (2008: the Group 2.01%, the Bank 2.00%) of the portfolio before the disposal.

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

		Group and Bank	
	Note	2009	2008
Government			
—Special government bond	(1)(3)	49,200	49,200
—Others		530	530
The PBOC	(2)(3)	143,386	189,910
Policy banks		1,123	1,123
China Cinda Asset Management Corporation (“Cinda”)	(4)	247,000	247,000
Banks and non-bank financial institutions		57,063	62,750
Joint-stock enterprises		1,369	1,369
Gross balances		499,671	551,882
Allowance for impairment losses (Note 37)		(96)	(64)
Net balances		499,575	551,818

Notes:

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

(2) Due from the PBOC includes: (i) a non-transferable bill with a nominal value of RMB63,354 million issued specifically to CCB as part of the Restructuring. The majority of the proceeds paid by Cinda on the disposal of impaired loans and advances were used to subscribe to the PBOC bill. The bill bore interest at a fixed rate of 1.89% per annum and was repaid in June 2009 upon maturity; (ii) a non-transferable bill with a nominal value of RMB593 million issued specifically to the Bank in June 2006 for partial settlement of loans that had been transferred to asset management companies. The bill matures in June 2011 and bears interest at a fixed rate of 1.89% per annum; and (iii) other PBOC bills issued specifically to the Bank.

(3) The PBOC approved the Bank's use of the special government bond and the bills with nominal values of RMB63,354 million and RMB593 million respectively issued by the PBOC as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(4) Cinda issued a bond with a nominal value of RMB247,000 million specifically to CCB in 1999 for the acquisition of CCB's impaired loans and advances at their original book value. The bond bears interest at a fixed rate of 2.25% per annum and matured in September 2009. In 2009, MOF notified the Bank that the maturity date of the bond is extended for a further period of ten years and the interest rate remains unchanged. MOF continues to provide support for the repayment of the principal and interest of the bond.

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	Note	2009	2008
Sing Jian Development Company Limited		383	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")		751	751
CCB Principal Asset Management Corporation Limited ("CCB Principal")		130	130
CCB International Group Holdings Limited ("CCBIG")		—	—
CCB Financial Leasing Corporation Limited ("CCBFLCL")		3,380	3,380
Hunan Taojiang Jianxin Rural Bank Corporation Limited ("Taojiang Rural")		26	26
China Construction Bank (London) Limited ("CCB London")	(a)	684	—
Zhejiang Cangnan Jianxin Rural Bank Corporation Limited ("Cangnan Rural")	(b)	53	—
Jianxin Trust Corporation Limited ("Jianxin Trust")	(c)	3,409	—
Total		8,816	4,670

(a) In the first half of 2009, the Bank established a wholly-owned subsidiary, CCB London, with a registered capital of US$100 million in London, Great Britain.

(b) In the first half of 2009, the Bank and other investors established a rural bank, Cangnan Rural. The Bank made a cash contribution of RMB53 million for 35% of equity interests of Cangnan Rural and additionally obtained 16% of voting rights from certain other investors. Therefore, the Bank holds 51% of voting rights in total and has obtained a control over Cangnan Rural.

(c) In the second half of 2009, the Bank made a cash contribution of RMB3,409 million for 67% of equity interests of a trust company, Jianxin Trust.

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries 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 indirectly held by the Bank	% of voting rights held by the Bank
Sing Jian Development Company Limited	Hong Kong, the PRC	300 million shares of HK$1 each	Investment	100%	—	100%
Sino-German	Tianjin, the PRC	RMB1,000 million	Home mortgage loan and deposit taking business	75.1%	—	75.1%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	—	65%
CCBIG	Hong Kong, the PRC	1 share of HK$1 each	Investment	100%	—	100%
CCBFLCL	Beijing, the PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	—	75.1%
Taojiang Rural	Hunan, the PRC	50 million shares of RMB1 each	Loan and deposit taking business	51%	—	51%
CCB London (Note 29(1)(a))	London, United Kingdom	100 million shares of US$ 1 each	Commercial banking and related financial services	100%	—	100%
Cangnan Rural (Note 29(1)(b))	Zhejiang, the PRC	150 million shares of RMB1 each	Loan and deposit taking business	35%	—	51%
Jianxin Trust (Note 29(1)(c))	Anhui, the PRC	1,527 million shares of RMB1 each	Trust business	67%	—	67%
Lanhye Investment Holdings Limited	British Virgin Islands	1 share of US$1 each	Investment	—	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	601 million shares of US$1 each	Investment	—	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	163 million shares of HK$40 each	Commercial banking and related financial services	—	100%	100%

30 INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

	2009	2008
As at 1 January	1,728	1,099
Acquisition during the year	54	682
Share of profits less losses	17	16
Cash dividend receivable	(7)	—
Effect of exchange difference and others	(1)	(69)
Total	1,791	1,728

(2) Details of the interests in major associates and jointly controlled entities are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit/ (loss) for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	78,192,220 ordinary shares of HK$1 each	Insurance	25.5%	25.5%	1,242	792	584	73
Diamond String Limited ("DSL")	Hong Kong, the PRC	10,000 ordinary shares of HK$1 each	Property investment	50%	50%	926	923	—	(1)

31 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2009	46,536	4,618	21,481	12,921	85,556
Additions through acquisitions	197	—	1	89	287
Additions	2,832	10,387	3,867	2,812	19,898
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(279)	(66)	(1,328)	(1,033)	(2,706)
As at 31 December 2009	51,305	11,349	24,030	16,351	103,035
Accumulated depreciation					
As at 1 January 2009	(7,926)	—	(10,450)	(2,700)	(21,076)
Additions through acquisitions	(29)	—	(1)	(82)	(112)
Charge for the year	(1,837)	—	(4,122)	(3,046)	(9,005)
Disposals	91	—	1,287	976	2,354
As at 31 December 2009	(9,701)	—	(13,286)	(4,852)	(27,839)
Allowances for impairment losses (Note 37)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charge for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,103	4,613	11,028	10,213	63,957
As at 31 December 2009	41,115	11,344	10,741	11,493	74,693

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,728	1,990	17,787	12,136	75,641
Reclassification	(1)	—	—	—	(3,177)	(3,177)
Additions		2,019	5,223	4,897	3,504	15,643
Transfer in/(out)		1,076	(2,549)	22	1,451	—
Disposals		(287)	(46)	(1,225)	(993)	(2,551)
As at 31 December 2008		46,536	4,618	21,481	12,921	85,556
Accumulated depreciation						
As at 1 January 2008		(6,294)	—	(7,992)	(2,554)	(16,840)
Reclassification	(1)	—	—	—	1,311	1,311
Charge for the year		(1,751)	—	(3,621)	(2,299)	(7,671)
Disposals		119	—	1,163	842	2,124
As at 31 December 2008		(7,926)	—	(10,450)	(2,700)	(21,076)
Allowances for impairment losses (Note 37)						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	—	—	(2)	(28)
Disposals		13	—	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,940	1,985	9,788	9,574	58,287
As at 31 December 2008		38,103	4,613	11,028	10,213	63,957

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2009	46,468	4,585	21,314	12,747	85,114
Additions	2,831	10,210	3,820	2,743	19,604
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(246)	(66)	(1,325)	(943)	(2,580)
As at 31 December 2009	51,072	11,139	23,818	16,109	102,138
Accumulated depreciation					
As at 1 January 2009	(7,901)	—	(10,348)	(2,619)	(20,868)
Charge for the year	(1,832)	—	(4,091)	(3,007)	(8,930)
Disposals	85	—	1,282	894	2,261
As at 31 December 2009	(9,648)	—	(13,157)	(4,732)	(27,537)
Allowances for impairment losses (Note 37)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charge for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,060	4,580	10,963	10,120	63,723
As at 31 December 2009	40,935	11,134	10,658	11,371	74,098

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,656	1,990	17,645	11,979	75,270
Reclassification	(1)	—	—	—	(3,168)	(3,168)
Additions		2,019	5,190	4,867	3,385	15,461
Transfer in/(out)		1,076	(2,549)	22	1,451	—
Disposals		(283)	(46)	(1,220)	(900)	(2,449)
As at 31 December 2008		46,468	4,585	21,314	12,747	85,114
Accumulated depreciation						
As at 1 January 2008		(6,271)	—	(7,911)	(2,480)	(16,662)
Reclassification	(1)	—	—	—	1,310	1,310
Charge for the year		(1,749)	—	(3,598)	(2,271)	(7,618)
Disposals		119	—	1,161	822	2,102
As at 31 December 2008		(7,901)	—	(10,348)	(2,619)	(20,868)
Allowances for impairment losses (Note 37)						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	—	—	(2)	(28)
Disposals		13	—	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,891	1,985	9,727	9,491	58,094
As at 31 December 2008		38,060	4,580	10,963	10,120	63,723

Notes:

(1) The Group and the Bank reclassified the leasehold improvement expenditure to other assets in 2008.

(2) As at 31 December 2009, ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB6,636 million (2008: RMB4,135 million) was being finalised.

(3) Analysed by remaining terms of the leases

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

	Group		Bank	
	2009	2008	2009	2008
Long term leases (over 50 years) held overseas	—	41	—	41
Medium term leases (10–50 years) held overseas	195	157	180	114
Medium term leases (10–50 years) held in Mainland China	39,576	37,081	39,411	37,081
Short term leases (less than 10 years) held in Mainland China	1,344	824	1,344	824
Total	41,115	38,103	40,935	38,060

32 LAND USE RIGHTS

Group

	2009	2008
Cost/deemed cost		
As at 1 January	19,874	19,753
Additions	416	240
Disposals	(117)	(119)
As at 31 December	20,173	19,874
Amortisation		
As at 1 January	(2,418)	(1,944)
Charge for the year	(496)	(492)
Disposals	14	18
As at 31 December	(2,900)	(2,418)
Allowances for impairment losses (Note 37)		
As at 1 January	(161)	(159)
Charge for the year	—	(4)
Disposals	10	2
As at 31 December	(151)	(161)
Net carrying value		
As at 1 January	17,295	17,650
As at 31 December	17,122	17,295

Bank

	2009	2008
Cost/deemed cost		
As at 1 January	19,807	19,681
Additions	392	240
Disposals	(89)	(114)
As at 31 December	20,110	19,807
Amortisation		
As at 1 January	(2,417)	(1,944)
Charge for the year	(493)	(490)
Disposals	13	17
As at 31 December	(2,897)	(2,417)
Allowances for impairment losses (Note 37)		
As at 1 January	(161)	(159)
Charge for the year	—	(4)
Disposals	10	2
As at 31 December	(151)	(161)
Net carrying value		
As at 1 January	17,229	17,578
As at 31 December	17,062	17,229

33 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2009	2,967	54	3,021
Additions	492	11	503
Disposals	(26)	(7)	(33)
As at 31 December 2009	3,433	58	3,491
Amortisation			
As at 1 January 2009	(1,728)	(32)	(1,760)
Charge for the year	(481)	(4)	(485)
Disposals	26	6	32
As at 31 December 2009	(2,183)	(30)	(2,213)
Allowances for impairment losses (Note 37)			
As at 1 January 2009	(1)	(7)	(8)
As at 31 December 2009	(1)	(7)	(8)
Net carrying value			
As at 1 January 2009	1,238	15	1,253
As at 31 December 2009	1,249	21	1,270
Cost/deemed cost			
As at 1 January 2008	2,415	71	2,486
Additions	571	25	596
Disposals	(19)	(42)	(61)
As at 31 December 2008	2,967	54	3,021
Amortisation			
As at 1 January 2008	(1,295)	(48)	(1,343)
Charge for the year	(452)	(7)	(459)
Disposals	19	23	42
As at 31 December 2008	(1,728)	(32)	(1,760)
Allowances for impairment losses (Note 37)			
As at 1 January 2008	(1)	(8)	(9)
Disposals	—	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,119	15	1,134
As at 31 December 2008	1,238	15	1,253

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2009	2,943	52	2,995
Additions	483	3	486
Disposals	(26)	(6)	(32)
As at 31 December 2009	3,400	49	3,449
Amortisation			
As at 1 January 2009	(1,722)	(32)	(1,754)
Charge for the year	(474)	(3)	(477)
Disposals	26	6	32
As at 31 December 2009	(2,170)	(29)	(2,199)
Allowances for impairment losses (Note 37)			
As at 1 January 2009	(1)	(7)	(8)
As at 31 December 2009	(1)	(7)	(8)
Net carrying value			
As at 1 January 2009	1,220	13	1,233
As at 31 December 2009	1,229	13	1,242
Cost/deemed cost			
As at 1 January 2008	2,413	64	2,477
Additions	549	18	567
Disposals	(19)	(30)	(49)
As at 31 December 2008	2,943	52	2,995
Amortisation			
As at 1 January 2008	(1,295)	(44)	(1,339)
Charge for the year	(446)	(7)	(453)
Disposals	19	19	38
As at 31 December 2008	(1,722)	(32)	(1,754)
Allowances for impairment losses (Note 37)			
As at 1 January 2008	(1)	(8)	(9)
Disposals	—	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,117	12	1,129
As at 31 December 2008	1,220	13	1,233

34 GOODWILL

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

	2009	2008
As at 1 January	1,527	1,624
Additions through acquisitions	63	—
Effect of exchange difference	—	(97)
As at 31 December	1,590	1,527

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

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

Based on the result of the impairment test, no impairment losses on goodwill were recognised during 2009 (2008: nil).

35 DEFERRED TAX

	Group		Bank	
	2009	2008	2009	2008
Deferred tax assets	10,790	7,855	11,323	8,059
Deferred tax liabilities	(216)	(5)	(22)	—
Total	10,574	7,850	11,301	8,059

(1) Analysed by nature

Group

	2009		2008	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
—Fair value adjustments	(17,462)	(4,361)	(17,618)	(4,394)
—Allowances for impairment losses	45,365	11,243	41,541	10,385
—Early retirement benefits and accrued salaries	15,238	3,809	7,259	1,815
—Others	601	99	280	49
Total	43,742	10,790	31,462	7,855
Deferred tax liabilities				
—Fair value adjustments	(819)	(204)	—	—
—Allowances for impairment losses	24	6	—	—
—Others	(81)	(18)	(31)	(5)
Total	(876)	(216)	(31)	(5)

Bank

	2009		2008	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
—Fair value adjustments	(17,514)	(4,377)	(17,672)	(4,408)
—Allowances for impairment losses	44,868	11,160	41,541	10,385
—Early retirement benefits and accrued salaries	15,210	3,802	7,259	1,815
—Others	5,925	738	3,187	267
Total	48,489	11,323	34,315	8,059
Deferred tax liabilities				
—Fair value adjustments	(113)	(28)	—	—
—Allowances for impairment losses	18	4	—	—
—Others	6	2	—	—
Total	(89)	(22)	—	—

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2009	1,815	(4,394)	10,385	44	7,850
Recognised in profit or loss	1,994	700	785	37	3,516
Recognised in other comprehensive income	—	(672)	—	—	(672)
Additions through acquisitions	—	(199)	79	—	(120)
As at 31 December 2009	3,809	(4,565)	11,249	81	10,574
As at 1 January 2008	1,915	(7,202)	4,560	(9)	(736)
Recognised in profit or loss	(100)	1,064	5,825	53	6,842
Recognised in other comprehensive income	—	1,744	—	—	1,744
As at 31 December 2008	1,815	(4,394)	10,385	44	7,850

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2009	1,815	(4,408)	10,385	267	8,059
Recognised in profit or loss	1,987	695	779	473	3,934
Recognised in other comprehensive income	—	(692)	—	—	(692)
As at 31 December 2009	3,802	(4,405)	11,164	740	11,301
As at 1 January 2008	1,915	(7,191)	4,560	147	(569)
Recognised in profit or loss	(100)	1,040	5,825	120	6,885
Recognised in other comprehensive income	—	1,743	—	—	1,743
As at 31 December 2008	1,815	(4,408)	10,385	267	8,059

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

36 OTHER ASSETS

		Group		Bank	
	Note	2009	2008	2009	2008
Repossessed assets	(1)				
—Buildings		2,211	1,704	2,211	1,697
—Land use rights		412	648	412	648
—Others		462	552	462	552
		3,085	2,904	3,085	2,897
Long-term deferred expenses		372	339	368	338
Receivables from CCBIG	(2)	—	—	19,746	14,276
Other receivables		10,910	10,783	10,792	9,936
Leasehold improvements		2,610	2,468	2,602	2,461
Subtotal		16,977	16,494	36,593	29,908
Allowances for impairment losses (Note 37)		(3,288)	(3,686)	(3,283)	(3,686)
Total		13,689	12,808	33,310	26,222

(1) During the year ended 31 December 2009, the original cost of repossessed assets disposed of by the Group amounted to RMB1,535 million (2008: RMB1,230 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

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

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2009				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	21	(3)	—	—	18
Placements with banks and non-bank financial institutions	20	252	(86)	—	(35)	131
Financial assets held under resale agreements	23	11	(11)	—	—	—
Interest receivable	24	1	—	—	—	1
Loans and advances to customers	25(3)	110,368	24,256	(953)	(6,845)	126,826
Held-to-maturity investments	27	7,552	76	5	(1,547)	6,086
Debt securities classified as receivables	28	64	32	—	—	96
Fixed assets	31	523	2	—	(22)	503
Land use rights	32	161	—	—	(10)	151
Intangible assets	33	8	—	—	—	8
Other assets	36	3,686	178	—	(576)	3,288
Total		122,647	24,444	(948)	(9,035)	137,108

Transfer in/(out) includes the exchange difference, write-offs include settlements.

		2008				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	—	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	—	(145)	252
Financial assets held under resale agreements	23	11	—	—	—	11
Interest receivable	24	19	(18)	—	—	1
Loans and advances to customers	25(3)	88,928	36,246	(8,227)	(6,579)	110,368
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	—	—	64
Fixed assets	31	514	28	—	(19)	523
Land use rights	32	159	4	—	(2)	161
Intangible assets	33	9	—	—	(1)	8
Other assets	36	3,595	1,436	—	(1,345)	3,686
Total		99,514	40,073	(8,570)	(8,370)	122,647

Bank

	Note	2009 As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	21	(3)	—	—	18
Placements with banks and non-bank financial institutions	20	252	(86)	—	(35)	131
Financial assets held under resale agreements	23	11	(11)	—	—	—
Interest receivable	24	1	—	—	—	1
Loans and advances to customers	25(3)	110,202	24,064	(1,401)	(6,754)	126,111
Held-to-maturity investments	27	7,552	76	5	(1,547)	6,086
Debt securities classified as receivables	28	64	32	—	—	96
Fixed assets	31	523	2	—	(22)	503
Land use rights	32	161	—	—	(10)	151
Intangible assets	33	8	—	—	—	8
Other assets	36	3,686	173	—	(576)	3,283
Total		122,481	24,247	(1,396)	(8,944)	136,388

	Note	2008 As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	—	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	—	(145)	252
Financial assets held under resale agreements	23	11	—	—	—	11
Interest receivable	24	19	(18)	—	—	1
Loans and advances to customers	25(3)	88,844	36,157	(8,228)	(6,571)	110,202
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	—	—	64
Fixed assets	31	514	28	—	(19)	523
Land use rights	32	159	4	—	(2)	161
Intangible assets	33	9	—	—	(1)	8
Other assets	36	3,595	1,435	—	(1,344)	3,686
Total		99,430	39,983	(8,571)	(8,361)	122,481

38 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

	2009	2008
Deposits with banks and non-bank financial institutions	828	—
Placements with banks and non-bank financial institutions	2,153	14,441
Interest receivable	13	98
Loans and advances to customers	634	797
Available-for-sale financial assets	3,081	942
Other assets	21,060	14,280
Total	27,769	30,558

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

	2009	2008
Deposits from banks and non-bank financial institutions	2,218	1,011
Placements from banks and non-bank financial institutions	2,700	12,038
Negative fair value of derivatives	2	—
Financial assets sold under repurchase agreements	2,625	—
Deposits from customers	1,686	3,261
Interest payable	8	49
Debt securities issued	1,451	130
Other liabilities	453	2
Total	11,143	16,491

39 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	2009	2008
Banks	183,327	123,063	183,448	123,704
Non-bank financial institutions	591,458	324,401	593,134	324,757
Total	774,785	447,464	776,582	448,461

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	2009	2008
Mainland China	774,295	446,614	776,093	447,625
Overseas	490	850	489	836
Total	774,785	447,464	776,582	448,461

40 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	2009	2008
Banks	36,472	43,058	30,369	53,186
Non-bank financial institutions	1,648	50	1,599	5
Total	38,120	43,108	31,968	53,191

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	2009	2008
Mainland China	11,157	28,303	7,524	28,303
Overseas	26,963	14,805	24,444	24,888
Total	38,120	43,108	31,968	53,191

41 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2009 and 2008, financial liabilities at fair value through profit or loss of the Group and the Bank represented financial liabilities designated at fair value through profit or loss, which mainly comprised structured deposits and financial liabilities related to precious metals. As at 31 December 2009, the fair value of financial liabilities was less than the contractual payables at maturity by RMB1 million (2008: more than by RMB27 million). The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2009 and 2008.

42 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

As at 31 December 2009, the amount of financial assets sold under repurchase agreement of the Bank was RMB2,625 million, and collaterals for all financial assets sold under repurchase agreements were loans (2008: RMB864 million, and collaterals were securities).

43 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
Demand deposits				
—Corporate customers	2,968,733	2,233,187	2,965,825	2,233,497
—Personal customers	1,445,304	1,137,114	1,435,266	1,132,210
	4,414,037	3,370,301	4,401,091	3,365,707
Time deposits (including call deposits)				
—Corporate customers	1,421,678	1,152,126	1,405,735	1,142,678
—Personal customers	2,165,608	1,853,488	2,148,414	1,834,600
	3,587,286	3,005,614	3,554,149	2,977,278
Total	8,001,323	6,375,915	7,955,240	6,342,985

Deposits from customers include:

	Group		Bank	
	2009	2008	2009	2008
(1) Pledged deposits				
—Deposits for acceptance	118,121	88,833	118,121	88,833
—Deposits for guarantee	23,984	24,141	23,984	24,141
—Deposits for letter of credit	19,974	11,657	19,974	11,657
—Others	72,021	35,322	72,017	35,535
	234,100	159,953	234,096	160,166
(2) Outward remittance and remittance payables	19,073	21,287	18,988	21,233

44 ACCRUED STAFF COSTS

Group

		2009			
	Note	As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances and subsidies		8,012	33,545	(31,486)	10,071
Defined contribution retirement schemes		444	5,941	(5,926)	459
Other social insurance and welfare		1,399	6,239	(5,769)	1,869
Housing funds		72	2,941	(2,931)	82
Union running costs and employee education costs		735	1,238	(1,176)	797
Supplementary retirement benefits	(1)	6,556	743	(513)	6,786
Early retirement benefits		7,926	819	(1,392)	7,353
Compensation to employees for termination of employment relationship		9	18	(19)	8
Total		25,153	51,484	(49,212)	27,425

		2008			
	Note	As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances and subsidies		4,088	32,252	(28,328)	8,012
Defined contribution retirement schemes		1,115	4,294	(4,965)	444
Other social insurance and welfare		1,619	5,813	(6,033)	1,399
Housing funds		104	2,612	(2,644)	72
Union running costs and employee education costs		646	1,073	(984)	735
Supplementary retirement benefits	(1)	6,159	852	(455)	6,556
Early retirement benefits		8,998	360	(1,432)	7,926
Compensation to employees for termination of employment relationship		18	45	(54)	9
Total		22,747	47,301	(44,895)	25,153

Bank

	Note	2009 As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances and subsidies		7,711	32,424	(30,682)	9,453
Defined contribution retirement schemes		444	5,902	(5,888)	458
Other social insurance and welfare		1,358	6,167	(5,748)	1,777
Housing funds		71	2,931	(2,921)	81
Union running costs and employee education costs		732	1,232	(1,172)	792
Supplementary retirement benefits	(1)	6,556	743	(513)	6,786
Early retirement benefits		7,926	819	(1,392)	7,353
Compensation to employees for termination of employment relationship		9	18	(19)	8
Total		24,807	50,236	(48,335)	26,708

	Note	2008 As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances and subsidies		3,859	31,528	(27,676)	7,711
Defined contribution retirement schemes		1,106	4,264	(4,926)	444
Other social insurance and welfare		1,619	5,772	(6,033)	1,358
Housing funds		103	2,605	(2,637)	71
Union running costs and employee education costs		645	1,069	(982)	732
Supplementary retirement benefits	(1)	6,159	852	(455)	6,556
Early retirement benefits		8,998	360	(1,432)	7,926
Compensation to employees for termination of employment relationship		18	45	(54)	9
Total		22,507	46,495	(44,195)	24,807

(1) Supplementary retirement benefits

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

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

	Group and Bank 2009	Group and Bank 2008
Present value of supplementary retirement benefit obligations	6,766	6,842
Unrecognised actuarial gains/(losses)	20	(286)
As at 31 December	6,786	6,556

(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:

	Group and Bank	
	2009	2008
As at 1 January	6,556	6,159
Payments made	(513)	(455)
Expenses recognised in profit or loss		
—Interest cost	206	284
—Past service costs	537	568
As at 31 December	6,786	6,556

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

(c) Principal actuarial assumptions of the Group and the Bank as at the end of the reporting period:

	Group and Bank	
	2009	2008
Discount rate	3.50%	3.00%
Health care cost increases	7.00%	7.00%
Average expected future lifetime of eligible employees	14.7 years	15.2 years

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

45 TAXES PAYABLE

	Group		Bank	
	2009	2008	2009	2008
Income tax	20,627	29,777	20,362	29,558
Business tax and surcharges	4,562	4,706	4,545	4,698
Others	651	1,055	642	1,054
Total	25,840	35,538	25,549	35,310

46 INTEREST PAYABLE

	Group		Bank	
	2009	2008	2009	2008
Deposits from banks and non-bank financial institutions	961	1,059	959	1,057
Placements from banks and non-bank financial institutions	36	180	27	224
Financial assets sold under repurchase agreements	—	3	—	3
Deposits from customers	56,738	57,743	56,708	57,665
Debt securities issued	1,650	553	1,651	553
Others	102	157	97	150
Total	59,487	59,695	59,442	59,652

47 PROVISIONS

	Group and Bank	
	2009	2008
Litigation provisions	894	1,117
Others	450	689
Total	1,344	1,806

48 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	2009	2008	2009	2008
Certificates of deposit issued	(1)	15,893	11,017	15,502	9,608
Bonds issued	(2)	2,863	2,854	2,993	2,984
Subordinated bonds issued	(3)	79,888	39,939	79,888	39,939
Total		98,644	53,810	98,383	52,531

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

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

	Group		Bank	
	2009	2008	2009	2008
3.24% fixed rate RMB bonds	2,870	2,870	3,000	3,000
Less: Unamortised issuance cost	(7)	(16)	(7)	(16)
Carrying value as at 31 December	2,863	2,854	2,993	2,984

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

		Group and Bank	
	Note	2009	2008
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	12,000	—
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	28,000	—
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	10,000	—
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	10,000	—
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	20,000	—
4.87% subordinated fixed rate bonds maturing in August 2014	(f)	—	11,140
Subordinated floating rate bonds maturing in August 2014	(f)	—	3,860
4.95% subordinated fixed rate bonds maturing in September 2014	(f)	—	8,300
Subordinated floating rate bonds maturing in December 2014	(f)	—	6,078
4.95% subordinated fixed rate bonds maturing in December 2014	(f)	—	10,622
Total nominal value		80,000	40,000
Less: Unamortised issuance cost		(112)	(61)
Carrying value as at 31 December		79,888	39,939

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

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

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

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

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

(f) The Group exercised the options to redeem these subordinated bonds issued in 2004 at par value in August, September and December 2009.

49 OTHER LIABILITIES

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Dormant accounts	4,290	4,379	4,290	4,379
Securities underwriting and redemption payable	1,813	3,616	1,813	3,616
Payment and collection clearance account	454	592	450	592
Payables to China Jianyin Investment Limited (“Jianyin”)	372	57	372	57
Settlement accounts	135	498	135	437
Others	13,514	12,844	12,997	12,240
Total	20,578	21,986	20,057	21,321

50 SHARE CAPITAL

	Group and Bank	
	2009	**2008**
Listed in Hong Kong (H Share)	224,689	224,689
Listed in Mainland China (A Share)	9,000	9,000
Total	233,689	233,689

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

51 CAPITAL RESERVE

	Group and Bank	
	2009	**2008**
Share premium	90,210	90,210
Others	56	31
Total	90,266	90,241

Share premium was the amount arising from the issue of shares at prices in excess of their par value.

52 INVESTMENT REVALUATION RESERVE

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

Group

	2009		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	14,890	(3,734)	11,156
Gains/(losses) during the year			
—Available-for-sale equity instruments	8,212	(2,052)	6,160
—Available-for-sale debt securities	(6,050)	1,511	(4,539)
	2,162	(541)	1,621
Reclassification adjustments			
—Impairment losses	999	(250)	749
—Net realised gains on disposal	(925)	232	(693)
—Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	440	(110)	330
	514	(128)	386
As at 31 December	17,566	(4,403)	13,163

	2008		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	21,886	(5,478)	16,408
Losses during the year			
—Available-for-sale equity instruments	(18,234)	4,558	(13,676)
—Available-for-sale debt securities	(762)	186	(576)
	(18,996)	4,744	(14,252)
Reclassification adjustments			
—Impairment losses	10,622	(2,655)	7,967
—Net realised losses on disposal	247	(62)	185
—Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,890	(3,734)	11,156

Bank

	2009		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	14,862	(3,724)	11,138
Gains/(losses) during the year			
—Available-for-sale equity instruments	8,200	(2,051)	6,149
—Available-for-sale debt securities	(5,947)	1,487	(4,460)
	2,253	(564)	1,689
Reclassification adjustments			
—Impairment losses	999	(250)	749
—Net realised gains on disposal	(925)	232	(693)
—Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	440	(110)	330
	514	(128)	386
As at 31 December	17,629	(4,416)	13,213

	2008		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	21,855	(5,467)	16,388
Losses during the year			
—Available-for-sale equity instruments	(18,231)	4,557	(13,674)
—Available-for-sale debt securities	(762)	186	(576)
	(18,993)	4,743	(14,250)
Reclassification adjustments			
—Impairment losses	10,622	(2,655)	7,967
—Net realised losses on disposal	247	(62)	185
—Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,862	(3,724)	11,138

53 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

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

54 GENERAL RESERVE

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

		Group		Bank	
	Note	2009	2008	2009	2008
MOF	(1)	46,093	46,093	46,093	46,093
Hong Kong Banking Ordinance	(2)	592	476	105	105
Other regulatory bodies in Mainland China	(3)	109	56	—	—
Other overseas regulatory bodies		12	3	11	2
As at 31 December		46,806	46,628	46,209	46,200

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

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

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiary is required to appropriate a certain amount of its net profit as general reserve.

55 PROFIT DISTRIBUTION

In the Annual General Meeting held on 11 June 2009, the shareholders approved the profit distribution for the six months from 1 July 2008 to 31 December 2008. The Bank appropriated final dividend in an aggregate amount of RMB19,560 million for the six months from 1 July 2008 to 31 December 2008.

On 26 March 2010, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2009:

(1) Appropriate statutory surplus reserve amounted to RMB10,499 million, based on 10% of the net profit of the Bank amounted to RMB104,986 million. It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB14,382 million, pursuant to relevant regulations issued by MOF.

(3) Appropriate cash dividend of RMB0.202 per share before tax amounting to RMB47,205 million in total to all shareholders. The proposed dividend after the reporting period is not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of Shareholders Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

56 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(1) Cash and cash equivalents

	2009	2008
Cash	40,396	34,313
Surplus deposit reserves with central banks	265,453	277,981
Demand deposits with banks and non-bank financial institutions	20,280	24,560
Deposits with banks and non-bank financial institutions with original maturity with or within three months	36,226	5,201
Placements with banks and non-bank financial institutions with original maturity with or within three months	17,894	13,756
Total	380,249	355,811

(2) Cash inflows from acquisition of subsidiaries

In 2009, net cash inflows arise from the acquisitions of the following subsidiaries, which represent the excess of the cash and cash equivalents acquired over the considerations paid in cash.

(a) Cangnan Rural

To establish Cangnan Rural, the Bank made a cash contribution of RMB53 million, and acquired cash and cash equivalents of RMB150 million. The net cash inflow from the acquisition is RMB97 million.

(b) Jianxin Trust

To acquire Jianxin Trust, the Bank paid a cash consideration of RMB3,409 million, and acquired cash and cash equivalents of RMB3,466 million. The net cash inflow arising from the aforesaid acquisition is RMB57 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	3,466	—	3,466
Financial assets at fair value through profit or loss	149	—	149
Loans and advances to customers	92	—	92
Available-for-sale financial assets	1,268	752	516
Held-to-maturity investments	1	—	1
Fixed assets	169	—	169
Other assets	72	—	72
Accrued staff costs	(7)	—	(7)
Taxes payable	(9)	—	(9)
Deferred tax liabilities	(199)	(188)	(11)
Other liabilities	(8)	—	(8)
Total	4,994	564	4,430
Minority interests	(1,648)		
Net identifiable assets	3,346		
Goodwill on acquisition	63		
Consideration transferred	3,409		
Cash and cash equivalents acquired	3,466		
Consideration paid, satisfied in cash	(3,409)		
Net cash inflow from the acquisition	57		

The amounts of operating income and net loss of Jianxin Trust since the acquisition date included in the consolidated statement of comprehensive income for the year ended 31 December 2009 are RMB63 million and RMB12 million respectively. Had the aforesaid acquisition occurred on 1 January 2009, the operating income and net profit of the Group would have been RMB269,495 million and RMB106,974 million respectively for the year ended 31 December 2009.

(c) China Construction Bank (Asia) Finance Limited ("CCBAF")

To acquire CCBAF (previously known as "AIG Finance (Hong Kong) Limited"), CCB Asia, one subsidiary of the Group, paid a cash consideration equivalent to RMB510 million, and acquired cash and cash equivalents equivalent to RMB4,185 million. The net cash inflow arising from the aforesaid acquisition is equivalent to RMB3,675 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	2,951	—	2,951
Placements with banks and non-bank financial institutions	1,234	—	1,234
Interest receivable	8	—	8
Loans and advances to customers	3,762	—	3,762
Available-for-sale financial assets	61	—	61
Held-to-maturity investments	35	—	35
Fixed assets	6	—	6
Deferred tax assets	79	—	79
Other assets	19	—	19
Placements from banks and non-bank financial institutions	(1,936)	—	(1,936)
Negative fair value of derivatives	(58)	—	(58)
Deposits from customers	(4,207)	—	(4,207)
Accrued staff costs	(21)	—	(21)
Taxes payable	(12)	—	(12)
Interest payable	(32)	—	(32)
Debt securities issued	(756)	—	(756)
Other liabilities	(150)	—	(150)
Net identifiable assets	983	—	983
Gain on acquisition	(473)		
Consideration transferred	510		
Cash and cash equivalents acquired	4,185		
Consideration paid, satisfied in cash	(510)		
Net cash inflow from the acquisition	3,675		

The amounts of operating income and net profit of CCBAF since the acquisition date included in the consolidated statement of comprehensive income for the year ended 31 December 2009 are RMB111 million and RMB10 million respectively. Had the aforesaid acquisition occurred on 1 January 2009, the operating income and net profit of the Group would have been RMB269,739 million and RMB106,721 million respectively for the year ended 31 December 2009.

(d) Other subsidiaries

The net cash inflows arising from the acquisitions of subsidiaries by CCBI, one subsidiary of the Group, are equivalent to RMB33 million (2008: equivalent to RMB24 million).

(3) Cash outflows used in acquisitions of associates and jointly controlled entities

In 2009, CCBI paid cash considerations equivalent to RMB54 million to acquire associates and jointly controlled entities (2008: equivalent to RMB2 million). In 2008, the Group paid a cash considerations equivalent to RMB680 million to acquire DSL, one jointly controlled entity.

(4) Cash flows related to additional capital injections

In 2008, the Bank and Bausparkasse Schwaebisch Hall of Germany paid cash of RMB638 million and an amount equivalent of RMB212 million respectively as the additional capital contribution to Sino-German respectively.

(5) Cash flows related to disposals of subsidiaries

In 2009, CCBI disposed of a portion of equity interests in its subsidiaries for cash receipts equivalent to RMB100 million (2008: equivalent to RMB38 million).

(6) Cash dividend paid

For the year ended 31 December 2009, the subsidiaries paid a cash dividend of RMB18 million to minority shareholders (2008: RMB23 million), which is included in the amount of the total cash dividend paid by the Group.

57 OPERATING SEGMENTS

As mentioned in Note 4(21), the Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

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

(1) Geographical segments

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

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

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

- "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;
- the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	31,201	15,457	17,347	20,601	25,352	5,684	93,325	2,918	211,885
Internal net interest income/(expense)	12,109	13,386	17,594	13,764	11,003	7,391	(75,106)	(141)	—
Net interest income	43,310	28,843	34,941	34,365	36,355	13,075	18,219	2,777	211,885
Net fee and commission income	11,848	8,506	7,770	7,496	6,638	2,679	2,625	497	48,059
Net trading gain/(loss)	121	238	105	23	92	41	(290)	1,903	2,233
Dividend income	9	—	8	12	13	—	36	22	100
Net gain arising from investment securities	5	—	11	416	348	305	3,296	90	4,471
Other operating income/(loss), net	478	306	279	307	741	171	(435)	719	2,566
Operating income	55,771	37,893	43,114	42,619	44,187	16,271	23,451	6,008	269,314
Operating expenses	(19,352)	(13,947)	(16,342)	(17,847)	(17,587)	(7,605)	(10,398)	(2,068)	(105,146)
Impairment losses	(7,384)	(3,880)	(3,867)	(4,364)	(711)	(1,584)	(996)	(2,674)	(25,460)
Share of profits less losses of associates—and jointly controlled entities	—	—	—	—	—	—	—	17	17
Profit before tax	29,035	20,066	22,905	20,408	25,889	7,082	12,057	1,283	138,725
Capital expenditure	3,229	1,794	2,990	3,361	3,138	1,636	5,447	179	21,774
Depreciation and amortisation	1,846	1,331	1,590	1,900	1,659	800	1,660	90	10,876
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	232,669	13,331,833
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,791	1,791
	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Off-balance sheet credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

	2008								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	37,756	17,097	19,940	21,850	24,064	5,949	95,727	2,537	224,920
Internal net interest income/(expense)	6,770	11,327	13,847	10,276	7,913	6,285	(56,222)	(196)	—
Net interest income	44,526	28,424	33,787	32,126	31,977	12,234	39,505	2,341	224,920
Net fee and commission income	9,758	6,237	6,405	5,911	5,150	2,299	2,326	360	38,446
Net trading gain	311	360	158	45	128	63	779	1,369	3,213
Dividend income	5	—	35	23	5	—	63	19	150
Net gain/(loss) arising from investment securities	83	22	497	324	117	104	(3,543)	144	(2,252)
Other operating income, net	402	270	461	516	529	203	2,432	457	5,270
Operating income	55,085	35,313	41,343	38,945	37,906	14,903	41,562	4,690	269,747
Operating expenses	(19,083)	(13,324)	(15,729)	(16,776)	(16,519)	(7,116)	(9,223)	(1,423)	(99,193)
Impairment losses	(6,484)	(4,128)	(7,034)	(6,387)	(9,549)	(2,353)	(13,944)	(950)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	16	16
Profit before tax	29,518	17,861	18,580	15,782	11,838	5,434	18,395	2,333	119,741
Capital expenditure	2,843	1,984	2,421	3,186	2,752	1,376	2,933	376	17,871
Depreciation and amortisation	1,685	1,169	1,429	1,615	1,412	680	1,293	68	9,351
Segment assets	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	119,865	10,392,057
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,728	1,728
	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	121,593	10,393,785
Deferred tax assets									7,855
Elimination									(2,846,188)
Total assets									7,555,452
Segment liabilities	1,466,440	1,074,054	1,367,662	1,158,073	1,173,707	507,936	3,064,993	121,208	9,934,073
Deferred tax liabilities									5
Elimination									(2,846,188)
Total liabilities									7,087,890
Off-balance sheet credit commitments	386,800	193,746	284,558	172,079	186,488	89,428	15,936	21,445	1,350,480

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

	2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	142,914	(21,796)	87,633	3,134	211,885
Internal net interest (expense)/income	(18,525)	84,613	(65,434)	(654)	—
Net interest income	124,389	62,817	22,199	2,480	211,885
Net fee and commission income	19,884	17,882	9,518	775	48,059
Net trading (loss)/gain	(169)	36	459	1,907	2,233
Dividend income	—	—	—	100	100
Net gain arising from investment securities	—	—	3,242	1,229	4,471
Other operating income/(loss), net	558	232	(378)	2,154	2,566
Operating income	144,662	80,967	35,040	8,645	269,314
Operating expenses	(43,029)	(53,492)	(3,802)	(4,823)	(105,146)
Impairment losses	(17,476)	(4,164)	(944)	(2,876)	(25,460)
Share of profits less losses of associates and jointly controlled entities	—	—	—	17	17
Profit before tax	84,157	23,311	30,294	963	138,725
Capital expenditure	6,567	13,964	987	256	21,774
Depreciation and amortisation	3,280	6,975	493	128	10,876
Segment assets	3,879,101	1,073,608	4,449,759	256,060	9,658,528
Interests in associates and jointly controlled entities	—	—	—	1,791	1,791
	3,879,101	1,073,608	4,449,759	257,851	9,660,319
Deferred tax assets					10,790
Elimination					(47,754)
Total assets					9,623,355
Segment liabilities	4,723,263	4,002,153	101,545	284,912	9,111,873
Deferred tax liabilities					216
Elimination					(47,754)
Total liabilities					9,064,335
Off-balance sheet credit commitments	1,573,849	249,504	—	38,120	1,861,473

	2008				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	148,357	(18,076)	92,651	1,988	224,920
Internal net interest (expense)/income	(22,347)	76,493	(52,023)	(2,123)	—
Net interest income	126,010	58,417	40,628	(135)	224,920
Net fee and commission income	15,350	15,286	7,085	725	38,446
Net trading gain	138	293	1,489	1,293	3,213
Dividend income	—	—	—	150	150
Net (loss)/gain arising from investment securities	—	—	(4,166)	1,914	(2,252)
Other operating income, net	578	577	2,330	1,785	5,270
Operating income	142,076	74,573	47,366	5,732	269,747
Operating expenses	(42,824)	(49,742)	(2,857)	(3,770)	(99,193)
Impairment losses	(31,884)	(4,582)	(12,999)	(1,364)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	16	16
Profit before tax	67,368	20,249	31,510	614	119,741
Capital expenditure	5,905	11,038	887	41	17,871
Depreciation and amortisation	3,061	5,723	460	107	9,351
Segment assets	3,214,610	863,351	3,358,278	142,347	7,578,586
Interests in associates and jointly controlled entities	—	—	—	1,728	1,728
	3,214,610	863,351	3,358,278	144,075	7,580,314
Deferred tax assets					7,855
Elimination					(32,717)
Total assets					7,555,452
Segment liabilities	3,431,049	3,426,013	70,789	192,751	7,120,602
Deferred tax liabilities					5
Elimination					(32,717)
Total liabilities					7,087,890
Off-balance sheet credit commitments	1,168,055	182,425	—	—	1,350,480

58 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group and Bank	
	2009	2008
Entrusted loans	609,565	469,478
Entrusted funds	609,565	469,478

59 PLEDGED ASSETS

(1) Assets pledged as security

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

	Group		Bank	
	2009	2008	2009	2008
Pledged deposits	342	—	342	—
Loans	—	—	2,625	—
Government bonds	—	859	—	859
Corporate bonds	—	81	—	81
Public sector entity bonds	—	750	—	750
Financial institution bonds	579	3,180	579	3,180
Total	921	4,870	3,546	4,870

(b) Carrying value of pledged assets analysed by classification

	Group		Bank	
	2009	2008	2009	2008
Deposits with banks and non-bank financial institutions	342	—	342	—
Loans and advances to customers	—	—	2,625	—
Available-for-sale financial assets	579	2,886	579	2,886
Held-to-maturity investments	—	1,984	—	1,984
Total	921	4,870	3,546	4,870

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2009 and 2008, the Group did not hold for resale agreements any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

60 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	Group		Bank	
	2009	2008	2009	2008
Loan commitments				
—with an original maturity under one year	84,261	47,941	80,050	44,028
—with an original maturity of one year or over	443,366	259,904	443,138	259,880
Credit card commitments	260,656	174,714	240,391	174,714
	788,283	482,559	763,579	478,622
Bank acceptances	339,354	219,603	339,240	219,487
Financing guarantees	149,750	182,518	153,468	181,979
Non-financing guarantees	415,342	362,668	415,277	362,632
Sight letters of credit	47,091	36,386	47,091	36,386
Usance letters of credit	72,373	35,110	72,480	37,499
Others	49,280	31,636	49,604	31,580
Total	1,861,473	1,350,480	1,840,739	1,348,185

(2) Credit risk-weighted amount

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

	Group		Bank	
	2009	2008	2009	2008
Credit risk-weighted amount of contingent liabilities and commitments	898,284	660,982	897,511	660,849

(3) Operating lease commitments

The Group and the Bank lease certain property 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. None of the leases includes contingent rentals. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2009	2008	2009	2008
Within one year	3,012	2,458	2,760	2,300
After one year but within two years	2,293	2,018	2,112	1,879
After two years but within three years	1,822	1,571	1,706	1,501
After three years but within five years	2,319	2,150	2,249	2,066
After five years	1,767	1,345	1,442	1,315
Total	11,213	9,542	10,269	9,061

(4) Capital commitments

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

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Contracted for	5,511	6,333	5,394	6,298
Authorised but not contracted for	1,652	558	1,635	556
Total	7,163	6,891	7,029	6,854

(5) Underwriting obligations

As at 31 December 2009, the unexpired underwriting commitments of the Group and the Bank were RMB3,890 million (2008: nil).

(6) Redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2009, were RMB81,424 million (2008: RMB62,677 million).

(7) Outstanding litigation and disputes

As at 31 December 2009, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,418 million (2008: RMB2,781 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 47). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies (Note 4(13)).

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of USD200 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB552,117 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations.

As at 31 December 2009, Huijin directly held 57.09% shares of the Bank. According to the share transfer agreement signed between Huijin and Jianyin on 25 May 2009, Jianyin transferred all shares of the Bank, amounting to 20,692,250,000 H shares, to Huijin for nil consideration. The share transfer completed in July 2009.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

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

The Group has issued subordinated debts with a nominal value of RMB80 billion (2008: RMB40 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

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

Amounts

	2009		2008	
	Amount	**Ratio to similar transactions**	**Amount**	**Ratio to similar transactions**
Interest expense	394	0.31%	332	0.25%

Balances outstanding as at the end of the reporting period

	2009		2008	
	Balance	**Ratio to similar transactions**	**Balance**	**Ratio to similar transactions**
Deposits from banks and non-bank financial institutions	688	0.09%	—	—
Deposits from customers	2,508	0.03%	5,325	0.08%
Interest payable	21	0.04%	37	0.06%

(b) Transactions with the affiliates of parent companies

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

Amounts

		2009		2008	
	Note	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		12,916	3.80%	13,869	3.89%
Interest expense		1,529	1.20%	1,661	1.26%
Fee and commission income		136	0.27%	259	0.65%
Fee and commission expense		94	5.28%	20	1.24%
Other operating income, net		10	0.39%	62	1.18%
Operating expenses	(i)	854	0.81%	953	0.96%

Balances outstanding as at the end of the reporting period

		2009		2008	
		Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		33,245	32.86%	6,367	19.24%
Placements with banks and non-bank financial institutions		8,165	36.75%	5,049	29.99%
Financial assets at fair value through profit or loss		3,795	20.11%	2,581	5.13%
Positive fair value of derivatives		213	2.25%	504	2.37%
Financial assets held under resale agreements		2,005	0.34%	7,944	3.81%
Interest receivable		4,860	12.05%	5,132	13.39%
Loans and advances to customers		1,586	0.03%	4,829	0.13%
Available for sale financial assets		69,457	10.66%	48,271	8.76%
Held-to-maturity investments		297,382	21.11%	246,696	23.68%
Debt securities classified as receivables		43,103	8.63%	48,478	8.79%
Other assets	(ii)	157	1.15%	1,384	10.81%
Deposits from banks and non-bank financial institutions	(iii)	99,152	12.80%	48,746	10.89%
Placements from banks and non-bank financial institutions		12,338	32.37%	20,618	47.83%
Negative fair value of derivatives		132	1.54%	370	1.99%
Deposits from customers		5,989	0.07%	5,900	0.09%
Interest payable		170	0.29%	138	0.23%
Other liabilities		372	1.81%	57	0.26%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.
(ii) Other assets mainly represent other receivables from the affiliates of parent companies.
(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

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

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under normal commercial terms. In the ordinary course of the business, transactions that the Group entered into with associates and jointly controlled entities are as follows:

Amounts

	2009	2008
Interest income	5	7
Interest expense	1	—

Balances outstanding as at the end of the reporting period

	2009	2008
Loans and advances to customers	211	—
Deposits from customers	442	247
Interest payable	—	2

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

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

Amounts

	2009	2008
Interest income	82	980
Interest expense	135	831
Fee and commission income	124	43
Fee and commission expense	11	—
Dividend income	33	—
Net trading gain	(3)	—
Other operating income/(loss), net	23	(197)
Operating expenses	13	218

Balances outstanding as at the end of the reporting period are presented in Note 38.

For the year ended 31 December 2009, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB4,282 million (2008: RMB4,188 million).

For the year ended 31 December 2009, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December 2009, the balances of the above transactions were RMB452 million and RMB144 million respectively, and the corresponding interest income and interest expense was RMB4 million.

(4) Transactions with other PRC state-owned entities

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 organisations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to: 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's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives annual compensation before individual income tax during the year is as follows:

	2009			
	Remuneration paid	**Contributions to defined contribution retirement schemes**	**Other benefits in kind (note (i))**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Vice president				
Fan Yifei (note (ii))	492	26	238	756
Vice president and chief risk officer				
Zhu Xiaohuang (note (ii))	492	26	235	753
Vice president				
Hu Zheyi (note (ii))	492	26	235	753
Vice president and chief financial officer				
Pang Xiusheng (note (ii))	438	26	204	668
Chief audit officer				
Yu Yongshun (note (ii))	438	26	204	668
Secretary to the board of directors				
Chen Caihong (note (ii))	438	26	204	668
Controller of wholesale banking				
Gu Jingpu (note (ii))	438	26	204	668
Controller of retail banking				
Du Yajun (note (ii))	438	26	204	668
Controller of investment and wealth management banking				
Mao Yumin (note (ii))	3,060	11	25	3,096
	6,726	219	1,753	8,698

	2009				
	Salaries and allowance	Variable compensation	Contributions to defined contribution retirement schemes	Other benefits in kind (note (i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company secretary					
Chan Mei Sheung	2,180	1,638	174	16	4,008
Qualified accountant					
Yuen Yiu Leung	2,064	731	150	20	2,965
	4,244	2,369	324	36	6,973

	2008					
	Salaries and allowance	Variable compensation	Sub-total	Contributions to defined contribution retirement schemes	Other benefits in kind (note (i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Vice president						
Chen Zuofu	741	570	1,311	23	75	1,409
Fan Yifei	741	569	1,310	23	76	1,409
Vice president and chief risk officer						
Zhu Xiaohuang	714	547	1,261	23	68	1,352
Chief financial officer						
Pang Xiusheng	659	490	1,149	23	68	1,240
Chief audit officer						
Yu Yongshun	659	490	1,149	23	68	1,240
Secretary to the board of directors						
Chen Caihong	652	500	1,152	23	65	1,240
Controller of wholesale banking						
Gu Jingpu	659	491	1,150	23	67	1,240
Controller of retail banking						
Du Yajun	659	494	1,153	23	64	1,240
Controller of investment and wealth management banking						
Mao Yumin	3,287	407	3,694	11	25	3,730
Company secretary						
Chan Mei Sheung	2,255	1,629	3,884	118	18	4,020
Qualified accountant						
Yuen Yiu Leung	2,041	442	2,483	165	30	2,678
	13,067	6,629	19,696	478	624	20,798

Notes:

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2009 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's and the Bank's financial statements for the year ended 31 December 2009. The final compensation will be disclosed in a separate announcement when determined.

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

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

(7) Contributions to defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China. For its overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 4(12)(b).

62 RISK MANAGEMENT

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

- credit risk
- market risk
- liquidity risk
- operational risk

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

Risk management framework

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

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

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

(1) Credit risk

Credit risk management

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

Credit business

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

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately and measures are implemented to prevent and control risks. In 2009, the Bank has further emphasis the importance of segregation of duties as well as enhancing the operating mechanism as a whole. During the process of optimising the parallel operation, the Bank has also begun to escalate its business focus from parallel operation to post-lending management. The centralised risk management was also expedite in the cities of where the first-tier branches are located, and the Bank will continue to explore the ways of specify the operating characteristic for those branches, in addition to develop an intensive management for risk, reallocation of resource, improving the quality and efficiency.

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

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

Loan grading classification

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

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

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

Treasury business

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

(a) Maximum credit risk exposure

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

	Group		Bank	
	2009	2008	2009	2008
Deposits with central banks	1,418,252	1,213,137	1,415,172	1,212,943
Deposits with banks and non-bank financial institutions	101,163	33,096	100,679	28,425
Placements with banks and non-bank financial institutions	22,217	16,836	23,143	28,426
Financial liabilities at fair value through profit or loss	14,517	47,140	10,251	44,491
Positive fair value of derivatives	9,456	21,299	7,730	20,335
Financial assets held under resale agreements	589,606	208,548	588,706	208,548
Interest receivable	40,345	38,317	40,129	38,297
Loans and advances to customers	4,692,947	3,683,575	4,626,024	3,639,940
Available-for-sale debt securities	626,763	535,379	627,598	536,049
Held-to-maturity investments	1,408,873	1,041,783	1,408,465	1,041,783
Debt securities classified as receivables	499,575	551,818	499,575	551,818
Other financial assets	8,436	8,363	28,068	21,791
Total	9,432,150	7,399,291	9,375,540	7,372,846
Off-balance sheet credit commitments	1,861,473	1,350,480	1,840,739	1,348,185
Maximum credit risk exposure	11,293,623	8,749,771	11,216,279	8,721,031

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

		Group		Bank	
	Note	2009	2008	2009	2008
Individually assessed and impaired gross amount		64,794	75,042	64,717	74,956
Allowances for impairment losses		(46,360)	(50,548)	(46,308)	(50,478)
Subtotal		18,434	24,494	18,409	24,478
Collectively assessed and impaired gross amount		7,362	8,840	7,208	8,840
Allowances for impairment losses		(4,838)	(5,698)	(4,832)	(5,698)
Subtotal		2,524	3,142	2,376	3,142
Overdue but not impaired	(i)				
—less than 90 days		15,183	28,433	14,981	28,383
—90–180 days		2,289	2,888	2,289	2,886
Gross amount		17,472	31,321	17,270	31,269
Allowances for impairment losses	(ii)	(1,328)	(2,074)	(1,328)	(2,048)
Subtotal		16,144	29,247	15,942	29,221
Neither overdue nor impaired					
—Unsecured loans		1,287,097	941,723	1,273,397	928,287
—Guaranteed loans		970,460	786,210	956,733	784,879
—Loans secured by tangible assets other than monetary assets		2,011,662	1,579,562	1,974,642	1,551,246
—Loans secured by monetary assets		460,926	371,245	458,168	370,665
Gross amount		4,730,145	3,678,740	4,662,940	3,635,077
Allowances for impairment losses	(ii)	(74,300)	(52,048)	(73,643)	(51,978)
Subtotal		4,655,845	3,626,692	4,589,297	3,583,099
Total		4,692,947	3,683,575	4,626,024	3,639,940

Notes:

(i) As at 31 December 2009, the gross amount of loans and advances of the Group, which were overdue but not impaired and were subject to individual assessment, was RMB1,440 million (2008: RMB7,638 million). The covered portion and uncovered portion of these loans and advances were RMB601 million (2008: RMB5,116 million) and RMB839 million (2008: RMB2,522 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB1,015 million (2008: RMB7,665 million).

As at 31 December 2009, the gross amount of loans and advances of the Bank, which were overdue but not impaired and were subject to individual assessment, was RMB1,417 million (2008: RMB7,595 million). The covered portion and uncovered portion of these loans and advances were RMB583 million (2008: RMB5,076 million) and RMB834 million (2008: RMB2,519 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB996 million (2008: RMB7,600 million).

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

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

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

Group

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances						
—Manufacturing	803,302	17.21%	306,543	663,350	18.05%	260,224
—Transportation, storage and postal services	519,078	11.12%	224,119	426,803	11.62%	204,595
—Production and supply of electric power, gas and water	486,094	10.41%	121,882	452,472	12.31%	117,911
—Real estate	358,651	7.68%	308,652	329,381	8.96%	279,398
—Leasing and commercial services	303,380	6.50%	117,459	135,746	3.69%	56,438
—Water, environment and public utility management	206,175	4.42%	94,603	132,426	3.60%	69,046
—Wholesale and retail trade	146,693	3.14%	75,727	102,590	2.79%	56,577
—Construction	116,379	2.49%	43,594	116,551	3.17%	41,882
—Mining	104,019	2.23%	18,453	90,499	2.46%	14,600
—Education	93,351	2.00%	35,035	78,870	2.15%	26,118
—Telecommunications, computer services and software	25,249	0.54%	7,158	25,943	0.71%	5,149
—Others	188,944	4.05%	93,226	135,153	3.69%	76,167
Total corporate loans and advances	3,351,315	71.79%	1,446,451	2,689,784	73.20%	1,208,105
Personal loans and advances	1,088,459	23.32%	1,025,887	821,531	22.36%	775,171
Discounted bills	228,361	4.89%	—	163,161	4.44%	497
Total loans and advances to customers in Mainland China	4,668,135	100.00%	2,472,338	3,674,476	100.00%	1,983,773

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Overseas operations						
Corporate loans and advances						
—Real estate	30,221	19.93%	18,613	24,730	20.70%	16,381
—Manufacturing	22,980	15.15%	3,562	17,524	14.67%	2,948
—Transportation, storage and postal services	21,528	14.20%	5,604	13,031	10.91%	5,777
—Wholesale and retail trade	18,051	11.90%	3,098	14,863	12.44%	2,676
—Production and supply of electric power, gas and water	8,260	5.45%	1,622	6,489	5.43%	1,177
—Leasing and commercial services	4,982	3.29%	2,518	2,877	2.41%	2,529
—Telecommunications, computer services and software	3,343	2.20%	557	13,685	11.46%	509
—Others	18,911	12.48%	4,840	12,162	10.17%	5,667
Total corporate loans and advances	128,276	84.60%	40,414	105,361	88.19%	37,664
Personal loans and advances	22,976	15.15%	17,907	13,949	11.68%	13,493
Discounted bills	386	0.25%	15	157	0.13%	—
Total loans and advances to customers overseas	151,638	100.00%	58,336	119,467	100.00%	51,157
Total gross loans and advances to customers	4,819,773		2,530,674	3,793,943		2,034,930

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	21,522	(15,861)	(14,548)	5,615	2,083
Transportation, storage and postal services	10,168	(4,679)	(9,335)	4,516	236
Production and supply of electric power, gas and water	3,991	(2,882)	(9,313)	(249)	109

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	24,168	(17,098)	(10,207)	7,728	2,063
Transportation, storage and postal services	5,393	(3,144)	(6,563)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,148)	5,224	40

Bank

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances						
—Manufacturing	798,035	17.14%	306,516	662,138	18.04%	260,224
—Transportation, storage and postal services	517,698	11.12%	222,799	426,803	11.63%	204,595
—Production and supply of electric power, gas and water	483,231	10.38%	121,607	450,240	12.27%	117,911
—Real estate	356,970	7.67%	307,949	329,341	8.97%	279,358
—Leasing and commercial services	303,355	6.52%	117,459	135,746	3.70%	56,438
—Water, environment and public utility management	206,175	4.43%	94,603	132,426	3.61%	69,046
—Wholesale and retail trade	146,688	3.15%	75,727	102,590	2.79%	56,577
—Construction	116,194	2.50%	43,589	116,379	3.17%	41,882
—Mining	103,597	2.23%	18,453	90,499	2.47%	14,600
—Education	93,351	2.01%	35,035	78,870	2.15%	26,118
—Telecommunications, computer services and software	25,249	0.54%	7,158	25,943	0.71%	5,149
—Others	188,901	4.05%	93,219	135,153	3.66%	76,167
Total corporate loans and advances	3,339,444	71.74%	1,444,114	2,686,128	73.17%	1,208,065
Personal loans and advances	1,087,167	23.35%	1,025,289	821,351	22.38%	775,169
Discounted bills	228,361	4.91%	—	163,161	4.45%	497
Total loans and advances to customers in Mainland China	4,654,972	100.00%	2,469,403	3,670,640	100.00%	1,983,731

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Overseas operations						
Corporate loans and advances						
—Transportation, storage and postal services	20,531	21.13%	5,531	11,726	14.75%	5,704
—Manufacturing	19,291	19.85%	2,845	12,634	15.89%	2,378
—Real estate	14,706	15.14%	4,680	12,501	15.72%	5,192
—Wholesale and retail trade	12,342	12.70%	1,757	10,573	13.30%	1,638
—Production and supply of electric power, gas and water	7,980	8.21%	1,622	6,268	7.88%	1,177
—Leasing and commercial services	4,930	5.07%	2,512	2,877	3.62%	2,529
—Telecommunications, computer services and software	3,140	3.23%	541	13,518	17.00%	493
—Others	13,842	14.25%	1,877	9,235	11.62%	3,126
Total corporate loans and advances	96,762	99.58%	21,365	79,332	99.78%	22,237
Personal loans and advances	15	0.02%	—	13	0.02%	13
Discounted bills	386	0.40%	15	157	0.20%	—
Total loans and advances to customers overseas	97,163	100.00%	21,380	79,502	100.00%	22,250
Total gross loans and advances to customers	4,752,135		2,490,783	3,750,142		2,005,981

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	21,446	(15,810)	(14,441)	5,519	2,038
Transportation, storage and postal services	10,168	(4,679)	(9,320)	4,502	235
Production and supply of electric power, gas and water	3,991	(2,882)	(9,284)	(256)	109

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	24,094	(17,039)	(10,192)	7,680	2,062
Transportation, storage and postal services	5,393	(3,144)	(6,560)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,127)	5,203	40

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

Group

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,136,447	23.58%	660,273	922,104	24.30%	554,829
Bohai Rim	859,885	17.84%	379,304	691,638	18.23%	303,721
Western	819,337	17.00%	454,429	635,905	16.76%	355,462
Central	782,763	16.24%	391,903	607,335	16.01%	317,762
Pearl River Delta	728,639	15.12%	446,513	544,999	14.36%	337,690
Northeastern	299,385	6.21%	139,419	233,468	6.15%	113,758
Head office	41,679	0.86%	497	39,027	1.03%	551
Overseas	151,638	3.15%	58,336	119,467	3.16%	51,157
Gross loans and advances to customers	4,819,773	100.00%	2,530,674	3,793,943	100.00%	2,034,930

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	14,488	(11,174)	(14,623)
Yangtze River Delta	13,653	(8,321)	(17,981)
Central	10,706	(7,302)	(13,482)
Western	9,478	(6,636)	(14,717)
Pearl River Delta	9,058	(5,825)	(12,301)

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	18,981	(12,492)	(11,233)
Western	16,362	(9,655)	(12,436)
Central	13,597	(8,596)	(9,615)
Yangtze River Delta	13,300	(6,545)	(13,345)
Pearl River Delta	11,609	(6,960)	(8,115)

The definitions of geographical segments are set out in Note 57(1).

Bank

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,136,301	23.91%	660,244	922,104	24.59%	554,829
Bohai Rim	849,067	17.87%	377,063	690,452	18.41%	303,681
Western	819,337	17.24%	454,429	633,681	16.90%	355,462
Central	780,564	16.43%	391,238	607,313	16.19%	317,760
Pearl River Delta	728,639	15.33%	446,513	544,999	14.53%	337,690
Northeastern	299,385	6.30%	139,419	233,064	6.21%	113,758
Head office	41,679	0.88%	497	39,027	1.04%	551
Overseas	97,162	2.04%	21,380	79,502	2.13%	22,250
Gross loans and advances to customers	4,752,134	100.00%	2,490,783	3,750,142	100.00%	2,005,981

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	14,488	(11,174)	(14,482)
Yangtze River Delta	13,653	(8,321)	(17,980)
Central	10,706	(7,302)	(13,459)
Western	9,478	(6,636)	(14,717)
Pearl River Delta	9,058	(5,825)	(12,301)

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	18,981	(12,492)	(11,221)
Western	16,362	(9,655)	(12,415)
Central	13,597	(8,596)	(9,615)
Yangtze River Delta	13,300	(6,545)	(13,345)
Pearl River Delta	11,609	(6,960)	(8,115)

The definitions of geographical segments are set out in Note 57(1).

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

	Group		Bank	
	2009	2008	2009	2008
Unsecured loans	1,291,942	947,785	1,277,924	934,264
Guaranteed loans	997,157	811,228	983,428	809,897
Loans secured by tangible assets other than monetary assets	2,062,981	1,650,208	2,025,848	1,621,839
Loans secured by monetary assets	467,693	384,722	464,935	384,142
Gross loans and advances to customers	4,819,773	3,793,943	4,752,135	3,750,142

(f) Rescheduled loans and advances to customers

Group

	2009		2008	
	Total	% of gross loans and advances to customers	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	3,739	0.08%	3,376	0.09%
Less:				
Rescheduled loans and advances overdue for more than 90 days	1,855	0.04%	1,196	0.03%
Rescheduled loans and advances overdue for not more than 90 days	1,884	0.04%	2,180	0.06%

Bank

	2009		2008	
	Total	% of gross loans and advances to customers	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	3,589	0.08%	3,354	0.09%
Less:				
Rescheduled loans and advances overdue for more than 90 days	1,853	0.04%	1,194	0.03%
Rescheduled loans and advances overdue for not more than 90 days	1,736	0.04%	2,160	0.06%

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

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

	Group		Bank	
	2009	2008	2009	2008
Individually assessed and impaired gross amount	163	341	163	341
Allowances for impairment losses	(149)	(284)	(149)	(284)
Subtotal	14	57	14	57
Neither overdue nor impaired				
—grade A to AAA	227,903	83,816	224,543	76,297
—grade B to BBB	125	759	59	759
—unrated	23,444	39,828	26,411	54,266
Subtotal	251,472	124,403	251,013	131,322
Total	251,486	124,460	251,027	131,379

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(h) Distribution of debt securities investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. Debt securities are rated with reference to Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	Group		Bank	
	2009	2008	2009	2008
Individually assessed and impaired gross amount	23,063	37,281	23,063	37,281
Allowances for impairment losses	(12,295)	(17,836)	(12,295)	(17,836)
Subtotal	10,768	19,445	10,768	19,445
Neither overdue nor impaired				
Bloomberg Composite				
—AAA	6,480	36,826	6,480	36,826
—AA- to AA+	3,715	8,562	3,715	8,562
—A- to A+	8,177	16,512	8,177	16,512
—lower than A-	815	1,647	815	1,647
Subtotal	19,187	63,547	19,187	63,547
Other agency ratings				
—AAA	155,962	298,697	155,962	298,697
—AA- to AA+	12,798	7,139	12,798	7,139
—A- to A+	2,322,456	1,762,087	2,322,356	1,762,087
—lower than A-	1,343	1	973	1
Subtotal	2,492,559	2,067,924	2,492,089	2,067,924
Subtotal of debt securities held by operations in Mainland China	2,522,514	2,150,916	2,522,044	2,150,916
Debt securities held by overseas operations	27,213	25,204	23,844	23,225
Total	2,549,727	2,176,120	2,545,888	2,174,141

Amounts of debts securities rated from A- to A+ include those issued by the PRC government, PBOC and PRC policy banks which for the Group amounted to RMB1,624,007 million (2008: RMB1,429,641 million) and for the Bank amounted to RMB1,623,907 million (2008: RMB1,429,641 million).

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

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

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(2) Market risk

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

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

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

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

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

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

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

(a) VaR analysis

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

A summary of the VaR of the Bank's trading portfolio and available-for-sale debt securities as at the end of the reporting period and during the respective year is as follows:

	2009			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	13	16	24	8
RMB available-for-sale debt securities				
Interest rate risk	1,137	734	1,163	301
Foreign currency trading portfolio				
Interest rate risk	30	82	141	30
Foreign currency risk	63	455	1,123	63
Diversification	(30)	(58)	(115)	(30)
	63	479	1,149	63
Foreign currency available-for-sale debt securities				
Interest rate risk	143	168	330	106

	2008			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	9	14	26	3
RMB available-for-sale debt securities				
Interest rate risk	404	391	532	250
Foreign currency trading portfolio				
Interest rate risk	146	154	146	119
Foreign currency risk	1,120	691	1,120	626
Diversification	(104)	(113)	(104)	(120)
	1,162	732	1,162	625
Foreign currency available-for-sale debt securities				
Interest rate risk	329	462	672	313

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

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

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is one percent probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB30,230 million (2008: RMB24,449 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB17,285 million (2008: RMB11,203 million).

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

(c) Interest rate repricing gap analysis

Interest rate risk is inherent in many of the Group's businesses. It mainly arises from mismatches between the repricing dates of assets and liabilities.

The ALM regularly monitors such interest rate risk positions. In terms of measuring and managing the interest rate risk, the Group regularly measures interest rate repricing gaps. The primary objective of interest rate repricing gaps is to analyse potential adverse effects on net interest income due to interest rate movements.

The following tables indicate the effective interest rates for the respective year, 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.

Group

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

	Note	2008 Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.77%	34,313	1,213,137	—	—	—	1,247,450
Deposits and placements with banks and non-bank financial institutions		2.53%	—	45,014	4,909	—	9	49,932
Financial assets held under resale agreements		3.48%	—	195,996	12,552	—	—	208,548
Loans and advances to customers	(ii)	7.16%	—	1,675,358	1,941,878	26,454	39,885	3,683,575
Investments	(iii)	3.64%	20,356	101,455	1,025,695	717,620	331,350	2,196,476
Other assets		—	169,471	—	—	—	—	169,471
Total assets		5.13%	224,140	3,230,960	2,985,034	744,074	371,244	7,555,452
Liabilities								
Borrowings from central banks		1.89%	—	6	—	—	—	6
Deposits and placements from banks and non-bank financial institutions		1.83%	—	392,589	18,123	79,860	—	490,572
Financial liabilities at fair value through profit or loss		3.83%	—	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	—	864	—	—	—	864
Deposits from customers		2.03%	25,618	4,462,409	1,476,902	405,761	5,225	6,375,915
Debt securities issued		4.73%	—	8,060	41,966	3,784	—	53,810
Other liabilities		—	162,748	—	—	—	—	162,748
Total liabilities		2.03%	188,366	4,866,591	1,538,084	489,480	5,369	7,087,890
Asset-liability gap		3.10%	35,774	(1,635,631)	1,446,950	254,594	365,875	467,562

Notes:

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

(ii) For loans and advances to customers, the "less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB27,518 million as at 31 December 2009 (2008: RMB38,482 million).

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

Bank

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

	Note	2008 Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.77%	34,110	1,212,943	—	—	—	1,247,053
Deposits and placements with banks and non-bank financial institutions		2.78%	—	51,018	5,824	—	9	56,851
Financial assets held under resale agreements		3.48%	—	195,996	12,552	—	—	208,548
Loans and advances to customers	(ii)	7.19%	—	1,632,953	1,941,111	26,064	39,812	3,639,940
Investments	(iii)	3.64%	19,777	102,051	1,024,095	716,703	331,292	2,193,918
Other assets		—	180,258	—	—	—	—	180,258
Total assets		5.14%	234,145	3,194,961	2,983,582	742,767	371,113	7,526,568
Liabilities								
Borrowings from central banks		1.89%	—	6	—	—	—	6
Deposits and placements from banks and non-bank financial institutions		1.91%	—	403,319	18,473	79,860	—	501,652
Financial liabilities at fair value through profit or loss		3.83%	—	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	—	864	—	—	—	864
Deposits from customers		2.03%	25,618	4,432,433	1,474,691	405,028	5,215	6,342,985
Debt securities issued		4.76%	—	6,651	41,966	3,914	—	52,531
Other liabilities		—	160,999	—	—	—	—	160,999
Total liabilities		2.05%	186,617	4,845,936	1,536,223	488,877	5,359	7,063,012
Asset-liability gap		3.09%	47,528	(1,650,975)	1,447,359	253,890	365,754	463,556

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

(ii) For loans and advances to customers, the "less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB27,304 million as at 31 December 2009 (2008: RMB38,473 million).

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

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the treasury's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages other currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

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

Group

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

		2008			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,230,907	8,248	8,295	1,247,450
Deposits and placements with banks and non-bank financial institutions	(i)	239,646	12,327	6,507	258,480
Loans and advances to customers		3,478,643	128,092	76,840	3,683,575
Investments		2,084,361	93,412	18,703	2,196,476
Other assets		150,198	5,015	14,258	169,471
Total assets		7,183,755	247,094	124,603	7,555,452
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	432,779	44,784	13,873	491,436
Financial liabilities at fair value through profit or loss		1,881	1,401	693	3,975
Deposits from customers		6,200,337	95,610	79,968	6,375,915
Debt securities issued		42,802	3,699	7,309	53,810
Other liabilities		152,096	6,105	4,547	162,748
Total liabilities		6,829,901	151,599	106,390	7,087,890
Net position		353,854	95,495	18,213	467,562
Net notional amount of derivatives		100,333	(99,012)	1,066	2,387

Notes:

(i) Including financial assets held under resale agreements

(ii) Including financial assets sold under repurchase agreements

Bank

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

Bank

		2008			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,230,711	8,248	8,094	1,247,053
Deposits and placements with banks and non-bank financial institutions	(i)	237,213	20,606	7,580	265,399
Loans and advances to customers		3,474,844	120,979	44,117	3,639,940
Investments		2,087,174	91,219	15,525	2,193,918
Other assets		164,580	4,916	10,762	180,258
Total assets		7,194,522	245,968	86,078	7,526,568
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	433,789	52,891	15,836	502,516
Financial liabilities at fair value through profit or loss		1,881	1,401	693	3,975
Deposits from customers		6,199,296	87,769	55,920	6,342,985
Debt securities issued		42,932	3,699	5,900	52,531
Other liabilities		151,502	6,072	3,425	160,999
Total liabilities		6,829,406	151,832	81,774	7,063,012
Net position		365,116	94,136	4,304	463,556
Net notional amount of derivatives		100,324	(98,841)	891	2,374

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

(3) Liquidity risk

Liquidity risk is the risk that insufficient funds are available to meet liabilities as they fall due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group’s asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank’s liquid funds.

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

(a) Maturity analysis

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

Group

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

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,156	312,294	—	—	—	—	—	1,247,450
Deposits and placements with banks and non-bank financial institutions	57	24,552	14,933	5,472	4,909	—	9	49,932
Financial assets held under resale agreements	—	—	98,569	97,427	12,552	—	—	208,548
Loans and advances to customers	38,258	38,088	124,660	263,120	1,119,663	1,071,249	1,028,537	3,683,575
Investments								
—Financial assets at fair value through profit or loss	3,169	—	3,370	2,890	28,445	10,344	2,091	50,309
—Available-for-sale financial assets	32,695	—	38,885	120,285	187,419	112,779	58,775	550,838
—Held-to-maturity investments	4,614	—	9,806	21,674	136,016	601,250	268,423	1,041,783
—Debt securities classified as receivables	—	—	—	310	315,917	155,145	80,446	551,818
—Investments in associate and jointly controlled entity	1,728	—	—	—	—	—	—	1,728
Other assets	97,300	35,525	2,561	12,772	8,002	6,263	7,048	169,471
Total assets	1,112,977	410,459	292,784	523,950	1,812,923	1,957,030	1,445,329	7,555,452
Liabilities								
Borrowings from central banks	—	6	—	—	—	—	—	6
Deposits and placements from banks and non-bank financial institutions	—	310,641	38,819	22,729	18,123	100,260	—	490,572
Financial liabilities at fair value through profit or loss	—	—	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	—	—	288	576	—	—	—	864
Deposits from customers	—	3,596,778	327,958	552,759	1,482,616	409,035	6,769	6,375,915
Debt securities issued								
—Certificates of deposit issued	—	—	313	1,527	5,002	4,175	—	11,017
—Bonds issued	—	—	—	—	—	2,854	—	2,854
—Subordinated bonds issued	—	—	—	—	—	—	39,939	39,939
Other liabilities	5	100,950	4,970	8,775	25,263	13,636	9,149	162,748
Total liabilities	5	4,008,375	373,104	588,273	1,532,097	530,035	56,001	7,087,890
Long/(short) position	1,112,972	(3,597,916)	(80,320)	(64,323)	280,826	1,426,995	1,389,328	467,562
Notional amount of derivatives								
—Interest rate contracts	—	—	2,130	4,341	19,023	112,026	46,175	183,695
—Exchange rate contracts	—	—	89,557	80,926	290,180	15,627	13,141	489,431
—Precious metal contracts	—	—	510	—	—	—	—	510
—Equity instrument contracts	—	—	—	—	28	778	—	806
Total	—	—	92,197	85,267	309,231	128,431	59,316	674,442

Bank

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

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,019	312,034	—	—	—	—	—	1,247,053
Deposits and placements with banks and non-bank financial institutions	57	22,075	15,589	13,297	5,824	—	9	56,851
Financial assets held under resale agreements	—	—	98,569	97,427	12,552	—	—	208,548
Loans and advances to customers	38,241	37,015	121,778	259,791	1,114,335	1,058,247	1,010,533	3,639,940
Investments								
—Financial assets at fair value through profit or loss	—	—	3,172	2,890	26,950	9,446	2,033	44,491
—Available-for-sale financial assets	32,343	—	39,237	120,771	187,298	112,762	58,745	551,156
—Held-to-maturity investments	4,614	—	9,806	21,674	136,016	601,250	268,423	1,041,783
—Debt securities classified as receivables	—	—	—	310	315,917	155,145	80,446	551,818
—Investments in subsidiaries	4,670	—	—	—	—	—	—	4,670
Other assets	109,511	35,142	2,308	12,186	7,889	6,174	7,048	180,258
Total assets	1,124,455	406,266	290,459	528,346	1,806,781	1,943,024	1,427,237	7,526,568
Liabilities								
Borrowings from central banks	—	6	—	—	—	—	—	6
Deposits and placements from banks and non-bank financial institutions	—	310,941	41,524	30,454	18,473	100,260	—	501,652
Financial liabilities at fair value through profit or loss	—	—	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	—	—	288	576	—	—	—	864
Deposits from customers	—	3,591,991	310,423	542,857	1,482,499	408,456	6,759	6,342,985
Debt securities issued								
—Certificates of deposit issued	—	—	309	343	4,869	4,087	—	9,608
—Bonds issued	—	—	—	—	—	2,984	—	2,984
—Subordinated bonds issued	—	—	—	—	—	—	39,939	39,939
Other liabilities	—	99,794	4,621	8,766	25,104	13,570	9,144	160,999
Total liabilities	—	4,002,732	357,921	584,903	1,532,038	529,432	55,986	7,063,012
Long/(short) position	1,124,455	(3,596,466)	(67,462)	(56,557)	274,743	1,413,592	1,371,251	463,556
Notional amount of derivatives								
—Interest rate contracts	—	—	2,130	4,341	18,826	111,599	46,141	183,037
—Exchange rate contracts	—	—	78,561	79,658	285,689	15,627	13,141	472,676
—Precious metal contracts	—	—	510	—	—	—	—	510
—Equity instrument contracts	—	—	—	—	—	34	—	34
Total	—	—	81,201	83,999	304,515	127,260	59,282	656,257

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2009							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	—	—	—	—	—
Deposits and placements from banks and non-bank financial institutions	812,905	835,834	622,149	39,300	12,488	30,329	131,568	—
Financial liabilities at fair value through profit or loss	7,992	8,009	2,359	—	5,580	1	8	61
Deposits from customers	8,001,323	8,139,908	4,809,129	377,963	695,661	1,755,130	482,243	19,782
Debt securities issued								
—Certificates of deposit issued	15,893	16,055	—	1,255	3,786	4,838	6,171	5
—Bonds issued	2,863	2,939	—	—	23	2,916	—	—
—Subordinated bonds issued	79,888	136,420	—	—	1,504	1,696	12,800	120,420
Other financial liabilities	31,006	31,006	23,498	1,452	673	1,489	3,377	517
Total	8,951,876	9,170,177	5,457,141	419,970	719,715	1,796,399	636,167	140,785
Off balance sheet loan commitments and credit card commitments (Note)	—	788,283	648,295	41,554	16,680	40,256	32,448	9,050
Financial guarantees issued maximum amount guaranteed (Note)	497	684,556	—	120,067	73,247	151,916	180,049	159,277

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	—	—	—	—	—
Deposits and placements from banks and non-bank financial institutions	490,572	512,889	310,652	38,989	22,822	18,650	121,776	—
Financial liabilities at fair value through profit or loss	3,975	4,077	—	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	—	291	580	—	—	—
Deposits from customers	6,375,915	6,521,465	3,597,683	333,137	568,589	1,539,379	474,652	8,025
Debt securities issued								
—Certificates of deposit issued	11,017	11,441	—	352	1,573	5,230	4,286	—
—Bonds issued	2,854	3,041	—	—	—	—	3,041	—
—Subordinated bonds issued	39,939	57,098	—	—	—	2,042	12,045	43,011
Other financial liabilities	25,716	25,716	22,194	731	59	2,143	50	539
Total	6,950,858	7,136,604	3,930,535	374,262	595,545	1,568,554	615,976	51,732
Off balance sheet loan commitments and credit card commitments (Note)	—	482,559	334,442	24,669	26,703	47,597	21,831	27,317

Bank

	2009							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	—	—	—	—	—
Deposits and placements from banks and non-bank financial institutions	808,550	831,379	624,146	39,720	9,056	26,889	131,568	—
Financial liabilities at fair value through profit or loss	7,992	8,009	2,359	—	5,580	1	8	61
Financial assets sold under repurchase agreements	2,625	2,632	—	1,694	84	854	—	—
Deposits from customers	7,955,240	8,093,816	4,796,409	355,650	685,433	1,754,849	481,752	19,723
Debt securities issued								
—Certificates of deposit issued	15,502	15,656	—	1,209	4,578	4,151	5,718	—
—Bonds issued	2,993	3,073	—	—	24	3,049	—	—
—Subordinated bonds issued	79,888	136,420	—	—	1,504	1,696	12,800	120,420
Other financial liabilities	29,876	29,876	22,425	1,728	655	1,321	3,230	517
Total	8,902,672	9,120,867	5,445,345	400,001	706,914	1,792,810	635,076	140,721
Off balance sheet loan commitments and credit card commitments (Note)	—	763,579	648,295	21,289	15,664	37,227	32,054	9,050
Financial guarantees issued maximum amount guaranteed (Note)	497	688,316	—	119,925	73,376	151,465	180,019	163,531

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	—	—	—	—	—
Deposits and placements from banks and non-bank financial institutions	501,652	524,108	310,952	41,724	30,631	19,025	121,776	—
Financial liabilities at fair value through profit or loss	3,975	4,077	—	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	—	291	580	—	—	—
Deposits from customers	6,342,985	6,488,301	3,592,896	315,576	558,633	1,539,215	473,968	8,013
Debt securities issued								
—Certificates of deposit issued	9,608	10,020	—	347	383	5,094	4,196	—
—Bonds issued	2,984	3,178	—	—	—	—	3,178	—
—Subordinated bonds issued	39,939	57,098	—	—	—	2,042	12,045	43,011
Other financial liabilities	24,719	24,719	21,322	731	53	2,074	—	539
Total	6,926,732	7,112,378	3,925,176	359,431	592,202	1,568,560	615,289	51,720
Off balance sheet loan commitments and credit card commitments (Note)	—	478,622	334,442	24,343	26,051	44,825	21,644	27,317

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

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

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

- improved the self-assessment of operational risk and internal control, identified and assessed key risk area and optimised measures of internal control; boosted business continuity management, set up emergency recovery plan for major production systems, conducted contingent drills and enhanced the bank wide emergency recovery ability;
- promoted the project for operational risk management of information systems; built up a standard platform for operational risk management throughout the Bank to achieve self-evaluation of operational risk and internal controls, and enhanced the interaction and application of the management tools of historical loss database and key risk indicators so as to support the operational risk management and decisions-making;
- established an internal reporting system for any staff misconduct which may adversely affect the Group's business. Under the system, statistics for staff misconduct are regularly reported to the Head Office, while significant incidents are required to be reported to the Head Office within 24 hours after such incidents are uncovered;
- amended and improved the internal control system on a continuous basis; enhanced staff training; implemented an accountability system to ensure compliance with policies and processes; as well as established relevant policies and procedures, in which the management is held responsible for any staff misconduct;
- strengthened business operational checks and balance between departments and different positions, as well as the centralised appointment and rotation of key personnel;
- developed a systematic authorisation management and business operational policies;
- backed-up data in the Group's key data processing system to minimise operational risks from an IT malfunction, and set up a computer disaster recovery centre to automatically back-up operational data;
- set up an anti-money laundering team within the Legal and Compliance Department to coordinate and monitor anti-money laundering activities, ensure the regulatory requirements of anti-money laundering are properly satisfied by verifying clients' identities, preserving clients' identity documents and transactions records, reporting money laundering transactions, suspicious transactions and transactions which potentially related to financing criminal activities, as well as conducting anti-money laundering training and publicity activities;
- enhanced the controls over operational risks arising from essential segments of business units; examined and monitored major risks affecting business units; and strengthened the content of controls and risk management for business units; and
- enhanced information system checks and security enforcement; examined and assessed information security risk; tested and evaluated graded protection security technology for key information systems; and conducted contingent drills for potential information system risk to ensure normal operation of network and information systems.

(5) Fair value

(a) Financial assets

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

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

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

Group

	Carrying value		Fair value	
	2009	**2008**	**2009**	**2008**
Debt securities classified as receivables	499,575	551,818	473,719	560,096
Held-to-maturity investments	1,408,873	1,041,783	1,420,608	1,087,483
Total	1,908,448	1,593,601	1,894,327	1,647,579

Bank

	Carrying value		Fair value	
	2009	**2008**	**2009**	**2008**
Debt securities classified as receivables	499,575	551,818	473,719	560,096
Held-to-maturity investments	1,408,465	1,041,783	1,420,200	1,087,483
Total	1,908,040	1,593,601	1,893,919	1,647,579

(b) Financial liabilities

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 31 December 2009 was RMB75,816 million, which was lower than their carrying value of RMB79,888 million.

(6) Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
—Debt securities	93	10,513	—	10,606
—Equity instruments and funds	867	—	—	867
Financial assets designated as at fair value through profit or loss				
—Debt securities	526	905	2,480	3,911
—Equity instruments	977	—	2,510	3,487
Positive fair value of derivatives	—	5,422	4,034	9,456
Available-for-sale financial assets				
—Debt securities	23,531	600,398	2,834	626,763
—Equity instruments and funds	16,552	2,228	704	19,484
Total	42,546	619,466	12,562	674,574
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	—	7,963	29	7,992
Negative fair value of derivatives	—	5,490	3,085	8,575
Total	—	13,453	3,114	16,567

Bank

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
—Debt securities	93	10,158	—	10,251
Positive fair value of derivatives	—	4,666	3,064	7,730
Available-for-sale financial assets				
—Debt securities	23,265	601,499	2,834	627,598
—Equity instruments and funds	16,234	2,157	—	18,391
Total	39,592	618,480	5,898	663,970
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	—	7,963	29	7,992
Negative fair value of derivatives	—	4,838	3,056	7,894
Total	—	12,801	3,085	15,886

For the year ended 31 December 2009, there were no significant transfer between level 1 and level 2 of the fair value hierarchy.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2009	2,195	2,564	8,008	8,916	320	22,003	(27)	(7,590)	(7,617)
Total gains or losses:									
In profit or loss	189	211	(3,375)	68	23	(2,884)	(2)	4,001	3,999
In other comprehensive income	—	—	—	647	149	796	—	—	—
Purchases	1,131	—	—	—	1,915	3,046	—	—	—
Sales and settlements	(1,035)	(265)	(599)	(6,797)	(1,703)	(10,399)	—	504	504
As at 31 December 2009	2,480	2,510	4,034	2,834	704	12,562	(29)	(3,085)	(3,114)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(82)	170	(2,327)	(326)	—	(2,565)	(2)	2,953	2,951

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain/(loss) arising from investment securities and impairment losses of the statement of comprehensive income.

Bank

		Available-for-sale financial assets					
	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2009	7,494	8,916	—	16,410	(27)	(7,590)	(7,617)
Total gains or losses:							
In profit or loss	(3,938)	68	—	(3,870)	(2)	4,030	4,028
In other comprehensive income	—	647	—	647	—	—	—
Sales and settlements	(492)	(6,797)	—	(7,289)	—	504	504
As at 31 December 2009	3,064	2,834	—	5,898	(29)	(3,056)	(3,085)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(2,890)	(326)	—	(3,216)	(2)	2,982	2,980

(7) Capital management

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

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

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

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

Capital allocation

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

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

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at 31 December 2009 and 2008 are as follows:

	Note	2009	2008
Core capital adequacy ratio	(a)	9.31%	10.17%
Capital adequacy ratio	(b)	11.70%	12.16%
Components of capital base			
Core capital:			
—Share capital		233,689	233,689
—Capital reserve, investment revaluation reserve and exchange reserve	(d)	82,427	83,202
—Surplus reserve and general reserve		84,227	73,550
—Retained earnings	(c)(d)	87,564	39,316
—Minority interests		3,545	1,596
		491,452	431,353
Supplementary capital:			
—General provision for doubtful debts		48,463	38,110
—Positive changes in fair value of financial instruments at fair value through profit or loss		10,815	8,684
—Long-term subordinated bonds		80,000	40,000
		139,278	86,794
Total capital base before deductions		630,730	518,147
Deductions:			
—Goodwill		(1,590)	(1,527)
—Unconsolidated equity investments		(8,903)	(5,682)
—Others	(e)	(12,004)	(522)
Total capital base after deductions		608,233	510,416
Risk-weighted assets	(f)	5,197,545	4,196,493

Notes:

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

(b) Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.

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

(d) The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital.
(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.
(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

63 EVENTS AFTER THE REPORTING PERIOD

Acquisition of Pacific-Antai Life Insurance Co. Ltd ("Antai Life")

On 29 December 2009, the Bank signed Equity Transfer Agreement with ING Group. In accordance with the Agreement, the Bank would acquire 50% of equity interests of Antai Life held by ING Group. Antai Life is a life insurance corporation established on 16 October 1998, with a registered capital of RMB800 million. The completion of the aforesaid acquisition is subject to the approval from CBRC and China Insurance Regulatory Commission.

64 COMPARATIVE FIGURES

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

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

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

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in the these financial statements.

- Revised IFRS 3, *Business combinations;*
- Revised IAS 24, *Related party disclosures;*
- Amendments to IAS 27, *Consolidated and separate financial statements;*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement—Eligible hedged items;*
- IFRIC 17, *Distribution of non-cash assets to owners;*
- Improvements to IFRSs 2009;
- IFRS 9, *Financial instruments.*

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

(3) UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

(Expressed in millions of Renminbi, unless otherwise stated)

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

Consolidated Statement of Financial Position

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

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

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

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

Statement of Financial Position

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

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

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

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

Consolidated Statement of Changes in Equity

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

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

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

Statement of Changes in Equity

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

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

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

Consolidated Statement of Cash Flows

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

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

Consolidated Statement of Cash Flows

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

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

Notes to Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

(2) Use of estimates and assumptions

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

(3) Consolidation

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

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

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

(4) Significant accounting policies

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

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

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

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

(5) Interim financial statements and statutory accounts

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

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

3 NET INTEREST INCOME

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

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

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

(2) Investment securities refer to those debt securities classified as held-to-maturity investments, available-for-sale financial assets and receivables. These debt securities are mainly unlisted.
(3) Interest expense of financial liabilities with maturity over five years mainly represents those of debt securities issued.

4 NET FEE AND COMMISSION INCOME

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

5 NET TRADING GAIN

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

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

6 DIVIDEND INCOME

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

7 NET GAIN ARISING FROM INVESTMENT SECURITIES

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

8 OTHER OPERATING INCOME, NET

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

9 OPERATING EXPENSES

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

10 IMPAIRMENT LOSSES

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

11 INCOME TAX EXPENSE

(1) Income tax expense

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

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

(2) Reconciliation between income tax expense and accounting profit

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

12 EARNINGS PER SHARE (“EPS”)

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

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

13 CASH AND DEPOSITS WITH CENTRAL BANKS

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

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

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

	30 June 2010	31 December 2009
Reserve rate for RMB deposits	17.0%	15.5%
Reserve rate for foreign currency deposits	5.0%	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by PBOC.
The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

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

14 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

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

(2) Analysed by geographic sectors

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

15 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

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

(2) Analysed by geographic sectors

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

(1) Held for trading purpose

(a) Debt securities

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

(b) Equity instruments

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

(2) Designated at fair value through profit or loss

(a) Debt securities

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

(b) Equity instruments

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

17 DERIVATIVES

(1) Analysed by type of contract

Group

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

Bank

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

(2) Analysed by credit risk-weighted amount

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

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

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

19 INTEREST RECEIVABLE

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

20 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

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

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

Group

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

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

Bank

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

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

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

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

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

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

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

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

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

(3) Movements of allowances for impairment losses

Group

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

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

Bank

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

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

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

(4) Overdue loans analysed by overdue period

Group

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

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

Bank

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

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

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(1) Debt securities

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

(2) Equity instruments and funds

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

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

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

22 HELD-TO-MATURITY INVESTMENTS

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

23 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

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

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

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

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

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

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

24 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

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

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

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

25 INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

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

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

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

26 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2010	51,305	11,349	24,030	16,351	103,035
Additions	606	2,094	468	403	3,571
Transfer in/(out)	875	(1,125)	6	244	—
Disposals	(53)	(142)	(265)	(192)	(652)
As at 30 June 2010	52,733	12,176	24,239	16,806	105,954
Accumulated depreciation					
As at 1 January 2010	(9,701)	—	(13,286)	(4,852)	(27,839)
Charges for the period	(987)	—	(2,084)	(1,739)	(4,810)
Disposals	18	—	257	182	457
As at 30 June 2010	(10,670)	—	(15,113)	(6,409)	(32,192)
Allowances for impairment losses (Note 32)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charges for the period	—	—	—	—	—
Disposals	5	—	—	—	5
As at 30 June 2010	(484)	(5)	(3)	(6)	(498)
Net carrying value					
As at 1 January 2010	41,115	11,344	10,741	11,493	74,693
As at 30 June 2010	41,579	12,171	9,123	10,391	73,264
Cost/Deemed cost					
As at 1 January 2009	46,536	4,618	21,481	12,921	85,556
Addition through acquisition	197	—	1	89	287
Additions	2,832	10,387	3,867	2,812	19,898
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(279)	(66)	(1,328)	(1,033)	(2,706)
As at 31 December 2009	51,305	11,349	24,030	16,351	103,035
Accumulated depreciation					
As at 1 January 2009	(7,926)	—	(10,450)	(2,700)	(21,076)
Addition through acquisition	(29)	—	(1)	(82)	(112)
Charges for the year	(1,837)	—	(4,122)	(3,046)	(9,005)
Disposals	91	—	1,287	976	2,354
As at 31 December 2009	(9,701)	—	(13,286)	(4,852)	(27,839)
Allowances for impairment losses (Note 32)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charges for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,103	4,613	11,028	10,213	63,957
As at 31 December 2009	41,115	11,344	10,741	11,493	74,693

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2010	51,072	11,139	23,818	16,109	102,138
Additions	566	2,033	446	383	3,428
Transfer in/(out)	875	(1,125)	6	244	—
Disposals	(52)	(142)	(262)	(185)	(641)
As at 30 June 2010	52,461	11,905	24,008	16,551	104,925
Accumulated depreciation					
As at 1 January 2010	(9,648)	—	(13,157)	(4,732)	(27,537)
Charges for the period	(982)	—	(2,065)	(1,716)	(4,763)
Disposals	18	—	254	177	449
As at 30 June 2010	(10,612)	—	(14,968)	(6,271)	(31,851)
Allowances for impairment losses (Note 32)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charges for the period	—	—	—	—	—
Disposals	5	—	—	—	5
As at 30 June 2010	(484)	(5)	(3)	(6)	(498)
Net carrying value					
As at 1 January 2010	40,935	11,134	10,658	11,371	74,098
As at 30 June 2010	41,365	11,900	9,037	10,274	72,576
Cost/Deemed cost					
As at 1 January 2009	46,468	4,585	21,314	12,747	85,114
Additions	2,831	10,210	3,820	2,743	19,604
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(246)	(66)	(1,325)	(943)	(2,580)
As at 31 December 2009	51,072	11,139	23,818	16,109	102,138
Accumulated depreciation					
As at 1 January 2009	(7,901)	—	(10,348)	(2,619)	(20,868)
Charges for the year	(1,832)	—	(4,091)	(3,007)	(8,930)
Disposals	85	—	1,282	894	2,261
As at 31 December 2009	(9,648)	—	(13,157)	(4,732)	(27,537)
Allowances for impairment losses (Note 32)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charges for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,060	4,580	10,963	10,120	63,723
As at 31 December 2009	40,935	11,134	10,658	11,371	74,098

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

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

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

27 LAND USE RIGHTS

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

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

28 INTANGIBLE ASSETS

Group

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

Group

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

Bank

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

Bank

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

29 GOODWILL

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

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

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

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

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

30 DEFERRED TAX

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

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

(1) Analysed by nature

Group

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

Bank

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

(2) Movements of deferred tax

Group

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

Bank

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

31 OTHER ASSETS

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

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

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

32 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

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

Group

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

Bank

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

Bank

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

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

33 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

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

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

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

34 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

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

(2) Analysed by geographic sectors

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

35 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

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

(2) Analysed by geographic sectors

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

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

38 DEPOSITS FROM CUSTOMERS

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

Deposits from customers include:

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

39 ACCRUED STAFF COSTS

Group

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

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

Bank

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

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

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

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

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

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

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

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

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

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

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

40 TAXES PAYABLE

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

41 INTEREST PAYABLE

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

42 PROVISIONS

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

43 DEBT SECURITIES ISSUED

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

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

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

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

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

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

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

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

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

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

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

44 OTHER LIABILITIES

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

45 SHARE CAPITAL

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

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

46 CAPITAL RESERVE

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

47 INVESTMENT REVALUATION RESERVE

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

Group

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

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

Bank

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

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

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

48 SURPLUS RESERVE

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

49 GENERAL RESERVE

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

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

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

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

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

50 PROFIT DISTRIBUTION

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

51 CASH AND CASH EQUIVALENTS

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

52 OPERATING SEGMENTS

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

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

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

(1) Geographical segments

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

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

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

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

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

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

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

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

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

	Six months ended 30 June 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Net interest income	21,157	13,749	17,006	16,536	17,312	6,291	9,217	1,200	102,468
—External	15,569	7,476	8,493	9,788	12,286	2,598	44,992	1,266	102,468
—Internal	5,588	6,273	8,513	6,748	5,026	3,693	(35,775)	(66)	—
Net fee and commission income	5,966	4,285	3,709	3,829	3,242	1,219	981	191	23,422
Net trading gain/(loss)	34	84	32	18	50	23	(33)	1,085	1,293
Dividend income	—	—	5	25	4	—	4	16	54
Net gain/(loss) arising from investment securities	—	—	1	313	348	114	2,696	(14)	3,458
Other operating income/(loss)	195	50	137	99	257	51	(139)	120	770
Operating income	27,352	18,168	20,890	20,820	21,213	7,698	12,726	2,598	131,465
Operating expenses	(8,959)	(6,472)	(7,429)	(8,234)	(8,092)	(3,443)	(2,606)	(950)	(46,185)
Impairment losses	(3,784)	(1,860)	(1,091)	(2,034)	(1,330)	(394)	(1,818)	(508)	(12,819)
Share of profit of associates and jointly controlled entities	—	—	—	—	—	—	—	8	8
Profit before tax	14,609	9,836	12,370	10,552	11,791	3,861	8,302	1,148	72,469
Other segments information:									
Capital expenditure	725	449	946	795	778	468	393	53	4,607
Depreciation and amortisation	909	660	782	924	815	389	807	41	5,327

	As at 31 December 2009								
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

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

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

53 PLEDGED ASSETS

(1) Assets pledged as security

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

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

(b) Carrying value of pledged assets analysed by classification

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

(2) Collateral accepted as securities for assets

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

54 ENTRUSTED LENDING BUSINESS

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

55 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

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

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

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

(2) Credit risk-weighted amount

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

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

(3) Operating lease commitments

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

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

(4) Capital commitments

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

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

(5) Underwriting obligations

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

(6) Redemption obligations

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

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

(7) Outstanding litigation and disputes

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

(8) Provision against commitments and contingent liabilities

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

56 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

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

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

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

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

(a) Transactions with parent companies

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

Amounts of transactions

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

Balances outstanding as at the end of the reporting period

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

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

(b) Transactions with the affiliates of parent companies

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

Amounts of transactions

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

Balances outstanding as at the end of the reporting period

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

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

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

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

Amounts of transactions

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

Balances outstanding as at the end of the reporting period

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

(3) Transactions between the Bank and its subsidiaries

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

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

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

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

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

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

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: 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's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Key management personnel

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

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

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

(7) Contributions to defined contribution retirement schemes

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

57 RISK MANAGEMENT

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

- credit risk
- market risk
- liquidity risk
- operational risk

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

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

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

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

(1) Credit risk

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

Credit business

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

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

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

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

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

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

Loan grading classification

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

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

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

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

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

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

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

Treasury business

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

(a) Maximum credit risk exposure

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

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

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

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

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

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

(ii) These allowances are assessed collectively.

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

Group

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	**%**	**Balance secured by collateral**	**Gross balance**	**%**	**Balance secured by collateral**
Operations in Mainland China						
Corporate loans and advances	3,737,338	72.15%	1,547,271	3,351,315	71.79%	1,446,451
—Manufacturing	931,077	17.98%	340,015	803,302	17.21%	306,543
—Transportation, storage and postal services	593,086	11.45%	241,022	519,078	11.12%	224,119
—Production and supply of electric power, gas and water	500,143	9.66%	122,659	486,094	10.41%	121,882
—Real estate	378,611	7.31%	319,698	358,651	7.68%	308,652
—Leasing and commercial services	349,065	6.74%	133,945	303,380	6.50%	117,459
—Water, environment and public utility management	212,819	4.11%	93,705	206,175	4.42%	94,603
—Wholesale and retail trade	188,014	3.63%	81,198	146,693	3.14%	75,727
—Construction	134,670	2.60%	49,763	116,379	2.49%	43,594
—Mining	122,117	2.36%	22,200	104,019	2.23%	18,453
—Education	101,823	1.97%	38,907	93,351	2.00%	35,035
—Telecommunications, computer services and software	23,548	0.45%	7,369	25,249	0.54%	7,158
—Others	202,365	3.89%	96,790	188,944	4.05%	93,226
Personal loans and advances	1,247,708	24.09%	1,179,426	1,088,459	23.32%	1,025,887
Discounted bills	194,644	3.76%	—	228,361	4.89%	—
Total loans and advances to customers in Mainland China	5,179,690	100.00%	2,726,697	4,668,135	100.00%	2,472,338
Overseas operations						
Corporate loans and advances	146,406	86.28%	39,779	128,276	84.60%	40,414
—Real estate	34,201	20.15%	18,556	30,221	19.93%	18,613
—Manufacturing	24,224	14.28%	2,943	22,980	15.15%	3,562
—Wholesale and retail trade	22,081	13.01%	1,464	18,051	11.90%	3,098
—Transportation, storage and postal services	15,923	9.38%	5,772	21,528	14.20%	5,604
—Production and supply of electric power, gas and water	9,178	5.41%	1,576	8,260	5.45%	1,622
—Telecommunications, computer services and software	2,641	1.56%	128	3,343	2.20%	557
—Leasing and commercial services	2,054	1.21%	988	4,982	3.29%	2,518
—Others	36,104	21.28%	8,352	18,911	12.48%	4,840
Personal loans and advances	22,688	13.37%	17,244	22,976	15.15%	17,907
Discounted bills	598	0.35%	—	386	0.25%	15
Total loans and advances to customers overseas	169,692	100.00%	57,023	151,638	100.00%	58,336
Total gross loans and advances to customers	5,349,382		2,783,720	4,819,773		2,530,674

Bank

	As at 30 June 2010			As at 31 December 2009		
	Gross balance	%	Balance secured by collateral	Gross balance	%	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances	3,714,616	72.06%	1,542,603	3,339,444	71.74%	1,444,114
—Manufacturing	921,070	17.87%	338,059	798,035	17.14%	306,516
—Transportation, storage and postal services	589,792	11.44%	241,022	517,698	11.12%	222,799
—Production and supply of electric power, gas and water	495,887	9.62%	122,058	483,231	10.38%	121,607
—Real estate	375,152	7.28%	317,609	356,970	7.67%	307,949
—Leasing and commercial services	349,065	6.77%	133,945	303,355	6.52%	117,459
—Water, environment and public utility management	212,819	4.13%	93,705	206,175	4.43%	94,603
—Wholesale and retail trade	188,004	3.65%	81,191	146,688	3.15%	75,727
—Construction	134,292	2.61%	49,758	116,194	2.50%	43,589
—Mining	120,910	2.35%	22,198	103,597	2.23%	18,453
—Education	101,818	1.98%	38,907	93,351	2.01%	35,035
—Telecommunications, computer services and software	23,548	0.46%	7,369	25,249	0.54%	7,158
—Others	202,259	3.90%	96,782	188,901	4.05%	93,219
Personal loans and advances	1,245,606	24.16%	1,178,297	1,087,167	23.35%	1,025,289
Discounted bills	194,644	3.78%	—	228,361	4.91%	—
Total loans and advances to customers in Mainland China	5,154,866	100.00%	2,720,900	4,654,972	100.00%	2,469,403
Overseas operations						
Corporate loans and advances	108,586	99.43%	21,101	96,762	99.58%	21,365
—Manufacturing	21,278	19.48%	2,236	19,291	19.85%	2,845
—Real estate	18,777	17.19%	4,645	14,706	15.14%	4,680
—Wholesale and retail trade	15,545	14.24%	51	12,342	12.70%	1,757
—Transportation, storage and postal services	13,354	12.23%	5,697	20,531	21.13%	5,531
—Production and supply of electric power, gas and water	8,961	8.21%	1,576	7,980	8.21%	1,622
—Leasing and commercial services	2,050	1.88%	984	4,930	5.07%	2,512
—Telecommunications, computer services and software	2,029	1.86%	112	3,140	3.23%	541
—Others	26,592	24.34%	5,800	13,842	14.25%	1,877
Personal loans and advances	18	0.02%	18	15	0.02%	—
Discounted bills	598	0.55%	—	386	0.40%	15
Total loans and advances to customers overseas	109,202	100.00%	21,119	97,163	100.00%	21,380
Total gross loans and advances to customers	5,264,068		2,742,019	4,752,135		2,490,783

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

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

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

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

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

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

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

Group

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

Bank

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

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

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

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

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

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

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

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

(g) Distribution of debt securities investments analysed by rating

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

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

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

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

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

(i) Settlement risk

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

(2) Market risk

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

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

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

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

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

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

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

(a) VaR

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

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

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

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

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

(b) Net interest income sensitivity analysis

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

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

(c) Interest rate repricing gap analysis

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

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

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

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

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

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

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

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

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

(d) Currency risk

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

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

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

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

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

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

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

(3) Liquidity risk

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

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

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

(a) Remaining maturity analysis

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

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

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

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

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

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

(b) Contractual undiscounted cash flow

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

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

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

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

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

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

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

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

(4) Operational risk

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

- improved the self-assessment of operational risk and internal control, identified and assessed key risk area and optimised measures of internal control; boosted business continuity management, set up emergency recovery plan for major production systems, conducted contingent drills and enhanced the bank wide emergency recovery ability;
- promoted the project for operational risk management of information systems; built up a standard platform for operational risk management throughout the Bank to achieve self-evaluation of operational risk and internal controls, and enhanced the interaction and application of the management tools of historical loss database and key risk indicators so as to support the operational risk management and decisions-making;
- established an internal reporting system for any staff misconduct which may adversely affect the Group's business. Under the system, statistics for staff misconduct are regularly reported to the Head

Office, while significant incidents are required to be reported to the Head Office within 24 hours after such incidents are uncovered;

- amended and improved the internal control system on a continuous basis; enhanced staff training; implemented an accountability system to ensure compliance with policies and processes; as well as established relevant policies and procedures, in which the management is held responsible for any staff misconduct;
- strengthened business operational checks and balance between departments and different positions, as well as the centralised appointment and rotation of key personnel;
- developed a systematic authorisation management and business operational policies;
- backed-up data in the Group's key data processing system to minimise operational risks from an IT malfunction, and set up a computer disaster recovery centre to automatically back-up operational data;
- set up an anti-money laundering team within the Legal and Compliance Department to coordinate and monitor anti-money laundering activities, ensure the regulatory requirements of anti-money laundering are properly satisfied by verifying clients' identities, preserving clients' identity documents and transactions records, reporting money laundering transactions, suspicious transactions and transactions which potentially related to financing criminal activities, as well as conducting anti-money laundering training and publicity activities;
- enhanced the controls over operational risks arising from essential segments of business units; examined and monitored major risks affecting business units; and strengthened the content of controls and risk management for business units; and
- enhanced information system checks and security enforcement; examined and assessed information security risk; tested and evaluated graded protection security technology for key information systems; and conducted contingent drills for potential information system risk to ensure normal operation of network and information systems.

(5) Fair value

(a) Financial assets

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

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

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

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

(b) Financial liabilities

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

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

(6) Capital management

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

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

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

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

Capital allocation

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

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

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

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

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

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

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

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

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

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

58 EVENTS AFTER THE REPORTING PERIOD

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

59 COMPARATIVE FIGURES

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

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

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

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

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

Improvements to IFRSs 2010—various standards;

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

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

IFRS 9, *Financial instruments.*

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

This Appendix II sets out the unaudited financial information of the Group for the nine months ended 30 September 2010 which was announced by the Group pursuant to its announcement dated 29 October 2010 (the "Third Quarter Results"). H Shareholders and investors should note that notwithstanding that the Third Quarter Results were prepared from the Bank's management accounts for the nine months ended 30 September 2010 in accordance with IFRS, the Third Quarter Results have not been audited or reviewed by the Group's reporting accountants and accordingly, it may not give a complete and accurate picture of the financial position of the Group during the nine months ended 30 September 2010.

Summary of the Unaudited Report for the Third Quarter Results of 2010

1. Major unaudited consolidated accounting information and financial indicators prepared under IFRS

The financial information set forth in this third quarterly report is prepared on a consolidated basis under IFRS and expressed in RMB unless otherwise stated. "Reporting period" refers to the nine month period ended 30 September 2010.

	At the end of the reporting period	At the end of last year	Change (%)
	(Expressed in millions of RMB unless otherwise stated)		
Total assets	10,579,050	9,623,355	9.93
Total equity attributable to equity shareholders of the Bank	620,509	555,475	11.71
Net assets per share (in RMB)	2.67	2.39	11.72

	Nine months ended 30 September 2010	Change over the same period last year (%)
Net cash flows from operating activities	245,733	58.60
Net cash flows from operating activities per share (in RMB)	1.05	59.09

	Reporting period	Nine months ended 30 September 2010	Change of the reporting period over the same period last year (%)
Net profit	39,862	110,641	31.47
Net profit attributable to equity shareholders of the Bank	39,758	110,499	31.16
Basic and diluted earnings per share (in RMB)	0.17	0.47	30.77
Annualised return on average equity (%)	26.36	24.87	An increase of 3.01 percentage points

2. Differences between the financial statements prepared under PRC GAAP and those prepared under IFRS

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

3. Highlights of Quarterly Results

As at 30 September 2010, total assets of the Group reached RMB10,579,050 million, an increase of RMB955,695 million or 9.93% over the end of last year. Net loans and advances to customers reached RMB5,368,023 million, an increase of RMB675,076 million or 14.38% over the end of last year.

The Group stepped up adjustments to the credit structure and boosted the development of emerging strategic businesses. Traditional advantage businesses such as infrastructure loans and residential mortgage loans continued to consolidate with improved quality and profitability. The growth rate of loans to real estate sector was much lower than that of corporate loans; the loans were mainly granted to prime customers with strong financial strength and high development qualifications in regions where property prices were stable, and the non-performing loans continued to fall in both amount and ratio. Small business loans and loans to livelihood sectors grew rapidly, in which loans to agricultural sector increased by 28% and loans to priority livelihood areas such as education and medical care grew by 16%, much higher than the average growth rate of corporate loans. For industries with excess capacity the Group took stringent credit access and risk inspection measures and adopted a list management system, with the loans decreasing by RMB19.4 billion over the end of last year.

Compared to the end of last year, the non-performing loans decreased by RMB9,549 million to RMB62,607 million in accordance with the five-category classification standard; the non-performing loan ratio was 1.14%, down by 0.36 percentage points; the ratio of allowances to non-performing loans was 213.48%, up by 37.71 percentage points.

Total liabilities of the Group reached RMB9,954,556 million, an increase of RMB890,221 million or 9.82% over the end of last year. Deposits from customers reached RMB8,969,226 million, an increase of RMB967,903 million or 12.10% over the end of last year.

Loan-to-deposit ratio increased by 1.10 percentage points to 61.34% over the end of last year, remaining at a reasonable level.

Total equity was RMB624,494 million, an increase of RMB65,474 million or 11.71% over the end of last year. Capital adequacy ratio decreased by 0.06 percentage points to 11.64% compared to the end of last year; core capital adequacy ratio rose by 0.02 percentage points to 9.33%, mainly because the core capital grew faster than the risk-weighted assets as a result of retained earnings.

For the nine months ended 30 September 2010, net profit of the Group was RMB110,641 million, of which the net profit attributable to equity shareholders of the Bank was RMB110,499 million, up 28.41% and 28.31% respectively over the same period last year. This was mainly because net interest income and net fee and commission income grew significantly while impairment losses decreased over the same period last year. Annualised return on average assets was 1.46%, and annualised return on average equity was 24.87%.

Net interest income was RMB182,181 million, up by 17.10% over the same period last year. Net interest spread was 2.35% and net interest margin was 2.45%, up by 0.05 percentage points and 0.04 percentage points respectively over the same period last year.

Net fee and commission income reached RMB48,681 million, an increase of 36.12% over the same period last year. This was largely due to the rapid growth of fees from settlement, bank cards, agency services, and factoring businesses.

Operating expenses were RMB79,633 million, up by RMB9,085 million over the same period last year. Cost-to-income ratio was 33.73%, which remained at a low level.

Provisions for impairment losses were RMB12,633 million, down by RMB3,656 million over the same period last year. In this amount, provisions for impairment losses on loans and advances to customers were RMB12,988 million, down by RMB925 million over the same period last year. This was mainly due to the decrease in loan growth and improved loan quality. An amount of RMB355 million was released from allowances for impairment losses on other assets, mainly as a result of price rally of foreign currency debt securities with the improving market.

Income tax expense was RMB33,193 million, up by RMB7,751 million over the same period last year, and the effective income tax rate was 23.08%.

4. Major Issues

4.1 Significant changes in major financial statements items, financial indicators and the causes thereof

	As at 30 September 2010	As at 31 December 2009	Change (%)	Causes of the change
	(In millions of RMB unless otherwise stated)			
Placements with banks and non-bank financial institutions	74,513	22,217	235.39	As a result of ample liquidity, the Group's placements with banks and non-bank financial institutions grew.
Financial assets at fair value through profit or loss	39,467	18,871	109.14	Tradings in RMB debt securities increased.
Positive fair value of derivatives	13,339	9,456	41.06	Changes in the fair value of interest rate contracts and exchange rate contracts resulted in the corresponding increase of positive fair value.
Financial assets held under resale agreements	357,158	589,606	(39.42)	Certain transactions under resale agreements expired.
Held-to-maturity investments	1,838,721	1,408,873	30.51	Held-to-maturity investments in RMB debt securities increased.
Debt securities classified as receivables	320,468	499,575	(35.85)	Certain designated central bank bills expired, and part of principal of Cinda bonds was repaid.
Other assets	20,612	13,689	50.57	Mainly because other receivables and prepayments increased.
Borrowings from central banks	1,804	6	29,966.67	Borrowings by overseas branches increased.
Placements from banks and non-bank financial institutions	61,663	38,120	61.76	Certain subsidiaries increased placements from banks and non-bank financial institutions driven by needs of business development.

	As at 30 September 2010	As at 31 December 2009	Change (%)	Causes of the change
	(In millions of RMB unless otherwise stated)			
Negative fair value of derivatives	11,477	8,575	33.84	Changes in the fair value of interest rate contracts and exchange rate contracts resulted in the corresponding increase of negative fair value.
Financial assets sold under repurchase agreements	2,045	—	NA	Certain assets were transferred to other banks under repurchase agreement.
General reserve	61,276	46,806	30.91	According to regulatory requirements in Mainland China and overseas, certain amount of net profit was set aside as general reserve.
Retained earnings	184,936	136,112	35.87	Retained earnings increased as a result of the carry-forward of net profit.
Exchange reserve	(2,579)	(1,982)	30.12	Exchange reserve increased as a result of the continuous RMB appreciation.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Change (%)	Causes of the change
	(In millions of RMB unless otherwise stated)			
Net fee and commission income	48,681	35,763	36.12	Mainly because fees from settlement, bank cards, agency services, and factoring businesses grew rapidly.
Net trading gain	3,118	1,652	88.74	Gains from currency swap revaluation increased, and losses on valuation of bonds held for principal protected debt securities wealth management products lowered.
Dividend income	151	91	65.93	Dividends from trading equity investment and available-for-sale equity investments increased.
Net gain arising from investment securities	750	4,161	(81.98)	Net gain arising from investment securities decreased because disposals of foreign currency debt securities dropped.
Other impairment losses	355	(2,376)	(114.94)	Allowances for impairment losses on debt securities were released due to the price rally of foreign currency debt securities in the improving market.
Income tax expense	(33,193)	(25,442)	30.47	Profit before tax increased over the same period last year.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Change (%)	Causes of the change
	(In millions of RMB unless otherwise stated)			
Net profit attributable to non-controlling interests	142	43	230.23	The performance of non-wholly-owned subsidiaries improved.
Other comprehensive income	1,782	1,067	67.01	The fair value of available-for-sale financial assets increased.

Note: As approved by the State Council, Huijin announced on 19 August 2010 that it intended to issue bonds with a total amount of RMB187.5 billion among the interbank bond market ("**Huijin Bonds**"). As at 17 September 2010, Huijin has completed the first tranche and second tranche of bonds issue in 2010, with an amount of RMB109 billion. The Bank has participated the subscription of Huijin Bonds by way of open bidding at the interbank market and currently held certain Huijin Bonds.

4.2 Progress of major issues, related impacts and solutions

The Bank announced on 9 August 2010 that the MOF and Cinda have established a jointly managed fund to secure the payment of the principal of a bond issued by Cinda to the Bank with a book value of RMB247 billion. The MOF continues to provide support for the repayment of the interest under the bond. The term of the jointly managed fund is from 1 July 2009 to 21 September 2019.

4.3 Fulfilment of undertakings by the company, shareholders and de-facto controllers

(1) In July 2005, Huijin undertook that it would not sell shares of the Bank within five years since the Bank's H-shares commenced trading on Hong Kong Stock Exchange without consents of the Bank and relevant underwriters. Please refer to the H-share prospectus of the Bank released on the website of Hong Kong Stock Exchange.

The lock-up period of 133,262,144,534 H-shares of the Bank held by Huijin expired on 27 October 2010.

(2) On 9 October 2009, the Bank was informed by its controlling shareholder Huijin that Huijin increased the shares of the Bank through the trading system of the Shanghai Stock Exchange and planned to continue to increase its shareholding of the Bank in the secondary market in the following twelve months.

On 8 October 2010, Huijin completed its shareholding increase plan. During this period, Huijin cumulatively increased 16,139,217 A-shares of the Bank through the trading system of the Shanghai Stock Exchange, accounting for 0.01% of the total shares issued by the Bank. Upon completion of this increase plan, Huijin held 133,406,891,989 shares of the Bank (of which 144,747,455 were A-shares and 133,262,144,534 were H-shares), accounting for 57.09% of the total shares issued by the Bank.

(3) In June 2010, Huijin undertook that it would subscribe in cash all the offered rights shares, which would be allotted to Huijin in proportion to its shareholding according to the rights issue plan approved by the third meeting of the board of directors of the Bank in 2010.

Apart from these, other shareholders of the Bank did not give new undertakings in the reporting period, and the undertakings that continue to be valid during the reporting period were the same as those disclosed in the prospectus.

UNAUDITED FINANCIAL STATEMENTS PREPARED UNDER IFRS

China Construction Bank Corporation

Consolidated unaudited statement of comprehensive income
For the nine months ended 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Nine months ended 30 September		Three months from 1 July to 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	276,114	253,394	96,464	84,959
Interest expense	(93,933)	(97,814)	(32,082)	(31,847)
Net interest income	182,181	155,580	64,382	53,112
Fee and commission income	50,195	37,217	15,521	12,826
Fee and commission expense	(1,514)	(1,454)	(482)	(485)
Net fee and commission income	48,681	35,763	15,039	12,341
Net trading gain	3,118	1,652	2,224	359
Dividend income	151	91	76	37
Net gain arising from investment securities	750	4,161	295	703
Other operating income, net	1,203	1,181	343	411
Operating income	236,084	198,428	82,359	66,963
Operating expenses	(79,633)	(70,548)	(27,916)	(24,363)
	156,451	127,880	54,443	42,600
Impairment losses on:				
—Loans and advances to customers	(12,988)	(13,913)	(2,869)	(3,639)
—Others	355	(2,376)	60	169
Impairment losses	(12,633)	(16,289)	(2,809)	(3,470)
Share of profit of associates and jointly controlled entities	16	13	6	5
Profit before tax	143,834	111,604	51,640	39,135
Income tax expense	(33,193)	(25,442)	(11,778)	(8,814)
Net profit	110,641	86,162	39,862	30,321

China Construction Bank Corporation

Consolidated unaudited statement of comprehensive income
For the nine months ended 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Nine months ended 30 September		Three months from 1 July to 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income:				
Gains/(losses) of available-for-sale financial assets	2,319	(100)	4,728	(2,136)
Less: Income tax relating to available-for-sale financial assets	(577)	26	(1,153)	534
Reclassification adjustments	631	885	997	(33)
	2,373	811	4,572	(1,635)
Exchange difference on translating foreign operations	(597)	256	(160)	136
Others	6	—	—	—
Other comprehensive income for the period, net of tax	1,782	1,067	4,412	(1,499)
Total comprehensive income for the period	112,423	87,229	44,274	28,822
Net profit attributable to:				
Equity shareholders of the Bank	110,499	86,119	39,758	30,313
Non-controlling interests	142	43	104	8
	110,641	86,162	39,862	30,321
Total comprehensive income attributable to:				
Equity shareholders of the Bank	112,239	87,186	44,183	28,816
Non-controlling interests	184	43	91	6
	112,423	87,229	44,274	28,822
Basic and diluted earnings per share (in RMB)	0.47	0.37	0.17	0.13

China Construction Bank Corporation

Consolidated unaudited statement of financial position
As at 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
Assets:		
Cash and deposits with central banks	1,652,506	1,458,648
Deposits with banks and non-bank financial institutions	81,692	101,163
Precious metals	9,856	9,229
Placements with banks and non-bank financial institutions	74,513	22,217
Financial assets at fair value through profit or loss	39,467	18,871
Positive fair value of derivatives	13,339	9,456
Financial assets held under resale agreements	357,158	589,606
Interest receivable	44,230	40,345
Loans and advances to customers	5,368,023	4,692,947
Available-for-sale financial assets	654,591	651,480
Held-to-maturity investments	1,838,721	1,408,873
Debt securities classified as receivables	320,468	499,575
Interests in associates and jointly controlled entities	1,790	1,791
Fixed assets	73,458	74,693
Land use rights	16,642	17,122
Intangible assets	1,125	1,270
Goodwill	1,559	1,590
Deferred tax assets	9,300	10,790
Other assets	20,612	13,689
Total assets	10,579,050	9,623,355
Liabilities:		
Borrowings from central banks	1,804	6
Deposits from banks and non-bank financial institutions	658,740	774,785
Placements from banks and non-bank financial institutions	61,663	38,120
Financial liabilities at fair value through profit or loss	9,642	7,992
Negative fair value of derivatives	11,477	8,575
Financial assets sold under repurchase agreements	2,045	—
Deposits from customers	8,969,226	8,001,323
Accrued staff costs	28,114	27,425
Taxes payable	24,627	25,840
Interest payable	67,273	59,487
Provisions	1,100	1,344
Debt securities issued	95,350	98,644
Deferred tax liabilities	304	216
Other liabilities	23,191	20,578
Total liabilities	9,954,556	9,064,335
Equity:		
Share capital	233,689	233,689
Capital reserve	90,272	90,266
Investment revaluation reserve	15,494	13,163
Surplus reserve	37,421	37,421
General reserve	61,276	46,806
Retained earnings	184,936	136,112
Exchange reserve	(2,579)	(1,982)
Total equity attributable to equity shareholders of the Bank	620,509	555,475
Non-controlling interests	3,985	3,545
Total equity	624,494	559,020
Total liabilities and equity	10,579,050	9,623,355

Approved and authorised for issue by the board of directors on 29 October 2010.

Zhang Jianguo	Wong Kai-Man	Elaine La Roche
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

China Construction Bank Corporation

Unaudited Statement of financial position
As at 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
Assets:		
Cash and deposits with central banks	1,647,993	1,455,370
Deposits with banks and non-bank financial institutions	87,808	100,679
Precious metals	9,856	9,229
Placements with banks and non-bank financial institutions	73,083	23,143
Financial assets at fair value through profit or loss	26,033	10,251
Positive fair value of derivatives	12,078	7,730
Financial assets held under resale agreements	357,158	588,706
Interest receivable	43,970	40,129
Loans and advances to customers	5,273,648	4,626,024
Available-for-sale financial assets	650,902	649,979
Held-to-maturity investments	1,838,506	1,408,465
Debt securities classified as receivables	320,468	499,575
Investments in subsidiaries	9,677	8,816
Fixed assets	72,806	74,098
Long-term lease prepayment	16,584	17,062
Intangible assets	1,092	1,242
Deferred tax assets	10,236	11,323
Other assets	37,691	33,310
Total assets	10,489,589	9,565,131
Liabilities:		
Borrowings from central banks	1,804	6
Deposits from banks and non-bank financial institutions	658,789	776,582
Placements from banks and non-bank financial institutions	40,120	31,968
Financial liabilities at fair value through profit or loss	7,274	7,992
Negative fair value of derivatives	11,094	7,894
Financial assets sold under repurchase agreements	6,071	2,625
Deposits from customers	8,914,084	7,955,240
Accrued staff costs	27,414	26,708
Taxes payable	24,126	25,549
Interest payable	67,124	59,442
Provisions	1,097	1,344
Debt securities issued	94,243	98,383
Deferred tax liabilities	22	22
Other liabilities	21,008	20,057
Total liabilities	9,874,270	9,013,812
Equity:		
Share capital	233,689	233,689
Capital reserve	90,272	90,266
Investment revaluation reserve	15,515	13,213
Surplus reserve	37,421	37,421
General reserve	60,608	46,209
Retained earnings	178,161	130,785
Exchange reserve	(347)	(264)
Total equity	615,319	551,319
Total liabilities and equity	10,489,589	9,565,131

Approved and authorised for issue by the board of directors on 29 October 2010.

Zhang Jianguo	**Wong Kai-Man**	**Elaine La Roche**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

China Construction Bank Corporation

Consolidated unaudited statement of cash flows
For the nine months ended 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	143,834	111,604
Adjustments for:		
—Impairment losses	12,633	16,289
—Depreciation and amortisation	8,755	8,008
—Unwinding of discount	(552)	(1,016)
—Revaluation gain on financial instruments at fair value through profit or loss	(1,996)	(410)
—Share of profit of associates and jointly controlled entities	(16)	(13)
—Dividend income	(151)	(91)
—Unrealised foreign exchange loss/(gain)	1,178	(3,278)
—Interest expense on bonds issued	2,478	2,335
—Net gain on disposal of investment securities	(750)	(4,161)
—Net gain on disposal of fixed assets and other long-term assets	(151)	(49)
	165,262	129,218
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	(286,308)	(209,406)
Net decrease in placements with banks and non-bank financial institutions	3,666	2,995
Net increase in loans and advances to customers	(691,999)	(893,705)
Net decrease/(increase) in financial assets held under resale agreements	232,429	(557,659)
(Increase)/decrease in other operating assets	(37,388)	6,456
	(779,600)	(1,651,319)
Changes in operating liabilities:		
Net increase in borrowings from central banks	1,798	—
Net increase/(decrease) in placements from banks and non-bank financial institutions	24,197	(1,896)
Net increase in deposits from customers and from banks and non-bank financial institutions	857,962	1,714,895
Net increase/(decrease) in financial assets sold under repurchase agreements	2,045	(413)
Net (decrease)/increase in certificates of deposit issued	(128)	4,288
Income tax paid	(34,383)	(43,935)
Increase in other operating liabilities	8,580	4,100
	860,071	1,677,039
Net cash from operating activities	245,733	154,938

China Construction Bank Corporation

Consolidated unaudited statement of cash flows
For the nine months ended 30 September 2010
(Expressed in millions of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2010	**2009**
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Proceeds from sale and redemption of investments	1,139,351	955,023
Dividend received	150	91
Proceeds from disposal of fixed assets and other long-term assets	522	477
Acquisition of subsidiaries	—	57
Cash received from other investing activities	—	172
Purchase of investment securities	(1,381,184)	(1,247,344)
Purchase of fixed assets and other long-term assets	(6,791)	(7,764)
Acquisition of associates and jointly controlled entities	(18)	(12)
Net cash used in investing activities	(247,970)	(299,300)
Cash flows from financing activities		
Issue of subordinated bonds	—	59,903
Capital contribution by non-controlling interests	278	—
Dividend paid	(47,227)	(19,578)
Repayment of debt securities issued	(2,870)	(23,300)
Interest paid on bonds issued	(2,338)	(1,292)
Net cash (used in)/from financing activities	(52,157)	15,733
Effect of exchange rate changes on cash and cash equivalents	(891)	19
Net decrease in cash and cash equivalents	(55,285)	(128,610)
Cash and cash equivalents as at 1 January	380,249	355,811
Cash and cash equivalents as at 30 September	324,964	227,201
Cash flows from operating activities include:		
Interest received	263,521	241,800
Interest paid, excluding interest expense on bonds issued	(83,793)	(94,657)

The following discussion and analysis should be read in conjunction with our consolidated financial statements at and for the years ended 31 December 2007, 2008 and 2009 and at and for the six months ended 30 June 2010, together with the accompanying notes, included in Appendix I in this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors." Unless specified in this appendix, "we" and "the Bank" refer to the Group.

Selected Consolidated Statement of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(in millions of RMB)				
Net interest income	192,775	224,920	211,885	102,468	117,799
Net fee and commission income	31,313	38,446	48,059	23,422	33,642
Other operating income, net	(3,371)	6,381	9,370	5,575	2,284
Operating income	220,717	269,747	269, 314	131,465	153,725
Operating expenses	(92,327)	(99,193)	(105,146)	(46,185)	(51,717)
Impairment losses	(27,595)	(50,829)	(25,460)	(12,819)	(9,824)
Share of profits of associates and jointly controlled entities	21	16	17	8	10
Profit before tax	100,816	119,741	138,725	72,469	92,194
Income tax expense	(31,674)	(27,099)	(31,889)	(16,628)	(21,415)
Net profit	69,142	92,642	106,836	55,841	70,779
Basic and diluted earnings per share (in RMB)	0.30	0.40	0.46	0.24	0.30

Selected Consolidated Statement of Financial Position

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	(in millions of RMB)			
Assets:				
Cash and deposits with central banks	843,724	1,247,450	1,458,648	1,598,806
Deposits with banks and non-bank financial institutions	24,108	33,096	101,163	78,348
Precious metals	1,013	5,160	9,229	10,999
Placements with banks and non-bank financial institutions	64,690	16,836	22,217	14,801
Financial assets at fair value through profit or loss	29,819	50,309	18,871	40,005
Positive fair value of derivatives	14,632	21,299	9,456	10,704
Financial assets held under resale agreements	137,245	208,548	589,606	257,349
Interest receivable	33,900	38,317	40,345	42,477
Loans and advances to customers	3,183,229	3,683,575	4,692,947	5,215,973
Available-for-sale financial assets	429,620	550,838	651,480	726,809
Held-to-maturity investments	1,191,035	1,041,783	1,408,873	1,653,955
Debt securities classified as receivables	551,336	551,818	499,575	457,707
Interests in associate and jointly controlled entities	1,099	1,728	1,791	1,798
Fixed assets	58,287	63,957	74,693	73,264
Land use rights	17,650	17,295	17,122	16,854
Intangible assets	1,134	1,253	1,270	1,162
Goodwill	1,624	1,527	1,590	1,574
Deferred tax assets	35	7,855	10,790	10,766
Other assets	13,997	12,808	13,689	22,630
Total assets	6,598,177	7,555,452	9,623,355	10,235,981
Liabilities:				
Borrowings from central banks	6	6	6	1,344
Deposits from banks and non-bank financial institutions	516,563	447,464	774,785	675,725
Placements from banks and non-bank financial institutions	30,924	43,108	38,120	87,892
Financial liabilities at fair value through profit or loss	10,809	3,975	7,992	10,878
Negative fair value of derivatives	7,952	18,565	8,575	9,462
Financial assets sold under repurchase agreements	109,541	864	—	2,000
Deposits from customers	5,329,507	6,375,915	8,001,323	8,591,701
Accrued staff costs	22,747	25,153	27,425	27,534
Taxes payable	33,514	35,538	25,840	16,495
Interest payable	38,902	59,695	59,487	66,420
Provisions	1,656	1,806	1,344	1,282
Debt securities issued	49,212	53,810	98,644	94,717
Deferred tax liabilities	771	5	216	315
Other liabilities	23,792	21,986	20,578	70,018
Total liabilities	6,175,896	7,087,890	9,064,335	9,655,783
Total equity	422,281	467,562	559,020	580,198
Total liabilities and equity	6,598,177	7,555,452	9,623,355	10,235,981

Selected Financial Ratios

	As at or for the year ended 31 December			As at or for the six months ended 30 June	
	2007	2008	2009	2009	2010
Profitability indicators: (%)					
Return on average assets[1]	1.15	1.31	1.24	1.34	1.43
Return on average equity[2]	19.50	20.68	20.87	22.54	24.00
Cost-to-income ratio[3]	41.83	36.77	39.04	35.13	33.64
Capital adequacy ratios: (%)					
Core capital adequacy ratio[4]	10.37	10.17	9.31	9.30	9.27
Capital adequacy ratio[4]	12.58	12.16	11.70	11.97	11.68
Asset quality indicators: (%)					
Non-performing loan ratio	2.60	2.21	1.50	1.71	1.22

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year. Ratios for the six months ended 2009 and 2010 are annualised return on average assets, calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying by two.
2. Calculated in accordance with CSRC's No. 9 Guideline on Contents and Format for Information Disclosure of Companies That Make Public Offering of Securities—Calculation and Disclosure of Return on Net Assets Ratio and Earnings per Share.
3. Calculated by dividing operating cost (including business tax and surcharges) by operating income.
4. Calculated in accordance with the guidelines issued by the CBRC.

OVERVIEW

We are a leading commercial bank in China providing a comprehensive range of banking products and financial services. According to information released by the PBOC, we were the second largest bank in China in terms of total assets as at 30 June 2010, and our market shares by total loans and total deposits were approximately 10.80% and 12.43%, respectively, as at the same date. As at 30 June 2010, our market capitalisation reached approximately US$189.2 billion, ranking second among listed banks in the world. As at 30 June 2010, our total assets, total liabilities and total equity were RMB10,235,981 million (including total loans and advances to customers of RMB5,349,382 million), RMB9,655,783 million (including total deposits from customers of RMB8,591,701 million) and RMB580,198 million, respectively.

In 2009, we were ranked 12th among the "Top 1000 World Banks" and 9th among the "Top 500 Financial Brands" by *The Banker* magazine. We also received the "Best Bank in China" award from the *Euromoney* magazine and the "Best Corporate Social Responsibility Bank" award by *The Banker* magazine in 2009.

We primarily operate in China and our principal business activities include corporate banking, personal banking, treasury operations, investment banking and overseas operations.

Within our corporate banking business, we offer a broad range of products and services to corporations, government agencies and financial institutions, including infrastructure loans, working capital loans, supply-chain financing, loans to SMEs, trade financing, loans through our e-banking platform and merger and acquisition financing. We also offer corporate deposits under various terms and commission/fee based services, including institutional services and fund custodial services for corporate bonds and trust loans and custodial services for securities settlement and clearing.

We provide a broad range of personal banking products and services under well recognised brands, including residential mortgage loans, entrusted housing provident fund services and bank cards.

Our treasury operations primarily consist of money market trading activities, investment portfolio management and agency treasury transactions. We conduct our treasury services mainly through our trading centres in Beijing and Hong Kong.

We conduct our investment banking business through the investment banking department at the head office and branch levels as well as through CCB International. We offer a comprehensive and diversified suite of financial services to our customers which includes, among others, financial advisory services, equity capital financing, debt financing, asset securitisation and wealth management services.

Leveraging on our vast resources and competitive advantages in the Chinese domestic market, we are committed to providing a world-wide banking and financial services platform to service the overseas banking needs of our domestic corporate and personal banking customers and the domestic banking needs of our overseas corporate and personal banking customers seeking to trade with or invest in China.

Headquartered in Beijing, China, we provide convenient and quality banking services to our customers through an extensive network comprised of nationwide branches, self-service facilities and electronic banking service platform. As at 30 June 2010, we had 13,403 domestic branch outlets in Mainland China, branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York and Ho Chi Minh City, and two representative offices in Sydney and London. We have approximately 300,000 employees and we also have subsidiaries including China Construction Bank (Asia) Corporation Limited, CCB International, China Construction Bank (London) Limited, CCB Principal Asset Management Company Limited, CCB Financial Leasing Corporation Limited, and Jianxin Trust Company Limited.

GENERAL AND SPECIFIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS

China's Economic Condition and the Impact of the Global Financial Crisis

Our results of operations and financial condition are significantly affected by China's economic conditions and the economic measures undertaken by the PRC government. China has experienced rapid economic growth over the past three decades. From 2005 to 2009, China's nominal GDP grew at a CAGR of 16.5%, and fixed asset investments increased at a CAGR of 26.2%, according to the National Bureau of Statistics of China. In addition, total RMB-denominated loans and foreign currency-denominated loans increased at a CAGR of 19.8% from 2005 to 2009, according to the PBOC Quarterly Statistical Reports. China's development has also led to increases in personal wealth, with per capita annual disposable income in urban areas increasing at a CAGR of 13.1% from 2005 to 2009. Increased levels of personal wealth have generally led to a rapid growth in the personal banking business, including residential mortgage lending.

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, which include, among others, changing the benchmark interest rates and the PBOC statutory deposit reserve ratio applicable to commercial banks, regulating lending activities of commercial banks, monitoring money supply and the overall loan growth. The macroeconomic environment in China provides opportunities and challenges to our business, and changes in macroeconomic and monetary policies have significant impact on our lending activities, business growth, results of operations and financial condition. Since the third quarter of 2008, the PRC government has announced a package of economic stimulus plans and implemented more relaxed monetary policies in order to address the global financial crisis. These measures brought an impetus to the recovery of China's economy with the effect of increasing bank lending activities and the liquidity of the financial markets. Following the implementation of these measures, our gross loans and advances to customers as at 30 June 2010 amounted to RMB5,349,382 million.

Interest Rate and Exchange Rate Environment

Interest rates on deposits and loans were set by, and subject to restrictions established by, the PBOC. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalise interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans are subject to minimum rates based on the PBOC benchmark rates, but generally are not subject to maximum rates. RMB-denominated deposits are subject to maximum rates set by the PBOC, but generally are not subject to minimum rates.

Adjustments to benchmark rates have significantly affected the average rates of our loans and deposits, which in turn have had an impact on our net interest income. In 2006 and 2007, in order to implement tightened monetary policies to cool down the overheated economy, the PBOC raised the benchmark rates on RMB-denominated loans eight times and the benchmark rates on RMB-denominated deposits seven times. In the wake of the global financial crisis, to implement moderately loose monetary policies to boost domestic economy, the PBOC lowered the benchmark rates on RMB-denominated loans five times in the third and fourth quarters of 2008 and the benchmark rates on RMB-denominated deposits four times in the fourth quarter of 2008. In October 2010, to strengthen macroeconomic control and in anticipation of inflation, the PBOC raised the benchmark rates on RMB-denominated deposits and loans.

In October 2008, the PBOC also announced a policy to permit qualified residential mortgage loans to be priced below the applicable benchmark lending rates by up to 30% and the minimum down payments for qualified home buyers to be as low as 20% of the purchase price. These changes resulted in the narrowing of the net interest spread and a decline in the net interest margin in 2009. In addition, on April 17, 2010, the State Council issued a circular on curbing housing prices in urban areas, which provides that the down payment for non-primary residential property purchases should not be less than 50% of the appraised value of the residential properties, and the loan rate for such property should not be less than 110% of the benchmark rate. In addition, we expect competition to continue to play an increasingly important role in determining interest rates as the PRC government continues its policy of liberalisation of interest rates on loans and deposits.

On 21 July 2005, the PBOC changed its decade-old policy of pegging the value of the RMB to the U.S. dollar and permitted the RMB to fluctuate within a narrow band against a basket of foreign currencies, including the U.S. dollar. This change in policy resulted in a 2% appreciation of the RMB against the U.S. dollar on the same day. In August 2008, China announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand. In June 2010, in view of the economic and financial development in China and abroad, particularly China's balance of payments situation, the PBOC has decided to further reform the RMB exchange rate regime and increase the RMB exchange rate flexibility.

Regulatory Environment

Our business and results of operations could be affected by changes in the policies, laws and regulations relating to the PRC banking industry, including the extent to which we can engage in certain businesses, activities or charge fees. We are primarily regulated by the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions in the PRC and the PBOC is responsible for formulating and implementing monetary policies. In addition to benchmark interest rates, the PBOC sets required reserve requirements, extends loans to commercial banks, accepts discounted bills, and conducts open market transactions, all of which affect liquidity and market interest rates.

Furthermore, the CBRC promulgates regulations and guidelines aimed at improving the operations and risk management of the PRC commercial banks. The CBRC has promulgated guidelines to enhance risk management, supervision over capital adequacy and internal control in addition to requiring more disclosure, improved corporate governance and more prudent securitisation of assets. The CBRC may implement further changes to capital adequacy guidelines affecting the banking business.

The PBOC also sets the statutory deposit reserve ratio and the deposit reserve interest rate as a way of managing liquidity in the monetary market. The PBOC raised the required reserve ratio by ten times in 2007 and by six times in 2008 prior to the global financial crisis and cut the required reserve ratio by four times in 2008 since the global financial crisis and further raised the required reserve ratio by five times in 2010.

In addition, our results of operations are subject to changes to tax laws and regulations as such changes affect our provisions made to deferred income tax assets and liabilities and our income tax expense.

The Competitive Landscape in the PRC Banking Industry

The PRC banking industry is becoming increasingly competitive. We face competition from other PRC commercial banks, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, Bank of Communications and other domestic commercial banks, as well as foreign financial institutions. According to the CBRC, as at 30 June 2010, the total assets of the Large-size Commercial Banks accounted for 49.96% of the total assets of the PRC banking sector, down by 3.29% as at the end of 2007. Meanwhile, joint stock banks, city commercial banks and other financial institutions have grown rapidly and their market shares have also increased. These changes in China's banking sector reflect the intensified competition among PRC commercial banks.

RESULTS OF OPERATIONS

Our net profit increased by 26.75% to RMB70,779 million for the six months ended 30 June 2010 compared to the same period in 2009. The improvements in our profit before tax and net profit were primarily due to: (1) our moderate increase in the loan extension. The average balance of interest-earning assets rose by 18.26%, prompting net interest income to surge by RMB15,331 million, or 14.96%; (2) service and product innovations which significantly increased our net fee and commission income by RMB10,220 million, or 43.63%, as a result of sustained rapid expansion of fee-based business; (3) our improved asset quality due to intensive asset disposals by the Bank and favourable market conditions, and correspondingly our losses on impaired assets decreased in the first half of 2010 compared to the same period in 2009.

Our net profit for the year ended 31 December 2009 increased by 15.32% to RMB106,836 million compared to 2008. The improvements in our profit before tax and net profit were primarily due to: (1) the continued increase in our net fee and commission income which increased by RMB9,613 million, or 25.00%, compared to 2008 which we believe that such improvement was due to our active engagement in service and product innovation; (2) the reduction in our impairment losses on assets which dropped by RMB25,369 million, or 49.91%, compared to 2008 which we believe was due to our ability to reinforce our risk management policies, thereby improving our asset quality; (3) the increase in loan extension.

Our net profit for the year ended 31 December 2008 increased by 33.99% to RMB92,642 million compared to 2007. With return on average assets of 1.31% and return on average equity of 20.68%, we were one of the most profitable large banks in the world. The improvements in our net profit in 2008 were primarily due to: (1) increase in our net fee and commission income which increased by 22.78% to RMB38,446 million, outperforming the other large domestic banks in terms of growth rate for the third consecutive year; (2) fast growth in our net interest income, which increased 16.67% to RMB224,920 million from 2007; (3) as the PRC enterprise income tax rate dropped from 33% to 25% starting from 1 January 2008, the growth rate of net profit was higher than that of profit before tax.

Net Interest Income

Net interest income historically has been the largest component of our operating income, representing 87.34%, 83.38%, 78.68% and 76.63% of our operating income for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. The following table sets forth, for the periods indicated, our interest income, interest expense and net interest income.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(in millions of RMB)				
Interest income	284,823	356,500	339,463	168,435	179,650
Interest expense	(92,048)	(131,580)	(127,578)	(65,967)	(61,851)
Net interest income	192,775	224,920	211,885	102,468	117,799

In the first half of 2010, we recorded a net interest income of RMB117,799 million, representing an increase of RMB15,331 million, or 14.96% compared to the same period in 2009, primarily due to (1) the substantial increase of interest-earning assets compared to the first half of 2009 resulted in an increase of 6.66% in our interest income, which offset the impact of decrease in the yields of interest-earning assets; and (2) though there is also significant increase in interest-bearing liabilities, along with substantial decline in its average cost rate, our interest expenses decreased RMB4,116 million.

In 2009, we recorded a net interest income of RMB211,885 million, a decrease of 5.80% over 2008 primarily due to: (1) the substantial year-on-year decrease in the yields on major interest-earning assets such as loans and advances to customers, investments in debt securities and financial assets held under resale agreements due to the lower benchmark lending rates, relaxed minimum limit for floating interest rates for residential mortgage loans alongside the dropping market interest rates; (2) sharper decline in the average yield of interest-earning assets than in the average cost for interest-bearing liabilities due to the asymmetric interest rate cuts and the mismatch in the re-pricing of deposits and loans, which resulted in the contraction of our net interest margin by 83 basis points from the level of the previous year to 2.41%.

In 2008, we recorded a net interest income of RMB224,920 million, an increase of 16.67% over 2007 driven by the steady growth of our interest-earning assets and net interest margin. Despite the negative impact of PBOC's slashes in benchmark rates since the third quarter of 2008 on our interest margin, our loan yield for the year continued to benefit from the lagged effects of PBOC's six interest rate raises for loans in 2007, which resulted in the increase of our net interest margin by 6 basis points to 3.24%.

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

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

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

	Year ended 31 December								
	2007			2008			2009		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
	(in millions of RMB, except percentages)								
Assets									
Gross loans and advances to customers	3,140,118	198,278	6.31	3,520,537	251,943	7.16	4,466,885	240,053	5.37
Investment in debt securities[1]	2,112,620	69,610	3.29	2,193,646	79,877	3.64	2,303,673	71,666	3.11
Deposits with central banks	650,496	11,272	1.73	1,016,396	17,960	1.77	1,248,222	18,511	1.48
Deposits and placements with banks and non-bank financial institutions	60,971	2,127	3.49	77,759	1,971	2.53	70,803	740	1.05
Financial assets held under resale agreements	100,689	3,536	3.51	136,428	4,749	3.48	720,596	8,493	1.18
Total interest-earning assets	6,064,894	284,823	4.70	6,944,766	356,500	5.13	8,810,179	339,463	3.85
Total allowances for impairment losses	(86,886)			(112,408)			(134,903)		
Non-interest-earning assets	186,750			219,833			232,659		
Total assets	6,164,758	284,823		7,052,191	356,500		8,907,935	339,463	
Liabilities									
Deposits from customers	5,003,903	78,180	1.56	5,778,316	117,160	2.03	7,365,802	110,976	1.51
Deposits and placements from banks and non-bank financial institutions	550,243	9,102	1.65	606,592	11,124	1.83	759,678	13,123	1.73
Financial assets sold under repurchase agreements	32,850	1,566	4.77	18,468	571	3.09	611	11	1.80
Debt securities issued	48,682	2,363	4.85	51,332	2,426	4.73	90,244	3,441	3.81
Other interest-bearing liabilities	14,186	837	5.90	8,224	299	3.64	752	27	3.59
Total interest-bearing liabilities	5,649,864	92,048	1.63	6,462,932	131,580	2.03	8,217,087	127,578	1.55
Non-interest-bearing liabilities	117,144			146,025			155,634		
Total liabilities	5,767,008	92,048		6,608,957	131,580		8,372,721	127,578	
Net interest income		192,775			224,920			211,885	
Net interest spread			3.07			3.10			2.30
Net interest margin			3.18			3.24			2.41

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

The following table shows the effects of the movement of the average balances and average interest rates of our assets and liabilities on the change in interest income or expense during the periods indicated.

	Six months ended 30 June			Year ended 31 December					
	2010 versus 2009			2009 versus 2008			2008 versus 2007		
	Volume factor[1]	Interest rate factor[1]	Change in interest income/ expense	Volume factor[1]	Interest rate factor[1]	Change in interest income/ expense	Volume factor[1]	Interest rate factor[1]	Change in interest income/ expense
	(in millions of RMB)								
Assets									
Gross loans and advances to customers	20,982	(15,257)	5,725	59,058	(70,948)	(11,890)	27,224	26,441	53,665
Investment in debt securities	8,624	(5,688)	2,936	3,848	(12,059)	(8,211)	3,092	7,175	10,267
Deposits with central banks	1,403	456	1,859	3,732	(3,181)	551	6,466	222	6,688
Deposits and placements with banks and non-bank financial institutions	433	48	481	(163)	(1,068)	(1,231)	426	(582)	(156)
Financial assets held under resale agreements	(940)	1,154	214	8,683	(4,939)	3,744	1,244	(31)	1,213
Change in interest income	30,502	(19,287)	11,215	75,158	(92,195)	(17,037)	38,452	33,225	71,677
Liabilities									
Deposits from customers	8,636	(14,015)	(5,379)	28,012	(34,196)	(6,184)	15,702	23,278	38,980
Deposits and placements from banks and non-bank financial institutions	1,854	(762)	1,092	2,654	(655)	1,999	1,033	989	2,022
Financial assets sold under repurchase agreements	128	1	129	(391)	(169)	(560)	(445)	(550)	(995)
Debt securities issued	240	(173)	67	1,558	(543)	1,015	91	(28)	63
Other interest-bearing liabilities	(23)	(2)	(25)	(268)	(4)	(272)	(244)	(294)	(538)
Change in interest expenses	10,835	(14,951)	(4,116)	31,565	(35,567)	(4,002)	16,137	23,395	39,532
Change in net interest income	19,667	(4,336)	15,331	43,593	(56,628)	(13,035)	22,315	9,830	32,145

Note 1. Changes caused by both average balances and average interest rates (based on respective proportions of absolute values of volume factor and interest rate factor) has been allocated to volume factor and interest factor respectively.

Interest income

Our interest income comprises the interest income earned from loans and advances to customers, investments in debt securities, deposits with the central bank, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements. Our interest income for the first half of 2010 surged by RMB11,215 million, or 6.66%, to RMB179,650 million, compared to the same period in 2009. For the years ended 31 December 2007, 2008 and 2009, our interest income was RMB284,823 million, RMB356,500 million and RMB339,463 million, respectively, and with a 2007-2009 CAGR of 9.17%. In 2009, our interest income went down by 4.78% due to the lower benchmark lending rates, relaxed minimum limit for floating interest rates for residential mortgage loans alongside dropping market interest rates. This resulted in a drop of 128 basis points in the average yield on overall interest-earning assets from 2008 to 3.85%. The average balance of interest-earning assets in 2009 rose significantly by 26.86% compared to 2008. However, the positive effect of increasing average balance of interest-earning assets on interest income was offset by the drop in the average yield on the interest-earning assets. In 2008, our interest income rose by 25.17%, which was largely attributable to the increase in average balances of our interest-earning assets by 14.51% over 2007 to RMB6,944,766 million as well as the increase in their respective average yields by 43 basis points to 5.13% as the PBOC's six interest rate raises in its benchmark deposit and lending rates in 2007 continued to assert its effects.

Interest income from loans and advances to customers

Interest income from loans and advances to customers represents the significant component of our interest income and accounted for 69.61%, 70.67%, 70.72% and 70.26% of our total interest income for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

The following table shows the average daily balance, interest income and average yield of each component of our loans and advances to customers for the periods indicated.

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

	Year ended 31 December								
	2007			2008			2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
	(in millions of RMB, except percentages)								
Corporate loans	2,233,195	147,230	6.59	2,515,553	184,797	7.35	3,141,020	184,420	5.87
Of which:									
Short-term loans	804,809	51,995	6.46	844,425	60,829	7.20	945,102	51,809	5.48
Medium to long-term loans	1,428,386	95,235	6.67	1,671,128	123,968	7.42	2,195,918	132,611	6.04
Personal loans	673,726	40,793	6.05	771,646	54,345	7.04	951,062	47,396	4.98
Discounted bills	147,505	5,403	3.66	118,954	7,586	6.38	244,878	5,156	2.11
Overseas loans	85,692	4,852	5.66	114,384	5,215	4.56	129,925	3,081	2.37
Gross loans and advances to customers	3,140,118	198,278	6.31	3,520,537	251,943	7.16	4,466,885	240,053	5.37

Interest income from loans and advances to customers for the first half of 2010 increased by RMB5,725 million, or 4.75%, year-on-year to RMB126,226 million, mainly due to a 19.43% rise in the average balance of loans and advances to customers, and partly offset by a fall in the average yield. For the years ended 31 December 2007, 2008 and 2009, our interest income from loans and advances to customers was RMB198,278 million, RMB251,943 million and RMB240,053 million, respectively. The 4.72% decrease in interest income from loans and advances to customers in 2009 compared to 2008 was primarily a result of the sharp decline in average yields on loans and advances to customers by 179 basis points to 5.37%, which was partly offset by the

26.88% increase in average balance to RMB4,466,885 million. The 27.07% increase in interest income from loans and advances to customers in 2008 compared to 2007 was mainly driven by the increase in average yield of our loans and advances to customers by 85 basis points to 7.16% as the PBOC's six benchmark lending rate increases continued to assert its effects which allowed us to improve our pricing ability. In addition, the average balance of our loans and advances to customers grew by 12.11% from RMB3,140,118 million in 2007 to RMB3,520,537 million in 2008.

Interest income from corporate loans

Corporate loans represent a key source of our interest income from the loans and advances to customers. For the first half of 2010, our interest income from corporate loans was RMB93,140 million. The 0.65% decrease compared to the same period in 2009 was mainly influenced by the re-pricing of existing loans after the decrease of interest rates. As a result, the average yield of corporate loans decreased by 91 basis points compared to the same period in 2009, which offset the increase of interest income generated by the significant increase of average balance of corporate loans. For the years ended 31 December 2007, 2008 and 2009, our interest income from corporate loans was RMB147,230 million, RMB184,797 million and RMB184,420 million, respectively. The slight decrease in 2009 compared to 2008 was due to the sharp decline in average loan yield which was largely offset by the increase in the average balance of our corporate loans and advances. In particular, the average yield of short-term loans maturing within one year fell by 172 basis points to 5.48% while medium to long-term loans fell by 138 basis points to 6.04% compared to 2008. The 25.52% increase in interest income from corporate loans in 2008 compared to 2007 was mainly driven by the higher benchmark lending rates and our stronger pricing power. In particular, the average yield of short-term loans within one year went up by 74 basis points to 7.20% while that of the medium to long-term loans rose by 75 basis points to 7.42% over the previous year.

Interest income from personal loans

As a result of our endeavour to develop personal loans over the past years, we received stable interest income from personal loans. For the first half of 2010, our interest income from personal loans was RMB28,245 million. The increase of 24.88% compared to the same period in 2009 was mainly due to the 34.51% increase of the average balance of personal loans. However as a result of the re-pricing of existing loans after the decrease of interest rates, the average yield of personal loans decreased by 38 basis points compared to the same period of 2009, which was partly offset by the increase in interest income generated by the increase of average balance of personal loans. For the years ended 31 December 2007, 2008 and 2009, our interest income from personal loans was RMB40,793 million, RMB54,345 million and RMB47,396 million, respectively. The 12.79% decrease in 2009 compared to 2008 was largely due to interest rate cuts since 2008 and a 30% discount in interest rates for residential mortgage loans, which led to a year-on-year decrease of 206 basis points in the average yield of personal loans. This has the effect of offsetting the positive effect of increase in average balance of personal loans. The 33.22% growth in interest income from personal loans in 2008 compared to 2007 is mainly driven by the strong growth in personal loans, which experienced a year-on-year growth of 14.53% in average balance and 99 basis points in average yield.

Interest income from discounted bills

For the first half of 2010, our interest income from discounted bills was RMB3,143 million. The 16.88% increase from the first half of 2009 was primarily due to the increase of 70 basis points in average yields compared to the same period in 2009, which was influenced by the continuous growth of market interest rate. For the years ended 31 December 2007, 2008 and 2009, our interest income from discounted bills was RMB5,403 million, RMB7,586 million and RMB5,156 million, respectively. As a result of the challenging market environment since 2008, we have made prompt adjustments to our strategy for discounted bills by enhancing our bills operations and improving our overall yield through the acceleration of turnover, which helped us maintain an above-market yield on discounted bills despite the low interest rate environment and spread throughout 2009. The 32.03% decrease of interest income from discounted bills in 2009 compared to 2008 was mainly caused by the decrease in market interest rates, which led to a decline in discounted bills yields by 427 basis points from 6.38% in 2008 to 2.11% in 2009. The 40.40% increase of interest income from discounted bills in 2008 compared to 2007 was largely driven by the increase in average yield by 272 basis points from 3.66% in 2007 to 6.38% in 2008, offsetting the slight contraction in the average balance of discounted bills.

Interest income from overseas loans

For the first half of 2010, our interest income from overseas loans and advances to customers was RMB1,698 million. The 17.67% increase from the same period of 2009 was due to the positive impact of global economic recovery since the second half of 2009. For the years ended 31 December 2007, 2008 and 2009, our interest income from overseas loans and advances to customers was RMB4,852 million, RMB5,215 million and RMB3,081 million, respectively. The 40.92% decrease in 2009 compared to 2008 was mainly due to the financial crisis which led to a sharp decline in average yield of overseas loans by 219 basis points from 4.56% in 2008 to 2.37% in 2009. The 7.48% increase in 2008 compared to 2007 was mainly driven by our enhanced allocation of resources to overseas branches for the purpose of expanding into overseas loan markets, which led to a rapid growth in overseas loans with a higher average balance.

Interest income from investments in debt securities

Interest income from investments in debt securities remains the second largest component of our interest income and accounted for 24.44%, 22.41%, 21.11% and 21.27% of our total interest income for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively.

For the first half of 2010, our interest income from investments in debt securities was RMB38,219 million. The 8.32% increase from the same period of 2009 was primarily due to the significant increase in the RMB-denominated investments in debt securities. For the years ended 31 December 2007, 2008 and 2009, our interest income from investments in debt securities was RMB69,610 million, RMB79,877 million and RMB71,666 million, respectively. The 10.28% decrease in 2009 compared to 2008 was mainly caused by PBOC's rate cuts which led to the drop in the market interest rates to a historical low in the first half of 2009 and lower yield on both reinvestments and new investments as our outstanding high-yield bonds mature during the year. The 14.75% increase of our interest income from investments in debt securities in 2008 compared to 2007 was mainly due to our active responses to the changes of market conditions, timely and positive adjustments to our investment policy in debt securities, duly optimisation of our asset allocation structure and substantial reduction of our foreign currency debt investment, which resulted in an increase in the yield on investments in debt securities by 35 basis points to 3.64%.

Interest income from deposits with central bank

The interest income from deposits with central bank primarily comprises the interest income from statutory deposit reserves and the interest income from surplus deposit reserves.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest income from deposits with central bank was RMB11,272 million, RMB17,960 million, RMB18,511 million and RMB10,820 million, respectively, accounting for 3.96%, 5.04%, 5.45% and 6.02% of our total interest income, respectively.

The 20.75% increase in the first half of 2010 compared to the same period in 2009 was mainly because the PBOC's lift of statutory deposit reserve ratio for three times in the first half of 2010 has resulted in 15.51%

increase of average balance of deposits at the central bank from the same period in 2009. The 3.07% increase in 2009 compared to 2008 was mainly driven by the surge in our deposits from customers, which led to a year-on-year growth of 22.81% in the average balance of deposits with central bank. However as a result of the PBOC's interest rate cuts, the average yield of our deposits with central bank fell from 1.77% to 1.48%, which partly offset the positive effect of the growth in the average balance of deposits with central bank. The 59.33% increase in interest income in 2008 compared to 2007 was mainly due to the average balance increase of 56.25% compared to 2007, as the PBOC lifted the statutory deposit reserve rate consecutively in the first half of 2008. At the same time, the average yield of our deposits with the central bank rose from 1.73% in 2007 to 1.77% in 2008.

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

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest income from deposits and placements with banks and non-bank financial institutions was RMB2,127 million, RMB1,971 million, RMB740 million and RMB834 million, respectively, accounting for 0.75%, 0.55%, 0.22% and 0.46% of our total interest income, respectively. The increase of RMB481 million in the first half of 2010 compared to the same period in 2009 was mainly due to the 112.27% increase of average balance of deposits and placements with banks and non-bank financial institutions compared to the first half of 2009. The continuous drop in interest income from deposits and placements with banks and other financial institutions for two consecutive years in 2008 and 2009 was largely due to an ongoing decrease in interest rates in the money market, which drove the average yield down by 148 basis points in 2009 compared to 2008 and 96 basis points in 2008 compared to 2007.

Interest income from financial assets held under resale agreements

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest income from financial assets held under resale agreements was RMB3,536 million, RMB4,749 million, RMB8,493 million and RMB3,551 million, respectively, accounting for 1.24%, 1.33%, 2.50% and 1.98% of total interest income, respectively.

The increase of RMB214 million in the first half of 2010, or 6.41% compared to the same period in 2009 was mainly because the average yield of financial assets held under resale agreements rose by 43 basis points to 1.46% as a result of the rising market rates during the reporting period, though partly offset by a fall in their average balance. The 78.84% increase in 2009 compared to 2008 mainly resulted from the 428.19% increase in the average balance to RMB720.596 billion as we increased bonds and bills held under resale agreements to raise short-term fund utilisation efficiency. In addition, with the declining yield in the domestic money market, the average yield of the financial assets held under resale agreements fell by 230 basis points, which partly offset the positive effects of the increase in average balance of our financial assets held under resale agreements. The 34.30% increase in 2008 compared to 2007 mainly resulted from our increased holding of bonds under resale agreements as required by liquidity management, which drove the average balance of our financial assets held under resale agreements up by 35.49% compared to 2007 to RMB136.428 billion in 2008. The average yield on these assets remained stable in 2008.

Interest expense

Our interest expense comprises the interest expense on deposits from customers, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements and debt securities issued. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest expense was RMB92,048 million, RMB131,580 million, RMB127,578 million and RMB61,851 million, respectively. Changes in interest expense were mainly driven by the change of the average balance of interest-bearing liabilities and average cost. The 3.04% decrease in 2009 compared to 2008 was due to the 48 basis points drop in the average cost of overall interest-bearing liabilities in 2009 as a result of the interest cuts, offsetting the upward pressure on interest expense exerted by the increase in the average balance of our interest-bearing liabilities by 27.14% in 2008 to RMB8,217,087 million. The 42.95% increase in 2008 compared to 2007 was primarily due to the 14.39% increase in average balances of our interest-bearing liabilities in 2008 to RMB6,462,932 million and the increase in costs of such liabilities by 40 basis points in 2008 to 2.03%.

Interest expense on deposits from customers

Interest expense on the deposits from customers represents the significant component of our interest expense. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest expense on deposits from customers was RMB78,180 million, RMB117,160 million, RMB110,976 million and RMB52,923 million respectively, accounting for 84.93%, 89.04%, 86.99% and 85.57% of our total interest expense, respectively.

The following table shows the average balance, interest expense and average cost of our corporate deposits and personal deposits breakdown by product type for the periods indicated.

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

	Year ended 31 December								
	2007			2008			2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
	(in millions of RMB, except percentages)								
Corporate deposits									
Demand deposits	1,889,923	18,824	1.00	2,073,951	20,207	0.97	2,515,095	15,662	0.62
Time deposits	780,086	18,857	2.42	994,621	33,439	3.36	1,366,547	34,488	2.52
Subtotal	2,670,009	37,681	1.41	3,068,572	53,646	1.75	3,881,642	50,150	1.29
Personal deposits									
Demand deposits	923,206	7,314	0.79	1,029,051	6,451	0.63	1,275,657	4,719	0.37
Time deposits	1,353,128	31,013	2.29	1,612,732	55,274	3.43	2,119,019	55,567	2.62
Subtotal	2,276,334	38,327	1.68	2,641,783	61,725	2.34	3,394,676	60,286	1.78
Overseas operations	57,560	2,172	3.77	67,961	1,789	2.63	89,484	540	0.60
Total deposits from customers	5,003,903	78,180	1.56	5,778,316	117,160	2.03	7,365,802	110,976	1.51

Our interest expense on deposits from customers in the first half of 2010 was RMB52,923 million, representing a decrease of RMB5,379 million, or 9.23%, compared to the same period in 2009. This was mainly due to a fall of 36 basis points to 1.29% in the average cost of deposits, resulted from the repricing of existing time deposits and the decrease of time deposit percentage, and was partly offset by the increase of the average balance of deposits.

The decrease of RMB6,184 million, or 5.28%, in interest expense on deposits from customers in 2009 compared to 2008 was mainly due to a fall of 52 basis points to 1.51% in the average cost of deposits, due to downward adjustments of the PBOC's benchmark deposit rates, which was partly offset by the average balance growth of deposits by 27.47% compared to 2008.

The increase of RMB38,980 million, or 49.86%, in interest expense on deposits from customers in 2008 compared to 2007, was mainly due to the higher average balance and rising average cost of deposits. Due to PBOC's six consecutive raises in benchmark deposit rates in 2007, the average cost of deposits increased by 47 basis points in 2008 to 2.03% compared to 2007. As the domestic capital market became more volatile and the interest spread between time and demand deposits widened, coupled with expectation of further rate cuts, the proportion of average balance of domestic time deposits in total deposits from customers rose by 2.49 percentage points compared to 2007, increasing the average cost of deposits from customers.

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

Interest expense on deposits and placements from banks and non-bank financial institutions includes the interest expense on deposits from banks and non-bank financial institutions. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our interest expense on deposits and placements from banks and non-bank financial institutions was RMB9,102 million, RMB11,124 million, RMB13,123 million and RMB7,049 million, respectively, accounting for 9.89%, 8.45%, 10.29% and 11.40% of total interest expense, respectively.

In the first half of 2010, our interest expense on deposits and placements from banks and non-bank financial institutions increased 18.33% compared to the same period in 2009, largely because of the increase in average balance.

In 2009, interest expense on deposits and placements from banks and non-bank financial institutions increased 17.96% from 2008, largely because the increase in average balance amid the capital market rebound.

In 2008, interest expense on deposits and placements from banks and non-bank financial institutions increased by 22.21% from 2007, largely because the average balance increased by 10.24% from 2007, and the average cost rose by 18 basis points to 1.83%, due to the increase in time deposits from banks.

Interest expense on financial assets sold under repurchase agreements

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, our interest expense on financial assets sold under repurchase agreements was RMB1,566 million, RMB571 million, RMB11 million and RMB137 million, respectively, accounting for 1.70%, 0.43%, 0.01% and 0.22% of our total interest expense, respectively.

In 2009, interest expense on financial assets sold under repurchase agreements was RMB11 million, representing a significant decrease compared to 2008, primarily due to the drop in the average balance of these assets from RMB18,468 million in 2008 to RMB611 million in 2009.

In 2008, interest expense on financial assets sold under repurchase agreements was RMB571 million, representing a decrease of RMB995 million from 2007, primarily due to the drop in average balance and cost. Average cost dropped by 168 basis points, as the average cost for financial assets sold under repurchase agreements denominated in foreign currency, mostly U.S. dollars, fell significantly compared to the previous year, as a result of the reduced London interbank offered rate.

Interest expense on debt securities issued

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, our interest expense on debt securities was RMB2,363 million, RMB2,426 million, RMB3,441 million and RMB1,742 million, respectively, accounting for 2.57%, 1.84%, 2.70% and 2.82% of our total interest expense.

In 2009, our interest expense on debt securities issued increased by 41.84%, mainly due to the increase of average balance of the debt securities issued compared to 2008. In 2009, we issued RMB80 billion subordinated bonds in the National Interbank Bond Market and also exercised our option to redeem the RMB40 billion subordinated bonds issued in 2004 at par value. In 2008, our interest expense on debt securities issued was RMB2,426 million, largely in line with 2007.

Net interest margin and net interest spread

Net interest margin is net interest income as a percentage of the average balance of total interest-earning assets. Net interest spread is a measure of the difference between the average yield of interest-earning assets and average cost of interest-bearing liabilities.

Net interest margin

For the first half of 2010, our net interest margin was 2.41%, representing a decrease of 5 basis points from the same period in 2009, but an increase of 2 basis points compared to the first quarter of 2010. Such stable increase of net interest margin was mainly due to: (i) the change of interest-earning assets structure, including the gradual increase of percentage of higher yield assets, such as loans and investment in debt securities, and the gradual decline of percentage of lower yield assets, such as financial assets purchased under resale agreements; (ii) along with the gradual strengthening of pricing capability, there is gradual increase in the interest rate and floating level of the newly granted loans; (iii) the yields of discounted bill and financial assets held under resale agreements climbed steadily, prompted by continued rise in market rates; (iv) there is a trend of more short-term deposits resulted from expectation of inflation and increase in interest rate.

For the years ended 31 December 2007, 2008 and 2009, our net interest margin was 3.18%, 3.24% and 2.41%, respectively. The decrease of 83 basis points in 2009 compared to 2008 was mainly due to: (i) lower yield on loans as a result of five cuts to the benchmark lending rates by the PBOC since the third quarter of 2008; (ii) significantly lower interest rates in both money market and bond market backed by moderately loose monetary policy and market liquidity which led to a decline in the yield on the interest-earning assets including discounted bills, investments in debt securities and financial assets purchased under resale agreements compared to 2008; (iii) sufficient market liquidity and abundant credit resources which resulted in the widening weighted average rate floated below for new loans issued and weaker pricing power for loans; (iv) a more rapid decline in the average yield of the interest-earning assets compared to the average cost of interest-bearing liabilities due to the asymmetric interest rate cuts; and (v) the adjustments to our assets and liabilities structure are not in line with the re-pricing for deposits and loans.

Following the gradual macroeconomic recovery in 2009, the bottoming out of market interest rates and the narrowing of the mismatch between assets and liabilities repricing, the net interest margin contraction slowed down from the second half of 2009.

The six basis points increase in 2008 compared to 2007 was mainly due to: (i) PBOC's consecutive raises of benchmark deposit and lending rates in the second half of 2007 which led to higher priced new loans outstanding in 2008 and re-pricing of outstanding loans at the higher rate; (ii) increasingly higher interest rates from the second half of 2007 which increased the yield on our deposits and placements as well as debt securities.

In pursuing long-term stable and sustainable growth, we adhered to prudent business principles and adopted a flexible credit supply strategy to address the challenging business environment arising from domestic and foreign economic and financial dynamics as well as the shift in Chinese monetary policy from 2007 to 2009. In 2009, we properly managed the pace of development and the balance and volume of credit supply, which resulted in sustainable growth in our total interest-earning assets. This was mainly associated with our strategic delay of credit extended and investments in debt securities given the expectation of an interest rate rise, with the aim of capturing the benefits from interest rates rise to maintain our comparative advantage in long-term return on equity. Since the second half of 2008, in line with macro monetary policy, on one hand, we made proper adjustment to our credit supply strategy and actively promoted SME loans which are priced at a higher rate with the risks under control; on the other hand, we also strengthened our internal interest rate guidance on fund transfer pricing ("FTP") to encourage branches to market low-cost deposits from customers, which partly offset the negative effects of interest cuts on our net interest margin.

Net interest spread

As the result of the above factors, our net interest spread was 3.07%, 3.10%, 2.30% and 2.32% for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, respectively.

Non-interest Income

Our non-interest income primarily comprises net fee and commission income and other operating income. Our non-interest income in the first half of 2010 was RMB35,926 million, representing an increase of 23.90% compared to the same period in 2009. Our non-interest income increased by 28.11% to RMB57,429 million in 2009 compared to RMB44,827 million in 2008, which in turn increased by 60.43% compared to RMB27,942 million in 2007, representing a 2007-2009 CAGR of 43.36%. The substantial growth in our non-interest income reflected our strategy of diversifying our revenue sources.

Net fee and commission income

Net fee and commission income represents the largest component of our non-interest income. For the first half of 2010, our net fee and commission income was RMB33,642 million, accounting for 21.88% of our operating income and representing an increase of 43.63% compared to the same period in 2009. For the years ended 31 December 2007, 2008 and 2009, our net fee and commission income was RMB31,313 million, RMB38,446 million and RMB48,059 million, respectively, accounting for 14.19% 14.25% and 17.84% of our annual operating income, respectively, with a 2007-2009 CAGR of 23.89%. We have high regard for the development of fee-based business by establishing and improving a comprehensive management system for fee-based business and developing an effective incentive and disciplinary scheme to motivate firm-wide efforts to drive the growth of fee-based business. We also exploited new growth drivers for our fee-based business with enhanced product innovation, improved services, restructured process and optimised mechanism to capture new market developments.

The following table shows the key components of our net fee and commission income for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(in million of RMB)				
Fee and commission income	32,731	40,056	49,839	24,391	34,674
Consultancy and advisory fees	2,792	6,998	10,962	6,262	7,192
Agency service fees	16,439	10,289	9,840	4,359	6,257
Bank card fees	5,254	7,153	9,186	4,280	5,524
Commission on trust and fiduciary activities	3,267	4,759	6,672	3,257	5,205
Settlement and clearing fees	3,261	4,797	6,308	2,931	4,924
Guarantee and credit commitment fees	1,063	3,102	2,775	1,473	1,835
Others	655	2,958	4,096	1,829	3,737
Fee and commission expenses	(1,418)	(1,610)	(1,780)	(969)	(1,032)
Net fee and commission income	31,313	38,446	48,059	23,422	33,642

Fee and commission income

Consultancy and advisory fees

Our consultancy and advisory fees increased by 14.85% to RMB7,192 million in the first half of 2010 compared to the same period in 2009.

Our consultancy and advisory fees increased by 56.64% to RMB10,962 million in 2009 compared to RMB6,998 million in 2008, which in turn increased by 150.64% compared to RMB2,792 million in 2007.

In 2009, we provided customers with comprehensive, diversified financial advisory services based on their specific situation, as well as investment and financing needs. Income from this segment was RMB7,141 million, up by RMB2,182 million, or 44%, from 2008. Prompted by the implementation of major infrastructural projects all over China under the government's investment initiatives, we were increasingly involved in construction project cost consulting and advisory and funding monitoring services for these projects. Income from project cost consulting and advisory services soared by 106% to RMB3,579 million from 2008.

In 2008, we extended strong support to financial consultancy and advisory services and realized significant growth compared to 2007. As the only domestic commercial bank qualified to provide project cost consulting and advisory services, we heavily marketed the business and related income increased by 149.50% to RMB1,734 million.

Agency service fees

For the first half of 2010, our agency service fees was RMB6,257 million. The 43.54% increase compared to the same period in 2009 was mainly because we proactively promoted insurance and fund agency services and customer-driven foreign exchange trading by improving business processes and incentive mechanisms, leveraging channel strengths, and enhancing personnel's capabilities and risk prevention awareness. Insurance agency services generated income of RMB2,202 million, representing an increase of 48.78% compared to the first half of 2009.

For the years ended 31 December 2007, 2008 and 2009, our agency service fees was RMB16,439 million, RMB10,289 million and RMB9,840 million, respectively. The continuous reduction was largely because of a decrease in fees from customer-driven foreign exchange trading and fund agency services amid the financial crisis and the high volatility of the domestic capital market.

Bank card fees

In the first half of 2010, our bank card fees increased 29.07% to RMB5,524 million, compared to the same period in 2009, and in particular, the increase of our debit card fees climbed by 60.36%. Our bank card fees increased by 28.42% to RMB9,186 million in 2009 compared to RMB7,153 million in 2008, which in turn increased by 36.14% compared to RMB5,254 million in 2007. This was largely due to the continued stable growth in the consumer spending and transactions through self-service facilities, following increased marketing efforts and resources invested, optimised customer base and improved card quality.

Commission on trust and fiduciary activities

In the first half of 2010, our commission on trust and fiduciary activities increased by 59.81% to RMB5,205 million, compared to the same period in 2009, and in particular, as a result of our improved business processes, enhanced operating efficiency, and increased product innovation, income from our wealth management business climbed by 197.18%. Our commission on trust and fiduciary activities increased by 40.20% to RMB6,672 million in 2009 compared to RMB4,759 million in 2008, which in turn increased by 45.67% compared to RMB3,267 million in 2007. In 2009, thanks to our improved business processes, enhanced operating efficiency, and increased product innovation, fees from the fund custodial service ("百易安"), syndicated loans, and wealth management business climbed by 195%, 116%, and 31%.

Settlement and clearing fees

In the first half of 2010, our settlement and clearing fees increased by 68.00% to RMB4,924 million, compared to the same period in 2009, and in particular, through our proactive marketing, increased product innovation, accommodation to the recovering foreign trade market, enhanced service quality, fees from our corporate settlement business and international settlement business climbed by 87.88% and 61.89%, respectively. Our settlement and clearing fees increased by 31.50% to RMB6,308 million in 2009 compared to RMB4,797 million in 2008, which in turn increased by 47.10% compared to RMB3,261 million in 2007. The continuous growth in settlement and clearing fees was largely because of our proactive marketing and quality service which effectively contributed to the expansion of our corporate settlement business.

Guarantee and credit commitment fees

In the first half of 2010, our guarantee and credit commitment fees increased by 24.58% to RMB1,835 million, compared to the same period in 2009, and among which, fees from credit commitment services increased by 30.77% to RMB850 million. For the years ended 31 December 2007, 2008 and 2009, our guarantee and credit commitment fees were RMB1,063 million, RMB3,102 million and RMB2,775 million, respectively. The decrease of RMB327 million in 2009 compared to 2008 was mainly because credit commitment services dwindled as a result of policy adjustments.

Fee and commission expense

In the first half of 2010, our fee and commission expenses increased by 6.50% to RMB1,032 million, compared to the same period in 2009. Our fee and commission expenses increased by 10.56% to RMB1,780 million in 2009 compared to RMB1,610 million in 2008, which in turn increased by 13.54% compared to RMB1,418 million in 2007, representing a 2007-2009 CAGR of 12.04%. The growth in fee and commission expense kept in line with the general trend of our fee-based business growth.

Other operating income

Net gain on investment securities

In the first half of 2010, our net gain on investment securities decreased by 86.84% to RMB455 million, compared to the same period in 2009, mainly due to decreased capital gains on disposal of foreign currency-denominated debt securities with the dwindled disposal volume.

In 2009, net gain on investment securities was RMB4,471 million, largely because we timely adjusted our bond product mix and maturity profile to manage market risk and credit risk amid the rebounding financial market, and reaped gains by capitalising on market opportunities.

In 2008, net loss on investment securities was RMB2,252 million, largely because of the losses incurred on disposal of certain debt securities when we downsized our foreign currency investment portfolio and reduced the holding of high-risk debt securities to mitigate the associated credit risk amid the global financial turmoil.

Other net operating income

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

In 2009, we recorded other net operating income of RMB2,566 million, in which there was a net foreign exchange loss of RMB250 million, a net gain of RMB110 million on disposals of fixed assets, a net gain of RMB356 million on disposals of repossessed assets, and other income of RMB2,350 million.

In 2008, we recorded other net operating income of RMB5,270 million, in which there was a net foreign exchange gain of RMB2,642 million, a net gain of RMB99 million on disposals of fixed assets, a net gain of RMB197 million on disposals of repossessed assets, and other income of RMB2,332 million.

Operating Expenses

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(in millions of RMB, except percentages)				
Staff costs	49,907	46,657	51,138	21,633	24,966
Premises and equipment expenses	13,217	14,957	16,755	7,848	8,644
Business tax and surcharges	12,337	15,793	15,972	8,036	8,826
Others	16,866	21,786	21,281	8,668	9,281
Total operating expenses	92,327	99,193	105,146	46,185	51,717
Cost-to-income ratio[1]	41.83%	36.77%	39.04%	35.13%	33.64%

Note 1. Calculated by dividing operating cost (including business tax and surcharges) by operating income.

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

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

In 2009, the total operating expenses increased by 6.00% to RMB105,146 million compared to RMB99,193 million 2008, while we continued to strengthen cost controls and improve cost structures.

Staff costs increased by RMB4,481 million, or 9.60%, to RMB51,138 million in 2009, compared to RMB46,657 million in 2008. The increase of staff cost was smaller, compared to the increase in profit before tax and net profit. Premises and equipment expenses rose by RMB1,798 million, or 12.02%, to RMB16,755 million in 2009, compared to RMB14,957 million in 2008, largely because of the fast growth of basic operating costs, including depreciation, rents and property management fees, with the reinforced outlet transformation in recent years and rising rentals and property management fees. Business tax and surcharges increased by RMB179 million, or 1.13%, to RMB15,972 million in 2009 compared to RMB15,793 million in 2008. Our other operating expenses fell by RMB505 million, or 2.32%, to RMB21,281 million in 2009, mainly because of the Group's effective cost management and control. With improved cost structures, meeting expenses and entertainment expenses dropped by 29.55% and 12.51%, respectively, over 2008, with assured basic expenditure for the support of business development. The cost-to-income ratio climbed by 2.27 percentage points to 39.04% from 2008, as operating expenses recorded a slightly higher growth than that of operating income.

In 2008, the total operating expenses increased by RMB6,866 million, or 7.44%, to RMB99,193 million compared to 2007. The Group continued to strengthen cost controls, and the cost-to-income ratio was further reduced to 36.77% with improved cost efficiency.

Staff costs dropped by RMB3,250 million to RMB46,657 million in 2008. Excluding the effect of an accrual of RMB8,998 million in 2007 for the benefits expected to be paid to early retired staff pursuant to relevant laws and regulations, staff costs went up by 14.05% to RMB5,748 million. The rise of cost was lower than that of operating income. Premises and equipment expenses rose by 13.16%, largely because of higher utility expenses, rents and property management fees accompanying overall price increases. Business tax and surcharges increased by 28.01% in line with higher operating income. Other operating expenses climbed by 29.17%, mainly because the Group strengthened marketing initiatives, which led to increased expenditure in business expansion and advertising.

Provisions for Impairment Losses

The Group's provisions for impairment losses primarily comprise the provisions for impairment losses on loans and the provisions for impairment losses on other assets. In the first half of 2010, the provisions for impairment losses decreased by 23.36% to RMB9,824 million, compared to the same period in 2009. In 2009, the provisions for impairment losses totalled RMB25,460 million, a fall of 49.91% from 2008. In 2008, the provisions for impairment losses increased by 84.20% from RMB27,595 million in 2007 to RMB50,829 million.

In the first half of 2010, the Group incurred impairment losses of RMB10,119 million on loans and advances to customers, a decrease of RMB155 million compared to the same period in 2009, largely because the credit assets quality continuously improved along the gradual and stable improvement of macro economy. In 2009, the Group incurred impairment losses of RMB24,256 million on loans and advances to customers, a decrease of RMB11,990 million from 2008, primarily due to our improved credit asset quality amid the gradual economic upturn underpinned by our increasingly improved risk management as well as enhanced early risk warning and tracking management. In 2008, the Group incurred impairment losses of RMB36,246 million on loans and advances to customers, an increase of RMB16,140 million from RMB20,106 million in 2007, which was mainly because the Group reasonably assessed the impacts of economic and financial changes at home and abroad as well as domestic natural disasters and made prudent provisions for impairment losses.

In the first half of 2010, an amount of RMB222 million was released from allowances for impairment losses on investments, largely because the over-provisions on debt securities investments in foreign currency resulting from the price increase of foreign-currency debt securities. In 2009, provisions for impairment losses on investments decreased by RMB12,125 million to RMB1,112 million year-on-year. In this amount, the provisions for impairment losses on available-for-sale financial assets declined by RMB9,752 million over 2008. This was mainly because the foreign currency bond market bottomed out as the U.S. economic recession slowed down and the Group reduced its holding of foreign currency bonds substantially. In 2008, provisions for impairment losses on investments increased by RMB6,162 million over the previous year. In this amount, the provisions for impairment losses on available-for-sale financial assets increased by RMB8,643 million over 2007, which was mainly because the Group provided US$1.557 billion (equivalent to RMB10.622 billion) for its debt securities investments in foreign currency based on certain indicators of impairment including their credit position and market factors.

Income Tax Expense

In the first half of 2010, our income tax expense increased by 28.79% to RMB21,415 million, compared to the same period in 2009, largely because our profit before tax increased by 27.22% compared to the first half of 2009. In 2009, the Group's income tax expense reached RMB31,889 million, an increase of RMB4,790 million from 2008, which resulted mainly from the growth of 15.85% in our profit before tax over 2008. In 2008, the Group's income tax reached RMB27,099 million, RMB4,575 million lower than in 2007, which was mainly because the income tax rate of the PRC enterprises decreased from 33% to 25% since 1 January 2008. If the effect of the tax cut is excluded, income tax would have increased by RMB4,097 million.

For the years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010, the Group's effective income tax rate was 31.42%, 22.63%, 22.99% and 23.23%, respectively, all lower than the then applicable statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

The following table shows the reconciliation between income tax expense and accounting profit for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(in millions of RMB)				
Profit before tax	100,816	119,741	138,725	72,469	92,194
Income tax calculated at statutory tax rate	33,269	29,935	34,681	18,117	23,049
Non-deductible expenses	2,785	1,138	1,157	159	389
Staff costs	612	684	376	—	45
Impairment losses and bad debt write-off	1,247	8	1	55	—
Others	926	446	780	104	344
Non-taxable income	(4,657)	(3,689)	(4,080)	(1,766)	(2,197)
Interest income from PRC government bonds	(3,677)	(3,466)	(3,777)	(1,725)	(2,146)
Others	(980)	(223)	(303)	(41)	(51)
Total	31,397	27,384	31,758	16,510	21,241
Effect of change in tax rate on deferred tax	206	—	—	—	—
Adjustments on income tax for prior years which affect profit or loss	71	(285)	131	118	174
Income tax expense	31,674	27,099	31,889	16,628	21,415

Net Profit

On account of all the above factors, our net profit increased by 33.99% from RMB69,142 million in 2007 to RMB92,642 million in 2008, and further increased by 15.32% to RMB106,836 million in 2009. In the first half of 2010, our net profit increased by 26.75% to RMB70,779 million, compared to the same period in 2009.

SUMMARY SEGMENT OPERATING RESULTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

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

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York and Ho Chi Minh City, and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

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

- "Yangtze River Delta" refers to the following areas serviced by the subsidiaries and tier-one branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas serviced by the tier-one branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-one branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas serviced by the subsidiaries and tier-one branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;
- the "Western" region refers to the following areas serviced by the tier-one branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas serviced by the tier-one branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	Six months ended 30 June 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
	(in millions of RMB)								
External net interest income	16,966	8,961	10,342	11,742	14,055	3,644	50,582	1,507	117,799
Internal net interest income/(expense)	4,555	6,184	7,250	6,152	4,913	3,155	(32,164)	(45)	—
Net interest income	21,521	15,145	17,592	17,894	18,968	6,799	18,418	1,462	117,799
Net fee and commission income	8,350	6,379	5,268	5,177	4,503	1,886	1,691	388	33,642
Net trading gain/(loss)	155	171	118	20	73	58	494	(195)	894
Dividend income	—	—	—	23	19	—	—	33	75
Net gain arising from investment Securities	—	—	—	66	8	—	380	1	455
Other operating income/(loss)	178	99	120	95	174	31	(286)	449	860
Operating income	30,204	21,794	23,098	23,275	23,745	8,774	20,697	2,138	153,725
Operating expenses	(9,797)	(7,353)	(8,277)	(9,374)	(8,989)	(3,905)	(3,053)	(969)	(51,717)
Impairment losses	(3,806)	(1,880)	(767)	(1,618)	(1,584)	(482)	331	(18)	(9,824)
Share of profit of associates and jointly controlled entities	—	—	—	—	—	—	—	10	10
Profit before tax	16,601	12,561	14,054	12,283	13,172	4,387	17,975	1,161	92,194
Capital expenditure	627	386	630	558	649	308	502	85	3,745
Depreciation and amortisation	968	690	854	1,034	906	449	821	50	5,772

	As at 30 June 2010								
Segment assets	1,955,558	1,601,845	1,779,116	1,624,240	1,612,605	678,274	4,569,888	253,598	14,075,124
Deferred tax assets									10,766
Elimination									(3,849,909)
Total assets									10,235,981
Segment liabilities	1,945,220	1,594,826	1,770,167	1,616,055	1,605,550	675,695	4,069,532	228,332	13,505,377
Deferred tax liabilities									315
Elimination									(3,849,909)
Total liabilities									9,655,783
Off-balance sheet credit commitments	506,045	307,897	471,499	282,511	256,325	127,238	12,001	41,594	2,005,110

	Six months ended 30 June 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
	(in millions of RMB)								
External net interest income	15,569	7,476	8,493	9,788	12,286	2,598	44,992	1,266	102,468
Internal net interest income/ (expense)	5,588	6,273	8,513	6,748	5,026	3,693	(35,775)	(66)	—
Net interest income	21,157	13,749	17,006	16,536	17,312	6,291	9,217	1,200	102,468
Net fee and commission income	5,966	4,285	3,709	3,829	3,242	1,219	981	191	23,422
Net trading gain/(loss)	34	84	32	18	50	23	(33)	1,085	1,293
Dividend income	—	—	5	25	4	—	4	16	54
Net gain/(loss) arising from investment securities	—	—	1	313	348	114	2,696	(14)	3,458
Other operating income/(loss)	195	50	137	99	257	51	(139)	120	770
Operating income	27,352	18,168	20,890	20,820	21,213	7,698	12,726	2,598	131,465
Operating expenses	(8,959)	(6,472)	(7,429)	(8,234)	(8,092)	(3,443)	(2,606)	(950)	(46,185)
Impairment losses	(3,784)	(1,860)	(1,091)	(2,034)	(1,330)	(394)	(1,818)	(508)	(12,819)
Share of profit of associates and jointly controlled entities	—	—	—	—	—	—	—	8	8
Profit before tax	14,609	9,836	12,370	10,552	11,791	3,861	8,302	1,148	72,469
Capital expenditure	725	449	946	795	778	468	393	53	4,607
Depreciation and amortisation	909	660	782	924	815	389	807	41	5,327

	As at 30 June 2009								
Segment assets	1,793,466	1,448,273	1,653,496	1,419,904	1,391,998	602,605	4,298,343	118,528	12,726,613
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,751	1,751
	1,793,466	1,448,273	1,653,496	1,419,904	1,391,998	602,605	4,298,343	120,279	12,728,364
Deferred tax assets									10,784
Elimination									(3,628,977)
Total assets									9,110,171
Segment liabilities	1,784,525	1,442,125	1,646,947	1,413,685	1,385,334	600,427	3,844,287	115,284	12,232,614
Deferred tax liabilities									—
Elimination									(3,628,977)
Total liabilities									8,603,637
Off-balance sheet credit commitments	478,867	257,285	382,127	236,764	202,769	107,780	13,037	17,416	1,696,045

	Year ended 31 December 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
	(in millions of RMB)								
External net interest income	31,201	15,457	17,347	20,601	25,352	5,684	93,325	2,918	211,885
Internal net interest income/(expense)	12,109	13,386	17,594	13,764	11,003	7,391	(75,106)	(141)	—
Net interest income	43,310	28,843	34,941	34,365	36,355	13,075	18,219	2,777	211,885
Net fee and commission income	11,848	8,506	7,770	7,496	6,638	2,679	2,625	497	48,059
Net trading gain/(loss)	121	238	105	23	92	41	(290)	1,903	2,233
Dividend income	9	—	8	12	13	—	36	22	100
Net gain arising from investment securities	5	—	11	416	348	305	3,296	90	4,471
Other operating income/(loss), net	478	306	279	307	741	171	(435)	719	2,566
Operating income	55,771	37,893	43,114	42,619	44,187	16,271	23,451	6,008	269,314
Operating expenses	(19,352)	(13,947)	(16,342)	(17,847)	(17,587)	(7,605)	(10,398)	(2,068)	(105,146)
Impairment losses	(7,384)	(3,880)	(3,867)	(4,364)	(711)	(1,584)	(996)	(2,674)	(25,460)
Share of profits less losses of associates—and jointly controlled entities	—	—	—	—	—	—	—	17	17
Profit before tax	29,035	20,066	22,905	20,408	25,889	7,082	12,057	1,283	138,725
Capital expenditure	3,229	1,794	2,990	3,361	3,138	1,636	5,447	179	21,774
Depreciation and amortisation	1,846	1,331	1,590	1,900	1,659	800	1,660	90	10,876
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	232,669	13,331,833
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,791	1,791
	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Off-balance sheet credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

	Year ended 31 December 2008								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
	(in millions of RMB)								
External net interest income	37,756	17,097	19,940	21,850	24,064	5,949	95,727	2,537	224,920
Internal net interest income/(expense)	6,770	11,327	13,847	10,276	7,913	6,285	(56,222)	(196)	—
Net interest income	44,526	28,424	33,787	32,126	31,977	12,234	39,505	2,341	224,920
Net fee and commission income	9,758	6,237	6,405	5,911	5,150	2,299	2,326	360	38,446
Net trading gain	311	360	158	45	128	63	779	1,369	3,213
Dividend income	5	—	35	23	5	—	63	19	150
Net gain/(loss) arising from investment securities	83	22	497	324	117	104	(3,543)	144	(2,252)
Other operating income, net	402	270	461	516	529	203	2,432	457	5,270
Operating income	55,085	35,313	41,343	38,945	37,906	14,903	41,562	4,690	269,747
Operating expenses	(19,083)	(13,324)	(15,729)	(16,776)	(16,519)	(7,116)	(9,223)	(1,423)	(99,193)
Impairment losses	(6,484)	(4,128)	(7,034)	(6,387)	(9,549)	(2,353)	(13,944)	(950)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	16	16
Profit before tax	29,518	17,861	18,580	15,782	11,838	5,434	18,395	2,333	119,741
Capital expenditure	2,843	1,984	2,421	3,186	2,752	1,376	2,933	376	17,871
Depreciation and amortisation	1,685	1,169	1,429	1,615	1,412	680	1,293	68	9,351
Segment assets	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	119,865	10,392,057
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,728	1,728
	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	121,593	10,393,785
Deferred tax assets									7,855
Elimination									(2,846,188)
Total assets									7,555,452
Segment liabilities	1,466,440	1,074,054	1,367,662	1,158,073	1,173,707	507,936	3,064,993	121,208	9,934,073
Deferred tax liabilities									5
Elimination									(2,846,188)
Total liabilities									7,087,890
Off-balance sheet credit commitments	386,800	193,746	284,558	172,079	186,488	89,428	15,936	21,445	1,350,480

	Year ended 31 December 2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Elimination	Total
	(in millions of RMB)									
External net interest income	32,260	15,108	19,267	18,805	20,670	5,712	78,295	2,658	—	192,775
Internal net interest Income/ (expenses)	6,499	9,054	10,024	8,070	6,001	4,922	(43,616)	(954)	—	—
Net interest income	38,759	24,162	29,291	26,875	26,671	10,634	34,679	1,704	—	192,775
Net fee and commission income	5,921	5,147	5,578	5,276	4,836	2,426	1,602	527	—	31,313
Net trading gain/(loss)	102	87	96	33	29	33	(49)	866	—	1,197
Dividend income	2	—	71	103	38	3	119	7	—	343
Net income/(loss) arising from Investment securities	44	162	342	143	159	139	310	(1)	—	1,298
Other net operating income/ (loss)	224	235	223	357	348	116	(8,468)	756	—	(6,209)
Operating income	45,052	29,793	35,601	32,787	32,081	13,351	28,193	3,859	—	220,717
Operating expenses	(15,440)	(11,108)	(12,919)	(14,443)	(13,754)	(6,177)	(17,267)	(1,219)	—	(92,327)
Impairment losses	(3,678)	(3,738)	(5,762)	(2,885)	(2,980)	(2,034)	(6,356)	(162)	—	(27,595)
Share of profit in associate and jointly controlled entity	—	—	—	—	—	—	—	21	—	21
Profit before tax	25,934	14,947	16,920	15,459	15,347	5,140	4,570	2,499	—	100,816
Capital expenditure	2,249	1,579	2,353	2,049	2,028	983	1,513	170	—	12,924
Depreciation and amortisation	1,486	1,040	1,178	1,395	1,194	562	944	48	—	7,847
Segment assets	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	102,812	(2,353,884)	6,597,043
Interest in associate and jointly controlled entity	—	—	—	—	—	—	—	1,099	—	1,099
	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	103,911	(2,353,884)	6,598,142
Unallocated assets										35
Total assets										6,598,177
Segment liabilities	1,305,366	950,489	1,166,755	968,695	917,340	437,124	2,677,440	105,800	(2,353,884)	6,175,125
Unallocated liabilities										771
Total liabilities										6,175,896
Off-balance sheet credit commitments	268,705	134,329	215,944	130,146	131,331	47,022	14,224	27,858	—	969,559

(2) Business segments

Business segments, as defined for the purpose of this appendix and appendix IV, are as follows:

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

The following table sets forth, for the period indicated, our operating income for each of our principal business segments.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in million of RMB, except percentages)									
Corporate banking	117,061	53.04	142,076	52.67	144,662	53.71	71,490	54.38	78,986	51.38
Personal banking	73,441	33.27	74,573	27.65	80,967	30.06	38,229	29.08	45,071	29.32
Treasury business	25,117	11.38	47,366	17.56	35,040	13.01	17,849	13.58	26,717	17.38
Others(1)	5,098	2.31	5,732	2.12	8,645	3.22	3,897	2.96	2,951	1.92
Total operating income	220,717	100.00	269,747	100.00	269,314	100.00	131,465	100.00	153,725	100.00

(1) including equity investment, overseas operations and the income not classified into the other segments.

LIQUIDITY

We fund our loan and investment portfolios principally through our customer deposits. Although a majority of deposits from customers have been short-term deposits, deposits from customers have been, and we believe will continue to be, a stable source of our funding. Customer deposits with remaining maturities of less than one year represented 94.96%, 93.48%, 94.66% and 95.21% of total deposits from customers for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. For additional information about our short-term liabilities and sources of funds, see "Assets and Liabilities—Liabilities and Sources of Funds."

We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. In addition, we invest in a significant amount of liquid assets such as PBOC bills and PRC government bonds, which give us the flexibility to meet potential liquidity requirements. If further liquidity requirements arise, we have access to the interbank money market, where we have historically been a net lender.

In the first half of 2010, the PBOC lifted the statutory reserve rate three times and continuously withdrew funding from the open market, as a result, the interbank funding became generally limited. Along the increasing money supply from the PBOC starting from the end of June 2010, the interbank money market grew more active. Accordingly, though there is fluctuation in our liquidity position, through our systematic improvement, enhanced daily allocation of capital, advanced preparation and arrangement, our cash reserve ratio remained at a reasonable level, which ensures proper payment and settlement.

The following table sets forth, as at 30 June 2010, the remaining maturities of our assets and liabilities.

	As at 30 June 2010							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
	(in millions of RMB)							
Assets								
Cash and deposits with central bank	1,368,029	230,777	—	—	—	—	—	1,598,806
Deposits and placements with banks and non-bank financial institutions	12	56,965	21,594	11,249	3,023	306	—	93,149
Financial assets held under resale agreements	—	—	187,930	22,117	47,302	—	—	257,349
Loans and advances to customers	38,498	22,344	174,640	361,348	1,382,922	1,544,122	1,692,099	5,215,973
Investments	28,532	—	166,488	338,245	739,645	731,524	875,840	2,880,274
Other assets	109,278	22,921	5,010	6,835	16,749	12,719	16,918	190,430
Total assets	1,544,349	333,007	555,662	739,794	2,189,641	2,288,671	2,584,857	10,235,981
Liabilities								
Borrowings from central banks	—	1,344	—	—	—	—	—	1,344
Deposits and placements from banks and non-bank financial institutions	—	526,908	48,582	35,559	43,267	109,301	—	763,617
Financial liabilities at fair value through profit or loss	—	1,928	2,229	4,682	—	2,011	28	10,878
Financial assets sold under repurchase agreements	—	—	—	—	2,000	—	—	2,000
Deposits from customers	—	4,777,767	706,603	675,467	2,020,622	411,130	112	8,591,701
Debt securities issued	—	—	861	3,864	4,642	4,844	80,506	94,717
Other liabilities	115	64,262	60,367	7,956	37,970	11,758	9,098	191,526
Total Liabilities	115	5,372,209	818,642	727,528	2,108,501	539,044	89,744	9,655,783
Net position	1,554,234	(5,039,202)	(262,980)	12,266	81,140	1,749,627	2,495,113	580,198

CAPITAL RESOURCES

Shareholders' Equity

As at 30 June 2010, our total equity reached RMB580,198 million, an increase of RMB21,178 million compared to the end of 2009. The ratio of total equity to total assets for the Group was 5.67%, a decrease of 0.14 percentage points over the end of 2009. Our total equity increased to RMB559,020 million as of 31 December 2009 from RMB467,562 million as of 31 December 2008 which in turn increased from RMB422,281 million as of 31 December 2007. Shareholders' equity consists of share capital, capital reserve, investment revaluation reserve, surplus reserve, general reserve, retained earnings and exchange reserve. The following table sets forth, for the periods indicated, the components of the changes in our total equity.

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2010	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020
Movements during the period	—	6	(2,254)	—	14,463	9,073	(437)	327	21,178
Net profit	—	—	—	—	—	70,741	—	38	70,779
Other comprehensive income	—	6	(2,254)	—	—	—	(437)	55	(2,630)
Total comprehensive income	—	6	(2,254)	—	—	70,741	(437)	93	68,149
Changes in share capital	—	—	—	—	—	—	—	256	256
Profit distribution	—	—	—	—	14,463	(61,668)	—	(22)	(47,227)
i Appropriation to general reserve	—	—	—	—	14,463	(14,463)	—	—	—
ii Cash dividends to equity shareholders	—	—	—	—	—	(47,205)	—	(22)	(47,227)
As at 30 June 2010	233,689	90,272	10,909	37,421	61,269	145,185	(2,419)	3,872	580,198
As at 1 January 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the year	—	25	2,007	10,499	178	76,519	281	1,949	91,458
Total comprehensive income for the year	—	25	2,007	—	—	106,756	281	89	109,158
Changes in share capital	—	—	—	—	—	—	—	1,878	1,878
i Disposal of shares of subsidiaries to non-controlling interests	—	—	—	—	—	—	—	100	100
ii Non-controlling interests of new subsidiaries	—	—	—	—	—	—	—	130	130
iii Non-controlling interests of acquisition of a subsidiary	—	—	—	—	—	—	—	1,648	1,648
Profit distribution	—	—	—	10,499	178	(30,237)	—	(18)	(19,578)
i Appropriation to surplus reserve	—	—	—	10,499	—	(10,499)	—	—	—
ii Appropriation to general reserve	—	—	—	—	178	(178)	—	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(19,560)	—	(18)	(19,578)
As at 31 December 2009	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020

	Attributable to equity shareholders of the Bank								
	Share capital	**Capital reserve**	**Investment revaluation reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Exchange reserve**	**Non-controlling interests**	**Total equity**
As at 1 January 2008	233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281
Movements during the year	—	—	(5,252)	9,077	15,080	27,429	(1,345)	292	45,281
Total comprehensive income for the year	—	—	(5,252)	—	—	92,599	(1,345)	41	86,043
Changes in share capital	—	—	—	—	—	—	—	274	274
i Capital injection by non-controlling interests	—	—	—	—	—	—	—	212	212
ii Disposal of shares of a subsidiary to non-controlling interests	—	—	—	—	—	—	—	38	38
iii Non-controlling interests of a new subsidiary	—	—	—	—	—	—	—	24	24
Profit distribution	—	—	—	9,077	15,080	(65,170)	—	(23)	(41,036)
i Appropriation to surplus reserve	—	—	—	9,077	—	(9,077)	—	—	—
ii Appropriation to general reserve	—	—	—	—	15,080	(15,080)	—	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(41,013)	—	(23)	(41,036)
As at 31 December 2008	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562

Capital Adequacy

The following table shows the Group's capital adequacy ratio and core capital adequacy ratio calculated pursuant to the CBRC's Decision on Amendments to the Administration Measures for Capital Adequacy Ratios of Commercial Banks (CBRC [2007] No. 11) during the reported period.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in million of RMB, except percentages)			
Core capital adequacy ratio(1)	10.37%	10.17%	9.31%	9.27%
Capital adequacy ratio(2)	12.58%	12.16%	11.70%	11.68%
Core capital:				
Share capital	233,689	233,689	233,689	233,689
Capital reserve	85,408	83,202	82,427	82,561
Surplus reserve and general risk reserve	49,393	73,550	84,227	98,690
Retained earnings(3)	16,609	39,316	87,564	112,056
Non-controlling interests	1,304	1,596	3,545	3,872
Total core capital	386,403	431,353	491,452	530,868
Supplementary capital:				
General provision for doubtful debts	33,373	38,110	48,463	53,645
Positive changes in fair value of financial instruments at fair value through profit or loss(4)	10,527	8,684	10,815	9,580
Subordinated bonds issued	40,000	40,000	80,000	80,000
Total supplementary capital	83,900	86,794	139,278	143,225
Total capital base before deductions	470,303	518,147	630,730	674,093
Deductions:				
Goodwill	(1,624)	(1,527)	(1,590)	(1,574)
Unconsolidated equity investments	(4,687)	(5,682)	(8,903)	(12,389)
Others(5)	(810)	(522)	(12,004)	(2,369)
Net capital base	463,182	510,416	608,233	657,761
Risk-weighted assets(6)	3,683,123	4,196,493	5,197,545	5,631,214

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

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

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

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

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

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

Our capital adequacy ratio was 12.58%, 12.16%, 11.70% and 11.68% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, and our core capital adequacy ratio was 10.37%, 10.17%, 9.31% and 9.27% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, all in compliance with the regulatory requirements of the CBRC.

CONTINGENT LIABILITIES, COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

Credit Commitment

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. We assess and make allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the amount should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted. Acceptances comprise our undertakings to pay bills of exchange drawn on customers. We expect most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in millions of RMB)			
Credit card commitments	99,086	174,714	260,656	268,233
Loan commitments	267,516	307,845	527,627	620,676
Bank acceptances	143,166	219,603	339,354	372,374
Financing guarantees	124,772	182,518	149,750	159,276
Non-financing guarantees	246,135	362,668	415,342	433,164
Sight letters of credit	34,486	36,386	47,091	53,388
Usance letters of credit	45,156	35,110	72,373	70,996
Others	9,242	31,636	49,280	27,003
Total	969,559	1,350,480	1,861,473	2,005,110

Credit risk-weighted amount

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

The following table shows our credit risk-weighted amount of contingent liabilities and commitments as at the dates indicated, which has taken into account the effects of bilateral netting settlement.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in millions of RMB)			
Credit risk-weighted amount of contingent liabilities and commitments	479,813	660,982	898,284	936,150

Operating lease commitments

The following table shows the future minimum lease payments under non-cancellable operating leases as at the dates indicated.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
		(in millions of RMB)		
Within one year	1,838	2,458	3,012	2,881
After one year but within two years	1,444	2,018	2,293	2,327
After two years but within three years	1,282	1,571	1,822	1,768
After three years but within five years	1,616	2,150	2,319	1,922
After five years	1,437	1,345	1,767	1,306
Total	7,617	9,542	11,213	10,204

Capital commitments

The following table shows our authorised capital commitments as at the dates indicated.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
		(in millions of RMB)		
Purchase of fixed assets				
—Contracted for	1,791	6,333	5,511	3,106
—Authorised but not contracted for	1,150	558	1,652	4,634
Total	2,941	6,891	7,163	7,740

Underwriting obligations

As at 31 December 2007, 2008 and 2009 and 30 June 2010, our unexpired underwriting commitments were RMB10.95 billion, nil, RMB3.89 billion and nil, respectively.

Redemption obligations

As an underwriting agent of PRC government bonds, we have the responsibility to buy back those bonds sold by it should the holders decide to redeem the bonds held before the maturity date.

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 following table shows our redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group but not yet matured as at the dates indicated. The Group expects our potential obligations of early redemption before the maturity date to be insignificant.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
		(in millions of RMB)		
Redemption obligations	71,423	62,677	81,424	80,333

Outstanding litigation and disputes

As at 30 June 2010, we were the defendant in certain pending litigation and disputes with gross claims of RMB2,467 million. We recognised provisions of RMB876 million for estimated losses arising from such litigations based upon the opinions of our internal and external legal counsels. We consider that the provisions made are reasonable and adequate.

Derivatives

Derivatives represent the off-balance sheet financial instruments including forward, swap and option contracts entered into by us on the foreign exchange market and interest rate market, all of which are over the counter transactions.

The following table shows the nominal amounts and the fair value of our derivative assets and liabilities as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	Notional amounts	Fair value Assets	Fair value Liabilities	Notional amounts	Fair value Assets	Fair value Liabilities	Notional amounts	Fair value Assets	Fair value Liabilities	Notional amounts	Fair value Assets	Fair value Liabilities
	(in millions of RMB)											
Interest rate contracts	121,169	1,322	1,403	183,695	9,016	9,451	173,170	3,826	4,015	182,363	3,771	4,016
Exchange rate contracts	584,108	13,308	6,548	489,431	11,758	9,114	510,831	4,614	4,531	656,772	6,197	5,429
Precious metal contracts	67	—	1	510	10	—	1,244	38	—	2,030	12	—
Equity instrument contracts	36	2	—	806	515	—	1,540	978	29	2,396	724	17
Total	705,380	14,632	7,952	674,442	21,299	18,565	686,785	9,456	8,575	843,561	10,704	9,462

We use derivatives to manage our treasury business as well as the assets and liabilities. Treasury business involves the development and marketing of its derivatives to allow customers to transfer, change or mitigate their existing or potential risks. For mismatches in interest rates between assets and liabilities, we enter into interest swaps to convert fixed rate into floating rate and for foreign currency denominated assets and liabilities, we enter into forward contracts and currency swaps to mitigate risk of changes in value arising from the fluctuation in foreign exchange rates. Changes in the fair value of our derivative assets and liabilities are driven by the investment exposure as well as the interest and exchange rates.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows the Bank's known contractual obligations as at the dates indicated.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in millions of RMB)			
On-balance sheet				
Certificates of deposit issued	9,284	11,017	15,893	11,955
Bonds issued	—	2,854	2,863	2,868
Subordinated bonds issued	39,928	39,939	79,888	79,894
Off-balance sheet				
Credit commitments	969,559	1,350,480	1,861,473	2,005,110
Operating lease commitments	7,617	9,542	11,213	10,204
Capital commitments	2,941	6,891	7,163	7,740
Underwriting obligations	10,950	—	3,890	—
Redemption obligations	71,423	62,677	81,424	80,333
Total	1,111,702	1,483,400	2,063,807	2,198,104

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

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

Interest Rate Risk

Based on the macroeconomic policies and the changes of the financial market, we proactively adopted effective measures to reinforce our management of interest rate risks, timely adjusted and improved our internal and external pricing systems, and optimised the internal transfer pricing in our money market businesses. We internalised the interest rate risks into our economic capital calculation system in order to optimise our risk management. We set up various frameworks to guide our bank on interest rate risk management, enhanced our management on the long-term fixed-rate deposits and loans and built up the interest rate risk reserves system. To meet the requirements of the second pillar of the New Basel Capital Accord, our bank launched the second phase project of asset and liability management information system, which optimised the risk management modules.

In the first half of 2010, in order to meet the requirements of the second pillar of the New Basel Capital Accord, we proactively adopted effective measures to strengthen the interest rate risk management. We engaged professional consulting companies to complete pressure test and customer behaviour analysis, established the system framework and conducted the internal evaluation for New Basel Capital Accord to ensure strict systematic compliance. We also launched the main functions of the second phase project of asset and liability management information system, which provides technical support to optimise the risk management modules. According to changes in macroeconomic policies and financial markets, we further improved the authorising system and pricing system for long-term project loans, personal loans and loans to banks and non-bank financial institutions, which improves our competitive capacities while controls risks.

The following table shows the analysis of expected next repricing dates (or maturity dates, whichever are earlier) of our assets and liabilities as at the balance sheet date.

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

Exchange Rate Risk

The primary source of our exchange rate risk arises from currency mismatches in our assets and liabilities. Such risk is primarily assessed through monitoring the net currency position and managed by seeking a match for every single currency between assets and liabilities.

In the first half of 2010, we continued our development of the asset and liability management system to optimise foreign exchange risk management and have successfully launched the main functions. The automatic measure of foreign exchange rate exposures has extended to overseas branches and supported the measure of foreign exchange risks of the subsidiaries. The further improved measurement for exchange risk exposure notably enhanced the granularity and accuracy of risk measurement. Advanced functions such as scenario simulation and stress testing were developed to support the revaluation and VaR calculation of related derivative products.

The following table shows the currency exposures of the Group's assets and liabilities as at 30 June 2010.

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

RMB appreciation against USD or any other currencies may lead to a loss in our assets denominated in foreign currencies.

CAPITAL EXPENDITURES

Our capital expenditure mainly comprises the expenditure associated with the establishment, renovation and upgrading of business outlets as well as purchase of fixed assets to maintain the business operation, such as the acquisition and renovation of business outlets, purchase of self-service facilities, IT development projects, computer investments and construction of productive infrastructure. For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, our capital expenditure was RMB12,924 million, RMB17,871 million, RMB21,774 million and RMB3,745 million respectively. The growth in the capital expenditure was in line with our network expansion and growth in fixed asset purchases. As at 31 December 2009, we had capital commitments of RMB7,163 million, of which RMB5,511 million were contracted commitments of capital expenditure for purchase of fixed assets.

CRITICAL ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, we make assumptions of the effects for uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. Our estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying our accounting policies.

Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Classification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group in sustaining the intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

WORKING CAPITAL

Rules 9.20(1), 11.06 and paragraph 30 of Appendix 1, Part B of the Hong Kong Listing Rules require this prospectus to include a statement by the Directors that, in their opinion, the working capital available to the Bank is sufficient or, if not, how it is proposed to provide the additional working capital the Directors consider to be necessary.

The Bank is of the view that the traditional concept of "working capital" does not apply to banking businesses such as the Bank and such a statement on working capital sufficiency, if so included, would not provide significant information for Shareholders and the Bank's investors. For banking businesses, the capital adequacy ratio is a more appropriate indicator of solvency. The Bank, as a bank incorporated in the PRC, is regulated by, among others, the PBOC and the CBRC. The CBRC has imposed minimum capital adequacy requirements on commercial banks operating in the PRC. The Bank is subject to capital adequacy requirements as promulgated by the CBRC and the information disclosed in this prospectus clearly demonstrates that the Bank has complied with and remains in compliance with the capital adequacy requirements imposed by the Bank's regulators. Accordingly, the Bank is of the view that notwithstanding the absence of a statement on working capital sufficiency, the inclusion of information regarding the Bank's capital adequacy ratios for the three years ended 31 December 2009 and the six-months ended 30 June 2009 and 2010 in this prospectus will provide sufficient information to Shareholders and the Bank's investors to properly assess the H Share Rights Issue. In view of the above and also the extensive resources the Bank will have to divert to provide such statement, the Bank has applied for a waiver from complying with the working capital statement requirements under Rules 9.20(1), 11.06 and paragraph 30 of Appendix 1, Part B of the Hong Kong Listing Rules and the Hong Kong Stock Exchange has granted such waiver.

INDEBTEDNESS

As at 30 September 2010, we had the following indebtedness:

(1) RMB 80.0 billion of subordinated bonds, which will become due between February 2019 and December 2024;

(2) borrowings from central banks, deposits from customers and other banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, and certificates of deposits that arose from the normal course of our banking business carried out by us; and

(3) direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of banking business carried out by us.

Except as otherwise disclosed in this prospectus, we did not have, as at 30 September 2010, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

PROFIT DISTRIBUTION

In the annual general meeting held on 11 June 2009, the Shareholders approved the profit distribution for the six months from 1 July 2008 to 31 December 2008. We appropriated a final dividend in an aggregate amount of RMB19,560 million for the six months from 1 July 2008 to 31 December 2008. On 24 June 2010, the Shareholders approved the following profit distribution scheme for the year ended 31 December 2009:

(1) Appropriate statutory surplus reserve amounting to RMB10,499 million, based on 10% of our net profit amounting to RMB104,986 million. It has been recorded in "Surplus reserve" as at the end of the 2009 reporting period.

(2) Appropriate general reserve amounting to RMB14,382 million, pursuant to relevant regulations issued by the MOF.

(3) Appropriate cash dividend of RMB0.202 per share before tax amounting to RMB47,205 million in total to all shareholders. The proposed dividend is not recognised as a liability at the end of the 2009 reporting period.

The Bank appropriated cash dividend of RMB0.202 per share before tax for 2009 on 21 July 2010 to the shareholders whose names appeared on the share register of the Bank on 7 July 2010.

ASSETS

As at 30 June 2010, our total assets increased by 6.37% to RMB10,235,981 million, compared to 31 December 2009. As at 31 December 2009, 2008 and 2007, our total assets amounted to RMB9,623,355 million, RMB7,555,452 million and RMB6,598,177 million respectively with a 2007-2009 CAGR of 20.77%. The continuous growth of our total assets was primarily driven by the fast growth in interest-earning assets, including loans and advances to customers.

In our balance sheet, loans and advances to customers are recorded at the net value after deducting the allowance for impairment losses on loans. Unless otherwise indicated, loans and advances to customers discussed hereunder refers to the gross amount before the allowance for losses.

The following table shows the composition of our total assets as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Gross loans and advances to customers	3,272,157		3,793,943		4,819,773		5,349,382	
Allowances for impairment losses on loans	(88,928)		(110,368)		(126,826)		(133,409)	
Net loans and advances to customers	3,183,229	48.24	3,683,575	48.75	4,692,947	48.77	5,215,973	50.96
Net investments[1]	2,201,810	33.37	2,194,748	29.05	2,578,799	26.80	2,878,476	28.12
Cash and deposits with central bank	843,724	12.79	1,247,450	16.51	1,458,648	15.16	1,598,806	15.62
Deposits and placements with banks and non-bank financial institutions	88,798	1.35	49,932	0.66	123,380	1.28	93,149	0.91
Financial assets held under resale agreements	137,245	2.08	208,548	2.76	589,606	6.13	257,349	2.51
Interest receivable	33,900	0.51	38,317	0.51	40,345	0.42	42,477	0.42
Other assets[2]	109,471	1.66	132,882	1.76	139,630	1.44	149,751	1.46
Total assets	6,598,177	100.00	7,555,452	100.00	9,623,355	100.00	10,235,981	100.00

1. These comprise financial assets at fair value through profit and loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

Loans and advances to customers

As at 30 June 2010 and 31 December 2009, 2008 and 2007, our net loans and advances to customers amounted to RMB5,215,973 million, RMB4,692,947 million, RMB3,683,575 million and RMB3,183,229 million respectively, accounting for 50.96%, 48.77%, 48.75% and 48.24% of our total assets respectively.

As at 30 June 2010, our loans and advances to customers increased by 10.99% to RMB5,349,382 million, compared to 31 December 2009. As at 31 December 2009, 2008 and 2007, our loans and advances to customers amounted to RMB4,819,773 million, RMB3,793,943 million and RMB3,272,157 million respectively, representing a year-on-year growth of 27.04% and 15.95%. The continuous growth of our loans and advances to customers is mainly due to that in line with the macroeconomic policy of securing growth and boosting domestic demand and under effective risk control, we increased loans to prime projects and key customers. We also expanded loans to social service areas with great market potentials and robust customer demand.

Loans and advances to customers—breakdown by product type

The following table shows the breakdown of our loans and advances to customers by product type as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	2,344,757	71.66	2,689,784	70.90	3,351,315	69.53	3,737,338	69.87
Personal loans	723,805	22.12	821,531	21.65	1,088,459	22.58	1,247,708	23.32
Discounted bills	102,826	3.14	163,161	4.30	228,361	4.74	194,644	3.64
Overseas loans	100,769	3.08	119,467	3.15	151,638	3.15	169,692	3.17
Gross loans and advances to customers	3,272,157	100.00	3,793,943	100.00	4,819,773	100.00	5,349,382	100.00

Corporate Loans

As the primary component of our loans and advances to customers, our corporate loans as at 30 June 2010 increased by 11.52% to RMB3,737,338 million compared to 31 December 2009. As at 31 December 2007, 2008 and 2009, our corporate loans amounted to RMB2,344,757 million, RMB2,689,784 million, and RMB3,351,315 million, respectively, representing year-on-year growth rates of 14.71% and 24.59%, and a 2007-2009 CAGR of 19.55%. In terms of lending, we managed our volume, pace, loan mix, and asset quality in a prudent manner. In order to address the financial crisis proactively, the Chinese government has introduced a series of economic stimulus packages since the third quarter of 2008. In response to such initiatives, the PBOC realigned its monetary policy stance to ensure the stable growth of currency credit and sufficient liquidity in the financial system, and encouraged the commercial banks to enlarge total loan supply in support of the steady growth of the economy. Against this backdrop, we responded swiftly to the shift of the macroeconomic policy by completing the marketing to a large number of premium customers and financing for prime projects before the end of the first quarter of 2009 to gain a competitive market edge and ensured proactive risk control. Against the backdrop of the moderately loose monetary policy, we made a proactive adjustment to our loan mix and controlled the extension of new loans, therefore achieving a lower-than-peers loan growth.

Corporate loans—breakdown by term

The following table shows the breakdown of our corporate loans by term as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans	820,908	35.01	855,397	31.80	915,674	27.32	1,072,698	28.70
Medium to long-term loans	1,523,849	64.99	1,834,387	68.20	2,435,641	72.68	2,664,640	71.30
Total corporate loans	2,344,757	100.00	2,689,784	100.00	3,351,315	100.00	3,737,338	100.00

In terms of our product mix, our medium to long-term loans, which represented the higher quality and also higher margin business, accounted for an increasingly larger share of our corporate loan portfolio from 2007 to 2009, mainly as a result of our proactive refinement of product structure by focusing more on corporate clients with higher credit ratings and key infrastructure projects. In the first half of 2010, the term structure of our loans generally remained stable, with a slight increase of short-term loans.

Corporate loans—breakdown by industry

The following table shows the breakdown of our corporate loans by industry as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Manufacturing	592,502	25.27	663,350	24.66	803,302	23.97	931,077	24.91
Transportation, storage and postal services	370,732	15.81	426,803	15.87	519,078	15.49	593,086	15.87
Production and supply of electric power, gas and water	377,285	16.09	452,472	16.82	486,094	14.50	500,143	13.38
Real estate	317,780	13.55	329,381	12.25	358,651	10.70	378,611	10.13
Leasing and commercial services	92,968	3.96	135,746	5.05	303,380	9.05	349,065	9.34
Of which: commercial services	91,951	3.92	135,105	5.02	301,502	9.00	344,633	9.22
Water, environment and public utilities management	106,693	4.55	132,426	4.92	206,175	6.15	212,819	5.69
Wholesale and retail trade	89,289	3.81	102,590	3.81	146,693	4.38	188,014	5.03
Construction	101,467	4.33	116,551	4.33	116,379	3.47	134,670	3.60
Mining	69,666	2.97	90,499	3.36	104,019	3.10	122,117	3.27
Of which: exploration of petroleum and natural gas	14,948	0.64	18,083	0.67	4,599	0.14	7,577	0.20
Education	78,153	3.33	78,870	2.93	93,351	2.79	101,823	2.72
Telecommunications, computer services and software	35,846	1.53	25,943	0.96	25,249	0.75	23,548	0.63
Of which: telecommunications and other information transmission services	32,772	1.40	23,598	0.88	22,450	0.67	20,763	0.56
Others	112,376	4.80	135,153	5.04	188,944	5.65	202,365	5.43
Total corporate loans and advances	2,344,757	100.00	2,689,784	100.00	3,351,315	100.00	3,737,338	100.00

By monitoring the directions and development trends of various industries and adopting differentiated strategies, taking actions of "increasing, maintaining, controlling, reducing and exiting", based on different areas, customers and products, we stepped up the loan mix re-structure and risk control and tightened the namelist-based management for industries with excess capacity and redundant construction industries to strengthen the credit risk control.

Given the austerity measure and the economic dynamics, we have tightened the lending criteria for real estate customers and moderately controlled the pace of credit supply over past years. As at 31 December 2009, our outstanding loans to the real estate sector amounted to RMB358,651 million, up by 29,270 million, or 8.89% over the previous year which was much lower than the 24.59% growth rate of total corporate loans. Our real estate loans as a percentage of the total corporate loans also fell from 13.55% in 2007 to 10.70% in 2009. Recently, in response to the latest development of real estate market, we proactively moderated the growth of real estate loans, as a result, there was only a 5.57% increase of real estate loans in the first half of 2010, lower than the 11.52% increase of corporate loans. We continued to refine the customer mix with new loan granting focused on premium customers with financial strength and higher quality of development projects in areas where the housing prices remain steady, and residential projects in line with the state industrial policy, including the development of residential housing and affordable housing. The quality of our real estate loans has improved steadily with the outstanding NPL declining from RMB15,372 million at the end of 2007 to RMB7,442 million as at 30 June 2010, and the NPL ratio for real estate loans declining from 4.84% to 1.97% in the same period.

Personal loans

From 2007 to 30 June 2010, our personal loans experienced fast growth. As at 30 June 2010, our outstanding personal loans increased by 14.63% to RMB1,247,708 million, compared to 31 December 2009. Our outstanding personal loans increased by 32.49% to RMB1,088,459 million as of 31 December 2009 compared to RMB821,531 million as of 31 December 2008, which in turn increased by 13.50% compared to RMB723,805 million as of 31 December 2007, representing a 2007-2009 CAGR of 22.63%.

Personal loans—breakdown by product type

The following table shows the breakdown of our personal loans by product type as at the dates indicated.

	As at 31 December 2007		**As at 31 December 2008**		**As at 31 December 2009**		**As at 30 June 2010**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except percentages)							
Personal mortgage loans	527,888	72.93	603,147	73.42	852,531	78.32	1,002,221	80.33
Personal consumer loans	66,573	9.20	74,964	9.12	78,651	7.23	76,410	6.12
Others[1]	129,344	17.87	143,420	17.46	157,277	14.45	169,077	13.55
Total personal loans	723,805	100.00	821,531	100.00	1,088,459	100.00	1,247,708	100.00

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

Over past years, we have been committed to the creation and enhancement of the product chain and value chain of personal credit business to achieve horizontal and vertical expansion into new sectors and new markets with higher quality of service. A centralised and professional operating platform has been established to allow standardised processing and operation of personal loans and provide differentiated personal products and services based on customer stratification.

As at 30 June 2010, our outstanding personal mortgage loans increased by 17.56% to RMB1,002,221 million, compared to 31 December 2009. Our outstanding personal mortgage loans increased by 41.35% to RMB852,531 million as of 31 December 2009 compared to RMB603,147 million as of 31 December 2008, which in turn increased by 14.26% compared to RMB527,888 million as of 31 December 2007, representing a 2007-2009 CAGR of 27.08%. The continuous increase in our personal mortgage loans was primarily driven by the increase of demands in self-occupied home purchases. Our fast growth in personal mortgage loans resulted from: (i) our positioning of personal mortgage loans as one of our key growth strategies; (ii) our continued effort to enhance market expansion and product marketing. At the same time, we implemented active measures to mitigate systemic risk in regional markets and primarily meet credit needs of premium personal customers amid the complex market dynamics; and (iii) our continued emphasis on product innovation and service improvement to customise our credit process for the convenience of customers.

As at 30 June 2010, our outstanding personal consumer loans decreased by 2.85% to RMB76,410 million, compared to 31 December 2009, largely because we adjusted strategies according to market and risks. As at 31 December 2009, 2008 and 2007, our outstanding personal consumer loans amounted to RMB78,651 million, RMB74,964 million and RMB66,573 million respectively, representing a year-on-year growth of 4.92% and 12.60%.

We also marketed the personal business loans to the sole proprietor segment and in response to the government policies in support of the farmers, rural areas and agricultural development, introduced retail farmer loans on a trial basis. As at 30 June 2010, our outstanding other personal loans increased by 7.50% to RMB169,077 million, compared to 31 December 2009. As at 31 December 2009, 2008 and 2007, our outstanding other personal loans amounted to RMB157,277 million, RMB143,420 million and RMB129,344 million respectively, representing a year-on-year growth of 9.66% and 10.88%.

Discounted bills

As at 30 June 2010, 31 December 2009, 2008 and 2007, our discounted bills accounted for 3.64%, 4.74%, 4.30% and 3.14% of the gross loans and advances to customers respectively, which were largely generated from the short-term financing needs of our targeted prime customers.

As at 30 June 2010, our outstanding discounted bills decreased by 14.76% to RMB194,644 million, compared to 31 December 2009. As at 31 December 2009, 2008 and 2007, our outstanding discounted bills amounted to RMB228,361 million, RMB163,161 million and RMB102,826 million respectively, representing a year-on-year growth of 39.96% and 58.68%. The continuous growth in the outstanding discounted bills was resulted mainly from our proactive capture of market opportunities in making timely adjustment to the operation of bills in response to the monetary policy and market interest rate movement while taking into account the features of high liquidity, low risk and low capital requirements for such business.

Overseas loans

With our enhanced support of overseas branches and the aggressive market expansion and customer marketing efforts made by our overseas branches, our overseas loans grew during 2007-2009 at a CAGR of 22.67%. Our overseas loans as at 30 June 2010 grew 11.91% from 31 December 2009.

Loans and advances to customers—breakdown by geographical segment

We breakdown our loans by the location of their originating branches. Generally the location of borrower is closely relevant to the location of the branches extending loans and advances.

The following table shows the breakdown of our loans and advances to customers by geographical segment as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Yangtze River Delta	816,085	24.95	922,104	24.30	1,136,447	23.58	1,259,058	23.54
Pearl River Delta	473,478	14.47	544,999	14.36	728,639	15.12	829,624	15.51
Bohai Rim Region	602,943	18.43	691,638	18.23	859,885	17.84	945,334	17.67
Central Region	519,388	15.87	607,335	16.01	782,763	16.24	865,613	16.18
Western Region	530,805	16.22	635,905	16.76	819,337	17.00	907,022	16.96
Northeastern Region	199,106	6.08	233,468	6.15	299,385	6.21	329,416	6.16
Head Office	29,583	0.90	39,027	1.03	41,679	0.86	43,623	0.82
Overseas	100,769	3.08	119,467	3.16	151,638	3.15	169,692	3.16
Gross loans and advances to customers	3,272,157	100.00	3,793,943	100.00	4,819,773	100.00	5,349,382	100.00

We have been consistently focusing on the developed regions including Yangtze River Delta, Pearl River Delta and Bohai Rim Region for the expansion and development of various businesses. As at 30 June 2010, 31 December 2009, 2008 and 2007, our loans and advances in such regions accounted for 56.72%, 56.54%, 56.89% and 57.85% of the gross loans and advances to customers respectively. In the past few years, we also enhanced the loan origination in the central and western regions according to the state macro policies and as at 30 June 2010, 31 December 2009, 2008 and 2007, our loans and advances to customers in the central and western regions accounted for 33.14%, 33.24%, 32.77% and 32.09% of the gross loans and advances to customers respectively.

Loans and advances to customers—breakdown by type of collateral

The following table shows the breakdown of our loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Unsecured loans	744,682	22.76	947,785	24.98	1,291,942	26.81	1,432,594	26.78
Guaranteed loans	748,904	22.89	811,228	21.38	997,157	20.69	1,133,068	21.18
Loans secured by tangible assets other than monetary assets	1,453,056	44.41	1,650,208	43.50	2,062,981	42.80	2,272,258	42.48
Loans secured by monetary assets	325,515	9.94	384,722	10.14	467,693	9.70	511,462	9.56
Gross loans and advances to customers	3,272,157	100.00	3,793,943	100.00	4,819,773	100.00	5,349,382	100.00

As at 30 June 2010, 31 December 2009, 2008 and 2007, our loans secured by tangible assets accounted for 52.04%, 52.50%, 53.64% and 54.35% of the gross loans and advances to customers respectively. Our loans secured by tangible assets were generally secured by the first lien security interest with different mortgage/pledge ratio assigned for collaterals which are subject to the in-time review of external professional appraisers.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our guaranteed loans accounted for 21.18%, 20.69%, 21.38% and 22.89% of the gross loans and advances to customers respectively, remaining stable over time.

We enforce a strict control of unsecured loans which were generally only provided to selected large-size high quality companies meeting our credit orientation requirement. As at 30 June 2010, 31 December 2009, 2008 and 2007, our unsecured loans accounted for 26.78%, 26.81%, 24.98% and 22.76% of the gross loans and advances to customers respectively. The increasingly higher balance and portion of unsecured loans in 2007 to 2009 was mainly due to our enhanced development of premium customers with higher credit ratings, which led to a larger customer base eligible for such loans.

Concentration of borrowers

Pursuant to the *Core Indicators for the Risk Management of Commercial Banks (Trial)* published by the CBRC, our loans outstanding to any single borrower shall not exceed 10% of our net capital. The following table shows our loans outstanding to the ten largest single borrowers as at 30 June 2010.

	As at 30 June 2010			
	Industry	**Amount**	**% of total loans**	**% of net capital base[1]**
		(in millions of RMB, except percentages)		
Borrower A	Rail transport	17,250	0.32	2.62
Borrower B	Production and supply of electric power, gas and water	13,608	0.25	2.06
Borrower C	Public utility management	11,611	0.22	1.76
Borrower D	Road transport	10,776	0.20	1.64
Borrower E	Rail transport	10,100	0.19	1.54
Borrower F	Road transport	10,055	0.19	1.53
Borrower G	Road transport	9,970	0.19	1.52
Borrower H	Road transport	9,670	0.18	1.47
Borrower I	Road transport	9,519	0.18	1.45
Borrower J	Road transport	9,344	0.17	1.42
Total		111,903	2.09	17.01

1 Loans as % of our net capital base (core capital + supplementary capital - deductions) were calculated according to the regulatory requirements of the CBRC.

Maturity profile of loans and advances to customers

	As at 30 June 2010							
	Undated	**Repayment on demand**	**Within 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
				(in millions of RMB)				
Loans and advances to customers	69,415	39,008	177,136	366,602	1,408,135	1,571,443	1,717,643	5,349,382

Asset quality of loans and advances to customers

We follow the five-category loan classification system to measure and manage the asset quality of our loans and advances to customers in compliance with CBRC's requirements.

The following table shows the breakdown of our loans by the five-category classification as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Normal	2,959,553	90.45	3,492,961	92.07	4,546,843	94.33	5,074,623	94.86
Special mention	227,434	6.95	217,100	5.72	200,774	4.17	209,591	3.92
Subtotal	3,186,987	97.40	3,710,061	97.79	4,747,617	98.50	5,284,214	98.78
Substandard	25,718	0.79	35,105	0.93	21,812	0.45	18,560	0.35
Doubtful	48,159	1.47	39,862	1.05	42,669	0.89	36,975	0.69
Loss	11,293	0.34	8,915	0.23	7,675	0.16	9,633	0.18
Subtotal	85,170	2.60	83,882	2.21	72,156	1.50	65,168	1.22
Gross loans and advances to customers	3,272,157	100.00	3,793,943	100.00	4,819,773	100.00	5,349,382	100.00
NPL ratio[1]	2.60		2.21		1.50		1.22	

1. Calculated by dividing the total non-performing loans by the gross loans and advances to customers.

The following table shows the migration of our loans during the respective periods.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in percentage)			
Migration rate of normal loans	2.96	3.60	2.78	1.12
Migration rate of special mention loans	9.43	8.40	5.74	3.16
Migration rate of substandard loans	61.72	44.20	49.78	36.46
Migration rate of doubtful loans	16.20	11.56	11.20	10.70

Note: Migration rate of loans were calculated according to the requirements of CBRC on a consolidated basis.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our non-performing loans amounted to RMB65,168 million, RMB72,156 million, RMB83,882 million and RMB85,170 million, respectively, with the NPL ratio of 1.22%, 1.50%, 2.21% and 2.60% respectively. The continuous decrease in the NPL amount and ratio reflected our increasingly improved risk control and loan quality management.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our special mention loans amounted to RMB209,591 million, RMB200,774 million, RMB217,100 million and RMB227,434 million, respectively, accounting for 3.92%, 4.17%, 5.72% and 6.95% of the gross loans and advances to customers respectively. The continuous decline of such loans was mainly due to our effective credit risk management. With the increasingly lower NPL ratio, our normal loans and special mention loans have also been structurally improved.

Facing the uncertain macroeconomic environment, we continued to enhance the control of the entire process of credit business as well as the post-lending management. In particular, we further tightened the credit approval management and lending criteria to effectively ensure the quality of new loans outstanding, pushed forward the application of corporate loans early risk warning and customer tracking and management system and improved the processing mechanism of problematic customers to enhance post-lending management. We have also established a roll-over risk surveillance mechanism to keep an ongoing surveillance of key industries and customers and enabled the timely issuance of risk notice and taking of effective measures, all of which were essential to the steadily improving quality of our credit assets.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Normal	2,049,962	87.43	2,417,013	89.86	3,108,637	92.76	3,489,844	93.38
Special mention	217,918	9.29	198,341	7.37	185,500	5.54	197,390	5.28
Substandard	23,098	0.99	31,218	1.16	12,115	0.36	8,605	0.23
Doubtful	43,959	1.87	36,016	1.34	38,928	1.16	33,547	0.90
Loss	9,820	0.42	7,196	0.27	6,135	0.18	7,952	0.21
Subtotal	2,344,757	100.00	2,689,784	100.00	3,351,315	100.00	3,737,338	100.00
NPL subtotal / NPL ratio	76,877	3.28	74,430	2.77	57,178	1.71	50,104	1.34
Personal loans								
Normal	707,177	97.70	796,461	96.94	1,069,634	98.27	1,231,636	98.71
Special mention	8,703	1.20	16,230	1.98	11,617	1.07	8,806	0.71
Substandard	2,290	0.32	3,595	0.44	2,298	0.21	2,511	0.20
Doubtful	4,162	0.58	3,544	0.43	3,370	0.31	3,076	0.25
Loss	1,473	0.20	1,701	0.21	1,540	0.14	1,679	0.13
Subtotal	723,805	100.00	821,531	100.00	1,088,459	100.00	1,247,708	100.00
NPL subtotal / NPL ratio	7,925	1.09	8,840	1.08	7,208	0.66	7,266	0.58
Discounted bills	102,826	100.00	163,161	100.00	228,361	100.00	194,644	100.00
NPL subtotal / NPL ratio	—	—	—	—	—	—	—	—
Overseas loans	100,769	100.00	119,467	100.00	151,638	100.00	169,692	100.00
NPL subtotal / NPL ratio	368	0.37	612	0.51	7,770	5.12	7,798	4.60
Total NPLs / NPL ratio	85,170	2.60	83,882	2.21	72,156	1.50	65,168	1.22

NPL breakdown by product type

The following table shows the breakdown of our NPLs by product type as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term loans . . .	43,489	51.06	5.30	37,700	44.94	4.41	29,143	40.39	3.18	25,620	39.31	2.39
Medium to long-term loans	33,388	39.20	2.19	36,730	43.79	2.00	28,035	38.85	1.15	24,484	37.57	0.92
Subtotal	76,877	90.26	3.28	74,430	88.73	2.77	57,178	79.24	1.71	50,104	76.88	1.34
Personal loans												
Personal mortgage loans	4,222	4.96	0.80	4,931	5.88	0.82	3,600	4.99	0.42	3,639	5.58	0.36
Personal consumer loans	1,966	2.31	2.95	1,685	2.01	2.25	1,329	1.84	1.69	1,313	2.02	1.72
Other loans	1,737	2.04	1.34	2,224	2.65	1.55	2,279	3.16	1.45	2,314	3.55	1.37
Subtotal	7,925	9.31	1.09	8,840	10.54	1.08	7,208	9.99	0.66	7,266	11.15	0.58
Overseas loans	368	0.43	0.37	612	0.73	0.51	7,770	10.77	5.12	7,798	11.97	4.60
Total NPLs	85,170	100.00	2.60	83,882	100.00	2.21	72,156	100.00	1.50	65,168	100.00	1.22

With the improving asset quality of our corporate loans, the balance of non-performing corporate loans have dropped from RMB76,877 million as at the end of 2007 to RMB50,104 million as at 30 June 2010 with a NPL ratio falling from 3.28% as at the end of 2007 to 1.34% as at 30 June 2010 as a result of the following factors: (i) our continually improving credit risk management policy and execution capability including the introduction of industry-specific credit guidelines to guide the firm-wide credit origination and therefore enhance the credit risk control; (ii) our proactive structural refinement of credit customer structure to focus more on customers with higher credit ratings and to reduce the exposure to lower rated borrowers; (iii) increasingly higher quality of new loans outstanding, and (iv) our enhanced efforts in NPL recovery.

During the period from 2007 to 30 June 2010, along with the strong growth of personal credit business, our risk management capability and asset quality have been continually improved with NPL amount decreasing from RMB7,925 million as at the end of 2007 to RMB7,266 million as at 30 June 2010 and NPL ratio falling from 1.09% as at the end of 2007 to 0.58% as at 30 June 2010 for personal loans.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our non-performing overseas loans amounted to RMB7,798 million, RMB7,770 million, RMB612 million and RMB368 million respectively, with a NPL ratio of 4.60%, 5.12%, 0.51% and 0.37% respectively. Due to the global financial crisis, our NPL ratio for overseas loans increased as at the end of 2009, which however had no substantial impact on our overall risks.

Non-performing corporate loans breakdown by industry

The following table shows the breakdown of our NPLs by industry as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %	NPL amount	% of total	NPL ratio %
	(in millions of RMB, except percentages)											
Manufacturing	24,834	32.30	4.19	23,793	31.97	3.59	21,413	37.45	2.67	19,489	38.90	2.09
Production and supply of electric power, gas and water	5,957	7.75	1.58	6,672	8.96	1.47	3,991	6.98	0.82	3,486	6.96	0.70
Transportation, storage and postal services	5,978	7.78	1.61	5,359	7.20	1.26	3,382	5.91	0.65	2,813	5.61	0.47
Real estate	15,372	20.00	4.84	15,387	20.67	4.67	9,322	16.30	2.60	7,442	14.85	1.97
Leasing and commercial services	2,911	3.79	3.13	3,429	4.61	2.53	1,829	3.20	0.60	1,719	3.43	0.49
Of which: commercial services	2,546	3.31	2.77	3,264	4.39	2.42	1,742	3.05	0.58	1,683	3.36	0.49
Water, environment and public utilities management	1,258	1.64	1.18	2,159	2.90	1.63	1,595	2.79	0.77	1,449	2.89	0.68
Construction	2,582	3.36	2.54	2,375	3.19	2.04	2,252	3.94	1.94	2,014	4.02	1.50
Wholesale and retail trade	7,816	10.17	8.75	7,704	10.35	7.51	7,391	12.93	5.04	6,594	13.16	3.51
Mining	636	0.83	0.91	479	0.64	0.53	394	0.69	0.38	291	0.58	0.24
Of which: exploitation of petroleum and natural gas	40	0.05	0.27	16	0.02	0.09	61	0.11	1.33	52	0.10	0.69
Education	1,430	1.86	1.83	1,179	1.58	1.49	1,117	1.95	1.20	873	1.74	0.86
Telecommunications, computer services and software	1,159	1.51	3.23	715	0.96	2.76	1,123	1.96	4.45	878	1.75	3.73
Of which: telecommunications and other information transmission services	304	0.40	0.93	328	0.44	1.39	189	0.33	0.84	83	0.17	0.40
Others[1]	6,944	9.01	6.18	5,179	6.97	3.83	3,369	5.90	1.78	3,056	6.11	1.51
Total non-performing corporate loans	76,877	100.00	3.28	74,430	100.00	2.77	57,178	100.00	1.71	50,104	100.00	1.34

1. These comprise agriculture, forestry, husbandry and fishery; lodging and catering; financial services; science and research, technology services and geological survey; resident services and other services; healthcare, social security and welfare; culture, sports and entertainment; public management and social organisation; and international organisation.

In face of the complicated and volatile external economic conditions, we continued to refine our industry-specific lending and exit criteria while further upgrading our industry-limits management from 2007 to 30 June 2010. Both NPL balances and NPL ratios for the wholesale and retail trade and manufacturing industries, which used to have higher NPL ratios, continued to decline. From 2009 onwards, we enforced strict control on real estate loans and achieved a significant decline in NPL amount and ratio for the real estate sector at the end of 2009 and as at 30 June 2010.

NPL breakdown by geographical segment

The following table shows the breakdown of our non-performing loans by geographical segment as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	NPL amount	% of total	NPL ratio %[1]	NPL amount	% of total	NPL ratio %[1]	NPL amount	% of total	NPL ratio %[1]	NPL amount	% of total	NPL ratio %[1]
	(in millions of RMB, except percentages)											
Yangtze River Delta	11,829	13.89	1.45	13,300	15.86	1.44	13,654	18.92	1.20	12,749	19.56	1.01
Pearl River Delta	11,977	14.06	2.53	11,609	13.84	2.13	9,058	12.55	1.24	7,872	12.08	0.95
Bohai Rim Region	21,844	25.65	3.62	18,981	22.63	2.74	14,489	20.08	1.68	12,425	19.07	1.31
Central Region	14,640	17.19	2.82	13,597	16.21	2.24	10,707	14.84	1.37	9,942	15.26	1.15
Western Region	13,907	16.33	2.62	16,362	19.51	2.57	9,479	13.14	1.16	8,106	12.44	0.89
Northeastern Region	8,422	9.89	4.23	7,852	9.36	3.36	5,412	7.50	1.81	4,653	7.14	1.41
Head Office	2,183	2.56	7.38	1,569	1.87	4.02	1,587	2.20	3.81	1,623	2.49	3.72
Overseas	368	0.43	0.37	612	0.72	0.51	7,770	10.77	5.12	7,798	11.96	4.60
Total NPLs	85,170	100.00	2.60	83,882	100.00	2.21	72,156	100.00	1.50	65,168	100.00	1.22

1. Calculated by dividing regional NPLs by regional loans and advances.

Overdue status of loans and advances to customers

The following table shows the overdue status of our loans and advances to customer as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Current loans	**3,181,212**	**97.22**	**3,695,889**	**97.42**	**4,745,512**	**98.46**	**5,279,478**	**98.69**
Overdue loans								
Overdue for no more than 3 months	23,922	0.73	39,014	1.03	18,565	0.39	20,918	0.39
Overdue for 3 months to 1 year	14,864	0.46	19,189	0.50	17,296	0.35	9,118	0.18
Overdue for 1 to 3 years	31,540	0.96	21,786	0.57	21,710	0.45	24,674	0.46
Overdue for over 3 years	20,619	0.63	18,065	0.48	16,690	0.35	15,194	0.28
Total overdue loans	90,945	2.78	98,054	2.58	74,261	1.54	69,904	1.31
Gross loans and advances to customers	3,272,157	100.00	3,793,943	100.00	4,819,773	100.00	5,349,382	100.00

Allowances for the impairment losses on loans and advances to customers

We have complied with the IFRS in measuring the loan impairment and determining the allowances made as well as the annual impairment losses incurred.

Allowances for impairment losses breakdown by loan category

The below table shows the breakdown of our allowances for impairment losses by loan five-category as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
Category	Allowances amount	% of total	Allowances/ loans%[1]	Allowances amount	% of total	Allowances/ loans%[1]	Allowances amount	% of total	Allowances/ loans%[1]	Allowances amount	% of total	Allowances/ loans%[1]
	(in millions of RMB, except percentages)											
Normal	23,840	26.81	0.81	37,047	33.57	1.06	57,175	45.08	1.26	66,566	49.90	1.31
Special mention	11,945	13.43	5.25	17,075	15.47	7.87	18,453	14.55	9.19	20,235	15.17	9.65
Substandard	7,141	8.03	27.77	13,580	12.30	38.68	7,867	6.20	36.07	6,314	4.73	34.02
Doubtful	34,709	39.03	72.07	33,751	30.58	84.67	35,656	28.11	83.56	30,661	22.98	82.92
Loss	11,293	12.70	100.00	8,915	8.08	100.00	7,675	6.06	100.00	9,633	7.22	100.00
Total	88,928	100.00	2.72	110,368	100.00	2.91	126,826	100.00	2.63	133,409	100.00	2.49
Allowances /non-performing loans ratio		104.41 %			131.58%			175.77%			204.72%	

1. Calculated by dividing the allowances for each category of loans by the loans and advances to customers for such category.

Changes in the allowances for losses on loans

The following table shows the changes in the allowances for impairment losses on our loans and advances to customers during the respective periods.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in millions of RMB)			
Opening balance	77,633	88,928	110,368	126,826
Charge for the year / period	31,957	44,869	40,415	15,424
Release during the year / period	(11,851)	(8,623)	(16,159)	(5,305)
Unwinding of discount	(1,939)	(1,564)	(1,270)	(392)
Acquisition of subsidiaries	—	—	416	—
Transfers in/(out)	(521)	(6,845)	(437)	(160)
Write-offs	(6,445)	(6,579)	(6,845)	(3,506)
Recoveries	94	182	338	522
Closing balance	88,928	110,368	126,826	133,409

Allowances for losses on loans breakdown by product type

The following table shows the breakdown of our allowances for losses on loans by product type as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Allowances amount	Allowances/ NPLs %[1]	Allowances amount	Allowances/ NPLs %[1]	Allowances amount	Allowances/ NPLs %[1]	Allowances amount	Allowances/ NPLs %[1]
	(in millions of RMB, except percentages)							
Corporate loans	76,737	99.82	93,906	126.17	103,869	181.66	109,633	218.81
Personal loans	11,668	147.23	15,612	176.61	19,057	264.39	20,105	276.70
Discounted bills	107	—	183	—	471	—	307	—
Overseas loans	416	113.04	667	108.99	3,429	44.13	3,364	43.14
Total allowances for losses on loans and advances to customers	88,928	104.41	110,368	131.58	126,826	175.77	133,409	204.72

1. Calculated by dividing the allowances for each category of loans by the outstanding NPLs for such category of loans and advances to customers.

Allowances for losses on corporate loans breakdown by industry

The following table shows the breakdown of our allowances for losses on corporate loans by industry as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]
	(In millions of RMB, except percentages)											
Manufacturing	24,450	31.86	98.45	26,940	28.69	113.23	30,178	29.05	140.93	32,705	29.83	167.81
Production and supply of electric power, gas and water	7,771	10.13	130.45	12,624	13.44	189.21	12,174	11.72	305.04	12,234	11.16	350.95
Transportation, storage and postal services	7,774	10.13	130.04	9,667	10.29	180.39	11,753	11.32	347.52	12,494	11.40	444.15
Real estate	12,595	16.41	81.93	16,159	17.21	105.02	14,644	14.10	157.09	13,868	12.65	186.35
Leasing and commercial services	3,199	4.17	109.89	4,055	4.32	118.26	6,295	6.06	344.18	7,795	7.11	453.46
Of which: commercial services	2,962	3.86	116.34	3,794	4.04	116.24	6,199	5.97	355.86	7,701	7.02	457.58
Water, environment and public utilities management	2,039	2.66	162.08	3,862	4.11	178.88	4,794	4.62	300.56	5,467	4.99	377.29
Construction	2,813	3.67	108.95	3,395	3.62	142.95	3,711	3.57	164.79	3,977	3.63	197.47
Wholesale and retail trade	6,537	8.52	83.64	6,733	7.17	87.40	8,560	8.24	115.82	8,905	8.12	135.05
Mining	1,015	1.32	159.59	1,421	1.51	296.66	1,888	1.82	479.19	2,202	2.01	756.70
Of which: exploitation of petroleum and natural gas	155	0.20	387.50	216	0.23	1,350.00	117	0.11	191.80	160	0.15	307.69
Education	1,985	2.59	138.81	2,269	2.42	192.45	2,615	2.52	234.11	2,770	2.53	317.30
Telecommunications, computer services and software	1,241	1.62	107.08	940	1.00	131.47	1,388	1.34	123.60	1,148	1.05	130.75
Of which: telecommunications and other information transmission services	542	0.71	178.29	555	0.59	169.21	552	0.53	292.06	419	0.38	504.82
Others	5,318	6.92	76.58	5,841	6.22	112.78	5,869	5.64	174.21	6,068	5.52	198.56
Total	76,737	100.00	99.82	93,906	100.00	126.17	103,869	100.00	181.66	109,633	100.00	218.81

1. Calculated by dividing the allowances for each category of loans by the outstanding NPLs of such category of loans.

Allowances for losses on loans breakdown by geographical segment

The following table shows the breakdown of our allowances for losses on loans by geographical segment as at the dates indicated.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			As at 30 June 2010		
	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]	Allowances amount	% of total	Allowances/ NPLs %[1]
	(in millions of RMB, except percentages)											
Yangtze River Delta	14,930	16.79	126.22	19,890	18.02	149.55	26,302	20.74	192.63	29,696	22.26	232.93
Pearl River Delta	13,201	14.84	110.22	15,075	13.66	129.86	18,126	14.29	200.11	19,591	14.68	248.87
Bohai Rim Region	21,830	24.55	99.94	23,725	21.50	124.99	25,797	20.34	178.05	25,541	19.14	205.56
Central Region	14,078	15.83	96.16	18,211	16.50	133.93	20,784	16.39	194.12	21,749	16.30	218.76
Western Region	15,594	17.54	112.13	22,091	20.02	135.01	21,353	16.84	225.27	22,524	16.88	277.87
North eastern Region	7,457	8.39	88.54	8,946	8.11	113.93	9,400	7.41	173.69	9,351	7.01	200.97
Head Office	1,422	1.60	65.14	1,763	1.60	112.36	1,635	1.29	103.02	1,593	1.19	98.15
Overseas	416	0.46	113.04	667	0.59	108.99	3,429	2.70	44.13	3,364	2.54	43.14
Total	88,928	100.00	104.41	110,368	100.00	131.58	126,826	100.00	175.77	133,409	100.00	204.72

1. Calculated by dividing the allowances for each category of loans by the outstanding NPLs for such category of loans.

Investments

Investment portfolio

Our investment portfolio comprises financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and bond investments classified as receivables. As at 30 June 2010, 31 December 2009, 2008 and 2007, our net investments accounted for 28.12%, 26.80%, 29.05% and 33.37% of total assets respectively.

Given the volatile interest rates market during 2007 to 30 June 2010, we proactively strengthened the management of investment duration and made prompt adjustments to our exposure to different types of debt securities in order to effectively control the interest rate risk and maintain a high yield on such investments amid the market turbulence. From 2007 to August 2008 when market rates climbed to a historical high, we properly increased our exposure to the medium and long-term debt securities such as government bonds. With the market rates declined substantially since the third quarter of 2008, we responded swiftly by shortening the duration of our bond portfolio and focusing on the central bank bills while also retaining certain medium and long-term bonds to remain flexible.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Financial assets at fair value through profit or loss	29,819	1.35	50,309	2.29	18,871	0.73	40,005	1.38
Debt securities issued by the government	752	0.03	931	0.04	622	0.02	1,173	0.04
Debt securities issued by the central bank	12,148	0.55	34,375	1.57	3,781	0.15	13,004	0.45
Debt securities issued by the policy banks	5,539	0.25	3,719	0.17	1,762	0.07	2,856	0.10
Debt securities issued by banks, non-bank financial institutions	2,759	0.13	3,718	0.17	3,910	0.15	8,117	0.28
Debt securities issued by other enterprises	5,573	0.25	1,950	0.09	531	0.02	3,261	0.11
Equity instruments	895	0.04	227	0.01	867	0.03	1,136	0.04
Funds	253	0.01	93	0.00	—	0.00	—	0.00
Financial assets at fair value through profit or loss	1,900	0.09	5,296	0.24	7,398	0.29	10,458	0.36
Available-for-sale assets	429,620	19.51	550,838	25.10	651,480	25.27	726,809	25.25
Debt securities issued by the government	46,401	2.11	36,112	1.65	92,616	3.59	69,651	2.42
Debt securities issued by the central bank	177,588	8.07	372,104	16.95	269,431	10.45	357,451	12.42
Debt securities issued by the policy banks	46,197	2.10	15,732	0.72	22,495	0.87	21,507	0.75
Debt securities issued by banks, non-bank financial institutions	67,379	3.05	86,140	3.93	100,075	3.88	97,787	3.40
Debt securities issued by public agencies	22,035	1.00	2,523	0.11	1,937	0.08	1,496	0.05
Debt securities issued by other enterprises	35,451	1.61	22,768	1.04	140,209	5.44	159,743	5.55
Equity instruments	34,569	1.57	15,444	0.70	24,402	0.95	18,843	0.65
Funds	—	—	15	0.00	315	0.01	331	0.01
Held-to-maturity investments	1,191,035	54.10	1,041,783	47.47	1,408,873	54.63	1,653,955	57.46
Debt securities issued by the government	340,608	15.47	334,949	15.26	467,499	18.13	519,429	18.05
Debt securities issued by the central bank	442,456	20.10	354,437	16.15	508,396	19.71	661,756	22.99
Debt securities issued by the policy banks	252,686	11.48	61,493	2.80	114,193	4.43	121,501	4.22
Debt securities issued by banks, non-bank financial institutions	98,648	4.48	276,734	12.61	314,115	12.18	346,421	12.03
Debt securities issued by public agencies	48,174	2.19	10,826	0.49	1,363	0.05	678	0.02
Debt securities issued by other enterprises	13,505	0.61	10,896	0.50	9,393	0.36	9,391	0.33
Less: allowances for impairment losses	(5,042)	(0.23)	(7,552)	(0.34)	(6,086)	(0.23)	(5,221)	(0.18)
Investments classified as receivables	551,336	25.04	551,818	25.14	499,575	19.37	457,707	15.91
Debt securities issued by the government	49,730	2.26	49,730	2.27	49,730	1.93	49,730	1.73
Debt securities issued by the central bank	189,871	8.62	189,910	8.65	143,386	5.56	106,558	3.70
Debt securities issued by the policy banks	48,953	2.22	1,123	0.05	1,123	0.04	1,123	0.04
China Cinda	247,000	11.22	247,000	11.25	247,000	9.58	247,000	8.58
Debt securities issued by banks, non-bank financial institutions	15,122	0.69	62,750	2.86	57,063	2.21	52,013	1.81
Joint stock company	1,369	0.06	1,369	0.06	1,369	0.05	1,370	0.05
Less: allowances for impairment losses	(709)	(0.03)	(64)	(0.00)	(96)	(0.00)	(87)	(0.00)
Total	2,201,810	100.00	2,194,748	100.00	2,578,799	100.00	2,878,476	100.00

During the period of three years ended 31 December 2009 and six months ended 30 June 2010, we made proper adjustments to our investment portfolio of financial assets at fair value through profit or loss according to market liquidity and other conditions. As at 30 June 2010, 31 December 2009, 2008 and 2007, our financial assets at fair value through profit or loss accounted for 1.38%, 0.73%, 2.29% and 1.35% of net investments respectively.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our available-for-sale financial assets amounted to RMB726,809 million, RMB651,480 million, RMB550,838 million, and RMB429,620 million, respectively, accounting for 25.25%, 25.27%, 25.10% and 19.51% of net investments respectively, and the 2007-2009 CAGR is 23.14%. The strong growth and increasingly higher percentage of our available-for-sale financial assets in total investments were largely due to our adequately expanded holding of certain tax-free debt securities issued by the government, debt securities issued by the central bank with higher liquidity and yield and debt securities issued by the policy banks with quasi-sovereign features in order to further refine the structure of our investment portfolio based on the liquidity management requirement and our investment strategy. Besides, as at 31 December 2009, our available-for-sale financial assets included RMB140,209 million debt securities issued by enterprises, representing a substantial growth of 515.82% over 2008. This was mainly driven by our properly enhanced allocation to debt securities with wider credit spread and internal ratings above AAA as Chinese macro economy stabilised and corporate earnings and cash flow improved, which led to the climbing yield on such investment with stronger risk control.

Our held-to-maturity investments comprise primarily debt securities issued by the government, the central bank, policy banks, banks and non-bank financial institutions which were held by us as long-term investments. As at 30 June 2010, 31 December 2009, 2008 and 2007, our held-to-maturity investments amounted to RMB1,653,955 million, RMB1,408,873 million, RMB1,041,783 million, and RMB1,191,035 million, respectively, with a 2007-2009 CAGR of 8.76%. We enforced strict risk control of the held-to-maturity investments with long duration. In the first half of 2010, the increase of held-to-maturity investments was mainly due to our increase of bills issued by PBOC and national debts. In 2009, we increased the held-to-maturity investments on account of asset allocation needs and in response to the interest cuts in 2008, we downsized the new exposure to the held-to-maturity bonds, which led to the 12.53% decrease in such investments as at 31 December 2008 over the previous year.

As at 30 June 2010, 31 December 2009, 2008 and 2007, our debt securities classified as receivables accounted for 15.91%, 19.37%, 25.14% and 25.04% of net investments respectively. In the first half of 2010, the decrease of RMB41,868 million from the end of 2009 in our debt securities classified as receivables was mainly due to the maturity of certain bills issued by the PBOC in 2007. Net debt securities classified as receivables decreased by RMB52,243 million as at the end of 2009 over the previous year, which was largely due to the sharp decline of RMB46,524 million in receivables from the PBOC associated with the RMB63,354 million non transferable bills subscribed by the former CCB from the central bank at the time of the restructuring with the majority of the proceeds raised from the NPL disposal to China Cinda, which became due and payable in June 2009.

As at 31 December 2008, our financial assets at fair value through profit or loss, available-for-sale assets, held-to-maturity investments and bond investments classified as receivables included debt securities issued by policy banks of RMB3,719 million, RMB15,732 million, RMB61,493 million and RMB1,123 million, respectively, representing a significant drop of 32.86%, 65.95%, 75.66% and 97.71% over 2007 respectively. This was mainly caused by the transformation of China Development Bank from a policy bank into a commercial bank in 2008, which led to the reclassification of our investments in the debt securities issued by China Development Bank from debt securities issued by policy banks to debt securities issued by banks and non-bank financial institutions accordingly.

Maturity profile of investment portfolio

	As at 30 June 2010							
	Undated	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)							
Financial assets at fair value through profit or loss	7,425	—	425	506	12,911	13,948	4,790	40,005
Available-for-sale financial assets	19,174	—	59,609	199,218	176,557	148,409	123,842	726,809
Held-to-maturity investments	135	—	67,426	71,584	546,690	547,900	420,220	1,653,955
Debt securities classified as receivables	—	—	39,028	66,937	3,487	21,267	326,988	457,707

Book value and fair value

Of our investments, the financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

The following shows the book value and fair value of our debt securities classified as receivables and held-to-maturity investments as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
	(in millions of RMB)							
Held-to-maturity investments	1,191,035	1,177,626	1,041,783	1,087,483	1,408,873	1,420,608	1,653,955	1,672,003
Debt securities classified as receivables	551,336	541,152	551,818	560,096	499,575	473,719	457,707	439,025

Investment concentration

The following table shows the investments carrying a book value of over 10% of the total equity attributable to equity shareholders of the Bank.

	As at 30 June 2010			
	Book value	% of total investments	% of equity attributable to our shareholders	Fair value
	(in millions of RMB, except percentages)			
Central bank	1,126,911	39.51	195.53	1,128,076
MOF	632,841	22.19	109.81	641,098
China Development Bank	430,340	15.09	74.67	436,104
China Cinda Asset Management Co. Ltd.	247,000	8.66	42.86	227,591
Agricultural Development Bank of China	95,719	3.36	16.61	96,099
Total	2,532,811	88.81	439.48	2,528,968

The following table shows our holding of financial bonds with material value as at 30 June 2010. No material changes have occurred to the financial bonds listed below during the reported period and no additional allowances for impairment losses have been made.

	As at 30 June 2010		
	Outstanding nominal value (in millions of RMB)	Maturity	Coupon rate (%)
2006 commercial banks financial bonds	15,000	12 December 2016	1 year term deposit rate+0.60%
2006 commercial banks financial bonds	10,100	6 November 2016	1 year term deposit rate+0.47%
2006 commercial banks financial bonds	10,000	27 November 2011	3.15%
2007 commercial banks financial bonds	9,840	19 February 2013	1 year term deposit rate+0.61%
2009 commercial banks financial bonds	8,580	21 October 2012	2.93%
2010 commercial banks financial bonds	8,470	25 February 2020	1 year term deposit rate+0.59%
2010 commercial banks financial bonds	8,010	26 January 2017	1 year term deposit rate+0.52%
2008 commercial banks financial bonds	7,820	20 February 2015	1 year term deposit rate+0.76%
2007 commercial banks financial bonds	7,407	10 January 2013	1 year term deposit rate+0.75%
2001 commercial banks financial bonds	6,916	18 September 2011	3.89%
Total	92,143		

Accrued interest

Accrued interest comprises primarily interest accrued from our deposits with central bank, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and investments in debt securities. As at 30 June 2010, our accrued interest increased by 5.28% from 31 December 2009 to RMB42,477 million. Our accrued interest increased by 5.29% to RMB40,345 million as of 31 December 2009 compared to RMB38,317 million as of 31 December 2008, which in turn increased by 13.03% compared to RMB33,900 million as of 31 December 2007. The growth mainly reflected the continuous expansion in the aforementioned interest-earning assets.

Other components of our assets

Other components of our assets include: (1) cash and deposits with central bank; (2) deposits and placements with banks and non-bank financial institutions; (3) financial assets held under resale agreements; (4) other assets including precious metals, positive fair value of derivatives, investment in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

The following table shows the value of our other assets as at the dates indicated.

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	(in millions of RMB)			
Cash and deposits with central bank	843,724	1,247,450	1,458,648	1,598,806
Deposits and placements with banks and non-bank financial institutions	88,798	49,932	123,380	93,149
Financial assets held under resale agreements	137,245	208,548	589,606	257,349
Other assets:				
Precious metals	1,013	5,160	9,229	10,999
Positive fair value of derivatives	14,632	21,299	9,456	10,704
Investment in associates and joint controlled entities	1,099	1,728	1,791	1,798
Fixed assets	58,287	63,957	74,693	73,264
Land use rights	17,650	17,295	17,122	16,854
Intangible assets	1,134	1,253	1,270	1,162
Goodwill	1,624	1,527	1,590	1,574
Deferred income tax asset	35	7,855	10,790	10,766
Others	13,997	12,808	13,689	22,630

Cash and deposits with central bank comprise primarily cash, statutory deposit reserves, surplus deposit reserves and statutory fiscal deposits held at the central bank. Statutory deposit reserves are deposit reserves placed with the PBOC in accordance with relevant rules and are not available for the daily business, while the surplus deposit reserves placed with the central bank shall be used for settlement purpose. As at 30 June 2010, our cash and deposits with central bank increased by 9.61% from 31 December 2009 to RMB1,598,806 million. Our cash and deposits with central bank increased by 16.93% to RMB1,458,648 million as of 31 December 2009 compared to RMB1,247,450 million as of 31 December 2008, which in turn increased by 47.85% compared to RMB843,724 million as of 31 December 2007. The increase in our cash and deposits with central bank during the reported period was mainly driven by the growth in our deposits from customer and increase of statutory deposit reserves ratio.

Deposits and placements with banks and non-bank financial institutions comprise primarily RMB-denominated and foreign currency denominated deposits and placements with banks and non-bank financial institutions through the currency markets. As at 30 June 2010, our deposits and placements with banks and non-bank financial institutions decreased RMB30,231 million from 31 December 2009 and amounted RMB93,149 million, largely due to the decrease in deposits with banks. As at 31 December 2009, our deposits and placements with banks and non-bank financial institutions increased by 147.10% to RMB123,380 million from the end of 2008, which was primarily due to our proactive increase in such exposure according to market liquidity conditions in 2009. Our deposits and placements with banks and non-bank financial institutions as at 31 December 2008 dropped by 43.77% to RMB49,932 million from the end of 2007, which was mainly caused by our proactive shift of capital allocation from such assets toward loans and other investments in pursuit of higher yields and adequately lowered the ratio for allocation of such assets.

Financial assets held under resale agreements comprise securities (primarily bonds), bills and loans, which are subject to changes according to the market conditions and our portfolio allocation needs. As at 30 June 2010, our financial assets held under resale agreements decreased RMB332,257 million from the end of 2009 and amounted RMB257,349 million, largely due to the decrease of our application of capital in money market for the purpose of increasing our capital yields. Our financial assets held under resale agreements increased by 182.72%

to RMB589,606 million as at 31 December 2009 compared to RMB208,548 million as of 31 December 2008, which in turn increased by 51.95% compared to RMB137,245 million as of 31 December 2007. The continuous growth in our financial assets held under resale agreements results mainly from our increased exposure in such bonds and notes to improve the utilisation of short-term funds.

Other assets comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets. As at 30 June 2010, our other assets increased by 7.25% from 31 December 2009 to RMB149,751 million. Our other assets increased by 5.08% to RMB139,630 million as of 31 December 2009 compared to RMB132,882 million as of 31 December 2008, which in turn increased by 21.39% compared to RMB109,471 million as of 31 December 2007. As at 30 June 2010, 31 December 2009, 2008 and 2007, our other assets accounted for 1.46%, 1.44%, 1.76% and 1.66% of total assets respectively.

LIABILITIES

As at 30 June 2010, our total liabilities increased by 6.53% from 31 December 2009 to RMB9,655,783 million. Our total liabilities increased by 27.88% to RMB9,064,335 million as of 31 December 2009 compared to RMB7,087,890 million as of 31 December 2008, which in turn increased by 14.77% compared to RMB6,175,896 million as of 31 December 2007.

The following table shows the amount and percentage of our key items of liabilities as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Deposits from customers	5,329,507	86.30	6,375,915	89.96	8,001,323	88.27	8,591,701	88.98
Deposits and placements from banks and non-bank financial institutions	547,487	8.86	490,572	6.92	812,905	8.97	763,617	7.91
Financial assets sold under repurchase agreements	109,541	1.77	864	0.01	—	—	2,000	0.02
Debt securities issued	49,212	0.80	53,810	0.76	98,644	1.09	94,717	0.98
Other liabilities[1]	140,149	2.27	166,729	2.35	151,463	1.67	203,748	2.11
Total liabilities	6,175,896	100.00	7,087,890	100.00	9,064,335	100.00	9,655,783	100.00

1. These comprise borrowings from central bank, held-for-trading financial liabilities, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

Deposits from customers

Deposits from customers represent our primary source of funding and accounted for 88.98%, 88.27%, 89.96% and 86.30% of total liabilities respectively as at 30 June 2010, 31 December 2009, 2008 and 2007.

As at 30 June 2010, our deposits from customers increased by 7.38% from 31 December 2009 to RMB8,591,701 million. Our deposits from customers increased by 25.49% to RMB8,001,323 million as of 31 December 2009 compared to RMB6,375,915 million as of 31 December 2008, which in turn increased by 19.63% compared to RMB5,329,507 million as of 31 December 2007.

The following table shows the breakdown of our deposits from customers by product type as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate deposits								
Demand deposits	2,084,193	39.11	2,229,910	34.97	2,960,155	37.00	3,137,269	36.51
Time deposits	861,112	16.16	1,107,136	17.36	1,343,354	16.79	1,463,682	17.04
Subtotal	2,945,305	55.27	3,337,046	52.33	4,303,509	53.79	4,600,951	53.55
Personal deposits								
Demand deposits	997,164	18.71	1,133,449	17.78	1,435,348	17.94	1,565,093	18.21
Time deposits	1,319,157	24.75	1,834,298	28.77	2,149,379	26.86	2,323,097	27.05
Subtotal	2,316,321	43.46	2,967,747	46.55	3,584,727	44.80	3,888,190	45.26
Overseas deposits	67,881	1.27	71,122	1.12	113,087	1.41	102,560	1.19
Total deposits from customers	5,329,507	100.00	6,375,915	100.00	8,001,323	100.00	8,591,701	100.00

As at 30 June 2010, our personal deposits increased RMB303,463 million, or by 8.47% compared to the end of 2009, higher than the 6.91% increase of corporate deposits, and accounted for 45.26% of the total deposits from customers, representing an increase of 0.46% from the end of 2009. As at 30 June 2010, our domestic time deposits increased by 8.42%, higher than 6.98% increase of domestic demand deposits, and accounted for 44.07% in the total deposits from customers, representing an increase of 0.42% from the end of 2009, which is largely due to the decreasing ratio of timely deposits in total deposits.

As at 31 December 2009, we recorded corporate deposits of RMB4,303,509 million, representing an increase of 28.96% from the end of 2008, which is higher then the 20.79% increase in personal deposits. This led to a rise of 1.46% in the proportion of corporate deposits in total deposits from customers to 53.79%. This was largely because of gradually improved corporate liquidity, which is in line with the gradual upturn of China's economy. As at 31 December 2009, we recorded domestic demand deposits of RMB4,395,503 million, representing an increase of 30.69% from the end of 2008 which was higher than the 18.74% growth of time deposits. The proportion of domestic demand deposits in total deposits increased by 2.18 percentage points to 54.93%, as a result of an increasing ratio of demand deposits in corporate deposits.

As at 31 December 2008, our corporate deposits is RMB3,337,046 million, an increase of 13.30% from the end of 2007 which was lower than the 28.12% increase of personal deposits. This led to a drop of 2.94% in the proportion of corporate deposits in total deposits from customers to 52.33%. This was largely due to the volatile capital market dampened the individual customer investment sentiment and heightened their desire to save, and we took this chance to provide more diversified personal deposit products and strengthen our marketing efforts, leading to a substantial increase in personal deposits. Due to the PBOC's consecutive interest rate cuts and heightened expectation of further rate cuts, domestic time deposits surged by 34.91%, much higher than the 9.15% growth of demand deposits. The proportion of domestic time deposits to total customer deposits went up 5.22 percentage points to 46.13%.

Deposits breakdown by geographical segment

We categorised the deposits according to the breakdown of deposits by the location of the deposit absorbing branch, generally there exists a high correlation between the location of depositor and the location of the deposit absorbing branch.

The following table shows the breakdown of our deposits from customers by geographical segment as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Yangtze River Delta	1,106,728	20.77	1,330,657	20.86	1,655,361	20.69	1,778,343	20.70
Pearl River Delta	820,711	15.40	974,942	15.29	1,256,578	15.71	1,360,724	15.84
Bohai Rim Region	1,053,579	19.77	1,208,697	18.96	1,486,628	18.58	1,574,863	18.33
Central Region	913,466	17.14	1,101,653	17.28	1,402,718	17.53	1,539,017	17.91
Western Region	871,416	16.35	1,101,507	17.28	1,420,149	17.75	1,536,128	17.88
Northeastern Region	405,490	7.61	483,733	7.59	600,838	7.51	650,540	7.57
Head Office	90,236	1.69	103,604	1.62	65,964	0.82	49,526	0.58
Overseas	67,881	1.27	71,122	1.12	113,087	1.41	102,560	1.19
Total deposits from customers	5,329,507	100.00	6,375,915	100.00	8,001,323	100.00	8,591,701	100.00

Deposits breakdown by remaining maturity

The following table shows the breakdown of our deposits by remaining maturity as at 30 June 2010.

	Indefinite		Repayable on demand		Within one month		Between one month and three months		Between three months and one year		Between one year and five years		More than five years		Total	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)															
Deposits from customers	—	—	4,777,767	55.61	706,603	8.22	675,467	7.86	2,020,622	23.52	411,130	4.79	112	0.00	8,591,701	100.00

Debt securities issued

The following table shows the breakdown of our debt securities issued as at the dates indicated.

	As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Certificates of deposit issued	9,284	18.87	11,017	20.47	15,893	16.11	11,955	12.62
Bonds issued	—	—	2,854	5.30	2,863	2.90	2,868	3.03
Subordinated bonds issued	39,928	81.13	39,939	74.23	79,888	80.99	79,894	84.35
Total	49,212	100.00	53,810	100.00	98,644	100.00	94,717	100.00

Certificates of deposit were mainly issued by our Hong Kong branch, New York branch and CCB Asia and recognized at amortized cost.

Bonds issued represent the RMB3 billion 3.24% fixed rate RMB bonds issued on 11 September 2008 in Hong Kong and will mature on 11 September 2010.

The following table shows the nominal value and year-end balance of our subordinated bonds issued.

			As at 31 December 2007		As at 31 December 2008		As at 31 December 2009		As at 30 June 2010	
Maturity	**Coupon rate**	**Notes**	**Nominal**	**% of total**	**Nominal**	**% of total**	**Nominal**	**% of total**	**Nominal**	**% of total**
			(in millions of RMB, except percentages)							
February 2019	3.20% fixed rate	(1)	—	—	—	—	12,000	15.00	12,000	15.00
February 2024	4.00% fixed rate	(2)	—	—	—	—	28,000	35.00	28,000	35.00
August 2019	3.32% fixed rate	(3)	—	—	—	—	10,000	12.50	10,000	12.50
August 2024	4.04% fixed rate	(4)	—	—	—	—	10,000	12.50	10,000	12.50
December 2024	4.80% fixed rate	(5)	—	—	—	—	20,000	25.00	20,000	25.00
August 2014	4.87% fixed rate	(6)	11,140	27.85	11,140	27.85	—	—	—	—
August 2014	Floating rate	(6)	3,860	9.65	3,860	9.65	—	—	—	—
September 2014	4.95% fixed rate	(6)	8,300	20.75	8,300	20.75	—	—	—	—
December 2014	Floating rate	(6)	6,078	15.20	6,078	15.20	—	—	—	—
December 2014	4.95% fixed rate	(6)	10,622	26.55	10,622	26.55	—	—	—	—
Total			40,000	100.00	40,000	100.00	80,000	100.00	80,000	100.00
Less: unamortized issuance costs			(72)		(61)		(112)		(106)	
Period-end balance			39,928		39,939		79,888		79,894	

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

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

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

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

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

(6) The Group exercised the options to redeem these subordinated bonds issued in 2004 at par value in August, September and December 2009.

Deposits and placements from banks and non-bank financial institutions

As at 30 June 2010, our deposits and placements from banks and non-bank financial institutions decreased by 6.06% from the end of 2009 to RMB763,617 million, largely because the continuous inactive capital market in the first half of 2010, and generally there is a net flow-out of capital from the market and significant decrease of deposits from securities companies and fund companies. As at 31 December 2009, our deposits and placements from banks and non-bank financial institutions increased by 65.71% from the end of 2008 to RMB812,905 million, which was mainly because the deposits from securities brokerages and funds soared amid a capital market rebound. As at 31 December 2008, our deposits and placements from banks and non-bank financial institutions decreased by 10.40% from the end of 2007 to RMB490,572 million, which was mainly because the deposits from securities brokerages and funds plunged due to capital market volatility.

For illustrative purpose, the pro forma financial information prepared in accordance with paragraph 4.29 of the Hong Kong Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2010. The pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Rights Issue.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Statement of unaudited pro forma consolidated net tangible assets of the Group

The unaudited pro forma statement of adjusted consolidated net tangible assets ("the Unaudited Pro Forma Financial Information") of the Group has been prepared by the Directors of the Bank in accordance with paragraph 4.29 of the Hong Kong Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2010.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the consolidated net assets as at 30 June 2010, as extracted from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 as set out in "Appendix I(3) Unaudited Interim Results for the Six Months Ended 30 June 2010" to this prospectus, with the pro forma adjustment described below.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Rights Issue been completed as at 30 June 2010 or at any future date.

		Rights shares to be issued on the basis of 0.7 shares for every 10 shares held		No. of shares outstanding
		in millions of RMB	RMB per share	(million)
Unaudited consolidated net assets of the Group attributable to equity holders of the Bank as at 30 June 2010	Note 1	576,326	2.47	233,689
Less: adjustment for goodwill and intangible assets	Note 2	(2,736)	—	—
Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Bank as at 30 June 2010		573,590	2.45	233,689[Note4]
Estimated net proceeds from Rights Issue	Note 3	61,507	—	16,358
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Bank as at 30 June 2010		635,097	2.54	250,047[Note5]

Note 1: The unaudited consolidated net assets of the Group attributable to equity holders of the Bank as at 30 June 2010 is extracted from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 as set out in "Appendix I(3) Unaudited Interim Results for the Six Months Ended 30 June 2010" to this prospectus.

Note 2: The unaudited consolidated intangible assets of the Group as at 30 June 2010 represent goodwill (RMB1,574 million) and other intangible assets (RMB1,162 million), which are all attributable to the equity holders of the Bank.

Note 3: The estimated net proceeds from the Rights Issue are after deduction of the Bank's trading fee payable and other expense.

Note 4: The unaudited consolidated net tangible assets of the Group attributable to equity holders of the Bank per share as at 30 June 2010 is calculated based on the number of shares in issue of 233,689,084,000 on 30 June 2010.

Note 5: The number of shares used for calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Bank as if the Rights Issue had taken place on 30 June 2010 is calculated assuming 250,047,319,880 shares in issue (the assumed number of issued shares of 16,358,235,880 is based on the 0.7 per every 10 share according to the actual number of shares in issue of 233,689,084,000 on 30 June 2010).

(B) REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Accountants' Report on Unaudited Pro Forma Financial Information

The Directors of China Construction Bank Corporation

19 November 2010

We report on the unaudited pro forma adjusted consolidated net tangible assets ("the Pro Forma Financial Information") of China Construction Bank Corporation ("the Bank") and its subsidiaries ("the Group") set out in Part A of Appendix V to the prospectus dated 19 November 2010 ("the Prospectus"), which has been prepared by the directors of the Bank solely for illustrative purposes to provide information about how the proposed rights issue might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Part A of Appendix V to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Bank to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Bank. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Bank on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our procedures on the unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Bank, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the rights issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for the Rights Issue and Use of Proceeds" in section headed "Letter from the Board" in the Prospectus.

Opinion

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Bank on the basis stated;

(b) such basis is consistent with the accounting policies of the Bank; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

2. PARTICULARS OF DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors

Mr. Guo Shuqing, aged 54, is the Chairman and executive Director of the Bank. Mr. Guo joined the Bank in March 2005 and has served as the Chairman since then. Mr. Guo was deputy governor of the PBC, administrator of the SAFE and chairman of Huijin from December 2003 to March 2005. He was the deputy governor of the PBC and administrator of the SAFE from March 2001 to December 2003. From July 1988 to March 2001, he held various posts including deputy governor of Guizhou Province, director-general of the General Planning and Experiment Department, director-general of the Macro-control System Department and secretary general of the State Commission for Economic Restructuring, and deputy director-general of the Economic Research Centre of the State Planning Commission. Mr. Guo is a research fellow and an alternate member of the 17th CPC central committee. Mr. Guo graduated from Nankai University in 1982 with a bachelor's degree in philosophy, and graduated from the Chinese Academy of Social Sciences with a doctorate degree in law in 1988. Mr. Guo was also a visiting fellow at the University of Oxford from May 1986 to August 1987. The business address of Mr. Guo is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Zhang Jianguo, aged 55, is the vice chairman, executive Director and President of the Bank. Mr. Zhang has served as vice chairman and executive director of the Bank since October 2006, and has served as the President of the Bank since July 2006. Mr. Zhang was vice chairman of the board of directors and president of Bank of Communications Limited from May 2004 to July 2006, executive vice president of Bank of Communications Limited from September 2001 to May 2004. From September 1984 to September 2001, Mr. Zhang served several positions in Industrial and Commercial Bank of China, including deputy general manager and general manager of the international banking department, deputy general manager of Tianjin Branch. From November 1987 to December 1988, Mr. Zhang studied international financial business in Canadian Imperial Bank of Commerce and Ryerson Institute of Technology. Mr. Zhang graduated from Tianjin College of Finance and Economics with a bachelor's degree in Finance in 1982 and a master's degree in economics in 1995. The business address of Mr. Zhang is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Chen Zuofu, aged 56, is an executive Director and vice president of the Bank. Mr. Chen has served as a director of the Bank since July 2009 and executive vice president of the Bank since July 2005. Mr. Chen was assistant president of the Bank from September 2004 to July 2005, assistant president of China Construction Bank from July 1997 to September 2004. Mr. Chen was a visiting scholar to Stanford University from June 1999 to May 2000. Mr. Chen graduated from Southwest University of Politics and Law with a bachelor's degree in law in 1983. He received his master's degree in management and engineering from Central South University of Technology in 1996. The business address of Mr. Chen is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Zhu Xiaohuang, aged 54, is an executive Director, vice president and chief risk officer of the Bank. Mr. Zhu has served as a director of the Bank since July 2010, executive vice president since June 2008 and chief risk officer since April 2006. He was executive vice chairman of the Bank's risk management and internal control committee from March 2006 to April 2006. Mr. Zhu was general manager of the Bank's corporate banking department from October 2004 to March 2006 and general manager of Guangdong Branch of Original CCB from May 2001 to October 2004. He served consecutively as deputy director of administrative office, deputy director of head office's No. 1 credit department, deputy general manager of credit management department, deputy general manager of Liaoning Branch and general manager of banking department of Original CCB from September 1993 to May 2001. Mr. Zhu is a senior economist, and a recipient of a special grant by PRC government. He obtained his bachelor's degree in infrastructure finance and credit from Hubei Finance and Economics College in 1982 and received an associate degree in economic law from Peking University in October 1985. He also received a doctorate degree in world economics from Sun Yat-Sen University in 2006. The business address of Mr. Zhu is No. 25, Finance Street, Beijing, China.

Independent Non-Executive Directors

Lord Peter Levene, aged 68, is an independent non-executive Director of the Bank. Lord Peter Levene has served as a Director of the Bank since June 2006. He is currently the chairman of Lloyd's. Lord Peter Levene is the chairman of General Dynamics UK Limited, and International Financial Services London, and director of TOTAL SA, a listed entity, and Haymarket Group Ltd. Before that, he held various directorships in other listed companies including director of J Sainsbury plc from 2001 to 2004, and member of the board of directors of Deutsche Boerse from 2004 to 2005. Lord Peter Levene was awarded a bachelor's degree in economics and politics from the University of Manchester. The business address of Lord Peter Levene is 1 Lime Street, London, EC3M 7HA, the United Kingdom.

Mr. Joseph Yam Chi-kwong, aged 62, is an independent non-executive Director of the Bank. Mr. Yam served as a Director of the Bank since August 2010. Mr. Yam was the chief executive of the Hong Kong Monetary Authority from 1993 to September 2009 and director of the Office of the Exchange Fund of Hong Kong from 1991 to 1993. He held several positions in the Hong Kong government from 1971 to 1991. Mr Yam is currently the executive vice president of China Society for Finance & Banking of the PRC, a distinguished research fellow of the Global Institute of Economics and Finance of Chinese University of Hong Kong and the chairman of Macroprudential Consultancy Limited. Mr Yam also serves as member of a number of academic and industrial advisory committees in the financial field. Mr. Yam graduated from the University of Hong Kong with a first-class honours degree in social sciences in 1970 and was awarded with a diploma in accounting from the Institute of Social Studies in the Hague of the Netherlands in 1974. Over the years, Mr Yam has also been conferred a number of honorary doctor degrees and professorships from Hong Kong and overseas universities. Mr Yam was awarded by the Government of the Hong Kong Special Administrative Region the highest honour of Grand Bauhinia Medal in 2009 and Gold Bauhinia Star in 2001. In 1995, he was appointed as a Commander of the British Empire. The business address of Mr. Yam is Institute of Global Economics and Finance, the Chinese University of Hong Kong, Shatin, New Territories, Hong Kong.

Rt Hon Dame Jenny Shipley, aged 58, is an independent non-executive Director of the Bank. Rt Hon Dame Jenny Shipley has served as a Director of the Bank since November 2007. She is currently Chairman of Mainzeal Construction & Development, Senior Money International and Genesis Energy, a New Zealand Government owned energy company. She is a director of Momentum Consulting, and a Director of ISI. Dame Shipley holds the position of Managing Director in her consultancy company Jenny Shipley New Zealand Limited. Dame Shipley served as director of Richina Pacific, a listed company, from 2004 to 2009. Dame Shipley is concerned with global economic, social and political trends and has offered opinions and suggestions to governments and companies in various regions of the world. Dame Shipley was a member of the parliament of New Zealand from

1987 to 2002 and held key appointments in the New Zealand government from 1990 to the end of 1999. Among which, she served consecutively as Minister of Women's Affairs, Minister of Social Welfare, Minister of Health, Minister of Broadcasting, Minister of Transport, Minister of Accident & Compensation, Minister of State Owned Enterprises and Minister of State Services from 1990 to 1997. She was Prime Minister of New Zealand from 1997 to 1999. The business address of Dame Shipley is George Street, Newmarket, Auckland, 1023, New Zealand.

Ms. Elaine La Roche, aged 61, is an independent non-executive Director of the Bank. Ms. La Roche has served as a Director of the Bank since June 2005. Ms. La Roche is currently the vice chairman of J.P. Morgan (China) Securities. From 1978 to 2000, Ms. La Roche consecutively held several positions in Morgan Stanley. In 1998, she was seconded from Morgan Stanley to serve as the chief executive officer of CICC. Thereafter, Ms. La Roche served as the chief executive officer of Salisbury Pharmacy Group, financial executive of Cantor Fitzgerald, and the chairperson of the board of Linktone, a NASDAQ listed company. Ms. La Roche graduated from Georgetown University School of Foreign Service with a bachelor's degree in international affairs and from the American University with a master's degree in business administration in finance. The business address of Ms. La Roche is 952 Fifth Avenue, New York City, NY 10021, U.S..

Mr. Zhao Xijun, aged 46, is an independent non-executive director of the Bank. Mr. Zhao has served as a director of the Bank since August 2010. Mr. Zhao is currently the deputy head and professor of the monetary finance department of Renmin University of China. Mr. Zhao worked at Renmin University of China as head of the international office from 2001 to 2005 and supervisor of the finance division of the monetary finance department from 1995 to 2001. He was a research fellow at the Department of International Affairs of the CSRC from 1994 to 1995. Mr. Zhao currently serves as external director of China Coal Technology and Engineering Corporation (non-listed company), independent director of the Bank of Xuchang Joint Stock Limited (non-listed company) and independent director of Beijing Gateguard Information Security Technology Stock Co., Ltd. (non-listed company). Mr. Zhao graduated from Wuhan University with a bachelor's degree in Science French in 1985 and from Renmin University of China as a postgraduate in finance in 1987. He was awarded with a doctorate degree from the monetary finance department of Renmin University of China in 1999. Mr. Zhao was a visiting scholar in the University of Sherbrooke and McGill University in Canada from 1989 to 1990, and a visiting scholar of Nijenrode University in the Netherlands from 1995 to 1996. The business address of Mr. Zhao is Renmin University of China, 59 Zhongguancun Avenue, Haidian District, Beijing, China.

Mr. Wong Kai-Man, aged 60, is an independent non-executive Director of the Bank. Mr. Wong has served as a Director of the Bank since November 2007 and is currently a director of Victor and William Fung Foundation Limited and Li & Fung (1906) Foundation Ltd, an honorary associate professor of the School of Business of the University of Hong Kong, and an independent non-executive director of Shangri-la Asia Limited, SCMP Group Limited and SUNeVision Holdings Ltd., which are listed on the Hong Kong Stock Exchange. He is a non-executive director of the Securities and Futures Commission of Hong Kong. In addition, he serves in a number of government committees and the boards of non-governmental organisations. Mr. Wong was a partner of PricewaterhouseCoopers Hong Kong and retired from that post in June 2005 with 32 years of experience in accounting. Mr. Wong was a member of the GEM Listing Committee of the Hong Kong Stock Exchange from 1999 to 2003. Mr. Wong received his bachelor's degree in physics from the University of Hong Kong and his master's degree in business administration from the Chinese University of Hong Kong. Mr. Wong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong was appointed as a Justice of the Peace in 2002 and awarded Bronze Bauhinia Star in 2007 by the Government of the Hong Kong Special Administrative Region, and awarded an honorary fellow by Lingnan University, Hong Kong. The business address of Mr. Wong is Li & Fung (1906) Foundation Ltd, 33/F Alexandra House, 18 Chater Road, Central, Hong Kong.

Non-Executive Directors

Mr. Wang Yong, aged 48, is a non-executive Director of the Bank. Mr. Wang has served as a Director of the Bank since June 2007. Mr. Wang was an inspector of the Balance of Payments Department of the SAFE from August 2004 to March 2007, and served consecutively as deputy director-general of the Foreign Investment Administration Department, deputy director-general of the Capital Account Management Department and director general of the Balance of Payments Department of the SAFE from January 1997 to August 2004. Mr. Wang is a senior economist. He graduated from Jilin University with a bachelor's degree in world economics in 1984 and a master's degree in world economics in 1987. Mr. Wang is currently an employee of the Bank's substantial shareholder, Huijin. The business address of Mr. Wang is No. 25, Finance Street, Xicheng District, Beijing, China.

Ms. Wang Shumin, aged 54, is a non-executive Director of the Bank. Ms. Wang has served as a Director of the Bank since September 2004. Ms. Wang was an inspector of the Administration and Inspection Department of the SAFE from June 2001 to September 2004. Ms. Wang served consecutively as deputy director-general of the Policy and Law Department, deputy director-general of the Balance of Payments Department and deputy director-general of the Administration and Inspection Department of the SAFE from July 1994 to June 2001. Ms. Wang is a senior economist and is qualified to practice law in China. She currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. She graduated from Zhongnan University of Economics and Law with a bachelor's degree in law in 1982. Ms. Wang is currently an employee of the Bank's substantial shareholder, Huijin. The business address of Ms. Wang is No. 25, Finance Street, Beijing, China.

Mr. Zhu Zhenmin, aged 61, is a non-executive Director of the Bank. Mr. Zhu has served as a Director of the Bank since August 2010. Mr. Zhu was an inspector of the Tax Policy Department of the MOF from October 2007 to October 2009, a director of the Bank from September 2004 to June 2007, and a director of the Tax Policy Department of the MOF from December 2003 to September 2004. From September 2002 to December 2003, he served concurrently as director of the Tax Policy Department of the MOF and director to the Office of the Customs Tariff Commission of the State Council. He was deputy director of the Tax Policy Department of the MOF from August 1997 to September 2002. Mr. Zhu graduated from the Central Institute of Financial Management in financial management in 1987. The business address of Mr. Zhu is No. 25, Finance Street, Xicheng District, Beijing, China.

Ms. Li Xiaoling, aged 52, served as non-executive Director of the Bank. Ms. Li has served as a Director of the Bank since June 2007. Ms. Li was a deputy inspector of Budget Department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is an economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics. Ms. Li is currently an employee of the Bank's substantial shareholder, Huijin. The business address of Ms. Li is No. 25, Finance Street, Xicheng District, Beijing, China.

Ms. Sue Yang, aged 43, is a non-executive Director of the Bank. Ms. Yang has served as a Director of the Bank since August 2010. Ms. Yang currently serves as corporate development executive officer of the global corporate strategic development and planning department of Bank of America in charge of matters in relation to financial analysis, strategic planning and development as well as strategic cooperation between Bank of America and CCB. Before that, Ms. Yang was chief risk officer of the global wealth and investment management department of Bank of America. Ms. Yang joined Bank of America in early 1997 and worked at the risk management department for nearly eight years. Ms. Yang was awarded a bachelor's degree in English from Sichuan International Studies University in China, a master's degree in economics from Western Kentucky University in the United States and a doctorate degree in economics from North Carolina State University in the United States. The business address of Ms. Yang is One Bryant Park—19th Floor, 1111 Avenue of the Americas, New York, NY 10036, U.S..

Mr. Lu Xiaoma, aged 44, is a non-executive Director of the Bank. Mr. Lu has served as a Director of the Bank since August 2010. Mr. Lu has served in State Street Corporation since May 1999 and has worked at several departments of the company. He has assumed the office of China Chief Representative in the company since August 2007. From March 1993 to December 1997, he was lecturer of the Thermal Engineering Department of Tsinghua University. Mr Lu graduated from Tsinghua University with a bachelor's degree in thermal engineering in 1988 and a master's degree in thermal engineering in 1993. He was awarded with a MBA degree from Boston College in 1999. The business address of Mr. Lu is No. 25, Finance Street, Beijing, China.

Ms. Chen Yuanling, aged 46, is a non-executive Director of the Bank. Ms. Chen has served as a Director of the Bank since August 2010. Ms. Chen has been a partner of Kang Da Law Firm in Beijing since November 2007. She was a partner and a lawyer of Deheng Law Office in Beijing from May 2005 to November 2007, lawyer of JunZeJun Law Offices in Beijing from May 2002 to May 2005 and senior manager of the legal department of Huaxia Securities Company from March 2001 to May 2002. Ms. Chen is a first-tier lawyer. Ms. Chen graduated from the Law Department of Peking University with a bachelor's degree in law in 1985 and from the postgraduate course training class of the Business School of Jilin University in accounting in 2000. The business address of Ms. Chen is No. 25, Finance Street, Beijing, China.

Members of the Supervisory Committee

Mr. Zhang Furong, aged 58, has been the chairman of the supervisory committee of the Bank since September 2010, and served as executive director and vice president of Industrial and Commercial Bank of China Limited ("ICBC") from October 2005 to July 2010. Mr. Zhang became vice president of ICBC in 2000 and he became assistant to president of ICBC and general manager of Human Resources Department in 1997. In 1994, Mr. Zhang concurrently served as vice president of ICBC Liaoning Branch and president of ICBC Dalian Branch. From 1986 he worked successively as chief of the Accounting Division and vice president of ICBC Liaoning Branch. Mr. Zhang joined ICBC in 1984, he joined the People's Bank of China in 1971. Mr. Zhang is also vice chairman of the Banking Accounting Society of China and vice chairman of Financial Planning Standards Council of China. Mr. Zhang graduated from Liaoning Finance and Economics College and received a Master's degree in economics and a Doctorate degree in finance from Dongbei University of Finance and Economics. The business address of Mr. Zhang is No. 25, Finance Street, Beijing, China.

Ms. Liu Jin, aged 46, has been a supervisor of the Bank since September 2004 and served concurrently as director of the supervisory committee office since November 2004. Ms. Liu was a dedicated supervisor of deputy director-general level at the supervisory committee of China Construction Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in July 1984. She graduated from Shaanxi Finance and Economics College with a master degree in finance in 1999 and from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in 2008. The business address of Ms. Liu is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Song Fengming, aged 64, has been a supervisor of the Bank since June 2010. He served as independent non-executive Director of the Bank from September 2004 to June 2010. Mr Song is a senior scholar in the area of domestic banking and finance. He is a professor and doctoral tutor of Tsinghua University as well as co-director of the university's China Centre for Financial Research. Mr Song was director of the international trade and finance department of the School of Economics and Management of Tsinghua University from 1995 to 2006. From 1988 to 1992, he was assistant professor of Tsinghua University and research supervisor of the international trade and finance department of the School of Economics and Management. He was lecturer of Jiangsu University of Science and Technology and director of the management department from 1982 to 1988. Mr Song graduated from Peking University with a bachelor's degree in computational mathematics in 1970 and earned a master's degree in management from Shanghai Jiaotong University in 1982. He was conferred a doctorate degree in systems engineering from Tsinghua University in 1988. From 1992 to 1995, he engaged in post-doctorate research at the Riverside campus of University of California. The business address of Mr. Song is Tsinghua University, Haidian District, Beijing, China.

Mr. Jin Panshi, aged 45, has been a staff representative supervisor of the Bank since June 2010. Mr. Jin served as a shareholder's representative supervisor of the Bank from September 2004 to June 2010. He has been the General Manager of Information Technology Management Department of the Bank since January 2010 and was the General Manager of Audit Department of the Bank from December 2007 to January 2010. During the period from June 2001 to September 2004, he was the Deputy General Manager of Audit Department of China Construction Bank Corporation. Mr. Jin is a senior engineer and Certificated Information System Auditor. He graduated from the Computer Application Department of Jilin University of Technology in 1986 and obtained a bachelor's degree. He further obtained his master's degree in Computer Application from Jilin University of Technology in 1989. Mr. Jin graduated from Tsinghua University with an EMBA degree in 2010. The business address of Mr. Jin is Chang'an Xing Rong Centre, 1-1, Naoshikou Street, Xicheng District, Beijing, China.

Mr. Li Weiping, aged 57, has been a staff representative supervisor of the Bank since June 2010. He has been the General Manager of Human Resources Department of the Bank since August 2008 and was an officer in the Human Resources Department of our Bank from May 2008 to August 2008. He was the Deputy President of China Construction Bank Corporation Beijing Branch from August 2005 to May 2008, the Deputy President of China Construction Bank Corporation Guangdong Branch from July 2001 to August 2005, the Deputy President of China Construction Bank Corporation Shenzhen Branch from February 1995 to July 2001. Mr. Li is a senior economist. He graduated from Zhongnan University of Economics and Law with a bachelor's degree in finance. The business address of Mr. Li is No. 25, Finance Street, Xicheng District, Beijing, China.

Ms. Huang Shuping, aged 56, has been a staff representative supervisor of the Bank since June 2010. She has been the president of the Chongqing branch of our Bank since September 2001 and was the Deputy President of Sichuan branch of our Bank from March 1993 to September 2001. Ms. Huang is a senior economist. She graduated from the Finance and Accounting College of Sichuan Provincial Fiscal School majoring in Finance and Accounting in 1975 and graduated from Harbin Advanced Investment Specialised School majoring in Infrastructure Finance and Credit in 1991. She obtained her bachelor's degree from the International Finance Department of Wuhan University in 1997. The business address of Ms. Huang is 123 Minzu Road, Yuzhong District, Chongqing, China.

Mr. Guo Feng, aged 48, has been an external supervisor of the Bank since March 2005. Mr. Guo has been dean of the law school of Central University of Finance and Economics since January 2007. Mr. Guo has been a professor at the law school of Central University of Finance and Economics and director of the Research Institute of Financial and Economic Law of the same university since December 2004. He was an associate professor at the law school of Renmin University of China from June 1993 to December 2004, and deputy director of the Institute of Financial Law of the same university from February 1993 to December 2004. Mr. Guo was a visiting scholar at the law school of the City Polytechnic of Hong Kong from January 1993 to June 1993. He received his master's degree in civil and commercial law from Renmin University of China in 1986 and his Ph.D. degree in civil and commercial law from the same university in 1995. The business address of Mr. Guo is China University of Finance and Economics, 39 Xueyuannan Road, Haidian District, Beijing, China.

Mr. Dai Deming, aged 47, has been an external supervisor of the Bank since June 2007. Mr. Dai has been dean of accounting department of Business School at Renmin University of China since October 2001. Mr. Dai pursued his post-doctorate research at Hitotsubashi University from October 1997 to September 1999, and served as deputy director of accounting department of Renmin University of China from May 1996 to October 1997, professor of the accounting department at Renmin University of China since June 1996, and associate professor of accounting department of the same University from June 1993 to May 1996. At present, Mr. Dai serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited and Beijing Northking Technology Co., Ltd. Mr. Dai received his bachelor's degree in industry accounting from Hunan College of Finance and Economics in 1983, master's degree in accounting from Zhongnan University of Economics in 1986 and Ph.D. degree in accounting from Renmin University of China in 1991. The business address of Mr. Dai is Renmin University of China, 59 Zhongguancun Avenue, Haidian District, Beijing, China.

Senior Management Members

Mr. Zhang Jianguo, aged 55, President of the Bank. Please refer to Mr. Zhang's biography under the paragraph headed "Executive Directors" above.

Ms. Xin Shusen, aged 61, has served at the Bank as secretary to the discipline inspection committee since September 2003 and has been appointed as Director from July 2008 to June 2010. She was vice president from July 2005 to January 2010 and chief compliance officer of the Bank from September 2004 to July 2005. From September 1993 to September 2004, she served several positions in the Bank, including chief controller, deputy chief controller, general manager of personal banking department, general manager of retail banking department, general manager of funding and savings department, deputy director of human resources department and general manager of corporate culture department. Ms. Xin is a senior economist, a recipient of a special grant by PRC government, and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Ms. Xin graduated from Changchun Metallurgy Construction Institute with a degree in industrial and civil construction in 1983. She received her master's degree in national economics from Northeast University of Finance and Economics in 1998. The business address of Ms. Xin is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Chen Zuofu, aged 56, vice president of the Bank. Please refer to Mr. Chen's biography under the paragraph headed "Executive Directors" above.

Mr. Zhu Xiaohuang, aged 54, vice president and chief risk officer of the Bank. Please refer to Mr. Zhu's biography under the paragraph headed "Executive Directors" above.

Mr. Hu Zheyi, aged 56, has served as vice president of the Bank since March 2009. Mr. Hu was director-general of the macro-economy research department of the Research Office of the State Council from September 2004 to December 2008. He worked at macro-economy research department of the Research Office of the State Council as chief manager and deputy director-general successively from October 1998 to September 2004. From March 1992 to September 1998, Mr. Hu worked at the head office of the PBOC as deputy chief manager and chief manager successively. Mr. Hu graduated from South China University of Technology in 1982 with a bachelor's degree in chemical automation and instruments. He then obtained his master's degree in technological economics and system engineering from the Management School of Tianjin University in 1988. Mr. Hu graduated from School of Economics and Management of Tsinghua University with a Ph.D. degree in technological economics in 1992. The business address of Mr. Hu is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Pang Xiusheng, aged 52, has served as vice president of the Bank since February 2010, and chief financial officer of the Bank since April 2006. Mr. Pang was executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006; director of the Bank's restructuring office from April 2005 to March 2006; general manager of Zhejiang Branch of Original CCB from June 2003 to April 2005, and acting general manager of Zhejiang Branch of Original CCB from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He received his master's degree in technological economics from Harbin Industrial University in 1995. The business address of Mr. Pang is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Yu Yongshun, aged 59, has served as chief audit officer of the Bank since July 2005. Mr. Yu was general manager of the audit department of the Bank from September 2004 to August 2006 and general manager of the audit department of Original CCB from April 1999 to September 2004. From October 1990 to April 1999, he had been deputy general manager of treasury and planning department, general manager of real estate credit department, president of Xinjiang Uyghur Autonomous Region branch and general manager of No. 2 banking department of Original CCB. Mr. Yu is a senior economist, and a recipient of a special grant by PRC government. He graduated from Liaoning Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1977, and graduated from the Institute of Finance and Trade Economics of Chinese Academy of Social Sciences with a master's degree in money and banking in 1998. The business address of Mr. Yu is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Chen Caihong, aged 53, has served as secretary to the Board since August 2007. Mr. Chen was general manager of Seoul Branch of Original CCB from December 2003 to July 2007. Mr. Chen served consecutively as deputy director, director of administrative office, deputy general manager of Fujian Branch, and head of preparation team for Seoul Branch of Original CCB from March 1997 to December 2003. Mr. Chen is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure economics in 1982 and received his master's degree in public finance from the Research Institute for Fiscal Science of the MOF in 1986. The business address of Mr. Chen is No. 25, Finance Street, Xicheng District, Beijing, China.

Mr. Gu Jingpu, aged 54, has served as controller of the Bank's wholesale banking since May 2006. Mr. Gu was executive vice chairman of the Bank's corporate and institutional banking committee from March 2006 to May 2006; vice chairman of risk and internal control management committee, director of office of risk and internal control management committee and general manager of risk management department of China Construction Bank from March 2003 to March 2006. He served consecutively as deputy director of internal audit department, director of internal audit department, general manager of Guangdong Branch, vice chairman of risk and internal control management committee and head of office of risk and internal control management committee of Original CCB from May 1994 to March 2003. Mr. Gu is a senior economist and a PRC certified public accountant. He received a doctoral degree in management from Sun Yat-Sen University in 2006. The business address of Mr. Gu is Chang'an Xing Rong Centre, 1-1, Naoshikou Street, Xicheng District, Beijing, China.

Mr. Du Yajun, aged 54, has served as controller of the Bank's retail banking since May 2006. Mr. Du was executive vice chairman of the Bank's personal banking committee from March 2006 to May 2006; general manager of Hebei Branch of Original CCB from March 1999 to March 2006, general manager of Shanxi Branch of Original CCB from December 1996 to March 1999, and deputy general manager of Hebei Branch of Original CCB from May 1992 to December 1996. Mr. Du is a senior economist, and a recipient of a special grant by PRC government. He graduated from Liaoning Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1982. He also received a master's degree in world economics from Hebei University in 1997. The business address of Mr. Du is Chang'an Xing Rong Centre, 1-1, Naoshikou Street, Xicheng District, Beijing, China.

Mr. Mao Yumin, aged 55, has served as controller of the Bank's investment and wealth management banking since September 2007. He was chief executive officer of Shanghai Ai Jian Corporation from June 2006 to July 2007, executive director of Mingly (China) Holdings Ltd. from May 2006 to June 2006, director of Cathay International Holdings Limited and senior vice president of Hong Kong Cathay International Limited from March 2003 to May 2006, and served consecutively as deputy general manager of international business department, general manager of international business department, and general manager of Hong Kong Branch of Original CCB from August 1992 to March 2003. Mr. Mao is a senior economist and graduated from Jiangxi College of Finance and Economics with a bachelor's degree in infrastructure finance in 1983. The business address of Mr. Mao is Chang'an Xing Rong Centre, 1-1, Naoshikou Street, Xicheng District, Beijing, China.

Company Secretary

Ms. Chan Mei Sheung has served as the Bank's company secretary since October 2007. She has been the head of legal & compliance division of CCB International and its subsidiaries since then. Ms. Chan was the group legal counsel and head of Legal Department in China Everbright Limited from July 2006 to October 2007. She also served as company secretary of China Everbright Limited. She has been a member of the Mainland Legal Affairs Committee of the Law Society of Hong Kong since 2006. She was the group legal counsel and company secretary of Sing Tao News Corporation Limited from 2003 to 2005. She was the partner in charge of Corporate Finance and China Services Department of Hastings & Co. from 1999 to 2003. Ms. Chan is a qualified solicitor in Hong Kong, England and Wales, and is a qualified solicitor and barrister in the Australian Capital Territory. She graduated from the University of Hong Kong with an honorary bachelor's degree in law in 1987. The business address of Ms. Chan is 34/F., Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered Address of the Bank	No. 25, Finance Street, Xicheng District, Beijing 100033
Authorised Representatives of the Bank	Zhang Jianguo Chan Mei Sheung
Company Secretary of the Bank	Chan Mei Sheung
Joint Global Coordinators: (H Share Rights Issue)	CCB International Capital Limited China International Capital Corporation Hong Kong Securities Limited Morgan Stanley & Co. International plc
Joint Bookrunners and Joint Lead Underwriters: (H Share Rights Issue)	CCB International Capital Limited China International Capital Corporation Hong Kong Securities Limited Morgan Stanley & Co. International plc CITIC Securities Corporate Finance (HK) Limited Merrill Lynch Far East Limited Credit Suisse (Hong Kong) Limited BOCI Asia Limited
A Share Joint Sponsors:	China International Capital Corporation Limited Haitong Securities Limited
H Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Address: Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Legal Advisers to the Bank	*as to Hong Kong and U.S. law*s Freshfields Bruckhaus Deringer Address: 11th Floor, Two Exchange Square, 8 Connaught Place Central, Hong Kong *as to PRC law* Beijing Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal Advisers to the Underwriters	*as to Hong Kong and U.S. laws* Paul, Hastings, Janofsky & Walker Address: 22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong *as to PRC law* King & Wood Address: 40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing
Auditors and Reporting Accountants	KPMG Address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
Receiving Bank	China Construction Bank (Asia) Corporation Limited Address: 16/F York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong

4. SHARE CAPITAL

(a) The registered share capital of the Bank as at the Latest Practicable Date was RMB233,689,084,000.

(b) The issued share capital of the Bank as at the Latest Practicable Date was, and immediately following completion of the Rights Issue will be as follows:

As at the Latest Practicable Date:

A Shares	9,000,000,000
H Shares	224,689,084,000

Rights Shares to be issued upon completion of the Rights Issue:

A Shares	630,000,000[1]
H Shares	15,728,235,880[2]
Total:	250,047,319,880

Notes:

1. Assuming the A Share Rights Issue becomes unconditional and the A Rights Shares are fully subscribed for and no further A Rights Shares are issued by the Bank.
2. Assuming the H Share Rights Issue becomes unconditional and the H Rights Shares are fully subscribed for and no further H Shares are issued by the Bank.

(c) All A Shares and H Shares presently in issue rank *pari passu* in all respects as regards to voting, dividends, distributions and return of capital.

(d) The H Rights Shares to be allotted and issued pursuant to the H Share Rights Issue will, when issued and fully paid, rank *pari passu* in all respects with the H Shares then in issue as regards to voting, dividends, distributions and return of capital.

(e) The H Shares in issue are listed on the Hong Kong Stock Exchange. The A Shares in issue are listed on the Shanghai Stock Exchange. Save as disclosed above, no part of the share capital or any other securities of the Bank is listed or dealt in on any other stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Bank to be listed or dealt in on any other stock exchange.

(f) As at the Latest Practicable Date, the Bank was not a party to any agreement to issue new Shares and none of the members of the Group had any other outstanding options or convertible securities.

5. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, except for the fact that Mr. Li Weiping and Ms. Huang Shuping indirectly held 20,446 and 21,910 H Shares of the Bank respectively by participating in the employee stock incentive plan before each of them was appointed as supervisor of the Bank, none of the Directors, supervisors and chief executive of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules, to be notified to the Bank and the Hong Kong Stock Exchange.

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

(b) Save as disclosed in this section 5(b), the Directors, Supervisors and chief executive of the Bank are not aware of any other person (other than (i) the Directors, Supervisors and chief executives of the Bank, and (ii) members of the Group) who, as at the Latest Practicable Date, had an interest or short position in the Shares, the underlying Shares which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Interests in H shares and short positions	Nature	% of issued H shares[3]	% of total issued shares[3]
Huijin[1]	133,262,144,534	Long position	59.31	57.03
Bank of America[2]	27,162,196,519	Long position	12.09	11.62
	583,051	Short position	0.00	0.00

1. In July 2009, China Jianyin Investment Limited transferred its 20,692,250,000 H Shares of the Bank to Huijin for free. Upon such transfer, the number of H Shares of the Bank directly held by Huijin increased from 112,569,894,534 to 133,262,144,534.
2. According to a disclosure of change in interests held by Bank of America, Bank of America directly held 25,580,153,370 H Shares of the Bank. In addition, Bank of America also held the interests of 1,582,043,149 H Shares of the Bank and a short position of 583,051 H Shares of the Bank through corporations controlled by it. As stated in the Bank's announcement dated 11 November 2010, Bank of America has agreed to sell to a subsidiary of Temasek Holdings (Private) Limited all of the 1,790,610,735 Nil Paid H Rights the Bank expects to allot to it. For further details, please refer to the announcement issued by the Bank on 11 November 2010.
3. The numbers listed in this column are all rounded to the nearest second number after the decimal.

(c) None of the Directors had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Bank were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) As at the Latest Practicable Date, none of the Directors or supervisors was materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

6. FOREIGN EXCHANGE LIABILITIES

The Board considers that the Bank will have sufficient foreign exchange to pay forecasted or planned dividends on H Shares and to meet its foreign exchange liabilities as they become due, with the Bank's existing internal resources.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors has entered into any existing or proposed service contracts with any member of the Group save for those expiring or determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

9. DEMANDING A POLL

Pursuant to the Articles of Association, a resolution at a general meeting shall be decided by poll.

10. EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this prospectus:

Name	Qualification	Nature of report / advice	Date of report / advice
KPMG	Certified Public Accountants	Report on the unaudited pro forma financial information of the Group	19 November 2010

KPMG has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The Prospectus Documents and the written consent of KPMG as referred to under the paragraph headed "Expert" in this appendix have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance.

12. MATERIAL CONTRACT

Set out below is information on the material contract, not being contract entered into in the ordinary course of business, which were entered into by the Group during the two years immediately preceding the date of this prospectus and up to the Latest Practicable Date:

(a) the Underwriting Agreement

13. MATERIAL ADVERSE CHANGE

Save as disclosed in this prospectus, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited accounts of the Group were made up.

14. GENERAL

(a) The expenses in connection with the H Share Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, and stamp duty are estimated to amount to approximately HK$116 million and will be payable by the Bank.

(b) As at the Latest Practicable Date, none of the Directors or supervisors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group since

31 December 2009 (being the date to which the latest published audited financial statements of the Bank were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.

(c) In the event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Bank in Hong Kong at 44-45/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong during normal business hours from the date of this prospectus up to and including 3 December 2010:

(a) the Articles of Association;

(b) the audited financial statements of the Group for the three years ended 31 December 2009;

(c) the unaudited financial statements of the Group for the six months ended 30 June 2010;

(d) the unaudited financial statements of the Group for the nine months ended 30 September 2010;

(e) the letter from KPMG on the unaudited pro forma financial information as set out in Appendix V to this prospectus;

(f) the material contract referred to in the section headed "Material Contract" in this Appendix;

(g) the written consent referred to in the section headed "Expert" in this Appendix;

(h) the circular of the Bank dated 7 May 2010 in relation to, among other things, the Rights Issue; and

(i) the Announcement.