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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)

INTERIM RESULTS ANNOUNCEMENT

For the Six Months Ended 30 June 2011

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2011, prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting". The interim results have been reviewed by the audit committee and external auditors of the Bank.

SUMMARY OF INTERIM RESULTS 2011

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

(Expressed in millions of RMB unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change (%)
Current period			
Net interest income	145,706	117,799	23.69
Net fee and commission income	47,671	33,642	41.70
Operating income	197,246	153,725	28.31
Profit before tax	120,789	92,194	31.02
Net profit	92,953	70,779	31.33
Net profit attributable to equity shareholders of the Bank	92,825	70,741	31.22
Per share (In RMB)			
Basic and diluted earnings per share[1]	0.37	0.30	23.33
Profitability indicators (%)			**Change +/(-)**
Annualised return on average assets[2]	1.65	1.43	0.22
Annualised return on average equity	24.98	24.00	0.98
Net interest spread	2.55	2.32	0.23
Net interest margin	2.66	2.41	0.25
Net fee and commission income to operating income	24.17	21.88	2.29
Cost-to-income ratio	31.72	33.64	(1.92)
Loan-to-deposit ratio	62.07	62.26	(0.19)

1. The number for the first half of 2010 is adjusted on the assumption that the bonus shares without consideration included in the rights issue of 2010 had existed from the beginning of the comparative period.
2. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying two.

(Expressed in millions of RMB unless otherwise stated)	30 June 2011	31 December 2010	Change (%)
At period-end			
Net loans and advances to customers	5,985,218	5,526,026	8.31
Total assets	11,754,766	10,810,317	8.74
Deposits from customers	9,892,108	9,075,369	9.00
Total liabilities	11,016,090	10,109,412	8.97
Total equity attributable to equity shareholders of the Bank	733,598	696,792	5.28
Share capital	250,011	250,011	-
Core capital	696,007	634,683	9.66
Net Capital	823,355	762,449	7.99
Risk-weighted assets	6,579,846	6,015,329	9.38
Per share (In RMB)			
Net assets per share	2.95	2.80	5.36
Capital adequacy indicators (%)			**Change +/(-)**
Core capital adequacy ratio[1]	10.42	10.40	0.02
Capital adequacy ratio[1]	12.51	12.68	(0.17)
Total equity to total assets	6.28	6.48	(0.20)
Asset quality indicators (%)			
Non-performing loan ratio	1.03	1.14	(0.11)
Allowances to non-performing loans	244.68	221.14	23.54
Allowances to total loans	2.53	2.52	0.01

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

Consolidated statement of comprehensive income
(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June 2011	2010	Variance (%)
Interest income	223,458	179,650	24.39
Interest expense	(77,752)	(61,851)	25.71
Net interest income	145,706	117,799	23.69
Fee and commission income	48,891	34,674	41.00
Fee and commission expense	(1,220)	(1,032)	18.22
Net fee and commission income	47,671	33,642	41.70
Net trading gain	669	894	(25.17)
Dividend income	61	75	(18.67)
Net gain arising from investment securities	930	455	104.40
Other operating income, net	2,209	860	156.86
Operating income	197,246	153,725	28.31
Operating expenses	(62,557)	(51,717)	20.96
	134,689	102,008	32.04
Impairment losses on:			
- Loans and advances to customers	(13,895)	(10,119)	37.32
- Others	(30)	295	(110.17)
Impairment losses	(13,925)	(9,824)	41.74
Share of profits less losses of associates and jointly controlled entities	25	10	150.00
Profit before tax	120,789	92,194	31.02
Income tax expense	(27,836)	(21,415)	29.98
Net profit	92,953	70,779	31.33

Consolidated statement of comprehensive income (continued)
(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June 2011	2010	Variance (%)
Other comprehensive income:			
Loss of available-for-sale financial assets arising during the period	(2,652)	(2,409)	10.09
Less: Income tax relating to available-for-sale financial assets	684	576	18.75
Reclassification adjustments for gain included in profit or loss	(510)	(366)	39.34
	(2,478)	(2,199)	12.69
Exchange difference on translating foreign operations	(563)	(437)	28.83
Others	22	6	266.67
Other comprehensive income for the period, net of tax	(3,019)	(2,630)	14.79
Total comprehensive income for the period	89,934	68,149	31.97
Net profit attributable to:			
Equity shareholders of the Bank	92,825	70,741	31.22
Non-controlling interests	128	38	236.84
	92,953	70,779	31.33
Total comprehensive income attributable to**:**			
Equity shareholders of the Bank	89,858	68,056	32.04
Non-controlling interests	76	93	(18.28)
	89,934	68,149	31.97
Basic and diluted earnings per share (in RMB Yuan)	0.37	0.30	23.33

Consolidated statement of financial position
(Expressed in millions of RMB, unless otherwise stated)

	30 June 2011	31 December 2011	Variance (%)
Assets:			
Cash and deposits with central banks	2,216,841	1,848,029	19.96
Deposits with banks and non-bank financial institutions	120,260	78,318	53.55
Precious metals	17,444	14,495	20.34
Placements with banks and non-bank financial institutions	51,708	63,962	(19.16)
Financial assets at fair value through profit or loss	118,480	17,344	583.12
Positive fair value of derivatives	12,955	11,224	15.42
Financial assets held under resale agreements	298,819	181,075	65.02
Interest receivable	54,628	44,088	23.91
Loans and advances to customers	5,985,218	5,526,026	8.31
Available-for-sale financial assets	628,602	696,848	(9.79)
Held-to-maturity investments	1,777,779	1,884,057	(5.64)
Debt securities classified as receivables	307,117	306,748	0.12
Interests in associates and jointly controlled entities	1,856	1,777	4.45
Fixed assets	82,786	83,434	(0.78)
Land use rights	16,782	16,922	(0.83)
Intangible assets	1,514	1,310	15.57
Goodwill	1,698	1,534	10.69
Deferred tax assets	19,934	17,825	11.83
Other assets	40,345	15,301	163.68
Total assets	11,754,766	10,810,317	8.74

Consolidated statement of financial position (continued)
(Expressed in millions of RMB, unless otherwise stated)

	30 June 2011	31 December 2011	Variance (%)
Liabilities:			
Borrowings from central banks	1,317	1,781	(26.05)
Deposits from banks and non-bank financial institutions	665,124	683,537	(2.69)
Placements from banks and non-bank financial institutions	107,985	66,272	62.94
Financial liabilities at fair value through profit or loss	16,382	15,287	7.16
Negative fair value of derivatives	10,650	9,358	13.81
Financial assets sold under repurchase agreements	3,061	4,922	(37.81)
Deposits from customers	9,892,108	9,075,369	9.00
Accrued staff costs	32,563	31,369	3.81
Taxes payable	25,188	34,241	(26.44)
Interest payable	73,835	65,659	12.45
Provisions	3,402	3,399	0.09
Debt securities issued	104,860	93,315	12.37
Deferred tax liabilities	348	243	43.21
Other liabilities	79,267	24,660	221.44
Total liabilities	11,016,090	10,109,412	8.97
Equity:			
Share capital	250,011	250,011	-
Capital reserve	135,158	135,136	0.02
Investment revaluation reserve	4,280	6,706	(36.18)
Surplus reserve	50,681	50,681	-
General reserve	67,422	61,347	9.90
Retained earnings	229,648	195,950	17.20
Exchange reserve	(3,602)	(3,039)	18.53
Total equity attributable to equity shareholders of the Bank	733,598	696,792	5.28
Non-controlling interests	5,078	4,113	23.46
Total equity	738,676	700,905	5.39
Total liabilities and equity	11,754,766	10,810,317	8.74

Consolidated statement of changes in equity

(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	Non-controlling interests	Total equity
As at 1 January 2011	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
Movements during the period	-	22	(2,426)	-	6,075	33,698	(563)	965	37,771
(1) Total comprehensive income for the period	-	22	(2,426)	-	-	92,825	(563)	76	89,934
(2) Changes in share capital	-	-	-	-	-	-	-	902	902
(3) Profit distribution	-	-	-	-	6,075	(59,127)	-	(13)	(53,065)
i Appropriation to general reserve	-	-	-	-	6,075	(6,075)	-	-	-
ii Appropriation to equity shareholders	-	-	-	-	-	(53,052)	-	(13)	(53,065)
As at 30 June 2011	250,011	135,158	4,280	50,681	67,422	229,648	(3,602)	5,078	738,676

Consolidated statement of changes in equity (continued)
(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	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
(1) Total comprehensive income for the period	-	6	(2,254)	-	-	70,741	(437)	93	68,149
(2) Changes in share capital	-	-	-	-	-	-	-	256	256
(3) Profit distribution	-	-	-	-	14,463	(61,668)	-	(22)	(47,227)
i Appropriation to general reserve	-	-	-	-	14,463	(14,463)	-	-	-
ii Appropriation 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 2010	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020
Movements during the year	16,322	44,870	(6,457)	13,260	14,541	59,838	(1,057)	568	141,885
(1) Total comprehensive income for the year	-	33	(6,457)	-	-	134,844	(1,057)	168	127,531
(2) Changes in share capital	16,322	44,837	-	-	-	-	-	440	61,599
(3) Profit distribution	-	-	-	13,260	14,541	(75,006)	-	(40)	(47,245)
i Appropriation to surplus reserve	-	-	-	13,260	-	(13,260)	-	-	-
ii Appropriation to general reserve	-	-	-	-	14,541	(14,541)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(47,205)	-	(40)	(47,245)
As at 31 December 2010	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905

Consolidated statement of cash flows
(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
Cash flows from operating activities		
Profit before tax	120,789	92,194
Adjustments for:		
– Impairment losses	13,925	9,824
– Depreciation and amortisation	6,222	5,772
– Unwinding of discount	(671)	(392)
– Revaluation loss / (gain) on financial instruments at fair value through profit or loss	178	(260)
– Share of profit less losses of associates and jointly controlled entities	(25)	(10)
– Dividend income	(61)	(75)
– Unrealised foreign exchange loss	1,843	278
– Interest expense on bonds issued	1,611	1,653
– Net gain on disposal of investment securities	(930)	(455)
– Net gain on disposal of fixed assets and other long-term assets	(371)	(32)
	142,510	108,497
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	(284,972)	(190,282)
Net increase in placements with banks and non-bank financial institutions	(12,067)	(1,365)
Net increase in loans and advances to customers	(479,810)	(535,328)
Net (increase) / decrease in financial assets held under resale agreements	(117,713)	332,251
Increase in other operating assets	(143,392)	(39,324)
	(1,037,954)	(434,048)
Changes in operating liabilities:		
Net (decrease) / increase in borrowings from central banks	(434)	1,338
Net increase in placements from banks and non-bank financial institutions	42,874	50,024
Net increase in deposits from customers and from banks and non-bank financial institutions	803,947	493,247
Net (decrease) / increase in financial assets sold under repurchase agreements	(1,860)	2,000
Net increase / (decrease) in certificates of deposit issued	11,908	(3,846)
Income tax paid	(38,426)	(29,950)
Increase in other operating liabilities	9,923	11,685
	827,932	524,498
Net cash (used in) / from operating activities	(67,512)	198,947

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
Cash flows from investing activities		
Proceeds from sale and redemption of investments	732,118	585,123
Dividends received	58	74
Proceeds from disposal of fixed assets and other long-term assets	608	244
Purchase of investment securities	(554,416)	(860,581)
Purchase of fixed assets and other long-term assets	(5,057)	(3,792)
Acquisition of subsidiaries, associates and jointly controlled entities	(802)	(15)
Net cash from / (used in) investing activities	172,509	(278,947)
Cash flows from financing activities		
Capital contribution by non-controlling interests	353	256
Dividends paid	(1,949)	(22)
Interest paid on bonds issued	(1,505)	(1,554)
Cash paid for other financing activities	(51)	-
Net cash used in financing activities	(3,152)	(1,320)
Effect of exchange rate changes on cash and cash equivalents	(797)	(207)
Net increase / (decrease) in cash and cash equivalents	101,048	(81,527)
Cash and cash equivalents as at 1 January	301,299	380,249
Cash and cash equivalents as at 30 June	402,347	298,722
Cash flows from operating activities include:		
Interest received	204,463	171,675
Interest paid, excluding interest expense on bonds issued	(61,857)	(53,354)

Notes:

1 There are no significant changes in the accounting policies adopted in the preparation of this results announcement compared to that of the financial statements for the year ended 31 December 2010.

2 Unless otherwise stated, the financial figures are expressed in millions of RMB.

3 For the purpose of this results announcement, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC and Taiwan.

4 Net gain arising from investment securities

	Six months ended 30 June	
	2011	2010
Net gain / (loss) on sale of available-for-sale financial assets	265	(29)
Net revaluation gain reclassified from other comprehensive income on disposal	665	469
Net gain on sale of held-to-maturity investments	-	15
Total	930	455

5 Operating expenses

	Six months ended 30 June	
	2011	2010
Staff costs		
– Salaries, bonuses, allowances and subsidies	22,208	18,046
– Defined contribution retirement schemes	3,202	2,634
– Other social insurance and welfare	2,616	2,049
– Housing funds	1,813	1,566
– Union running costs and employee education costs	885	660
– Compensation to employees for termination of employment relationship	6	11
	30,730	24,966
Premises and equipment expenses		
– Depreciation charges	5,189	4,810
– Rent and property management expenses	2,457	2,155
– Maintenance	784	583
– Utilities	746	699
– Others	459	397
	9,635	8,644
Amortisation expenses	1,033	962
Business tax and surcharges	11,530	8,826
Audit fees	72	76
Other general and administrative expenses	9,557	8,243
Total	62,557	51,717

6 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2011	2010
Current tax	28,563	20,420
– Mainland China	28,336	20,225
– Hong Kong	191	152
– Other countries and regions	36	43
Adjustments for prior years	561	174
Deferred tax	(1,288)	821
Total	27,836	21,415

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 China 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.

6 Income tax expense (continued)

(2) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2011	2010
Profit before tax	120,789	92,194
Income tax calculated at statutory tax rate	30,197	23,049
Non-deductible expenses		
– Staff costs	79	45
– Others	101	344
	180	389
Non-taxable income		
– Interest income from PRC government bonds	(3,004)	(2,146)
– Others	(98)	(51)
	(3,102)	(2,197)
Total	27,275	21,241
Adjustments on income tax for prior years which affect profit or loss	561	174
Income tax expense	27,836	21,415

7 Earnings per share

Basic earnings per share for the six months ended 30 June 2011 and 2010 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The Bank completed the Rights Issue in 2010. In the calculation of earnings per share, the weighted average number of shares outstanding during six months ended 30 June 2010 was calculated on the assumption that the bonus elements without consideration included in the Rights Issue had been existed from the beginning of the comparative period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2011 and 2010.

	Six months ended 30 June	
	2011	2010
Net profit attributable to shareholders of the Bank	92,825	70,741
Weighted average number of shares as originally reported (in million shares)		233,689
Basic and diluted earnings per share attributable to shareholders of the Bank as originally reported (in RMB Yuan)		0.30
Weighted average number of shares after Rights Issue (in million shares)	250,011	237,236
Basic and diluted earnings per share attributable to shareholders of the Bank after Rights Issue (in RMB Yuan)	0.37	0.30

Weighted average number of ordinary shares after Rights Issue (in million shares)

	Six months ended 30 June	
	2011	2010
Issued ordinary shares	250,011	233,689
Weighted average number of shares for Rights Issue	-	3,547
Weighted average number of shares in issue	250,011	237,236

8 Derivatives

(1) Analysed by type of contract

	As at 30 June 2011			As at 31 December 2010		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	167,864	3,155	3,346	181,130	3,493	3,706
Exchange rate contracts	738,939	8,958	6,851	619,449	7,054	5,414
Other contracts	5,640	842	453	3,875	677	238
Total	912,443	12,955	10,650	804,454	11,224	9,358

(2) Analysed by credit risk-weighted amount

	30 June 2011	31 December 2010
Interest rate contracts	2,944	3,491
Exchange rate contracts	9,236	7,868
Other contracts	991	830
Total	13,171	12,189

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 in accordance with 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.

9 Deposits from customers

	30 June 2011	31 December 2010
Demand deposits		
– Corporate customers	3,560,261	3,412,050
– Personal customers	1,893,998	1,726,159
	5,454,259	5,138,209
Time deposits (including call deposits)		
– Corporate customers	1,868,834	1,608,186
– Personal customers	2,569,015	2,328,974
	4,437,849	3,937,160
Total	9,892,108	9,075,369

Deposits from customers include:

		30 June 2011	31 December 2010
(1)	Pledged deposits		
	– Deposits for acceptance	134,128	118,172
	– Deposits for guarantee	42,744	34,103
	– Deposits for letter of credit	58,354	39,692
	– Others	160,303	104,779
	Total	395,529	296,746
(2)	Outward remittance and remittance payables	21,535	15,895

(3) As at 30 June 2011, the deposits arising from wealth management products with principal guaranteed by the Group was RMB86,650 million.

10 Profit distribution

The Bank declared a cash dividend of RMB53,052 million according to the profit distribution plan approved by the Annual General Meeting held on 9 June 2011.

11 Operating segments

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, Sydney 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 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.

11 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2011								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	21,781	12,042	13,602	15,468	17,039	5,294	58,988	1,492	145,706
Internal net interest income / (expense)	3,327	5,463	7,472	5,497	4,727	3,230	(29,645)	(71)	-
Net interest income	25,108	17,505	21,074	20,965	21,766	8,524	29,343	1,421	145,706
Net fee and commission income	11,647	8,647	7,382	7,297	6,058	2,860	3,150	630	47,671
Net trading gain / (loss)	296	261	169	44	143	83	(126)	(201)	669
Dividend income	-	-	-	23	-	-	24	14	61
Net gain arising from investment securities	-	-	-	288	8	9	540	85	930
Other operating income / (loss), net	260	147	95	270	426	40	(217)	1,188	2,209
Operating income	37,311	26,560	28,720	28,887	28,401	11,516	32,714	3,137	197,246
Operating expenses	(12,275)	(8,739)	(9,959)	(11,204)	(10,589)	(4,801)	(3,668)	(1,322)	(62,557)
Impairment losses	(2,890)	(1,874)	(1,634)	(2,082)	(4,124)	(114)	(1,343)	136	(13,925)
Share of profits less losses of associates and jointly controlled entities	-	-	-	-	-	-	-	25	25
Profit before tax	22,146	15,947	17,127	15,601	13,688	6,601	27,703	1,976	120,789
Capital expenditure	855	382	785	1,131	946	502	425	9	5,035
Depreciation and amortisation	1,023	712	898	1,106	969	496	962	56	6,222

11 Operating segments (continued)

(1) Geographical segments (continued)

	30 June 2011								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Segment assets	2,268,336	1,778,522	2,088,260	1,859,698	1,868,724	765,273	4,970,164	366,656	15,965,633
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	1,856	1,856
	2,268,336	1,778,522	2,088,260	1,859,698	1,868,724	765,273	4,970,164	368,512	15,967,489
Deferred tax assets									19,934
Elimination									(4,232,657)
Total assets									11,754,766
Segment liabilities	2,254,365	1,769,513	2,076,230	1,849,096	1,859,743	761,707	4,335,646	342,099	15,248,399
Deferred tax liabilities									348
Elimination									(4,232,657)
Total liabilities									11,016,090
Off-balance sheet credit commitments	640,931	374,875	430,745	277,687	273,837	111,545	12,001	54,636	2,176,257

11 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
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), net	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 profits less losses 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

11 Operating segments (continued)

(1) Geographical segments (continued)

	31 December 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Segment assets	2,054,133	1,663,001	1,913,481	1,672,191	1,717,538	694,294	4,781,069	271,052	14,766,759
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	1,777	1,777
	2,054,133	1,663,001	1,913,481	1,672,191	1,717,538	694,294	4,781,069	272,829	14,768,536
Deferred tax assets									17,825
Elimination									(3,976,044)
Total assets									10,810,317
Segment liabilities	2,050,953	1,659,607	1,907,041	1,669,392	1,715,699	692,888	4,142,555	247,078	14,085,213
Deferred tax liabilities									243
Elimination									(3,976,044)
Total liabilities									10,109,412
Off-balance sheet credit commitments	559,761	322,547	430,258	270,124	265,379	126,394	12,002	49,355	2,035,820

11 Operating segments (continued)

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

Others

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

11 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2011				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	86,710	(526)	57,451	2,071	145,706
Internal net interest (expense) / income	(11,690)	40,650	(27,987)	(973)	-
Net interest income	75,020	40,124	29,464	1,098	145,706
Net fee and commission income	21,928	15,386	9,413	944	47,671
Net trading gain / (loss)	-	384	502	(217)	669
Dividend income	-	-	-	61	61
Net gain arising from investment securities	-	-	265	665	930
Other operating income / (loss), net	373	113	(165)	1,888	2,209
Operating income	97,321	56,007	39,479	4,439	197,246
Operating expenses	(26,384)	(31,940)	(1,930)	(2,303)	(62,557)
Impairment losses	(12,552)	(1,365)	(105)	97	(13,925)
Share of profits less losses of associates and jointly controlled entities	-	-	-	25	25
Profit before tax	58,385	22,702	37,444	2,258	120,789
Capital expenditure	1,515	3,257	188	75	5,035
Depreciation and amortisation	1,873	4,024	232	93	6,222

11 Operating segments (continued)

(2) Business segments (continued)

	30 June 2011				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	4,457,463	1,615,255	5,190,013	572,375	11,835,106
Interests in associates and jointly controlled entities	-	-	-	1,856	1,856
	4,457,463	1,615,255	5,190,013	574,231	11,836,962
Deferred tax assets					19,934
Elimination					(102,130)
Total assets					11,754,766
Segment liabilities	5,577,332	4,935,990	106,791	497,759	11,117,872
Deferred tax liabilities					348
Elimination					(102,130)
Total liabilities					11,016,090
Off-balance sheet credit commitments	1,906,594	215,027	-	54,636	2,176,257

11 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	71,418	(3,448)	48,020	1,809	117,799
Internal net interest (expense) / income	(7,938)	36,876	(28,601)	(337)	-
Net interest income	63,480	33,428	19,419	1,472	117,799
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), net	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 profits less losses of associates and jointly controlled entities	-	-	-	10	10
Profit before tax	48,925	17,086	25,369	814	92,194
Capital expenditure	1,106	2,442	151	46	3,745
Depreciation and amortisation	1,705	3,764	233	70	5,772

11 Operating segments (continued)

(2) Business segments (continued)

	31 December 2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	4,343,277	1,361,904	4,684,227	487,968	10,877,376
Interests in associates and jointly controlled entities	-	-	-	1,777	1,777
	4,343,277	1,361,904	4,684,227	489,745	10,879,153
Deferred tax assets					17,825
Elimination					(86,661)
Total assets					10,810,317
Segment liabilities	5,238,032	4,489,333	110,697	357,768	10,195,830
Deferred tax liabilities					243
Elimination					(86,661)
Total liabilities					10,109,412
Off-balance sheet credit commitments	1,781,695	205,092	-	49,033	2,035,820

12 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised 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 do not represent the expected future cash outflows.

	30 June 2011	31 December 2010
Loan commitments		
– with an original maturity under one year	141,320	123,092
– with an original maturity of one year or over	489,045	461,785
Credit card commitments	239,409	227,478
	869,774	812,355
Bank acceptances	416,973	393,671
Financing guarantees	195,284	162,824
Non-financing guarantees	447,168	446,010
Sight letters of credit	52,390	58,135
Usance letters of credit	173,217	131,045
Others	21,451	31,780
Total	2,176,257	2,035,820

12 Commitments and contingent liabilities (continued)

(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.

	30 June 2011	31 December 2010
Credit risk-weighted amount of contingent liabilities and commitments	999,935	954,706

(3) Operating lease commitments

The Group leases 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. 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:

	30 June 2011	31 December 2010
Within one year	3,102	3,002
After one year but within two years	2,513	2,319
After two years but within three years	1,803	1,766
After three years but within five years	1,970	2,171
After five years	1,784	1,388
Total	11,172	10,646

(4) Capital commitments

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

	30 June 2011	31 December 2010
Contracted for	1,061	3,815
Authorised but not contracted for	9,923	1,619
Total	10,984	5,434

12 Commitments and contingent liabilities (continued)

(5) Underwriting obligations

As at 30 June 2011, the unexpired underwriting commitments of the Group were RMB3,960 million (31 December 2010: RMB51,846 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, but not yet matured as at 30 June 2011, were RMB80,639 million (31 December 2010: RMB91,578 million).

(7) Outstanding litigation and disputes

As at 30 June 2011, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,191 million (as at 31 December 2010: RMB1,976 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. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group 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.

Unaudited supplementary financial information
(Expressed in millions of RMB unless otherwise stated)

(a) Liquidity ratios

	30 June 2011	Average for six months ended 30 June 2011	31 December 2010	Average for the year ended 31 December 2010
RMB current assets to RMB current liabilities	50.97%	51.46%	51.96%	51.66%
Foreign currency current assets to foreign currency current liabilities	49.23%	53.22%	57.20%	55.70%

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

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

(Expressed in millions of RMB unless otherwise stated)

(b) **Currency concentrations**

	As at 30 June 2011			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	366,015	129,862	105,286	601,163
Spot liabilities	(300,140)	(114,528)	(131,688)	(546,356)
Forward purchases	301,566	22,124	103,098	426,788
Forward sales	(381,962)	(9,808)	(72,404)	(464,174)
Net (short) / long position	(14,521)	27,650	4,292	17,421
Net structural position	18	5	404	427

	As at 31 December 2010			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	308,292	130,700	93,394	532,386
Spot liabilities	(225,572)	(125,218)	(86,053)	(436,843)
Forward purchases	254,778	25,861	60,516	341,155
Forward sales	(320,109)	(11,472)	(64,283)	(395,864)
Net long position	17,389	19,871	3,574	40,834
Net structural position	22	173	167	362

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

Unaudited supplementary financial information (continued)
(Expressed in millions of RMB unless otherwise stated)

(c) **Cross-border claims**

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

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

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

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

	As at 30 June 2011			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	18,001	408	111,954	130,363
- of which attributed to Hong Kong	14,428	86	88,665	103,179
Europe	6,092	123	10,001	16,216
North and South America	36,318	502	18,904	55,724
	60,411	1,033	140,859	202,303

	As at 31 December 2010			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	43,815	758	114,959	159,532
- of which attributed to Hong Kong	34,712	670	83,822	119,204
Europe	15,738	134	32,845	48,717
North and South America	35,377	1,068	18,927	55,372
	94,930	1,960	166,731	263,621

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

(Expressed in millions of RMB unless otherwise stated)

(d) **Overdue loans and advances to customers by geographical sector**

	30 June 2011	31 December 2010
Yangtze River Delta	8,253	9,152
Bohai Rim	6,603	6,894
Central	6,374	5,992
Pearl River Delta	5,230	5,278
Western	4,021	5,246
Northeastern	3,140	3,345
Head office	1,682	1,619
Overseas	462	122
Total	35,765	37,648

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

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

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

Management Discussion and Analysis

Financial Review

In the first half of 2011, the global economy was on a recovery trend as a whole, but the pace slowed down. China’s economy continued to develop in the direction of the government’s macro-control measures, albeit increasing inflationary pressure. In the first half of the year, the gross domestic product increased by 9.6%, while the consumer price index increased by 5.4% over the same period last year. The People's Bank of China (the "PBC") used a combination of multiple monetary policy tools to strengthen liquidity management, and monetary and credit aggregates control. It raised the statutory deposit reserve ratio six times, and lifted benchmark deposits and lending interest rates twice.

In line with China’s macroeconomic policies and development trend of financial business, the Group firmly adhered to its customer-focused operating philosophy, expedited its business transformation, and continuously enhanced its core competitiveness and value creation capability.

Statement of Comprehensive Income Analysis

In the first half of 2011, the Group recorded profit before tax of RMB120,789 million, up 31.02% over the same period last year. Net profit was RMB92,953 million, up 31.33% over the same period last year. The rapid growth of profit before tax and net profit were mainly due to the following reasons: First, the interest-bearing assets increased moderately and net interest margin rose steadily, pushing up net interest income by RMB27,907 million, up 23.69% over the same period last year. Second, the Group was actively engaged in service and product innovation which boosted the growth in the fee-based businesses. As a result, net fee and commission income rose substantially, with an increase of RMB14,029 million, or 41.70% over the same period last year.

(In millions of RMB, except percentages)	**For the six months ended 30 June 2011**	**For the six months ended 30 June 2010**	**Change (%)**
Net interest income	145,706	117,799	23.69
Net fee and commission income	47,671	33,642	41.70
Other operating income	3,869	2,284	69.40
Operating income	197,246	153,725	28.31
Operating expenses	(62,557)	(51,717)	20.96
Impairment losses	(13,925)	(9,824)	41.74
Share of profits less losses of associates and jointly controlled entities	25	10	150.00
Profit before tax	120,789	92,194	31.02
Income tax expense	(27,836)	(21,415)	29.98
Net profit	92,953	70,779	31.33
Other comprehensive income for the period, net of tax	(3,019)	(2,630)	14.79
Total comprehensive income for the period	89,934	68,149	31.97

Net interest income

In the first half of 2011, the Group's net interest income was RMB145,706 million, an increase of RMB27,907 million, or 23.69%, over the same period in 2010, representing 73.87% of operating income.

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.

(In millions of RMB, except percentages)	For the six months ended 30 June 2011 Average balance	Interest income/ expense	Annualised average yield/cost (%)	For the six months ended 30 June 2010 Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	5,928,621	159,478	5.42	5,062,139	126,226	5.03
Investment in debt securities[1]	2,746,898	42,318	3.11	2,750,633	38,219	2.80
Deposits with central banks	1,923,942	14,665	1.54	1,432,538	10,820	1.52
Deposits and placements with banks and non-bank financial institutions	135,772	1,463	2.17	119,603	834	1.41
Financial assets held under resale agreements	298,654	5,534	3.74	489,028	3,551	1.46
Total interest-earning assets	11,033,887	223,458	4.08	9,853,941	179,650	3.68
Total allowances for impairment losses	(147,634)			(142,703)		
Non-interest-earning assets	323,133			241,834		
Total assets	11,209,386	223,458		9,953,072	179,650	
Liabilities						
Deposits from customers	9,296,612	67,407	1.46	8,260,683	52,923	1.29
Deposits and placements from banks and non-bank financial institutions	826,834	8,044	1.96	829,681	7,049	1.71
Financial assets sold under repurchase agreements	20,812	544	5.27	11,921	137	2.32
Debt securities issued	99,288	1,748	3.55	96,068	1,742	3.66
Other interest-bearing liabilities	1,787	9	1.02	51	-	3.41
Total interest-bearing liabilities	10,245,333	77,752	1.53	9,198,404	61,851	1.36
Non-interest-bearing liabilities	210,312			175,976		
Total liabilities	10,455,645	77,752		9,374,380	61,851	
Net interest income		145,706			117,799	
Net interest spread			2.55			2.32
Net interest margin			2.66			2.41

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.

In the first half of 2011, the Group's net interest spread was 2.55%, up 23 basis points over the same period last year. This was mainly due to an increase of 40 basis points in the yield of interest-earning assets compared to an increase of 17 basis points in the cost of interest-bearing liabilities.

The Group's net interest margin was 2.66%, up 25 basis points over the same period last year, mainly because of the following reasons: First, the gradually improving pricing capability of the Group and the repricing of the existing loans helped to increase the yield of loans. Second, due to the intense competition in the market for funds caused by the tightening of monetary policies, market rates went up, and yields on interest-earning assets such as discounted bills, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements rose considerably. Third, factors such as the PBC's interest rate hikes, the tightening liquidity and the inflation expectation helped interest rates on debt securities to rise. The Group managed to raise the yield of its debt securities steadily by making suitable adjustments to the term and structure of its RMB debt securities. Fourth, as the combined effects of the PBC's interest rate hikes and higher proportion of time deposits, the interest rates for interest-bearing liabilities rose compared to the same period in 2010, partly offset the positive impacts of above factors on the net interest margin.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first six months of 2011 versus the first six months of 2010.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	22,772	10,480	33,252
Investment in debt securities	(52)	4,151	4,099
Deposits with central banks	3,745	100	3,845
Deposits and placements with banks and non-bank financial institutions	125	504	629
Financial assets held under resale agreements	(1,813)	3,796	1,983
Change in interest income	24,777	19,031	43,808
Liabilities			
Deposits from customers	7,063	7,421	14,484
Deposits and placements from banks and non-bank financial institutions	(24)	1,019	995
Financial assets sold under repurchase agreements	150	257	407
Debt securities issued	57	(51)	6
Other interest-bearing liabilities	-	9	9
Change in interest expenses	7,246	8,655	15,901
Change in net interest income	17,531	10,376	27,907

1. Change caused by both average balances and average interest rates has been allocated to volume factor and interest rate factor based on proportions of absolute values of effects of volume factor and interest rate factor.

Net interest income increased by RMB27,907 million over the same period in 2010, in which an increase of RMB17,531 million was due to the movement of average balances of assets and liabilities, and an increase of RMB10,376 million was due to the movement of average yields or costs.

Interest income

In the first half of 2011, the Group's interest income was RMB223,458 million, an increase of RMB43,808 million, or 24.39%, over the same period in 2010. In this amount, interest income from loans and advances to customers accounts for 71.37%, interest income from investments in debt securities for 18.94%, interest income from deposits with central banks for 6.56%, interest income from deposits and placements with banks and non-bank financial institutions for 0.65% and interest income from financial assets held under resale agreements for 2.48%.

Interest income from loans and advances to customers

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

	For the six months ended 30 June 2011			For the six months ended 30 June 2010		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Annualised average yield (%)**	**Average balance**	**Interest income**	**Annualised average yield (%)**
Corporate loans	4,130,281	115,598	5.64	3,534,940	93,140	5.31
Short-term loans	1,246,340	34,068	5.51	1,003,066	24,585	4.94
Medium to long-term loans	2,883,941	81,530	5.70	2,531,874	68,555	5.46
Personal loans	1,468,511	38,454	5.28	1,171,033	28,245	4.82
Discounted bills	111,222	3,227	5.85	211,962	3,143	2.99
Overseas operations	218,607	2,199	2.03	144,204	1,698	2.37
Gross loans and advances to customers	5,928,621	159,478	5.42	5,062,139	126,226	5.03

Interest income from loans and advances to customers rose by RMB33,252 million, or 26.34% over the same period in 2010, to RMB159,478 million. This is mainly because the average balance of loans and advances to customers rose by 17.12%, and average yield rose by 39 basis points. The main causes for higher loan yield are as follows: First, the stronger pricing capability and the repricing of existing loans helped to raise the yield of corporate loans. Second, the pricing level for personal loans rose gradually due to the real estate control policies and rising lending rates. Third, yield of discounted bills went up fast due to the rise in market rates as a result of the tightening funding market.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB4,099 million, or 10.73%, to RMB42,318 million over the same period in 2010, largely because the Bank made timely adjustments to the term and structure of its RMB debt portfolio to take advantage of rising interest rates.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB14,665 million, a rise of RMB3,845 million, or 35.54% over the same period last year. This was mainly because the PBC raised the statutory deposit reserve ratio six times in the first half of 2011, and the average balance of deposits with central banks increased by 34.30% over the same period last year.

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

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB629 million to RMB1,463 million, an increase of 75.42% over the same period in 2010. This was primarily because the yield of these assets increased by 76 basis points as affected by the market conditions.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by RMB1,983 million, or 55.84% over the same period in 2010 to RMB5,534 million. This was mainly because the average yield of financial assets held under resale agreements increased by 228 basis points to 3.74% as a result of rising market rates, though the effect of which was partly offset by the decrease in the average balance.

Interest expense

In the first half of 2011, the Group's interest expense was RMB77,752 million, an increase of RMB15,901 million, or 25.71% over the same period in 2010.

Interest expense on deposits from customers

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

	For the six months ended 30 June 2011			For the six months ended 30 June 2010		
(In millions of RMB, except percentages)	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
Corporate deposits	4,975,587	32,965	1.34	4,387,297	24,728	1.14
Demand deposits	3,257,214	12,072	0.75	2,931,086	9,056	0.62
Time deposits	1,718,373	20,893	2.45	1,456,211	15,672	2.15
Personal deposits	4,204,494	33,827	1.62	3,774,457	27,861	1.49
Demand deposits	1,718,372	3,993	0.47	1,491,138	2,727	0.37
Time deposits	2,486,122	29,834	2.42	2,283,319	25,134	2.20
Overseas operations	116,531	615	1.06	98,929	334	0.68
Total deposits from customers	9,296,612	67,407	1.46	8,260,683	52,923	1.29

Interest expense on deposits from customers rose to RMB67,407 million, representing an increase of RMB14,484 million, or 27.37%, over the same period in 2010. This resulted mainly from: First, the average cost of deposits increased by 17 basis points to 1.46% due to the interest rate hikes and the higher proportion of average balance of time deposits to total deposits. Second, the average balance of deposits increased by RMB1,035,929 million, or 12.54% over the same period in 2010.

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 reached RMB8,044 million, an increase of RMB995 million, or 14.12% over the same period in 2010, largely because the average cost of these liabilities increased by 25 basis points over the same period last year to 1.96%.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB407 million over the same period in 2010 to RMB544 million. This was primarily because of a rise in both the average balance and average cost of financial assets sold under repurchase agreements compared to the same period last year.

Net fee and commission income

(In millions of RMB, except percentages)	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Change (%)
Fee and commission income	48,891	34,674	41.00
Consultancy and advisory fees	10,390	7,192	44.47
Agency service fees	7,920	6,257	26.58
Bank card fees	7,829	5,524	41.73
Settlement and clearing fees	7,157	4,924	45.35
Commission on trust and fiduciary activities	4,531	3,732	21.41
Wealth management service fees	3,662	2,605	40.58
Electronic banking service fees	2,134	1,365	56.34
Guarantee fees	1,468	985	49.04
Credit commitment fees	1,280	850	50.59
Others	2,520	1,240	103.23
Fee and commission expense	(1,220)	(1,032)	18.22
Net fee and commission income	47,671	33,642	41.70

The Group's net fee and commission income increased by RMB14,029 million or 41.70% over the same period in 2010 to RMB47,671 million, and the ratio of net fee and commission income to operating income rose by 2.29 percentage points to 24.17%.

Consultancy and advisory fees increased by RMB3,198 million, or 44.47% over the same period in 2010 to RMB10,390 million. Due to the Group's efforts on developing the financial advisory services for wealth management products, mergers and acquisitions (M&A), and restructuring, income from the new financial advisory services grew rapidly by 131.67%.

Agency service fees increased by RMB 1,663 million, an increase of 26.58% over the same period in 2010 to RMB7,920 million. Customer-driven foreign exchange transactions grew rapidly, as a result of various measures including the optimisation of product structure, leveraging the strength of the sales channels, and improvement of business processes. Fees from fund agency services grew at a much slower pace due to the gloomy securities market.

Bank card fees grew by RMB2,305 million, an increase of 41.73% over the same period in 2010 to RMB7,829 million. In this amount, income from credit cards increased by 101.78% due to the strong growth of installment transactions business. With improved customer structure and card issuance quality, the customer spending per card and volume of transactions through self-service facilities grew steadily.

Settlement and clearing fees grew by RMB2,233 million, an increase of 45.35% over the same period in 2010 to RMB7,157 million. This was mainly due to the launch of innovative corporate settlement products including the corporate settlement card and electronic commercial draft. In addition, the international settlement business grew rapidly supported by increased overseas advances to importers.

Commission on trust and fiduciary activities grew by RMB799 million, or 21.41% over the same period in 2010 to RMB4,531 million. In this amount, fees from custodial service for wealth management products and insurance assets grew rapidly, while fees from custodial service for securities investment funds decreased slightly due to the gloomy securities market.

Wealth management service fees increased by RMB1,057 million, an increase of 40.58% over the same period in 2010 to RMB3,662 million, primarily because the Group proactively marketed its “Qianyuan”, “Qianyuan-Rixinyueyi”, “Good Harvest”, “CCB Fortune”, and “Profit from Interest” branded wealth management products to meet growing market demand.

Electronic banking service fees grew by RMB769 million, an increase of 56.34% over the same period in 2010 to RMB2,134 million. This was mainly because the Group heavily encouraged customers to use electronic channels, leading to increased use of the online banking, telephone banking and SMS banking services.

Net gain on investment securities

The net gain on investment securities for the Group reached RMB930 million, an increase of RMB475 million, or 104.40% over the same period in 2010. This was mainly due to the increase in the realised gains on investments in available-for-sale equity instruments.

Other net operating income

In the first half of 2011, the Group recorded other net operating income of RMB2,209 million, including net foreign exchange gain of RMB674 million, net gain of RMB371 million on disposal of fixed assets, and income of RMB305 million from clearance of dormant accounts.

Operating expenses

(In millions of RMB, except percentages)	**For the six months ended 30 June 2011**	**For the six months ended 30 June 2010**
Staff costs	30,730	24,966
Premises and equipment expenses	9,635	8,644
Business tax and surcharge	11,530	8,826
Others	10,662	9,281
Operating expenses	62,557	51,717
Cost-to-income ratio	31.72%	33.64%

In the first half of 2011, the Group's operating expenses increased by RMB10,840 million, or 20.96% over the same period last year to RMB62,557 million, while the cost-to-income ratio fell by 1.92 percentage points to 31.72% over the same period in 2010, reflecting improved cost efficiency.

Staff costs were RMB30,730 million, an increase of RMB5,764 million, up 23.09% over the same period in 2010, lower than the growth rates of profit before tax and net profit. Premises and equipment expenses were RMB9,635 million, an increase of RMB991 million, up 11.46% over the same period in 2010. Business tax and surcharges were RMB11,530 million, an increase of RMB2,704 million, up 30.64% over the same period in 2010. Other operating expenses increased by RMB1,381 million, or 14.88% over the same period last year to RMB10,662 million, largely due to increased development and administrative expenses as a result of the combined effects of business development, fierce market competition, and price hikes.

Impairment Losses

(In millions of RMB)	**For the six months ended 30 June 2011**	**For the six months ended 30 June 2010**
Loans and advances to customers	13,895	10,119
Investments	(63)	(222)
Available-for-sale financial assets	(39)	89
Held-to-maturity investments	(51)	(302)
Debt securities classified as receivables	27	(9)
Others	93	(73)
Impairment losses	13,925	9,824

In the first half of 2011, the impairment losses were RMB13,925 million, an increase of RMB4,101 million over the same period in 2010. In this amount, the impairment losses on loans and advances to customers was RMB13,895 million, a rise of RMB3,776 million over the same period last year. The reversal of impairment losses on investments was RMB63 million, mainly due to the rebound in the prices of foreign currency debt securities. Other impairment losses were RMB93 million, mainly provided for certain off-balance sheet credit businesses.

Income tax expense

In the first half of 2011, the Group's income tax expense was RMB27,836 million, an increase of RMB6,421 million from the same period in 2010. The effective income tax rate was 23.05%, lower than the 25% statutory rate, largely because the interest income from the PRC treasury bonds was non-taxable in accordance with tax regulations.

Other comprehensive income

In the first half of 2011, the Group recorded a negative value of RMB3,019 million in other comprehensive income, largely due to revaluation losses on available-for-sale financial assets.

Statement of Financial Position Analysis

Assets

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Gross loans and advances to customers	6,140,387		5,669,128	
Allowances for impairment losses on loans	(155,169)		(143,102)	
Net loans and advances to customers	5,985,218	50.92	5,526,026	51.12
Investments[1]	2,831,978	24.09	2,904,997	26.87
Cash and deposits with central banks	2,216,841	18.86	1,848,029	17.09
Deposits and placements with banks and non-bank financial institutions	171,968	1.46	142,280	1.32
Financial assets held under resale agreements	298,819	2.54	181,075	1.68
Interest receivable	54,628	0.47	44,088	0.41
Others[2]	195,314	1.66	163,822	1.51
Total assets	11,754,766	100.00	10,810,317	100.00

1. These comprise financial assets at fair value through profit or 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.

As at 30 June 2011, the Group's total assets amounted to RMB 11,754,766 million, an increase of RMB944,449 million over the end of 2010, or 8.74%. This was mainly due to the increases in loans and advances to customers, cash and deposits with central banks, and financial assets held under resale agreements. Net loans and advances to customers accounted for 50.92% of total assets, a decrease of 0.20 percentage points compared to the end of 2010. The proportion of investments to total assets fell by 2.78 percentage points to 24.09%. Cash and deposits with central banks accounted for 18.86% of total assets, up 1.77 percentage points. Financial assets held under resale agreements accounted for 2.54% of total assets, up 0.86 percentage points.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans	4,248,620	69.19	3,976,865	70.15
Short-term loans	1,279,616	20.84	1,160,747	20.47
Medium to long-term loans	2,969,004	48.35	2,816,118	49.68
Personal loans	1,543,374	25.13	1,368,811	24.15
Residential mortgage loans	1,219,834	19.87	1,091,116	19.25
Personal consumer loans	78,112	1.27	78,881	1.39
Other loans[1]	245,428	4.00	198,814	3.51
Discounted bills	94,467	1.54	142,835	2.52
Overseas operations	253,926	4.14	180,617	3.18
Gross loans and advances to customers	6,140,387	100.00	5,669,128	100.00

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

As at 30 June 2011, the Group's gross loans and advances to customers rose by RMB471,259 million, or 8.31% over the end of 2010, to RMB6,140,387 million.

Corporate loans reached RMB4,248,620 million, an increase of RMB271,755 million, or 6.83% over the end of 2010. SMEs loans reached RMB1,735,101 million, up 9.45%, 2.62 percentage points higher than the corporate loan growth. The Group adhered to its differentiated policies, including "promoting, securing, controlling, curtailing and exiting", with a decrease of RMB48.5 billion in the loans to corporate customers under the "exit" category; loans to the six major industries with excess capacity, including iron and steel, plate glass, and coal chemical industries, decreased by RMB6.05 billion. The Group strictly controlled the loans granted to the government financing vehicles by curtailing the existing loans, controlling new ones, and ensuring that new loans comply with state policies and regulatory requirements. In response to the latest developments in the real estate market, the Group took the initiative to control the growth of property loans, and the loans to real estate industry grew by 4.09% in the first half of the year; the new loans were principally extended to prime customers with solid financial strengths and high business qualifications in regions where property prices were stable, and focused on residential projects supported by government industrial policies, including ordinary residential and indemnificatory housing projects.

Personal loans increased by RMB174,563 million, or 12.75% over the end of 2010, to RMB1,543,374 million, which accounted for 25.13% of the gross loans and advances to customers, up 0.98 percentage points. In this amount, residential mortgage loans rose to RMB1,219,834 million with an increase of RMB128,718 million, or 11.80% over the end of 2010, and mainly supported needs for self-use apartments; personal consumer loans stood at RMB78,112 million, roughly the same as at the end of last year; and the other loans rose by RMB46,614 million over the end of 2010, up 23.45%, mainly due to the rapid growth of credit card loans and personal business loans.

Discounted bills decreased by RMB48,368 million to RMB94,467 million from the end of last year, and was primarily used to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers rose by RMB73,309 million, or 40.59%, to RMB253,926 million, largely due to fast loan growth in overseas areas including Hong Kong and Seoul.

Distribution of loans by type of collateral

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of total	Amount	% of total
Unsecured loans	1,629,573	26.54	1,520,613	26.82
Guaranteed loans	1,285,699	20.94	1,180,113	20.82
Loans secured by tangible assets other than monetary assets	2,615,954	42.60	2,412,285	42.55
Loans secured by monetary assets	609,161	9.92	556,117	9.81
Gross loans and advances to customers	6,140,387	100.00	5,669,128	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	For the six months ended 30 June 2011			
		Allowances for impaired loans and advances		
	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	102,093	3,657	37,352	143,102
Charge for the period	13,308	46	7,236	20,590
Release during the period	-	-	(6,695)	(6,695)
Unwinding of discount	-	-	(671)	(671)
Transfers out	(67)	(1)	(456)	(524)
Write-offs	-	(180)	(1,109)	(1,289)
Recoveries	-	42	614	656
As at 30 June	115,334	3,564	36,271	155,169

The Group adhered to its prudent approach by fully considering the impact of changes in external economic environment and macro-control policies on credit asset quality, and fully provided for impairment losses on loans and advances to customers. As at 30 June 2011, the allowances for impairment losses on loans and advances to customers increased by RMB12,067 million from the end of last year to RMB155,169 million, while the ratio of allowances to non-performing loans was 244.68%, up 23.54 percentage points over the end of last year. The ratio of allowances to total loans increased by 0.01 percentage points to 2.53%.

Investments

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	118,480	4.18	17,344	0.60
Available-for-sale financial assets	628,602	22.20	696,848	23.98
Held-to-maturity investments	1,777,779	62.78	1,884,057	64.86
Debt securities classified as receivables	307,117	10.84	306,748	10.56
Total investments	2,831,978	100.00	2,904,997	100.00

As at 30 June 2011, total investments decreased by RMB73,019 million over the end of last year to RMB2,831,978 million. Available-for-sale financial assets and held-to-maturity investments decreased by RMB68,246 million and RMB106,278 million respectively, mainly because the Group reduced investments on the central bank bills substantially. Debt securities classified as receivables increased by RMB369 million, mainly due to the increase of bond investments in bank and non-bank financial institutions.

Debt securities investments

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments in RMB	2,656,696	97.83	2,814,711	97.89
Debt securities investments in foreign currency	59,060	2.17	60,794	2.11
Total debt securities investments	2,715,756	100.00	2,875,505	100.00

Debt securities investments in foreign currency

As at 30 June 2011, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$9,137 million (or RMB59,060 million).

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

(In millions of US dollars)	Allowances for impairment losses	Carrying amount[1]
US sub-prime mortgage debts	(241)	100
First lien debt securities	(165)	93
Second lien debt securities	(76)	7
Related residential mortgage collateralised debt obligations (CDO)	(411)	-
Total	(652)	100

1. The carrying amount is net of allowances for impairment losses.

The carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$100 million (or RMB646 million), accounting for 1.09% of the foreign currency debt securities investment portfolio.

As at 30 June 2011, the carrying amount of the Alt-A bonds held by the Group was US$193 million (or RMB1,250 million), accounting for 2.12% of the foreign currency debt securities investment portfolio.

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

Interest receivable

As at 30 June 2011, the Group's interest receivable was RMB54,628 million, an increase of RMB10,540 million, or 23.91%, over the end of last year.

Liabilities

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

	As at 30 June 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Deposits from customers	9,892,108	89.80	9,075,369	89.77
Deposits and placements from banks and non-bank financial institutions	773,109	7.02	749,809	7.42
Financial assets sold under repurchase agreements	3,061	0.03	4,922	0.05
Debt securities issued	104,860	0.95	93,315	0.92
Others[1]	242,952	2.20	185,997	1.84
Total liabilities	11,016,090	100.00	10,109,412	100.00

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

As at 30 June 2011, the Group's total liabilities was RMB11,016,090 million, an increase of RMB906,678 million, or 8.97% over the end of last year. Deposits from customers remained the

Group's primary source of funding, accounting for 89.80% of the total liabilities, up 0.03 percentage points over the end of last year. Deposits and placements from banks and non-bank financial institutions grew by RMB23,300 million over the end of last year, or 3.11%. Financial assets sold under repurchase agreement decreased by RMB1,861 million over the end of last year, or 37.81%. Debt securities issued increased by RMB11,545 million over the end of last year, mainly because of the increase of certificates of deposits issued by overseas branches.

Deposits from customers

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Corporate deposits	5,341,660	54.00	4,948,152	54.52
Demand deposits	3,507,765	35.46	3,368,425	37.12
Time deposits	1,833,895	18.54	1,579,727	17.40
Personal deposits	4,424,943	44.73	4,022,813	44.33
Demand deposits	1,883,655	19.04	1,714,952	18.90
Time deposits	2,541,288	25.69	2,307,861	25.43
Overseas operations	125,505	1.27	104,404	1.15
Total deposits from customers	9,892,108	100.00	9,075,369	100.00

As at 30 June 2011, the Group's total deposits from customers reached RMB9,892,108 million, an increase of RMB816,739 million, or 9.00% over the end of last year. Domestic personal deposits went up by RMB402,130 million, up 10.0%, against the 7.95% increase in domestic corporate deposits. The proportion of personal deposits out of total deposits from customers increased by 0.40 percentage points to 44.73%.

Shareholders' Equity

(In millions of RMB)	**As at 30 June 2011**	**As at 31 December 2010**
Share capital	250,011	250,011
Capital reserve	135,158	135,136
Investment revaluation reserve	4,280	6,706
Surplus reserve	50,681	50,681
General reserve	67,422	61,347
Retained earnings	229,648	195,950
Exchange reserve	(3,602)	(3,039)
Total equity attributable to shareholders of the Bank	733,598	696,792
Non-controlling interests	5,078	4,113
Total equity	738,676	700,905

As at 30 June 2011, the Group's total equity reached RMB738,676 million, an increase of RMB37,771 million from the end of last year. The ratio of total equity to total assets for the Group was 6.28%, down 0.20 percentage points when compared to the end of last year.

Capital Adequacy Ratio

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

(In millions of RMB, except percentages)	**As at 30 June 2011**	**As at 31 December 2010**
Core capital adequacy ratio[1]	10.42%	10.40%
Capital adequacy ratio[2]	12.51%	12.68%
Components of capital base		
Core capital:		
Share capital	250,011	250,011
Capital reserve, investment revaluation reserve and exchange reserve[3]	131,558	127,536
Surplus reserve and general reserve	118,103	112,028
Retained earnings[3,4]	191,257	140,995
Non-controlling interests	5,078	4,113
	696,007	634,683
Supplementary capital:		
General provision for doubtful debts	62,054	57,359
Positive changes in fair value of financial instruments at fair value through profit or loss	3,803	7,547
Subordinated bonds issued	80,000	80,000
	145,857	144,906
Total capital base before deductions	841,864	779,589
Deductions:		
Goodwill	(1,698)	(1,534)
Unconsolidated equity investments	(14,484)	(13,695)
Others[5]	(2,327)	(1,911)
Net capital	823,355	762,449
Risk-weighted assets[6]	6,579,846	6,015,329

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

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2011, the Group's capital adequacy ratio was 12.51%, down 0.17 percentage points; and the core capital adequacy ratio was 10.42%, up 0.02 percentage points over the end of last year. This was mainly because the rapid growth of Group's profit in the first half year, and the further enhanced core capital. At the same time, the Group actively controlled the growth rate of off-balance sheet risk assets, reduced inefficient use of capital, and improved capital allocation structure by enhancing the active management of capital, improving the awareness of capital intensive use, and strengthening the analysis of capital use efficiency of on- and off-balance sheet assets, which played an active role in maintaining a stable capital adequacy ratio.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

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

	As at 30 June 2011		**As at 31 December 2010**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Normal	5,862,439	95.48	5,405,694	95.35
Special mention	214,531	3.49	198,722	3.51
Substandard	30,734	0.50	28,718	0.51
Doubtful	24,692	0.40	28,923	0.51
Loss	7,991	0.13	7,071	0.12
Gross loans and advances to customers	6,140,387	100.00	5,669,128	100.00
Non-performing loans	63,417		64,712	
Non-performing loan ratio		1.03		1.14

In 2011, the Group stepped up credit structure adjustments. It further consolidated achievements of the year-long post-lending management programme, strengthened surveillance of potential risk areas to mitigate associated risks in advance, and expedited NPL disposal. As a result, credit asset quality continued to improve steadily. As at 30 June 2011, the Group's NPLs were RMB63,417 million, a decrease of RMB1,295 million from the end of 2010, while the NPL ratio dropped by 0.11 percentage points from the end of 2010 to 1.03%. Ratio of special mention loans fell to 3.49%, 0.02 percentage points lower than the end of 2010.

Distribution of Loans and NPLs by Product Type

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

(In millions of RMB, except percentages)	As at 30 June 2011			As at 31 December 2010		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans	4,248,620	56,450	1.33	3,976,865	56,090	1.41
Short-term loans	1,279,616	19,595	1.53	1,160,747	22,373	1.93
Medium to long-term loans	2,969,004	36,855	1.24	2,816,118	33,717	1.20
Personal loans	1,543,374	5,550	0.36	1,368,811	5,920	0.43
Residential mortgage loans	1,219,834	2,758	0.23	1,091,116	2,966	0.27
Personal consumer loans	78,112	857	1.10	78,881	962	1.22
Other loans[1]	245,428	1,935	0.79	198,814	1,992	1.00
Discounted bills	94,467	-	-	142,835	-	-
Overseas operations	253,926	1,417	0.56	180,617	2,702	1.50
Total	6,140,387	63,417	1.03	5,669,128	64,712	1.14

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

As at 30 June 2011, the NPL ratio for corporate loans dropped by 0.08 percentage points from the end of 2010 to 1.33%. As for personal loans, the NPL ratio was 0.36%, 0.07 percentage points lower than at the end of 2010. Thanks to the Group’s strengthened risk management in overseas operations through the year-long overseas risk management programme, and the mitigation of large risk exposures, the NPLs of overseas operations continued to decrease.

Distribution of Loans and NPLs by Industry

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

(In millions of RMB, except percentages)	As at 30 June 2011				As at 31 December 2010			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	4,248,620	69.19	56,450	1.33	3,976,865	70.15	56,090	1.41
Manufacturing	1,053,556	17.17	22,278	2.11	978,816	17.27	22,193	2.27
Transportation, storage and postal services	703,242	11.45	6,204	0.88	647,332	11.42	6,219	0.96
Production and supply of electric power, gas and water services	548,826	8.94	4,669	0.85	518,327	9.14	4,424	0.85
Real estate	419,387	6.83	6,313	1.51	402,922	7.11	6,624	1.64
Leasing and commercial services	375,224	6.11	3,013	0.80	359,612	6.34	1,997	0.56
- Commercial services	367,271	5.98	2,990	0.81	353,326	6.23	1,979	0.56
Wholesale and retail trade	250,740	4.08	4,737	1.89	214,800	3.79	5,080	2.36
Water, environment and public utilities management	217,276	3.54	1,766	0.81	216,168	3.81	1,909	0.88
Construction	172,662	2.81	1,659	0.96	149,676	2.64	1,799	1.20
Mining	152,551	2.48	1,051	0.69	143,432	2.53	769	0.54
- Exploitation of petroleum and natural gas	16,010	0.26	41	0.26	13,422	0.24	41	0.31
Education	101,425	1.65	891	0.88	100,050	1.76	1,219	1.22
Telecommunications, computer services and software	20,990	0.34	812	3.87	25,686	0.45	795	3.10
- Telecommunications and other information transmission services	17,041	0.28	181	1.06	21,869	0.39	92	0.42
Others	232,741	3.79	3,057	1.31	220,044	3.89	3,062	1.39
Personal loans	1,543,374	25.13	5,550	0.36	1,368,811	24.15	5,920	0.43
Discounted bills	94,467	1.54	-	-	142,835	2.52	-	-
Overseas operations	253,926	4.14	1,417	0.56	180,617	3.18	2,702	1.50
Total	6,140,387	100.00	63,417	1.03	5,669,128	100.00	64,712	1.14

In 2011, the Group continued to improve its industry-specific lending and exit criteria, and strengthened limit management for various industries to promote credit structure adjustments. The NPL ratios of industries with higher NPL ratios such as manufacturing, wholesale and retail trade, as well as real estate continued to decline, down 0.16, 0.47 and 0.13 percentage points respectively from the end of last year. Meanwhile, the Group enhanced the risk surveillance in key areas including local government financing vehicles, proactively implemented the reexamination and rectification of loans to local government financing vehicles to ensue early discovery, early classification and early disposal of associated risks. As a result, the asset quality base was further consolidated.

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

There are no differences in the net profit for the six months ended 30 June 2011 or total equity as at 30 June 2011 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

Business Review

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

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

	For the six months ended 30 June 2011		**For the six months ended 30 June 2010**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Corporate banking	58,385	48.34	48,925	53.07
Personal banking	22,702	18.79	17,086	18.53
Treasury business	37,444	31.00	25,369	27.52
Others and unallocated	2,258	1.87	814	0.88
Profit before tax	120,789	100.00	92,194	100.00

Corporate Banking

In the first half of 2011, profit before tax from the Group's corporate banking maintained steady growth, and rose to RMB58,385 million with an increase of 19.34% over the same period last year, accounting for 48.34% of the Group’s profit before tax. Under dual positive influences of growth in the average loan balance and rise of pricing level, net interest income increased by 18.18%; net fee and commission income recorded a robust growth of 42.50% over the same period last year.

At the end of June 2011, the Group's corporate loans totalled RMB4,248,620 million, an increase of RMB271,755 million over the end of last year. The increase was RMB114,268 million lower than that for the same period last year, due to effective controls on credit growth. Asset quality remained stable, and non-performing corporate loans was RMB56,450 million, representing a NPL ratio of 1.33%, a decrease of 0.08 percentage points over the end of last year. While the deposit market became increasingly competitive, corporate deposits continued to grow by RMB393,508 million to RMB5,341,660 million.

Credit structure continued to improve. Loans to infrastructure sectors increased by RMB99,222 million over the end of last year. Loans to the real estate sector increased by 4.09%, 2.74 percentage points lower than corporate loan growth, and such loans mainly supported the development and construction of residential projects and focused on large or medium-sized cities where the real estate markets were relatively stable. Due to continuous efforts in implementing customer list management and strict lending criteria, the loans to the six major industries with excess capacity, including iron and steel, plate glass and coal-chemical industries, continued to decline. The Bank earnestly cleaned up lending to government financing vehicles in accordance with regulatory requirements, making smooth progress and keeping risk under control with stable asset quality and basically rational structure. Through measures such as imposing additional collaterals and guarantees, clean-up and recoveries, the potential risk of loans to certain government financing vehicles was gradually mitigated.

Emerging credit business and loans to livelihood sectors achieved fast growth. Loans to small businesses increased by 12.62% to RMB825,899 million, 5.79 percentage points higher than the growth rate of corporate loans. The number of small business customers grew to 68,557, an increase of 6,858 customers from the end of last year. With the steady promotion of the "Minben Tongda" brand, loans to education, health and other key livelihood sectors reached RMB224,156 million. With regard to internet banking business, the Bank cooperated with nine e-commerce platforms with an increase of more than RMB10 billion in related loans, and developed eight sub-brands under the "E-Loan" series. Domestic factoring business achieved fast growth, with the balance of advance factoring totalling RMB99,199 million, up 46.97% over the end of 2010. To support the development of indemnificatory housing projects, loans in this area increased by RMB7,493 million from the end of last year to RMB18,819 million. Agriculture-related loans continued to increase rapidly, totalling RMB973,310 million. The number of pilot branches to promote loans for new countryside construction increased to eight with a loan balance of RMB19,824 million, an increase of RMB12,409 million over the end of 2010.

Fee-based business continued to grow rapidly with increased income contribution from key products. Net fee and commission income for the first half of 2011 reached RMB21,928 million, an increase of 42.50% from the same period last year. Income from corporate RMB settlement and cost advisory service exceeded RMB3 billion, and the income from international settlement, domestic factoring, insurance agency service and trading fund custody businesses exceeded RMB1.5 billion.

- **Institutional business maintained good growth momentum.** CCB continued to rank first among its peers in terms of the number of budget units it is authorised to provide central government agency payment service, the volume of agency disbursement, and related fee income. Fee income generated from the "Safe Deal" custodial service for trading funds grew to RMB1,592 million, an increase of 39.40% over the same period last year. Customers of independent custodial service "Xincunguan" for securities settlement funds totalled 20.77 million, ranking top in the market in terms of both customer base and fee income. Income from fund collection and payment agency service under fund trust plans totalled RMB894 million, ranking first among PRC banks. CCB continued to enjoy close to 50% market share in the provision of through-train banking services for futures, cooperating with 150 futures companies to serve 630,000 customers.

- **International business delivered outstanding performance.** In the first half of the year, the international settlement volume of the Bank reached US$419,513 million, an increase of 35.04% over the same period last year. Income from international settlement reached RMB2,479 million, an increase of 55.62% over the same period last year. With strong promotion of the key products, cross-border RMB settlement totalled RMB112,711 million, an increase of RMB106,240 million from the same period last year. International guarantee business continued healthy growth, with its income up by 32.38%. The promotion of innovative products including import and export commodity financing and supply chain financing successfully raised the market awareness. Due to its overall strength and excellent performance in trade finance and international business, CCB was awarded "Best Domestic Trade Finance Bank in China" by US magazine *Global Finance*.

- **Asset custodial service continued to grow in scale.** At the end of June 2011, the scale of the Bank's asset custodial service exceeded RMB1,600 billion, achieving a fee income of RMB966 million. Insurance assets under custody increased by 68.94% over the end of last year to RMB217,267 million. Wealth management products under custody increased by

89.94% over the end of last year to RMB466,376 million. Securities companies' collective assets management plans under custody continued to command the largest market share. Net asset value of securities investment funds (including QDII funds) under custody totalled RMB578,324 million and units of funds totalled 564.1 billion units, both ranking second in the market. Enterprise annuity funds under custody reached RMB43,047 million, an increase of 17.46% over the end of last year.

- **Annuity business grew steadily.** At the end of June 2011, the Bank had 3.35 million contracted individual customers of enterprise annuities, an increase of 690 thousand from the end of 2010. Contracted assets under trusteeship amounted to RMB14,917 million, an increase of RMB847 million from the end of last year. The standardised enterprise annuity product line of "Yangyile" series targeting SMEs continued to improve, with 6,739 contracted SMEs, an increase of 56.72%.

Personal Banking

Personal banking achieved profit before tax of RMB22,702 million with an increase of 32.87% over the same period last year, accounting for 18.79% of the Group's profit before tax. This was mainly because net interest income increased by 20.03%, and net fee and commission income grew by 35.86% over the same period last year.

Personal loans developed steadily with strong market presence of advantage products and sound asset quality. At the end of June 2011, personal loans reached RMB1,543,374 million, an increase of 12.75%; the increase in personal loans accounted for 37.04% of the growth of loans and advances to customers; the NPL ratio was 0.36%. Residential mortgage loans increased to RMB1,219,834 million by RMB128,718 million compared to the end of last year, ranking first both in loan balance and increase. The NPL ratio of residential mortgage loans was 0.23%, among the lowest in the market. Residential mortgage loans were mainly granted to support citizens' financing needs to buy self-use apartments, with the focus prioritised towards areas with relatively stable property markets. The average down payment ratio of newly-granted residential mortgages was 42.7%, representing enhanced risk resistance capability. The Bank actively supported the government's indemnificatory housing construction projects, and disbursed a total of RMB34,403 million worth of commercial residential mortgage loans and provident fund housing loans in this area. As part of the Bank's efforts to support promising personal businesses in the specialised markets and industrial clusters, personal business loans increased by RMB16,789 million over the end of last year to RMB64,871 million, concentrated mainly in the Yangtze River Delta, Pearl River Delta and other developed regions.

Personal deposits grew steadily. The Bank responded actively to the challenges and opportunities presented by the rapid development of the wealth management products by improving sales mechanism and leveraging the related cash inflows. The aggressive promotion of settlement cards, telephone-POS and other effective settlement tools, boosted the growth of personal deposits. At the end of June 2011, the personal deposits balance was RMB4,424,943 million, an increase of 10.00%.

Entrusted housing finance business continued to be the market leader. The Bank strengthened the cooperation with local housing fund management departments, actively developed new products, promoted the use of co-branded provident fund cards, and provided provident fund e-channel services, entrusted fund withdrawals and payments and micro-payment services. At the end of June 2011, the Bank continued to enjoy the largest market share with provident fund deposits of RMB 332,460 million and loans of RMB562,624 million.

Bank card issuance remained robust, with substantial increase in consumer transactions. CCB continuously improved its credit card brand in the market, through hosting competitions, forums, live microblog broadcasting, website promotions, feature reports and other marketing channels. Through refining credit management, and strengthening credit profile reviews and anti-fraud risk management, credit card asset quality remained healthy with enhanced risk prevention techniques. In the first half of the year, the number of credit cards issued increased by 2.34 million, with the card number totalling 30.29 million and the spending amount reaching RMB261,740 million, representing an increase of 45.20% over the same period last year. In this amount, the installment payments recorded a transaction amount of RMB18.8 billion, an increase of 360% over the same period last year. The loan balance reached RMB72,987 million, representing an increase of 31.65% over the end of last year. The number of debit cards issued increased by 36.57 million, with the card number totalling 329 million and the spending amount reaching RMB828,404 million, an increase of 51.57% over the same period last year, generating a fee income of RMB4,030 million.

Financial services for high-end customers were further upgraded. In the first half of the year, the Bank achieved a 17% increase in the number of customers with more than RMB3 million financial assets under management, and a 21% increase in the number of customers with more than RMB10 million. The Bank actively responded to customers' wealth management demands by exploring various channels to supply suitable wealth management products, and launched wealth management cards, private banking cards, and exclusive large-sum time deposits products, in order to create a differentiated and comprehensive financial product and service system for high-end customers. The Bank leveraged on its edge in exclusive value-added service for private banking customers with "SiXiangJia" series marketing activities, introducing its Hong Kong investment immigration services. The private banking team worked with the small business team on collaborative marketing efforts, in order to maintain and attract customers with better service.

Treasury Business

With the growth of the treasury business scale and rising yields, net interest income rose by 51.73% over the same period last year. Net fee and commission income continued its rapid growth, an increase of 48.42% over the same period last year. Due to continuing recovery of foreign currency bond market, there was a reversal of impairment losses. As a result, profit before tax from treasury business increased significantly by 47.60% over the same period last year, and the contribution to the Group's profit before tax rose to 31.00%.

Financial market business

With regard to the deployment of funds in RMB, the Bank proactively dealt with the impact of consecutive hikes in the statutory reserve ratio with sound liquidity, and raised the yield of RMB-denominated bond investments. The Bank maintained its first place in underwriting treasury bonds. Yield of trading bonds was significantly higher than market benchmark index. The Bank also ranked first for over-the-counter transaction volume of book-entry treasury bonds. In terms of deployment of funds in foreign currencies, the Bank continued to support overseas business development, prevent counterparty credit risk and further improve the structure of its foreign currency bond portfolio.

There was significant development in the gold trading business with strengthened market position. In the first half of the year, a total of 949.28 tonnes of gold were traded, representing an increase of 85.91% over the same period last year, with RMB account gold making up more than

50% of these gold market transactions. The CCB brand physical gold continued to command the largest market share.

Foreign exchange purchases and sales and foreign exchange trading grew steadily. The volume of customer-driven foreign exchange purchases and sales and foreign exchange trading reached US$190,170 million, an increase of 32.34% over the same period last year. Boosted by increased flexibility of RMB spot exchange rate against foreign currencies, forward foreign exchange purchases and sales increased by 42.15% over the same period last year.

Investment Banking

The Bank actively promoted comprehensive long-term business relationship with government institutions, corporations and individual customers with the support of its financial total solutions. In the first half of the year, income from investment banking business reached RMB10,677 million, an increase of 47.59% over the same period last year. Over RMB290 billion was raised for customers through equity investment, debt financing and other means.

Income from financial advisory service totalled RMB6,267 million, an increase of 50.11% over the same period last year. The new financial advisory service accounted for 50.42% of the financial advisory service income, contributing a total of RMB3,160 million, an increase of 131.67%. Income from M&A and restructuring advisory service increased by 50.99% over the same period last year, totalling RMB536 million.

The Bank’s debt financing instrument underwriting business maintained its competitive edge, with income rising by 18.07% over the same period last year to RMB588 million. The underwriting amount of short-term commercial papers reached RMB74,615 million, ranking first among its peers. The Bank actively participated in the product innovation pilot project of the National Association of Financial Market Institutional Investors, and issued the first private-placement bond in the inter-bank bond market.

Wealth management business developed rapidly. The Bank strived to satisfy investors’ demand while ensuring that the investments are in compliance with the government’s macro-control policies and regulatory policies. In the first half of the year, a total of 745 batches of wealth management products were designed and issued, and an amount of RMB2,100,333 million was raised, representing an increase of 104.05% over the same period last year. The balance of wealth management products was RMB503,198 million, representing an increase of 54.26% over the end of last year. This generated fee income of RMB3,564 million, an increase of 39.55% from the same period last year. The Bank continued to promote its “Qianyuan – Rixinyueyi” product series targeted at high-net-worth customers and “Qianyuan – Ririxingao” product series targeted at general customers, and also developed multiple new short-term wealth management products.

Analysis of Geographical Segment

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

(In millions of RMB, except percentages)	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	22,146	18.33	16,601	18.01
Pearl River Delta	15,947	13.20	12,561	13.62
Bohai Rim	17,127	14.18	14,054	15.24
Central	15,601	12.92	12,283	13.32
Western	13,688	11.33	13,172	14.29
Northeastern	6,601	5.46	4,387	4.76
Head office	27,703	22.94	17,975	19.50
Overseas	1,976	1.64	1,161	1.26
Profit before tax	120,789	100.00	92,194	100.00

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	1,410,170	22.96	1,321,708	23.31
Pearl River Delta	913,078	14.87	858,420	15.14
Bohai Rim	1,073,592	17.48	1,008,340	17.79
Central	988,423	16.10	922,185	16.27
Western	1,040,197	16.94	963,636	17.00
Northeastern	379,956	6.19	350,584	6.18
Head office	81,045	1.32	63,638	1.12
Overseas	253,926	4.14	180,617	3.19
Gross loans and advances to customers	6,140,387	100.00	5,669,128	100.00

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

(In millions of RMB, except percentages)	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	2,083,920	21.06	1,895,511	20.89
Pearl River Delta	1,576,991	15.94	1,435,742	15.82
Bohai Rim	1,772,268	17.92	1,662,231	18.32
Central	1,767,348	17.87	1,602,656	17.66
Western	1,783,583	18.03	1,645,659	18.13
Northeastern	734,831	7.43	668,217	7.36
Head office	47,662	0.48	60,949	0.67
Overseas	125,505	1.27	104,404	1.15
Deposits from customers	9,892,108	100.00	9,075,369	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 30 June 2011					
	Assets (In millions of RMB)	**% of total**	**Number of branches[1]**	**% of total**	**Number of staff[1]**	**% of total**
Yangtze River Delta	2,268,336	19.30	2,246	16.69	46,518	14.95
Pearl River Delta	1,778,522	15.13	1,686	12.53	36,161	11.62
Bohai Rim	2,088,260	17.76	2,181	16.22	53,617	17.23
Central	1,859,698	15.82	3,260	24.23	69,553	22.35
Western	1,868,724	15.90	2,706	20.11	63,287	20.33
Northeastern	765,273	6.51	1,360	10.11	34,894	11.21
Head office	4,970,164	42.28	3	0.02	6,690	2.15
Overseas	368,512	3.14	12	0.09	502	0.16
Elimination	(4,232,657)	(36.01)				
Unallocated assets	19,934	0.17				
Total	11,754,766	100.00	13,454	100.00	311,222	100.00

1. Data for the Bank, and the number of staff does not include the workers dispatched by labour leasing companies.

Prospects

In the second half of 2011, there still exists a great amount of uncertainty over the economic recovery in Europe and America, while growth in emerging economies is expected to remain strong. China's economy is expected to maintain steady growth, but the growth rate is likely to slow down. While the risk of inflation seems to be controllable, the task of economic structural adjustment and transformation of development patterns remain arduous.

The current situation presents both opportunities and challenges to the operations of the Group. On the one hand, transformation of economic development patterns and adjustment to economic structure is favourable for CCB to pursue its credit structure adjustment; more liberal environment for integrated operations provides excellent opportunities for nurturing new types of businesses; the progress in the liberalisation of interest rates and foreign exchange rates provides larger room for financial innovation; the rising effective credit demand leads to the Group's stronger pricing capability. On the other hand, due to the combined effect of tightening liquidity and volatile capital market, it becomes more difficult to expand deposits; the pressures from regulatory constraints and peer competition pose higher demand for management capabilities.

In line with the government's macroeconomic policies and development trend of financial industry, the Group will adhere to its "customer-focused" philosophy, accelerate its business transformation, and change its business development style to enhance its core competitiveness and value creation capability. First, for credit business, based on the principle of "prudently controlling the loan size and pace of growth, and adjusting the loan structure to ensure the asset quality and expand the interest spread", the Group will continue to reinforce its credit policies, and strengthen post-lending management, the management of off-balance sheet activities and overseas branches, and risk controls over key areas including government financing vehicles, real estate sector and industries with excess capacity, with an aim to further enhancing its overall risk management capability. Second, the Group will strengthen its liability business management by effectively improving its capabilities in relation to fundamentals such as customer, service, product, channel to maintain the steady growth of customer deposits. Third, the Group will continue to actively support the development of new strategic businesses by promoting its advantage brands in services for small enterprises and livelihood sector, electronic banking, investment banking and wealth management areas. Last but not least, the Group will continue to promote the development of fee-based business through in-depth implementation of various development initiatives in order to keep its market advantage.

OTHER INFORMATION

Corporate Governance

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

The 2010 annual general meeting of the Bank elected new members of the board of directors. The composition of the independent directors of the Bank meets the requirements of the Bank's Articles of Association and applicable regulatory provisions for professionalism and independence. Considering the characteristics of different committees and expertise of related directors in the composition of committee members, the Board elected the independent director Dame Jenny Shipley as the chairperson of the nomination and compensation committee.

Throughout the six months ended 30 June 2011, the Bank has complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and has complied with most of the recommended best practices therein.

Purchase, Sale and Redemption of Shares

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

Directors and Supervisors' Securities Transactions

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange in relation to securities transactions by directors and supervisors. Directors and supervisors of the Bank have, during the six months ended 30 June 2011, complied with the provisions of this code of practice.

Review of Half-year Report

The Group's 2011 half-year financial statements prepared under the PRC GAAP has been reviewed by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the Group's 2011 half-year financial statements prepared under the IFRS has been reviewed by PricewaterhouseCoopers.

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

By order of the board of directors
CHINA CONSTRUCTION BANK CORPORATION
Zhang Jianguo
Vice chairman, executive director and president

19 August 2011

As of the date of this announcement, the Bank's executive directors are Mr. Guo Shuqing, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; independent non-executive directors are Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man; and non-executive directors are Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Ms. Sue Yang, Mr. Lu Xiaoma and Ms. Chen Yuanling.