中国建设银行
China Construction Bank

Half-Year Report 2011

China Construction Bank Corporation

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

Stock Code: 939

Contents

Financial Highlights

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

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as “CCB”)
Legal representative	Guo Shuqing
Authorised representatives	Zhang Jianguo Chan Mei Sheung
Secretary to the Board	Chen Caihong Contact Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Company secretary	Chan Mei Sheung
Qualified accountant	Yuen Yiu Leung
Registered address/business address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the half-year report prepared in accordance with IFRS	www. hkex.com.hk
Place where copies of this half-year report are kept	Board of directors office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
Date and place of first incorporation	17 September 2004 State Administration for Industry & Commerce of the People’s Republic of China
Registration number of the corporate legal person business license	100000000039122
Organisation code	10000444-7

Financial license institution number	B0004H111000001
Taxation registration number	京税證字110102100004447
Certified public accountants	PricewaterhouseCoopers Zhong Tian CPAs Limited Company Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Jun He Law Offices Address: China Resources Building, 20/F 8 Jianguomenbei Avenue, Dongcheng District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 28th Floor, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Dear shareholders,

In the first half of 2011, under the backdrop of the complex and fast-changing domestic and international environment, the Group implemented a sound development strategy that actively promoted business transformation and innovation. The Group continued to improve its business structure, and achieved sustained growth in operating performance. In addition, major financial indicators such as profitability, asset quality, and capital adequacy ratio continued to maintain a leading position among peers.

In the first half of 2011, the Group made a net profit of RMB92,953 million, up 31.33% over the same period last year. The annualised return on average assets was 1.65%, up 0.22 percentage points, while the annualised return on average equity was 24.98%, up 0.98 percentage points over the same period in 2010. The net interest margin was 2.66%, up 25 basis points over the same period in 2010. Net fee and commission income grew rapidly, commanding 24.17% of operating income. Both non-performing loans ("NPLs") and NPL ratio decreased compared to the end of 2010, with a substantial increase in the ratio of allowances to NPLs to 244.68%. The capital adequacy ratio was 12.51% and the core capital adequacy ratio was 10.42%.

Various businesses maintained good growth momentum. Credit volume and lending pace were kept at a reasonable level with further improvement in credit structure. The Group led the market in terms of volume, loan increase and asset quality of residential mortgage loans. Loans to small and medium-sized enterprises ("SMEs") and agriculture-related areas continued to grow rapidly. Loans to industries with excess capacity decreased and loans to real estate industry only increased by 4.09% over the end of last year. The Group imposed tight control on new government financing vehicles loans, while continuing to provide quality financial services to key national projects. Meanwhile, the Group's emerging businesses recorded strong growth, and multiple businesses, including financial advisory services, electronic banking, credit cards, underwriting of short-term commercial papers, custodial and pension services, maintained leading positions in the market in terms of market share and growth rate.

The Group enhanced its risk and internal control management capabilities. In the first half of 2011, the Group continued to explore a proactive risk management approach and embedded risk management in customer services. The Group further refined capital control and economic value added assessment, promoted business structure adjustment, and strengthened the fundamental management of off-balance sheet activities, overseas business and collaterals to further consolidate its asset quality. Through refinement of the measurement tools in risk management, the Group enhanced its risk identification and management capabilities. Lastly, the Group actively completed the various tasks in preparation for the new Basel Capital Accord, and put the related results to wide use in practical management to enhance its overall risk management capabilities.

The Group made new progress in the development of integrated operations capability. The Group established CCB Life Insurance Co., being the first bank among the big four state-owned banks to own controlling interests in a life insurance company. Businesses at subsidiaries in investment banking, mutual fund, trust, leasing and housing savings, maintained steady growth. A total of 33 rural banks were established or in the process of establishment. As a result, the Group's comprehensive financial service capability was further enhanced. The Group gained international presence in 13 overseas countries and regions, with the opening of representative offices in Taipei and Moscow, and roughly completed its network positioning at the world's major financial centres, acquiring the ability and basic structure to provide 24-hour non-stop banking service.

The Group continued to deepen strategic cooperation with international financial institutions. In the first half of 2011, together with Bank of America, the Group launched 44 experience-sharing and collaborative projects involving retail banking, human resources management, risk management and information management, and arranged eight training sessions in the US. In the areas of information technology, electronic banking, wealth management and private banking, experts from Bank of America continued to provide ongoing business consultancy and advice. Meanwhile, the two parties keenly discussed plans for future cooperation. In addition, the Group continued cooperation with Temasek in trainings for wealth management and private banking areas. The Group continued to strengthen strategic cooperation with Banco Santander in many areas including rural banks, university financial service, trade finance and risk management.

In the first half of 2011, the Group continued to rise in major international rankings, winning over 50 awards from renowned local and international institutions. The Group was ranked 10th in "Top 500 Banking Brands 2011" by *The Banker*, up 3 places from 2010. Our ranking in the "Fortune Global 500" rose to 108th by 8 places. For the third consecutive year, the Group won the "Corporate Governance Asia Recognition Award" issued by Hong Kong publication *Corporate Governance Asia*. In addition, we were named the "Best Bank in China", "Best Domestic Bank, China" and "Best Private Bank in China" by *Finance Asia, The Asset and Euromoney* respectively.

In the second half of 2011, China's economy is expected to continue its steady growth, despite numerous unstable factors and increased uncertainties. Apart from the inflationary pressure and assets bubble, some enterprises and projects under construction might show signs of financial difficulties, posing new challenges to the banking sector. In the first year of implementing the "12th Five-Year Plan", we will keenly study the macroeconomic changes, and adhere to our "customer-focused, market-oriented" philosophy. We will improve management fundamentals, deepen structural adjustments, and continuously enhance our core competitiveness and value creation capabilities, to successfully fulfill the plans for the year.

Guo Shuqing
Chairman

19 August 2011

Dear shareholders,

In the first half of 2011, the global economy was on a recovery trend as a whole while the pace slowed down. China's economy maintained a stable and relatively fast growth under the backdrop of higher inflationary pressure and tighter regulatory requirements. Facing the complex and fast-changing external operating environment, the Group focused on both development and management, made timely adjustments to its business strategy with continued efforts in structural adjustments, and achieved steady and coordinated business development.

Good performance and better asset quality

Operating profit has attained a record high. In the first half of 2011, the Group achieved a profit before tax of RMB120,789 million, an increase of 31.02% compared to the same period in 2010; net profit was RMB92,953 million, an increase of 31.33%. Operating income was RMB197,246 million, in which net interest income increased by 23.69% compared with the same period last year, and net fee and commission income rose by 41.70% to RMB47,671 million, accounting for 24.17% of operating income, representing a more reasonable revenue structure. The cost-to-income ratio was 31.72%, 1.92 percentage points lower than that for the same period last year.

Assets and liabilities recorded steady growth. As at 30 June 2011, total assets increased by 8.74% to RMB11,754,766 million compared to the end of 2010. Loans and advances to customers grew by 8.31% to RMB6,140,387 million, and deposits from customers increased by 9.00% to RMB9,892,108 million compared to the end of 2010. The loan-to-deposit ratio was 62.07%.

The asset quality of the Group continued to improve. As at 30 June 2011, the Group's NPLs were RMB63,417 million, down by RMB1,295 million compared to the end of last year. The NPL ratio decreased by 0.11 percentage points to 1.03% compared to that as at 31 December 2010. The ratio of allowances for impairment losses to non-performing loans increased to 244.68% by 23.54 percentage points from that as at the end of last year.

Sound credit growth and multiple leading businesses

Corporate credit growth was under effective control with timely structural adjustments. 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 loan growth decreased by RMB114,268 million compared to the same period last year. Loans to agriculture-related areas attained fast development and rose to RMB973,310 million. Loans to small businesses increased by 12.62% to RMB825,899 million, 5.79 percentage points higher than the growth rate of corporate loans. Loans to education, health and other key livelihood sectors reached RMB224,156 million. Loans to industries with excess capacity continued to decrease. Loans to real estate sector increased by 4.09%, and mainly supported the development of residential projects. Risk associated with loans to government financing vehicles was under control. Proportion of loans to government financing vehicles fully covered by cash flows continued to rise, and the majority of loans to government financing vehicles with low cash flows secured effective protections.

Personal loans grew steadily with sound asset quality. In the first half of the year, personal loans increased by RMB174,563 million over the end of 2010, accounting for 37.04% of the growth of total loans and advances to customers, and the balance reached RMB1,543,374 million. Residential mortgage loans continued to dominate the market as CCB's key product and rose to RMB1,219,834 million, an increase of RMB128,718 million, with both the balance and growth ranking first among its peers. Non-performing loan ratio of residential mortgage loans was only 0.23%, the lowest compared to its peers.

Outstanding performance in international business. In the first half of the year, the Group recorded the largest growth in foreign exchange deposits in the market compared to the end of 2010. Foreign exchange loans increased by US$3,899 million, with improving asset quality. Customer-driven foreign exchange purchases and sales and foreign exchange trading increased by 32.34% over the same period last year while the trading volume of forward foreign exchange purchases and sales increased by 42.15%. International settlement volume amounted to US$419,513 million, an increase of 35.04% over the same period last year, generating an income of RMB2,479 million, an increase of 55.62%. The innovative products including import and export commodity financing and supply chain financing were well received by the market.

Credit card business maintained rapid development with growing market presence. CCB raised its credit card market presence through various marketing initiatives in order to improve customer experience on an ongoing basis. Credit cards issued totalled 30.29 million. Credit card spending reached RMB261,740 million, up 45.20% over the same period last year, and related loan balance was RMB72,987 million, up 31.65% over the end of last year.

Income from the financial market and investment banking businesses grew rapidly. In the first half of the year, the yield of the Group's RMB bond investments rose substantially. The Group ranked first in terms of underwriting of treasury bonds and the over-the-counter transaction volume of book-entry treasury bonds. The gold trading volume recorded an increase of 85.91% over the same period last year, and the CCB brand physical gold maintained the largest market share. The income from investment banking amounted to RMB10,677 million, up 47.59% over the same period last year. In this amount, new types of financial advisory services contributed RMB3,160 million, up 131.67%. The Bank ranked first in terms of underwriting volume of short-term commercial papers and also issued the first private placement bond in the inter-bank bond market.

Institutional, custodial and pension businesses maintained good momentum. CCB continued to command the largest market share in terms of agency payment service authorised by the central government finance. Customers of "Xincunguan" totalled 20.77 million, the largest customer base in the industry. CCB also ranked first in the collective wealth management products under custody for securities companies, agency collection and payment service for fund trust plans as well as through-train banking services for futures. The assets under custody exceeded RMB1.6 trillion, in which insurance assets under custody increased by 68.94% over the end of 2010, and wealth management products under custody increased by 89.94%. There were 3.35 million contracted personal accounts of enterprise annuities, second among the peers, which increased by 690 thousand, or 25.82% from that at the end of last year.

Steady improvements in distribution channels, international development and integrated operations

Rapid growth of the emerging distribution channels. In the first half of 2011, ATMs and self-service banks completed 1,289 million account transactions as the channel with the largest number of account transactions. A total of 1,125 million transactions were completed through electronic banking channel. The number of transactions originated by customers through the self-service channel and electronic banking channel was three times of that through the counter. Electronic banking channel services became more comprehensive with improved customer experience. The Bank's online banking service had 69.11 million individual customers, 1.15 million corporate customers, and the mobile phone banking customers totalled 29.83 million.

Further progress in building specialised service channels. The Group had 237 credit factories for small enterprises, which covered most of China's big cities. In order to improve the service channels exclusively for high-net-worth customers, 195 wealth management centres and ten private banking centres had been established.

Overseas operations expanded steadily. The Group adhered to its proactive and steady international operating and overseas development strategies, and opened its representative offices in Taipei and Moscow in May 2011.

Integrated operation strategy has made steady progress. The Group completed the acquisition of the 51% stake of Pacific-Antai and renamed it CCB Life Insurance Co., Ltd, thereby establishing a relatively complete integrated operational platform, which would facilitate the parent company and its subsidiaries to provide high-quality comprehensive financial services through sharing of resources, cross-selling and coordinated efforts.

Solid progress in fundamental management and strategic cooperation

Strengthened risk and internal control management. Risk controls over government financing vehicles and real estate sector were strengthened and fundamental management over off-balance sheet activities and overseas business was tightened. The Group enhanced its overall risk management capabilities by enhancing the measurement tools for liquidity, interest rate and foreign exchange rate risks, and strengthening capital management.

Strengthening information system support capabilities. The Group prepared the planning for IT infrastructure and application systems, and began research on the "new generation core banking system". System initiatives include the development of the financial IC card and the second generation payment system, the bank-wide deployment of the third-party payment system, overseas core banking system and segregation system of front and back office, as well as the integration of the application systems of the overseas and domestic branches. The Group carried out risk assessment for 53 key systems, effectively improving the automation level in IT operation and maintenance, and enhancing the operational security assurance.

Enhanced product innovation capability and service standard. In the first half of the year, 3,120 product ideas were collected, and 80 new innovative products and 105 processes optimisations were completed. The Group also established five product innovation laboratories to promote innovations in logistics financing, cash management, technology financing, private banking and bank insurance. In the first half of the year, the Bank's "Mystery Shopper" service inspection score for branches rose to 93.6 points, reflecting rising service standard.

Deepened strategic cooperation. Together with Bank of America, the Group launched four collaborative projects and 40 experience-sharing projects involving retail banking, human resources management, risk management and information management. Three on-the-job training sessions for mid-level managers and five short-term training sessions for mid-level and line managers were conducted in the US. In the areas of information technology, electronic banking, wealth management and private banking, experts from Bank of America continued to provide ongoing business consultancy and advice.

Outlook

In the second half of the year, the domestic and international economic and financial environment will remain complex. The Group will keep a close watch on the macroeconomic trends, and make adjustments to its business strategies accordingly. The following initiatives will be promoted:

- We will continue to deepen the structural adjustments to customers, products, industries and regions, and pay special attention to the systemic risk and compliance risk associated with the industries with excess capacities, local government financing vehicles and real estate sector.
- Through optimising our product features and strengthening collaborated efforts, we aim to expand our customer base and boost the stable growth of deposits from customers.
- We aim to further boost the development of the emerging strategic businesses and promote cutting-edge branded products in the small business, livelihood, electronic banking, investment banking, and wealth management business areas.

Lastly, I wish to sincerely thank the Board and the board of supervisors for their tremendous support, as well as our customers for their trust and the staff for their great dedications.

Zhang Jianguo
Vice chairman, executive director and president

19 August 2011

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 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.

(In millions of RMB, except percentages)	**For the six months ended 30 June 2011** Average balance	Interest income	Annualised average yield(%)	For the six months ended 30 June 2010 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.

(In millions of RMB, except percentages)	For the six months ended 30 June 2011 Average balance	Interest expense	Annualised average cost (%)	For the six months ended 30 June 2010 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 RMB1,663 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** **Amount**	**% of total**	As at 31 December 2010 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 RMB11,754,766 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** **Amount**	**% of total**	As at 31 December 2010 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.

	As at 30 June 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**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 loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		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 Amount	% of total	As at 31 December 2010 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 Amount	% of total	As at 31 December 2010 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 Amount	% of total	As at 31 December 2010 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 10.00%, 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.

Analysis of off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, equity instrument contracts and credit risk mitigation contracts. Please refer to the note "Derivatives" in the "Financial Statements" of this half year report for the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes, and contingent liabilities. Among these, credit commitments were the most significant component, with an amount of RMB2,176,257 million as at 30 June, 2011. Please refer to the Note "Commitments and contingent liabilities" in the financial statements of this half year report for information on commitments and contingent liabilities.

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:

	As at 30 June 2011			As at 31 December 2010		
(In millions of RMB, except percentages)	**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 Loans	% of total	NPLs	NPL ratio (%)	As at 31 December 2010 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.

Rescheduled loans and advances to customers

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

	As at 30 June 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**Amount**	**% of gross loans and advances**	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	**2,266**	**0.04**	2,070	0.04

Overdue loans and advances to customers

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

	As at 30 June 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**Amount**	**% of gross loans and advances**	Amount	% of gross loans and advances
Overdue for no more than 3 months	**26,165**	**0.43**	18,607	0.33
Overdue for 3 months to 1 year	**7,749**	**0.13**	6,595	0.12
Overdue for 1 to 3 years	**15,826**	**0.26**	19,066	0.34
Overdue for over 3 years	**12,190**	**0.20**	11,987	0.20
Total overdue loans and advances to customers	**61,930**	**1.02**	56,255	0.99

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:

(In millions of RMB, except percentages)	**For the six months ended 30 June 2011** Amount	% of total	For the six months ended 30 June 2010 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

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

(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	**75,020**	63,480	18.18
Net fee and commission income	**21,928**	15,388	42.50
Other operating income	**373**	118	216.10
Operating income	**97,321**	78,986	23.21
Operating expenses	**(26,384)**	(21,311)	23.80
Impairment losses	**(12,552)**	(8,750)	43.45
Profit before tax	**58,385**	48,925	19.34
	As at 30 June 2011	As at 31 December 2010	
Segment assets	**4,457,463**	4,343,277	2.63

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

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

(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	**40,124**	33,428	20.03
Net fee and commission income	**15,386**	11,325	35.86
Other operating income	**497**	318	56.29
Operating income	**56,007**	45,071	24.26
Operating expenses	**(31,940)**	(26,751)	19.40
Impairment losses	**(1,365)**	(1,234)	10.62
Profit before tax	**22,702**	17,086	32.87
	As at 30 June 2011	As at 31 December 2010	
Segment assets	**1,615,255**	1,361,904	18.60

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 RMB332,460 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

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

(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	**29,464**	19,419	51.73
Net fee and commission income	**9,413**	6,342	48.42
Net trading gain	**502**	915	(45.14)
Net income arising from investment securities	**265**	339	(21.83)
Other operating loss	**(165)**	(298)	(44.63)
Operating income	**39,479**	26,717	47.77
Operating expenses	**(1,930)**	(1,705)	13.20
Impairment losses	**(105)**	357	(129.41)
Profit before tax	**37,444**	25,369	47.60
	As at 30 June 2011	As at 31 December 2010	
Segment assets	**5,190,013**	4,684,227	10.80

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.

Distribution Channels

CCB has an extensive distribution network, and provides convenient and quality services to customers through nationwide branches, self-service devices and electronic banking service platforms. As of the end of June, the Bank had a total of 13,442 domestic operating outlets, including the head office, 38 tier-one branches, 297 tier-two branches, 8,245 sub-branches, 4,860 entities under sub-branches and a specialised credit card centre at the head office.

The distribution of operating outlets is prioritised towards the super large cities, major cities, and key economic counties and towns. The Bank strategically increased resources investment in key regions and major cities, in order to better cover economically developed areas. At the end of June 2011, there were 6,114 operating outlets in the three key regions of Bohai Rim, Yangtze River Delta and Pearl River Delta, and 7,848 operating outlets in 80 major cities.

In the first half of 2011, the Bank started renovation projects at 1,087 retail branches, and the overall layout and appearance continued to improve. Development of self-service channels progressed well, with 40,949 ATMs and 10,114 self-service banks in operation at the end of June 2011. Self-service channels were CCB's largest banking transaction channels, handling 1,289 million transactions originated by customers in the first half of the year. The specialisation of branches was in progress. A total of 237 credit factories, which process loans to small businesses, covered most of China's major cities. At the end of June 2011, there were 195 wealth management centres and ten private banking centres to provide high-end customers with quality services.

The Bank's electronic banking service gained increasing popularity. Individual online banking customers increased by 21.14% to 69.11 million, and corporate online banking customers (including cash management system customers) reached 1.15 million. Mobile phone banking customers reached 29.83 million, an increase of 32.93%. Phone banking customers rose to 82.69 million, an increase of 14.97% over the end of last year. A total of 1,125 million transactions originated by customers were completed through electronic banking channel. With the aim to improve customer experience, the Bank has introduced various online banking initiatives for customers such as dynamic passwords through scratch cards and SMS, separately managed accounts, E-Shangmaotong and other new products and services, and launched five batches of wealth management products available only through online banking service, which were well received by customers. In addition, the Bank launched the online customer service platform for customers using online banking and internet website, and the "CCB E-Route" official microblog at SINA further enhanced the interactive communication with customers.

Risk Management

Credit Risk Management

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

In the first half of 2011, CCB reviewed and refined its credit policies and vigorously implemented credit structure adjustments. Risk controls over loans granted to government financing vehicles and other major areas have been strengthened, and the fundamental management of off-balance sheet items, overseas businesses and collaterals has been improved. It further improved the sophistication of credit risk management by actively engaging the use of risk management tools and refining the systems of economic capital management, industry credit limits and customer ratings.

Review and improvement of credit policies and deeper adjustments of credit structure. CCB reviewed its credit policies as appropriate in light of changes in the macroeconomic environment, and strengthened credit structure adjustments by adhering to its customer-focused and proactive risk selection policy. By optimising the allocation of credit resources, it seeks for greater value creation capability in order to better adapt to future changes in the economy transformation and industrial restructuring.

Further strengthening fundamental management. CCB enhanced the risk management of off-balance sheet activities, and improved its capital constraint mechanism and risk exposures measurement standard, progressing in the holistic management of on-and-off balance sheet risks. It also strengthened the risk management framework for the overseas branches, enhanced the customer rating management at overseas institutions, and improved the risk management over cross-regional credit businesses. Furthermore, CCB improved its risk mitigation capability by standardising the acceptance criteria, valuation, post-lending monitoring, and risk-related reporting of collaterals.

Enhancements over credit approval and management processes. CCB strengthened the risk surveillance and evaluation in key areas such as local government financing vehicles and real estate sector, and developed targeted prevention and control plans. It made loan risk classification and provisions on the basis of prudent judgement, thereby consolidating its asset quality. It stressed on the transmission of credit policies and risk appetite, and ensured the quality and efficiency of the credit approval process. In addition, the timeliness and effectiveness of monitoring for early warning purposes is heightened by improving the credit risk monitoring system, as well as the post-lending risk early warning procedures.

Improving the sophistication of risk management through effective application of risk measurement techniques. CCB optimised the measurement method of economic capital and leveraged on economic capital in terms of resources allocation, credit decision, market expansion, and performance measurement. In enhancing the industry credit limits management, it included exposures to the local currency corporate debts into industry credit limits monitoring. It strengthened monitoring and management over customer rating in order to raise the standard of the pre-lending risk assessment and evaluation. In addition, CCB developed customer risk-to-benefit analysis tools to facilitate customer and business selection on the basis of risk-adjusted return on capital.

Concentration of credit risk

In the first half of 2011, CCB strengthened its credit concentration management of group customers through ongoing monitoring of the loan concentration on group customers and their affiliated entities. At the end of June 2011, loans to the largest single borrower accounted for 2.78% of the net capital of the Group, while those to the ten largest customers accounted for 15.39% of the net capital. Both indicators complied with regulatory requirements.

Loan concentration

Concentration indicators	**Regulatory standards**	**As at 30 June 2011**	As at 31 December 2010
Ratio of loans to the largest single customer (%)	≤10	**2.78**	2.76
Ratio of loans to the ten largest customers (%)		**15.39**	16.00

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

(In millions of RMB, except percentages)	**Industry**	**As at 30 June 2011**	
		Amount	**% of total loans**
Customer A	Railway transport	22,930	0.37
Customer B	Production and supply of electricity and heat	14,353	0.23
Customer C	Road transport	13,529	0.22
Customer D	Road transport	12,103	0.20
Customer E	Railway transport	11,200	0.18
Customer F	Road transport	11,056	0.18
Customer G	Public utility management	10,901	0.18
Customer H	Road transport	10,521	0.17
Customer I	Road transport	10,426	0.17
Customer J	Railway transport	9,700	0.16
Total		**126,719**	**2.06**

Liquidity Risk Management

Liquidity risk is the risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or in time and at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. CCB's liquidity management aims to maintain a reasonable level of liquidity in compliance with regulatory requirements in order to ensure safe payment and settlement, while deploying its funds in an effective and reasonable way in order to enhance the yields of funds.

In the first half of 2011, the PBC raised the statutory reserve ratio six times, and liquidity in the interbank market became increasingly tight. As a result, the Bank's surplus reserve rate decreased slightly. The Bank took timely measures in light of its liquidity level, and enhanced its liquidity risk limit management. It adjusted the limits for deployment of products that have large influence on liquidity, including debt securities, financial assets held under resale agreements, deposits with banks and non-bank financial institutions, and made flexible adjustments in accordance with its positions. By taking various effective measures, the Bank maintained a reasonable liquidity level and ensured normal payment and settlement. It regularly conducted stress testing on liquidity risk to gauge the bank's risk tolerance ability under extremely adverse circumstances in case of small probability events. The result shows that its liquidity risk stays within a controllable range albeit rising under stress scenarios.

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

(In millions of RMB)	Undated	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Net position as at 30 June 2011	**2,087,316**	**(5,504,600)**	**(530,731)**	**(341,812)**	**(307,857)**	**2,310,580**	**3,025,780**	**738,676**
Net position as at 31 December 2010	1,823,563	(5,374,529)	(458,072)	(15,972)	(245,271)	2,063,250	2,907,936	700,905

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 30 June 2011, the accumulated gap of various maturities of the Group was RMB738,676 million, an increase of RMB37,771 million over the end of 2010. Despite the negative gap for repayment on demand totalling RMB5,504,600 million, the Group is expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, the relatively high proportion of core demand deposits, and steady growth of deposits.

Market Risk Management

Market risk is the risk of loss in respect of the Group's on and off-balance sheet activities, arising from adverse movement in market rates, including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. Market risk occurs in both the Group's trading book and banking book. Trading book includes freely tradable financial instruments and commodities positions held for trading purpose and hedging risk arising from other items of the trading book. All other financial instruments and commodities positions not included in the trading book are included in the banking book.

In the first half of 2011, CCB continued to refine its market risk management policy system and improve its risk monitoring. It promoted the development of risk measurement system and tools, further enhancing its capability in market risk management.

Improving the market risk management policy system. CCB refined the approval mechanism for RMB-denominated credit-related debt securities investments, and researched on the establishment of a post-investment management system for credit-related debt securities. It improved the internal control system and procedures for the financial market business, including strengthening the risk management of new products in the financial market business and further improving the counterparty credit risk management.

Strengthening on and off-site market risk monitoring. On-site inspections on RMB-denominated debt securities investments and foreign exchange swaps were conducted. Daily risk monitoring and reporting on financial market business is strengthened, with ongoing monitoring over the implementation of credit line, authorisation and risk limits, and timely risk warnings.

Promoting the development of market risk measurement system and tools. CCB conducted daily risk measurement and management by using financial market business risk management system, and enhanced the application and analysis of risk indicators such as duration.

Value at risk analysis

The Bank has separated all the on- and off-balance sheet activities into two major categories, trading book and banking book. The Bank performs VaR analysis on its trading book to measure and monitor potential losses on positions due to movements in market interest rates, exchange rates and prices. The Bank calculates the VaR on RMB and foreign currency trading book transactions on a daily basis (with a 99% confidence level and a one-day holding period). The VaR analysis on the Bank's trading book as at the balance sheet date and for the respective period is as follows:

	For the six months ended 30 June 2011				For the six months ended 30 June 2010			
	Period-end	**Average**	**Maximum**	**Minimum**	Period-end	Average	Maximum	Minimum
VaR in trading book	**79**	**65**	**127**	**12**	44	32	63	8
– Interest rate risk	**27**	**29**	**67**	**7**	36	17	45	2
– Exchange rate risk	**74**	**58**	**122**	**8**	39	30	65	5

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Re-pricing risk and basis risk arising from mismatch of term structure and pricing basis of the assets and liabilities are the primary sources of interest rate risk for the Group. The overall objective of the Group's interest rate risk management is to maintain steady growth of net interest income while keeping interest rate risk within a tolerable risk level in accordance with risk appetite and risk management parameters.

In the first half of 2011, CCB revised the interest rate risk measurement rules for its banking book. The dynamic simulation capability of its asset and liability management system has been improved to further enhance the measurement accuracy. The Group continued to use multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation analysis and stress testing to regularly measure and monitor interest rate risks. The interest rate risk profile is then periodically reported to the board of directors and senior management. In light of the changing market conditions, it enhanced its pricing management measures to control growth of assets and liabilities with high interest rate risks. In the first half of 2011, the PBC raised the benchmark deposit and lending rates twice, slightly affecting the Group's net interest income. The interest rate risk of the Group was kept within the set tolerable level.

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's interest rate sensitivity gap is set out below:

(In millions of RMB)	**Non-interest-bearing**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Interest rate sensitivity gap as at 30 June 2011	**73,295**	**(3,159,465)**	**2,499,948**	**554,273**	**770,625**	**738,676**
Interest rate sensitivity gap as at 31 December 2010	89,594	(1,981,441)	1,381,678	497,390	713,684	700,905

In the first half of 2011, the proportion of the gap to total assets was basically kept at the same level compared to the end of 2010. The Group's accumulated negative gap for a period less than one year was RMB659,517 million, an increase of RMB59,754 million compared to end of 2010. The positive gap for a period more than one year was RMB1,324,898 million, an increase of RMB113,824 million, which was mainly due to the longer term of debt securities investments. As the increase in short-term deposits offset the increases in loans, statutory deposit reserves, and monetary market assets and the decrease in the short-term investments, the negative gap for a period less than one year widened slightly, maintaining the liability-sensitive structure.

Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that all yield curves move upward or downward by 100 basis points in a parallel way, the second is to assume that the yield curve for demand deposits stays constant, while other yield curves move upward or downward by 100 basis points in a parallel way. The interest rate sensitivity of the Group's net interest income is set out below.

	Change in net interest income			
(In millions of RMB)	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points (demand deposit rates being constant)	Decrease by 100 basis points (demand deposit rates being constant)
As at 30 June 2011	**(44,424)**	**44,424**	**14,622**	**(14,622)**
As at 31 December 2010	(34,771)	34,771	21,214	(21,214)

Foreign exchange risk management

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

In the first half of 2011, CCB established the foreign exchange risk management policies for its banking book. The policies set the foreign exchange risk management objectives and principles, management techniques and methods, as well as risk identification, measurement, monitoring and control rules, covering risk limits, scenario analysis, stress testing, contingency planning and risk reporting.

Operational and Reputation Risk Management and Consolidated Management

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

In the first half of 2011, CCB continued to strengthen its operational risk management by enhancing self-assessment of operational risks, monitoring and examining key risk points, speeding up the development of operational risk management tools and information system, performing emergency drills in adverse scenarios and promoting business continuity management to ensure safe and stable business operations.

Continuously promote self-assessment of operational risks. CCB expanded the scope of business self-assessment by stressing on off-balance sheet items, in order to improve the corresponding systems, processes and service standards.

Monitoring and examination on key risk points. CCB continued to make adjustments to expand the scope and contents of monitoring and examination, focusing on prevention and controls on key business areas and major operational risk areas.

Optimising the comprehensive operational risk management evaluation system. CCB refined performance indicators for the branches with relation to corporate credit business and personal financial business, promoting the branches to tighten operational risks as guided by the evaluation system.

Reinforcing the management of incompatible positions. CCB continued to review and improve the rules and management for segregation of incompatible positions and responsibilities, strengthening the checks and balances for different positions.

Carrying forward business continuity management. CCB further conducted emergency drills in pilot branches, and improved the contingency strategy and mechanism for the tier two branches and outlets in response to natural disasters and emergencies.

Strengthening the management of reporting on major risks and emergent events. CCB standardised the monitoring, information collection and reporting processes for major risks and emergent events, and a smooth reporting channel was established to ensure fast response.

Reviewing the major system parameters. CCB streamlined analysed the status quo and weaknesses of its parameters management, and organised rectifications in a timely manner to ensure safe and smooth system operations.

Anti-Money laundering

CCB proactively implemented anti-money laundering laws, rules and regulations. It tightened its internal control system, earnestly conducted the identification of customers' identities, recording and keeping of information on identities and transactions, and reporting of large cash transactions, suspicious transactions and suspected terrorist financing transactions, effectively fulfilling the statutory anti-money laundering obligations.

Reputation risk management

In the first half of 2011, CCB developed the supplementary guidelines to the reputation risk management measures, clarifying the reputation risk management and crisis management procedures for overseas branches and subsidiaries. Specific requirements were set on handling of critical reputation events and media reports, and trainings were strengthened to improve the ability and skills to deal with delicate media reports. In the first half of the year, no significant risk event took place that resulted in adverse impact on reputation.

Consolidated management

In the first half of 2011, CCB strengthened evaluation and examination of its subsidiaries. It completed the comprehensive evaluation over the operational management of its subsidiaries, self-examination and self-correction of concurrent posts and connected businesses, and examination of consolidated management. It formulated its consolidated management plan and actively deployed group-wide management to prevent the risk transmission between parent and subsidiary companies. The management information system has been further improved through data integration of overseas branches and the development of a unified reporting platform for subsidiaries, gradually establishing a consolidated management information system to meet internal and external management requirements.

Implementation of the New Basel Capital Accord

In the first half of 2011, CCB actively worked on various aspects of the requirements of the new Basel Capital Accord and made good progress. This includes the stable operations of a new generation of corporate customer rating system, deeper use of the portfolio risk management system, full improvements in the financial market business risk management system, and further progress in operational risk tools. The internal capital management system was also improved for effective management of the interest rate risk in banking book and liquidity risk. The measurement and disclosure system for risk-weighted assets worked smoothly. Going forward, CCB will carry on all necessary preparatory work in accordance with regulatory requirements, and put the present work results to full play, in order to ensure the smooth implementation of the new Basel Capital Accord.

Internal Audit

The Group adhered to a relatively independent and vertically managed internal audit system. In order to promote the establishment of sound and effective risk management mechanism, internal control system and corporate governance procedures, the internal audit department evaluated the effectiveness of internal controls and risk management, the effect of governance procedures, the efficiency of business operations, and the economic responsibilities of key managers, and put forward suggestions for improvement.

In the first half of 2011, the internal audit department conducted various audits across the Bank under the principle of value creation and promotion of business development, including follow-up audit on key issues related to operational risk, audit on certain off-balance-sheet products, audit on internal rating system for non-retail customers, audit on retail scorecard and retail sub-pool, audit on business rules for risk-weighted asset calculation system and implementation of the process, audit on market risk management, audit on centralised procurement, audit on corporate liabilities business, and audit on IT operation at branches, etc. Internal audit teams took on selective audit projects in light of actual situations of local branches, while ensuring reasonable coverage level. Audit fundamentals were consolidated with focus on improving audit quality, strengthening follow-up actions, and pushing forward the specialisation work of the internal audit.

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.

Changes in Share Capital and Particulars of Shareholders

Changes in Shares

Unit: share

	1 January 2011		Increase/(Decrease) during the reporting period					30 June 2011	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions									
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. Shares held by state-owned legal persons	–	–	–	–	–	–	–	–	–
3. Shares held by foreign investors[1]	25,580,153,370	10.23	–	–	–	–	–	25,580,153,370	10.23
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	65,070,889,129	26.03	–	–	–	54,387,000	54,387,000	65,125,276,129	26.05
3. Others[2]	149,766,277,381	59.90	–	–	–	(54,387,000)	(54,387,000)	149,711,890,381	59.88
(III) Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank held by Bank of America.
2. H-shares not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, State Grid, Baosteel Group and Yangtze Power.
3. Rounding errors may arise in the "Percentage" of the table above.

Changes in Shares Subject to Selling Restrictions

Name of shareholder	Number of shares subject to restrictions at the beginning of the period	Number of shares released from restrictions during the period	Number of new shares subject to restrictions in the period	Number of shares subject to restrictions at the end of the period	Reason for restrictions	Date of release from restrictions
Bank of America	25,580,153,370	–	–	25,580,153,370	The 25,580,153,370 H-shares acquired by Bank of America through exercise of the call options in 2008 shall not be transferred without the Bank's written consent before 29 August 2011 unless under exceptional circumstances.	29 August 2011

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, based on the register of members as at 30 June 2011, the Bank had a total of 928,078 shareholders, of which 57,614 were holders of H-shares and 870,464 were holders of A-shares.

Unit: share

Total number of shareholders — **928,078 (Total number of registered holders of A-shares and H-shares as at 30 June 2011)**

Particulars of shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin	State-owned	57.03	142,590,494,651 (H-shares)	–	None
		0.06	154,879,777 (A-shares)	–	None
HKSCC Nominees Limited[1]	Foreign legal person	19.78	49,457,510,482 (H-shares)	–	Unknown
Bank of America	Foreign legal person	10.23	25,580,153,370 (H-shares)	25,580,153,370	None
Fullerton Financial[1]	Foreign legal person	5.65	14,131,828,922 (H-shares)	–	None
Baosteel Group	State-owned legal person	1.28	3,210,000,000 (H-shares)	–	None
		0.13	318,860,498 (A-shares)	–	None
State Grid[1, 2]	State-owned legal person	1.16	2,895,782,730 (H-shares)	–	None
Yangtze Power[1]	State-owned legal person	0.41	1,015,613,000 (H-shares)	–	None
China Ping An Life Insurance Company Limited – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.36	894,923,404 (A-shares)	–	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	–	None
China Ping An Life Insurance Company Limited – Traditional – High interest-rate insurance policy products	Domestic non-state-owned legal person	0.29	731,906,825 (A-shares)	–	None

1. As at 30 June 2011, Fullerton Financial, State Grid and Yangtze Power held 14,131,828,922 H-shares, 2,895,782,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Except for the H-shares of the Bank held by Fullerton Financial, State Grid and Yangtze Power, the remaining H-shares of the Bank held by HKSCC Nominees Limited were 49,457,510,482.

2. As at 30 June 2011, the H-shares of the Bank held by State Grid via its wholly-owned subsidiaries were as follows: 856,000,000 H-shares via Yingda International Holdings Group Co., Ltd., 1,315,282,730 H-shares via State Grid International Development Limited, 374,500,000 H-shares via Shandong Luneng Group Co., Ltd. and 350,000,000 H-shares via State Grid International Technical Equipment Co., Ltd..

3. Some of the shareholders mentioned above were managed by the same entity. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

4. Rounding errors may arise in the "Percentage" of the table above.

Particulars of shareholdings of the top ten shareholders not subject to selling restrictions

Name of shareholder	Shares not subject to selling restrictions	Type of share
Huijin	142,590,494,651	H-share
	154,879,777	A-share
HKSCC Nominees Limited	49,457,510,482	H-share
Fullerton Financial	14,131,828,922	H-share
Baosteel Group	3,210,000,000	H-share
	318,860,498	A-share
State Grid	2,895,782,730	H-share
Yangtze Power	1,015,613,000	H-share
China Ping An Life Insurance Company Limited – Traditional – Ordinary insurance products	894,923,404	A-share
Reca Investment Limited	856,000,000	H-share
China Ping An Life Insurance Company Limited – Traditional – High interest-rate insurance policy products	731,906,825	A-share
China Life Insurance Company Limited – Traditional – Ordinary insurance product – 005L – CT001SH	204,563,395	A-share

1. Some of the shareholders mentioned above were managed by the same entity. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

Changes in Substantial Shareholders and Actual Controlling Parties

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

Material Interests and Short Positions

The interests and short positions held by substantial shareholders and other persons in the H-shares and underlying shares of the Bank as required to be recorded in the register kept under Section 336 of the *Securities and Futures Ordinance* of Hong Kong were as follows as at 30 June 2011:

Name	Interests and short positions in H-shares	Nature	Percent of issued H-shares (%)	Percent of total issued shares (%)
Huijin[1]	133,262,144,534	Long position	59.31	57.03
Bank of America[2]	25,589,787,255	Long position	10.64	10.24
	581,399	Short position	0.00	0.00
Temasek	16,906,578,531	Long position	7.03	6.76
Fullerton Financial[3]	14,131,828,922	Long position	5.88	5.65

1. On 22 May 2009, Huijin declared interests on the website of the Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued then (224,689,084,000 shares) and 57.03% of total shares issued then (233,689,084,000 shares). As at 30 June 2011, according to the register of H-share holders, Huijin directly held 142,590,494,651 H-shares of the Bank.

2. In accordance with the disclosure of changes in interests by Bank of America, Bank of America directly held 25,580,153,370 H-shares of the Bank. In addition, Bank of America also held long positions of 9,633,885 H-shares of the Bank and short positions of 581,399 H-shares of the Bank through corporations it controls.

3. Fullerton Financial is a wholly-owned subsidiary of Temasek and the interests directly held by Fullerton Financial shall be deemed the interests indirectly held by Temasek.

Profiles of Directors, Supervisors, Senior Management and Employees

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

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

Supervisors of the Bank

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

Senior Management of the Bank

Senior management of the Bank include Mr. Zhang Jianguo, Mr. Chen Zuofu, Mr. Zhu Xiaohuang, Mr. Hu Zheyi, Mr. Pang Xiusheng, Mr. Zhao Huan, Mr. Zhang Gengsheng, Mr. Zeng Jianhua, Mr. Huang Zhiling, Mr. Yu Jingbo, Mr. Chen Caihong, Mr. Xu Huibin, Mr. Tian Huiyu and Mr. Wang Guiya.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

On 9 June 2011, the Bank adopted a resolution at the 2010 annual general meeting of the Bank, by which, Mr. Dong Shi was appointed as a non-executive director of the Bank, which shall come into effect after approval of the CBRC.

Upon the end of the 2010 annual general meeting of the Bank, Ms. Elaine La Roche no longer served as an independent non-executive director of the Bank due to the expiration of the term of office.

Commencing from the next day of the 2010 annual general meeting of the Bank, Ms. Wang Shumin no longer served as a non-executive director of the Bank due to changes in her work.

Supervisors of the Bank

Upon election at the first extraordinary general meeting of 2011 of the Bank, Mr. Zhang Huajian was elected as a shareholder representative supervisor of the Bank from 18 August 2011.

Senior Management of the Bank

From February 2011, Mr. Huang Zhiling commenced his position as chief risk officer of the Bank, and Mr. Zhu Xiaohuang no longer served concurrently as chief risk officer of the Bank.

From March 2011, Mr. Zeng Jianhua commenced his position as chief financial officer of the Bank, and Mr. Pang Xiusheng no longer served concurrently as chief financial officer of the Bank.

From March 2011, Mr. Yu Jingbo commenced his position as chief audit officer of the Bank.

From March 2011, Mr. Xu Huibin commenced his position as controller of wholesale banking of the Bank, and Mr. Gu Jingpu no longer served as controller of wholesale banking of the Bank; Mr. Tian Huiyu commenced his position as controller of retail banking of the Bank, and Mr. Du Yajun no longer served as controller of retail banking of the Bank; Mr. Wang Guiya commenced his position as controller of investment and wealth management banking of the Bank, and Mr. Mao Yumin no longer served as controller of investment and wealth management banking of the Bank.

From May 2011, Mr. Zhao Huan commenced his position as executive vice president of the Bank.

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

Mr. Zhang Huajian, the shareholder representative supervisor of the Bank, Mr. Li Weiping and Ms. Huang Shuping, employee representative supervisors of the Bank, indirectly held 18,999 H-shares, 20,446 H-shares and 21,910 H-shares of the Bank respectively through the employee stock ownership plan before they assumed duties of supervisors. Apart from this, as of 30 June 2011 none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as required to be recorded in the register kept under Section 352 of the *Securities and Futures Ordinance* or to be notified to the Bank and Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed* Issuers in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange.

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

Directors and Supervisors' Securities Transactions

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

Shares of the Bank held by Senior Management

During the reporting period, some of the senior executives of the Bank indirectly held H-shares of the Bank through the employee stock ownership plan before they took present positions. Mr. Zhao Huan held 18,292 shares, Mr. Zhang Gengsheng held 19,304 shares, Mr. Zeng Jianhua held 25,838 shares, Mr. Huang Zhiling held 18,751 shares, Mr. Yu Jingbo held 22,567 shares, Mr. Chen Caihong held 19,417 shares, Mr. Xu Huibin held 20,004 shares, and Mr. Wang Guiya held 19,724 shares. Apart from this, no senior management of the Bank holds any share of the Bank.

Employees of the Bank

At the end of June 2011, the Bank had 311,222 staff members (apart from this the Bank had 36,653 workers dispatched by labour leasing companies), of which 144,206 or 46.34% have academic qualifications of bachelor's degree or above. In addition, the Bank assumed expenses for 38,144 retired employees.

Major Issues

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.

Implementation of Cash Dividend Policy

As approved by the 2010 annual general meeting of the Bank, the Bank distributed the 2010 cash dividends of RMB0.2122 per share (including tax) on 15 July 2011 to the Bank's shareholders registered as of 23 June 2011.

The Bank will not distribute interim dividend for the six months ended 30 June 2011, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

Performance of Undertakings Given by the Bank or Shareholders Holding 5% or More of the Shares

In September 2010, Huijin undertook not to sell or transfer the rights shares allotted to it in 2010 within six months after their listing, otherwise, the proceeds obtained through the selling of such shares shall belong to the Bank. During the six months, Huijin fulfilled its undertaking and did not reduce its shareholdings in the Bank.

Apart from this, the Bank's shareholders did not give any new undertakings during the reporting period, and the undertakings that continue to be valid during the reporting period were the same as those disclosed in the prospectus of the Bank. As of the end of the reporting period, all undertakings given by the shareholders of the Bank have been fulfilled.

Material Contracts and Their Performance

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

Acquisition and Disposal of Assets and Merger of Enterprises

In June 2011, the Bank completed the equity transfer of the 50% stake in Pacific-Antai held by ING, and completed the equity transfer of the 50% stake in Pacific-Antai held by China Pacific Insurance (Group) Co., Ltd. together with the co-investors. The shareholders of Pacific-Antai were changed to the Bank (51.00%), China Life Insurance Co., Ltd. (Taiwan) (19.90%), Jianyin (19.35%), Shanghai Jinjiang International Investment Holdings Co. Ltd. (4.90%) and Shanghai Huaxu Investment Co., Ltd. (4.85%). The Bank became the controlling shareholder of Pacific-Antai, and Pacific-Antai was renamed as CCB Life Insurance Co., Ltd.

Use of Proceeds from Rights Issue

The Bank uses all the proceeds from its A-share and H-share rights issue in 2010 to supplement its capital base.

Material Projects invested with Funds other than Proceeds of the IPO and Rights Issue

In June 2011, the Bank made additional contribution of RMB751 million to Sino-German Bausparkasse, and Bausparkasse Schwaebisch Hall increased its investment as well. The shareholding percentage in Sino-German Bausparkasse remained unchanged as 75.1% and 24.9% for the Bank and Bausparkasse Schwaebisch Hall respectively. As a result, the capital of Sino-German Bausparkasse increased from RMB1 billion to RMB2 billion.

Purchase, Sale and Redemption of Shares

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

Material Related Party Transactions

The Bank had no material related party transactions during the reporting period.

Donations

In the first half of 2011, the Group donated RMB3 million for public welfare projects.

Material Litigations and Arbitrations

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

Penalties

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

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.

Auditors

Based on the principle of introducing market competition mechanism, the Board of the Bank considered and approved the proposal regarding appointment of the external auditors for 2011 at the eighth Board meeting of 2010, and resolved to submit the proposal to the shareholders' general meeting for consideration.

The Board proposed to the general meeting that PricewaterhouseCoopers Zhong Tian CPAs Limited Company be appointed as the domestic auditors of the Bank and its major domestic subsidiaries for 2011 and PricewaterhouseCoopers as the international auditors of the Bank and its overseas subsidiaries for 2011, both for a term of one year.

The above proposal has been approved by the 2010 annual general meeting of the Bank.

Other Shares Held by the Group

Top ten investments in securities

No.	Stock code	Stock abbreviation	Shares held at period-end	Initial investment amount (RMB)	Carrying amount at the end of the period (RMB)	Carrying amount at the beginning of the period (RMB)	Accounting item	Sources of shares
1	601600	CHALCO	686,895,697	883,088,675	7,562,721,624	7,193,043,599	Available-for-sale financial assets	Investment held through debt equity swap
2	000792	QINGHAI SALT LAKE	62,745,081	137,273,000	3,701,959,779	4,851,073,222	Available-for-sale financial assets	Investment held through debt equity swap
3	600068	G.C.L	225,951,932	349,996,296	2,709,163,665	2,621,042,411	Available-for-sale financial assets	Investment held through debt equity swap
4	998 HK	CITIC BANK	168,599,268	414,561,810	679,121,561	720,307,867	Available-for-sale financial assets	Investment held through equity swap upon privatisation
5	1115 HK	TIBET 5100[1]	163,257,000	199,324,800	459,779,599		Trading financial assets	Cornerstone investor before IPO
6	000906	SBM	46,552,901	272,800,000	380,551,598	379,335,849	Trading financial assets	Purchased from the company's non-public offering
7	000001	SDB	11,177,425	31,300,157	190,798,645	176,491,541	Available-for-sale financial assets	Establishment of investment, exercise of share options
8	300117	JIAYU STOCK	14,000,000	28,000,000	188,668,894	192,476,847	Trading financial assets	Cornerstone investor before IPO
9	600984	SCMC	19,820,278	43,907,322	175,796,996	200,195,545	Available-for-sale financial assets	Investment held through debt equity swap
10	1618 HK	MCC	60,881,000	327,710,668	152,194,293	176,499,289	Available-for-sale financial assets	Cornerstone investor before IPO
Total				2,687,962,728	16,200,756,654			

1. The Group held no such investments at the beginning of the period.

2. Investment in securities in this table refers to stocks, warrants, convertible bonds and open-ended or close-ended funds that are classified as available-for-sale or trading financial assets.

Interests in non-listed financial institutions

Name	Initial investment amount (RMB)	Number of shares held	Percent of shareholdings in the company (%)	Carrying amount at the end of the period (RMB)
Huishang Bank Co., Ltd.	228,835,900	225,548,176	2.76	228,835,900
China UnionPay Co., Ltd.	96,250,000	142,500,000	4.87	220,869,615
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	124,164,479
Guangdong Development Bank Ltd.	48,558,031	13,423,847	0.09	48,558,031
Evergrowing Bank Co., Ltd.	7,000,000	95,823,000	1.58	41,125,000
Huarong Xiangjiang Bank	3,500,000	3,536,400	0.09	980,000

1. This table does not include subsidiaries already included in the consolidated statements.

2. The carrying amount at the end of the period is net of allowances for impairment losses.

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 49 to 132, which comprises the consolidated and Bank's statements of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related consolidated statement of comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2011

Half-Year Financial Statements

Consolidated Statement of Comprehensive Income

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

	Note	Six months ended 30 June 2011	2010
Interest income		**223,458**	179,650
Interest expense		**(77,752)**	(61,851)
Net interest income	3	**145,706**	117,799
Fee and commission income		**48,891**	34,674
Fee and commission expense		**(1,220)**	(1,032)
Net fee and commission income	4	**47,671**	33,642
Net trading gain	5	**669**	894
Dividend income	6	**61**	75
Net gain arising from investment securities	7	**930**	455
Other operating income, net	8	**2,209**	860
Operating income		**197,246**	153,725
Operating expenses	9	**(62,557)**	(51,717)
		134,689	102,008
Impairment losses on:			
– Loans and advances to customers		**(13,895)**	(10,119)
– Others		**(30)**	295
Impairment losses	10	**(13,925)**	(9,824)
Share of profits less losses of associates and jointly controlled entities		**25**	10
Profit before tax		**120,789**	92,194
Income tax expense	11	**(27,836)**	(21,415)
Net profit		**92,953**	70,779
Other comprehensive income:			
Loss of available-for-sale financial assets arising during the period		**(2,652)**	(2,409)
Less: Income tax relating to available-for-sale financial assets		**684**	576
Reclassification adjustments for gain included in profit or loss		**(510)**	(366)
		(2,478)	(2,199)
Exchange difference on translating foreign operations		**(563)**	(437)
Others		**22**	6
Other comprehensive income for the period, net of tax		**(3,019)**	(2,630)
Total comprehensive income for the period		**89,934**	68,149
Net profit attributable to:			
Equity shareholders of the Bank		**92,825**	70,741
Non-controlling interests		**128**	38
		92,953	70,779
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**89,858**	68,056
Non-controlling interests		**76**	93
		89,934	68,149
Basic and diluted earnings per share (in RMB Yuan)	12	**0.37**	0.30

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Financial Position

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

	Note	30 June 2011	31 December 2010
Assets:			
Cash and deposits with central banks	13	**2,216,841**	1,848,029
Deposits with banks and non-bank financial institutions	14	**120,260**	78,318
Precious metals		**17,444**	14,495
Placements with banks and non-bank financial institutions	15	**51,708**	63,962
Financial assets at fair value through profit or loss	16	**118,480**	17,344
Positive fair value of derivatives	17	**12,955**	11,224
Financial assets held under resale agreements	18	**298,819**	181,075
Interest receivable	19	**54,628**	44,088
Loans and advances to customers	20	**5,985,218**	5,526,026
Available-for-sale financial assets	21	**628,602**	696,848
Held-to-maturity investments	22	**1,777,779**	1,884,057
Debt securities classified as receivables	23	**307,117**	306,748
Interests in associates and jointly controlled entities	25	**1,856**	1,777
Fixed assets	26	**82,786**	83,434
Land use rights	27	**16,782**	16,922
Intangible assets	28	**1,514**	1,310
Goodwill	29	**1,698**	1,534
Deferred tax assets	30	**19,934**	17,825
Other assets	31	**40,345**	15,301
Total assets		**11,754,766**	10,810,317
Liabilities:			
Borrowings from central banks		**1,317**	1,781
Deposits from banks and non-bank financial institutions	34	**665,124**	683,537
Placements from banks and non-bank financial institutions	35	**107,985**	66,272
Financial liabilities at fair value through profit or loss	36	**16,382**	15,287
Negative fair value of derivatives	17	**10,650**	9,358
Financial assets sold under repurchase agreements	37	**3,061**	4,922
Deposits from customers	38	**9,892,108**	9,075,369
Accrued staff costs	39	**32,563**	31,369
Taxes payable	40	**25,188**	34,241
Interest payable	41	**73,835**	65,659
Provisions	42	**3,402**	3,399
Debt securities issued	43	**104,860**	93,315
Deferred tax liabilities	30	**348**	243
Other liabilities	44	**79,267**	24,660
Total liabilities		**11,016,090**	10,109,412
Equity:			
Share capital	45	**250,011**	250,011
Capital reserve	46	**135,158**	135,136
Investment revaluation reserve	47	**4,280**	6,706
Surplus reserve	48	**50,681**	50,681
General reserve	49	**67,422**	61,347
Retained earnings	50	**229,648**	195,950
Exchange reserve		**(3,602)**	(3,039)
Total equity attributable to equity shareholders of the Bank		**733,598**	696,792
Non-controlling interests		**5,078**	4,113
Total equity		**738,676**	700,905
Total liabilities and equity		**11,754,766**	10,810,317

Approved and authorised for issue by the Board of Directors on 19 August 2011.

Zhang Jianguo	**Wong Kai-Man**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 56 to 132 form part of these financial statements.

Statement of Financial Position

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

	Note	30 June 2011	31 December 2010
Assets:			
Cash and deposits with central banks	13	**2,209,804**	1,841,867
Deposits with banks and non-bank financial institutions	14	**122,399**	78,198
Precious metals		**17,444**	14,495
Placements with banks and non-bank financial institutions	15	**58,934**	68,528
Financial assets at fair value through profit or loss	16	**102,618**	3,044
Positive fair value of derivatives	17	**11,719**	10,153
Financial assets held under resale agreements	18	**298,769**	181,075
Interest receivable	19	**54,273**	43,861
Loans and advances to customers	20	**5,860,128**	5,428,279
Available-for-sale financial assets	21	**621,476**	693,031
Held-to-maturity investments	22	**1,776,493**	1,883,927
Debt securities classified as receivables	23	**307,067**	306,748
Investments in subsidiaries	24	**11,538**	9,869
Fixed assets	26	**81,957**	82,696
Land use rights	27	**16,727**	16,865
Intangible assets	28	**1,036**	1,273
Deferred tax assets	30	**20,884**	18,774
Other assets	31	**56,121**	32,122
Total assets		**11,629,387**	10,714,805
Liabilities:			
Borrowings from central banks		**1,317**	1,781
Deposits from banks and non-bank financial institutions	34	**667,774**	685,238
Placements from banks and non-bank financial institutions	35	**77,066**	41,664
Financial liabilities at fair value through profit or loss	36	**14,035**	12,940
Negative fair value of derivatives	17	**9,801**	8,734
Financial assets sold under repurchase agreements	37	**7,333**	11,089
Deposits from customers	38	**9,818,296**	9,014,646
Accrued staff costs	39	**31,997**	30,522
Taxes payable	40	**24,799**	33,945
Interest payable	41	**73,699**	65,592
Provisions	42	**3,402**	3,399
Debt securities issued	43	**99,778**	91,431
Deferred tax liabilities	30	**14**	4
Other liabilities	44	**72,288**	22,455
Total liabilities		**10,901,599**	10,023,440
Equity:			
Share capital	45	**250,011**	250,011
Capital reserve	46	**135,158**	135,136
Investment revaluation reserve	47	**4,408**	6,743
Surplus reserve	48	**50,681**	50,681
General reserve	49	**66,663**	60,608
Retained earnings	50	**221,235**	188,525
Exchange reserve		**(368)**	(339)
Total equity		**727,788**	691,365
Total liabilities and equity		**11,629,387**	10,714,805

Approved and authorised for issue by the Board of Directors on 19 August 2011.

Zhang Jianguo	**Wong Kai-Man**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(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**
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

The notes on pages 56 to 132 form part of these financial statements.

Statement of Changes in Equity

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

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2011	**250,011**	**135,136**	**6,743**	**50,681**	**60,608**	**188,525**	**(339)**	**691,365**
Movements during the period	**–**	**22**	**(2,335)**	**–**	**6,055**	**32,710**	**(29)**	**36,423**
(1) Total comprehensive income for the period	**–**	**22**	**(2,335)**	**–**	**–**	**91,817**	**(29)**	**89,475**
(2) Profit distribution	**–**	**–**	**–**	**–**	**6,055**	**(59,107)**	**–**	**(53,052)**
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**6,055**	**(6,055)**	**–**	**–**
ii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(53,052)**	**–**	**(53,052)**
As at 30 June 2011	**250,011**	**135,158**	**4,408**	**50,681**	**66,663**	**221,235**	**(368)**	**727,788**
As at 1 January 2010	233,689	90,266	13,213	37,421	46,209	130,785	(264)	551,319
Movements during the period	–	6	(2,282)	–	14,399	8,727	(185)	20,665
(1) Total comprehensive income for the period	–	6	(2,282)	–	–	70,331	(185)	67,870
(2) Profit distribution	–	–	–	–	14,399	(61,604)	–	(47,205)
i Appropriation to general reserve	–	–	–	–	14,399	(14,399)	–	–
ii Appropriation to equity shareholders	–	–	–	–	–	(47,205)	–	(47,205)
As at 30 June 2010	233,689	90,272	10,931	37,421	60,608	139,512	(449)	571,984
As at 1 January 2010	233,689	90,266	13,213	37,421	46,209	130,785	(264)	551,319
Movements during the year	16,322	44,870	(6,470)	13,260	14,399	57,740	(75)	140,046
(1) Total comprehensive income for the year	–	33	(6,470)	–	–	132,604	(75)	126,092
(2) Changes in share capital	16,322	44,837	–	–	–	–	–	61,159
(3) Profit distribution	–	–	–	13,260	14,399	(74,864)	–	(47,205)
i Appropriation to surplus reserve	–	–	–	13,260	–	(13,260)	–	–
ii Appropriation to general reserve	–	–	–	–	14,399	(14,399)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(47,205)	–	(47,205)
As at 31 December 2010	250,011	135,136	6,743	50,681	60,608	188,525	(339)	691,365

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Cash Flows

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

	Note	Six months ended 30 June 2011	2010
Cash flows from operating activities			
Profit before tax		**120,789**	92,194
Adjustments for:			
– Impairment losses	10	**13,925**	9,824
– Depreciation and amortisation	9	**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	6	**(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	7	**(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
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)

The notes on pages 56 to 132 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2011	2010
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	51(1)	**301,299**	380,249
Cash and cash equivalents as at 30 June	51(1)	**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)

The notes on pages 56 to 132 form part of these financial statements.

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank. On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by our predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

In 2010, the Bank completed both A and H Share Rights Issue. A total of 16,322 million shares with a par value of RMB1 each were issued.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry and Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, 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. Overseas refers to countries and regions other than Mainland China.

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

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

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

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2010. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

(2) Use of estimates and assumptions

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

(3) Consolidation

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

(4) Significant accounting policies

The Group has adopted new or revised IFRSs effective for the current accounting period. There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2011. The following revised IFRSs adopted are relevant to the interim financial statements:

- IAS 24 (revised), *Related Party Disclosures* – It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and with the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.
- Third improvements to IFRS (2010) were issued in May 2010 by IASB, in which amendment to IAS 34 *Interim Financial Reporting* has placed greater emphasis on the disclosure principles for significant events and added further guidance to illustrate how to apply these principles. Additional requirements cover disclosure of changes to fair value measurement, and the need to update relevant information from the most recent annual report.

The accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2010. The aforesaid amendments of IFRSs have no material impact on the accounting policies of the Group.

(5) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 19 August 2011. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The predecessor auditor has expressed an unqualified opinion on those financial statements in the report dated 25 March 2011.

3 Net interest income

	Six months ended 30 June	
	2011	2010
Interest income arising from:		
Deposits with central banks	**14,665**	10,820
Deposits with banks and non-bank financial institutions	**921**	670
Placements with banks and non-bank financial institutions	**542**	164
Financial assets at fair value through profit or loss	**217**	290
Financial assets held under resale agreements	**5,534**	3,551
Investment securities	**42,101**	37,929
Loans and advances to customers		
– Corporate loans and advances	**117,157**	94,390
– Personal loans and advances	**39,094**	28,692
– Discounted bills	**3,227**	3,144
Total	**223,458**	179,650
Interest expense arising from:		
Borrowings from central banks	**(8)**	–
Deposits from banks and non-bank financial institutions	**(7,247)**	(6,707)
Placements from banks and non-bank financial institutions	**(797)**	(342)
Financial liabilities at fair value through profit or loss	**(1)**	–
Financial assets sold under repurchase agreements	**(544)**	(137)
Debt securities issued	**(1,748)**	(1,742)
Deposits from customers		
– Corporate deposits	**(33,449)**	(24,996)
– Personal deposits	**(33,958)**	(27,927)
Total	**(77,752)**	(61,851)
Net interest income	**145,706**	117,799

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income (continued)

Notes:

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

	Six months ended 30 June	
	2011	2010
Impaired loans and advances	**671**	392
Other impaired financial assets	**207**	304
Total	**878**	696

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

4 Net fee and commission income

	Six months ended 30 June	
	2011	2010
Fee and commission income:		
Consultancy and advisory fees	**10,390**	7,192
Agency service fees	**7,920**	6,257
Bank card fees	**7,829**	5,524
Settlement and clearing fees	**7,157**	4,924
Commission on trust and fiduciary activities	**4,531**	3,732
Wealth management service fees	**3,662**	2,605
Electronic banking service fees	**2,134**	1,365
Guarantee fees	**1,468**	985
Credit commitment fees	**1,280**	850
Others	**2,520**	1,240
Total	**48,891**	34,674
Fee and commission expense:		
Bank card transaction fees	**(735)**	(592)
Inter-bank transaction fees	**(166)**	(163)
Others	**(319)**	(277)
Total	**(1,220)**	(1,032)
Net fee and commission income	**47,671**	33,642

5 Net trading gain

	Six months ended 30 June	
	2011	2010
Debt securities	**99**	142
Derivatives	**274**	393
Equity investments	**(249)**	4
Others	**545**	355
Total	**669**	894

For the six months ended 30 June 2011, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB28 million (for the six months ended 30 June 2010: RMB143 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB144 million (for the six months ended 30 June 2010: RMB474 million).

(Expressed in millions of RMB, unless otherwise stated)

6 Dividend income

	Six months ended 30 June	
	2011	2010
Dividend income from listed trading equity investments	**12**	19
Dividend income from available-for-sale equity investments		
– Listed	**24**	8
– Unlisted	**25**	48
Total	**61**	75

7 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

8 Other operating income, net

	Six months ended 30 June	
	2011	2010
Net foreign exchange gain	**674**	40
Net gain on disposal of fixed assets	**371**	32
Income from clearance of dormant accounts	**305**	92
Net gain on disposal of repossessed assets	**68**	29
Others	**791**	667
Total	**2,209**	860

9 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

(Expressed in millions of RMB, unless otherwise stated)

10 Impairment losses

	Six months ended 30 June	
	2011	2010
Loans and advances to customers	**13,895**	10,119
– Additions	**20,590**	15,424
– Releases	**(6,695)**	(5,305)
Available-for-sale debt securities	**(41)**	(46)
Available-for-sale equity investments	**2**	135
Held-to-maturity investments	**(51)**	(302)
Debt securities classified as receivables	**27**	(9)
Others	**93**	(73)
Total	**13,925**	9,824

11 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.

(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

(Expressed in millions of RMB, unless otherwise stated)

12 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. As described in Note 1, 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.

	Note	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)	(a)	**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

(a) 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

13 Cash and deposits with central banks

	Note	Group 30 June 2011	Group 31 December 2010	Bank 30 June 2011	Bank 31 December 2010
Cash		**47,172**	48,201	**46,933**	47,960
Deposits with central banks					
– Statutory deposit reserves	(1)	**1,876,318**	1,611,442	**1,875,490**	1,610,924
– Surplus deposit reserves	(2)	**269,061**	170,938	**263,091**	165,535
– Fiscal deposits		**24,290**	17,448	**24,290**	17,448
		2,169,669	1,799,828	**2,162,871**	1,793,907
Total		**2,216,841**	1,848,029	**2,209,804**	1,841,867

Notes:

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

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

	30 June 2011	31 December 2010
Reserve rate for RMB deposits	**21.5%**	19.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

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

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

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB, unless otherwise stated)

14 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Banks	**118,557**	77,838	**120,760**	77,772
Non-bank financial institutions	**1,713**	491	**1,649**	437
Gross balances	**120,270**	78,329	**122,409**	78,209
Allowances for impairment losses (Note 32)	**(10)**	(11)	**(10)**	(11)
Net balances	**120,260**	78,318	**122,399**	78,198

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Mainland China	**97,050**	62,660	**100,712**	66,033
Overseas	**23,220**	15,669	**21,697**	12,176
Gross balances	**120,270**	78,329	**122,409**	78,209
Allowances for impairment losses (Note 32)	**(10)**	(11)	**(10)**	(11)
Net balances	**120,260**	78,318	**122,399**	78,198

Deposits with banks and non-bank financial institutions mainly include the following balances with restrictions: (i) Pledged deposits with overseas counterparties for the purpose of derivatives transactions (Note 54(1)); and (ii) Subsidiary's deposits in a special account required by the supervisory authority. As at 30 June 2011, the balances of the aforesaid deposits with restrictions were not significant, and have been excluded from the cash and cash equivalents of the Group and the Bank.

15 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Banks	**43,676**	61,039	**48,324**	63,219
Non-bank financial institutions	**8,116**	3,007	**10,694**	5,393
Gross balances	**51,792**	64,046	**59,018**	68,612
Allowances for impairment losses (Note 32)	**(84)**	(84)	**(84)**	(84)
Net balances	**51,708**	63,962	**58,934**	68,528

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Mainland China	**19,667**	14,600	**23,898**	14,600
Overseas	**32,125**	49,446	**35,120**	54,012
Gross balances	**51,792**	64,046	**59,018**	68,612
Allowances for impairment losses (Note 32)	**(84)**	(84)	**(84)**	(84)
Net balances	**51,708**	63,962	**58,934**	68,528

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss

	Note	Group		Bank	
		30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Held for trading purpose	(1)				
– Debt securities		**15,972**	3,044	**15,972**	3,044
– Equity instruments		**1,210**	1,191	**–**	–
– Funds		**11**	350	**–**	–
		17,193	4,585	**15,972**	3,044
Designated at fair value through profit or loss	(2)				
– Debt securities		**5,590**	4,816	**–**	–
– Equity instruments		**9,051**	7,943	**–**	–
– Trust plan		**86,646**	–	**86,646**	–
		101,287	12,759	**86,646**	–
Total		**118,480**	17,344	**102,618**	3,044

(1) Held for trading purpose

(a) Debt securities

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Government	**1,091**	618	**1,091**	618
Central banks	**1,757**	1,093	**1,757**	1,093
Policy banks	**1,458**	110	**1,458**	110
Banks and non-bank financial institutions	**3,088**	1,064	**3,088**	1,064
Others	**8,578**	159	**8,578**	159
Total	**15,972**	3,044	**15,972**	3,044
Listed outside Hong Kong	**–**	51	**–**	51
Unlisted	**15,972**	2,993	**15,972**	2,993
Total	**15,972**	3,044	**15,972**	3,044

(b) Equity instruments and Funds

	Group	
	30 June 2011	31 December 2010
Banks and non-bank financial institutions	**–**	4
Others	**1,221**	1,537
Total	**1,221**	1,541
Listed	**1,185**	1,541
– of which in Hong Kong	**947**	1,151
Unlisted	**36**	–
Total	**1,221**	1,541

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss (continued)

(2) Designated at fair value through profit or loss

(a) Debt securities

	Group	
	30 June 2011	31 December 2010
Policy banks	**274**	281
Banks and non-bank financial institutions	**940**	1,184
Others	**4,376**	3,351
Total	**5,590**	4,816
Listed	**295**	535
– of which in Hong Kong	**173**	411
Unlisted	**5,295**	4,281
Total	**5,590**	4,816

(b) Equity instruments

	Group	
	30 June 2011	31 December 2010
Others	**9,051**	7,943
Listed	**2,314**	2,379
– of which in Hong Kong	**2,044**	2,003
Unlisted	**6,737**	5,564
Total	**9,051**	7,943

(c) Trust plan

As at 30 June 2011, trust plans invested by wealth management products issued by the Group and the Bank with principal guaranteed mainly included financial assets held under resale agreements and deposits with banks and non-bank financial institutions etc.

17 Derivatives

(1) Analysed by type of contract

Group

	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

Bank

	As at 30 June 2011			As at 31 December 2010		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**154,403**	**3,113**	**3,266**	172,667	3,512	3,682
Exchange rate contracts	**628,759**	**8,526**	**6,535**	550,524	6,631	5,042
Other contracts	**3,452**	**80**	**–**	1,625	10	10
Total	**786,614**	**11,719**	**9,801**	724,816	10,153	8,734

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives (continued)

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Interest rate contracts	**2,944**	3,491	**2,919**	3,485
Exchange rate contracts	**9,236**	7,868	**8,489**	7,195
Other contracts	**991**	830	**83**	22
Total	**13,171**	12,189	**11,491**	10,702

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.

18 Financial assets held under resale agreements

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Securities				
– Government bonds	**98,019**	98,288	**98,019**	98,288
– Bills issued by the PBOC	**16,204**	2,490	**16,204**	2,490
– Debt securities issued by banks and non-bank financial institutions	**71,050**	13,541	**71,000**	13,541
	185,273	114,319	**185,223**	114,319
Discounted bills	**96,945**	44,689	**96,945**	44,689
Loans	**11,319**	22,067	**11,319**	22,067
Others	**5,282**	–	**5,282**	–
Gross and net balances	**298,819**	181,075	**298,769**	181,075

19 Interest receivable

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deposits with central banks	**786**	757	**786**	757
Deposits with banks and non-bank financial institutions	**695**	176	**703**	176
Placements with banks and non-bank financial institutions	**165**	–	**178**	–
Financial assets held under resale agreements	**2,239**	704	**2,239**	704
Loans and advances to customers	**15,036**	11,575	**14,802**	11,442
Debt securities	**35,605**	30,703	**35,474**	30,609
Others	**103**	174	**92**	174
Gross balances	**54,629**	44,089	**54,274**	43,862
Allowances for impairment losses (Note 32)	**(1)**	(1)	**(1)**	(1)
Net balances	**54,628**	44,088	**54,273**	43,861

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers

(1) Analysed by nature

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Corporate loans and advances				
– Loans	**4,445,019**	4,111,613	**4,376,477**	4,061,698
– Finance leases	**31,084**	23,382	**–**	–
	4,476,103	4,134,995	**4,376,477**	4,061,698
Personal loans and advances				
– Residential mortgages	**1,233,548**	1,105,431	**1,216,561**	1,088,603
– Personal consumer loans	**80,494**	81,118	**78,045**	78,844
– Credit cards	**76,670**	59,562	**72,886**	55,440
– Others	**174,454**	144,846	**171,371**	142,797
	1,565,166	1,390,957	**1,538,863**	1,365,684
Discounted bills	**99,118**	143,176	**99,051**	143,158
Gross loans and advances to customers	**6,140,387**	5,669,128	**6,014,391**	5,570,540
Allowances for impairment losses (Note 32)	**(155,169)**	(143,102)	**(154,263)**	(142,261)
– Individual assessment	**(36,271)**	(37,352)	**(36,199)**	(37,278)
– Collective assessment	**(118,898)**	(105,750)	**(118,064)**	(104,983)
Net loans and advances to customers	**5,985,218**	5,526,026	**5,860,128**	5,428,279

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

	(note (a)) Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (b))		
		for which allowances are collectively assessed	for which allowances are individually assessed	Total
Group				
As at 30 June 2011				
Gross loans and advances to customers	**6,076,970**	**5,667**	**57,750**	**6,140,387**
Allowances for impairment losses	**(115,334)**	**(3,564)**	**(36,271)**	**(155,169)**
Net loans and advances to customers	**5,961,636**	**2,103**	**21,479**	**5,985,218**
As at 31 December 2010				
Gross loans and advances to customers	5,604,416	6,054	58,658	5,669,128
Allowances for impairment losses	(102,093)	(3,657)	(37,352)	(143,102)
Net loans and advances to customers	5,502,323	2,397	21,306	5,526,026
Bank				
As at 30 June 2011				
Gross loans and advances to customers	**5,951,164**	**5,549**	**57,678**	**6,014,391**
Allowances for impairment losses	**(114,515)**	**(3,549)**	**(36,199)**	**(154,263)**
Net loans and advances to customers	**5,836,649**	**2,000**	**21,479**	**5,860,128**
As at 31 December 2010				
Gross loans and advances to customers	5,506,036	5,920	58,584	5,570,540
Allowances for impairment losses	(101,335)	(3,648)	(37,278)	(142,261)
Net loans and advances to customers	5,404,701	2,272	21,306	5,428,279

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

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

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

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

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

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 57(1).

(3) Movements of allowances for impairment losses

Group

	Six months ended 30 June 2011			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		
		which are collectively assessed	**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**

	2010			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		which are collectively assessed	which are individually assessed	Total
As at 1 January	75,628	4,838	46,360	126,826
Charge for the year	26,465	103	11,857	38,425
Release during the year	–	(261)	(12,523)	(12,784)
Unwinding of discount	–	–	(799)	(799)
Transfers out	–	(18)	(383)	(401)
Write-offs	–	(1,084)	(8,193)	(9,277)
Recoveries	–	79	1,033	1,112
As at 31 December	102,093	3,657	37,352	143,102

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

Bank

	Six months ended 30 June 2011			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		which are collectively assessed	which are individually assessed	Total
As at 1 January	**101,335**	**3,648**	**37,278**	**142,261**
Charge for the period	**13,247**	**10**	**7,226**	**20,483**
Release during the period	**–**	**–**	**(6,695)**	**(6,695)**
Unwinding of discount	**–**	**–**	**(671)**	**(671)**
Transfers out	**(67)**	**(1)**	**(441)**	**(509)**
Write-offs	**–**	**(138)**	**(1,109)**	**(1,247)**
Recoveries	**–**	**30**	**611**	**641**
As at 30 June	**114,515**	**3,549**	**36,199**	**154,263**

	2010			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		which are collectively assessed	which are individually assessed	Total
As at 1 January	74,971	4,832	46,308	126,111
Charge for the year	26,364	–	11,817	38,181
Release during the year	–	(261)	(12,520)	(12,781)
Unwinding of discount	–	–	(799)	(799)
Transfers out	–	(14)	(366)	(380)
Write-offs	–	(966)	(8,193)	(9,159)
Recoveries	–	57	1,031	1,088
As at 31 December	101,335	3,648	37,278	142,261

(4) Overdue loans analysed by overdue period

Group

	As at 30 June 2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	**2,480**	**981**	**732**	**1,220**	**5,413**
Guaranteed loans	**3,153**	**1,546**	**4,311**	**4,351**	**13,361**
Loans secured by tangible assets other than monetary assets	**20,157**	**4,763**	**9,540**	**5,769**	**40,229**
Loans secured by monetary assets	**375**	**459**	**1,243**	**850**	**2,927**
Total	**26,165**	**7,749**	**15,826**	**12,190**	**61,930**
As a percentage of gross loans and advances to customers	**0.43%**	**0.13%**	**0.26%**	**0.20%**	**1.02%**

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

Group (continued)

	As at 31 December 2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,141	529	1,486	1,081	5,237
Guaranteed loans	943	833	5,275	4,243	11,294
Loans secured by tangible assets other than monetary assets	15,095	3,926	11,141	5,842	36,004
Loans secured by monetary assets	428	1,307	1,164	821	3,720
Total	18,607	6,595	19,066	11,987	56,255
As a percentage of gross loans and advances to customers	0.33%	0.12%	0.34%	0.20%	0.99%

Bank

	As at 30 June 2011				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**2,414**	**972**	**681**	**1,219**	**5,286**
Guaranteed loans	**3,099**	**1,546**	**4,311**	**4,351**	**13,307**
Loans secured by tangible assets other than monetary assets	**20,049**	**4,762**	**9,540**	**5,767**	**40,118**
Loans secured by monetary assets	**375**	**459**	**1,243**	**850**	**2,927**
Total	**25,937**	**7,739**	**15,775**	**12,187**	**61,638**
As a percentage of gross loans and advances to customers	**0.43%**	**0.13%**	**0.26%**	**0.20%**	**1.02%**

	As at 31 December 2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,068	520	1,436	1,080	5,104
Guaranteed loans	942	833	5,275	4,243	11,293
Loans secured by tangible assets other than monetary assets	14,889	3,925	11,141	5,840	35,795
Loans secured by monetary assets	428	1,307	1,164	821	3,720
Total	18,327	6,585	19,016	11,984	55,912
As a percentage of gross loans and advances to customers	0.33%	0.11%	0.34%	0.22%	1.00%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

21 Available-for-sale financial assets

	Note	Group		Bank	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
Debt securities	(1)	609,298	676,840	604,438	675,277
Equity instruments	(2)	19,094	19,837	17,038	17,754
Funds	(2)	210	171	–	–
Total		628,602	696,848	621,476	693,031

(1) Debt securities

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Government	72,541	87,556	71,885	87,226
Central banks	182,133	284,706	179,251	284,029
Policy banks	46,937	31,770	46,854	31,760
Banks and non-bank financial institutions	127,542	110,678	127,705	110,552
Public sector entities	594	1,458	594	1,458
Other enterprises	179,551	160,672	178,149	160,252
Total	609,298	676,840	604,438	675,277
Listed	25,121	23,012	24,264	22,576
– of which in Hong Kong	2,577	2,287	2,152	2,254
Unlisted	584,177	653,828	580,174	652,701
Total	609,298	676,840	604,438	675,277

(2) Equity instruments and funds

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Debt equity swap (“DES”) investments	15,761	16,467	15,761	16,467
Other equity instruments	3,333	3,370	1,277	1,287
Funds	210	171	–	–
Total	19,304	20,008	17,038	17,754
Listed	15,580	16,550	15,108	15,953
– of which in Hong Kong	943	1,011	699	740
Unlisted	3,724	3,458	1,930	1,801
Total	19,304	20,008	17,038	17,754

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

(Expressed in millions of RMB, unless otherwise stated)

22 Held-to-maturity investments

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Government	**717,581**	673,620	**716,792**	673,490
Central banks	**377,769**	668,407	**377,769**	668,407
Policy banks	**210,662**	151,743	**210,488**	151,743
Banks and non-bank financial institutions	**466,530**	385,708	**466,456**	385,708
Public sector entities	**194**	198	**194**	198
Other enterprises	**9,938**	9,384	**9,689**	9,384
Gross balances	**1,782,674**	1,889,060	**1,781,388**	1,888,930
Allowances for impairment losses (Note 32)	**(4,895)**	(5,003)	**(4,895)**	(5,003)
Net balances	**1,777,779**	1,884,057	**1,776,493**	1,883,927
Listed outside Hong Kong	**4,625**	4,684	**4,614**	4,684
Unlisted	**1,773,154**	1,879,373	**1,771,879**	1,879,243
Total	**1,777,779**	1,884,057	**1,776,493**	1,883,927
Market value of listed securities	**5,347**	5,341	**5,336**	5,341

23 Debt securities classified as receivables

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

		Group		Bank	
	Note	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**530**	530	**530**	530
The PBOC		**–**	593	**–**	593
China Cinda Assets Management Co., Ltd.	(2)	**167,761**	206,261	**167,761**	206,261
Banks and non-bank financial institutions		**85,364**	48,925	**85,364**	48,925
Other enterprises		**4,409**	1,359	**4,359**	1,359
Gross balances		**307,264**	306,868	**307,214**	306,868
Allowance for impairment losses (Note 32)		**(147)**	(120)	**(147)**	(120)
Net balances		**307,117**	306,748	**307,067**	306,748

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) ("Cinda") issued a bond ("Cinda Bond") with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond was extended for 10 years upon its expiry and the interest rate remained unchanged from 2009.

(Expressed in millions of RMB, unless otherwise stated)

24 Investments in subsidiaries

(1) Investment cost

	30 June 2011	31 December 2010
Sing Jian Development Company Limited	**383**	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	751
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**3,380**	3,380
Jianxin Taojiang Rural Bank ("Taojiang Rural")	**26**	26
China Construction Bank (London) Limited ("CCB London")	**1,361**	1,361
Jianxin Zhejiang Cangnan Rural Bank Corporation Limited ("Cangnan Rural")	**53**	53
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
Jianxin Qingtian Oversea-Chinese Rural Bank ("Qingtian Rural")	**51**	51
Jianxin Wuyi Rural Bank ("Wuyi Rural")	**51**	51
Jianxin Anhui Fanchang Rural Bank Corporation Limited ("Fanchang Rural")	**51**	51
Jianxin Ansai Rural Bank Corporation Limited ("Ansai Rural")	**16**	16
Hebei Fengning Jianxin Rural Bank Company Limited ("Fengning Rural")	**15**	15
Shanghai Pudong Jianxin Rural Bank Company Limited ("Pudong Rural")	**90**	90
Suzhou Changshu Jianxin Rural Bank Company Limited ("Changshu Rural")	**102**	102
CCB Life Insurance Company Limited ("CCB Life")	**816**	–
Jiangsu Haimen Jianxin Rural Bank Company Limited ("Haimen Rural")	**51**	–
Jiangsu Taixing Jianxin Rural Bank Company Limited ("Taixing Rural")	**51**	–
Total	**11,538**	9,869

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
Sing Jian Development Company Limited	Hong Kong, the PRC	300 million shares of HK$1 each	Investment	100%	–	100%
Sino-German	Tianjin, the PRC	RMB 2,000 million	Loan and deposit taking business	75.1%	–	75.1%
CCB Principal	Beijing, the PRC	RMB 200 million	Fund management services	65%	–	65%
CCBIG	Hong Kong, the PRC	1 share of HK$1 each	Investment	100%	–	100%
CCBFLCL	Beijing, the PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	–	75.1%
Taojiang Rural	Hunan, the PRC	50 million shares of RMB1 each	Loan and deposit taking business	51%	–	51%
CCB London	London, United Kingdom	200 million shares of US$1 each	Commercial banking	100%	–	100%
Cangnan Rural	Zhejiang, the PRC	150 million shares of RMB1 each	Loan and deposit taking business	35%	–	51%
Jianxin Trust	Anhui, the PRC	1,527 million shares of RMB1 each	Trust business	67%	–	67%
Qingtian Rural	Zhejiang, the PRC	RMB 100 million	Loan and deposit taking business	51%	–	51%
Wuyi Rural	Zhejiang, the PRC	RMB 100 million	Loan and deposit taking business	51%	–	51%

(Expressed in millions of RMB, unless otherwise stated)

24 Investments in subsidiaries (continued)

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows (continued):

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
Fanchang Rural	Anhui, the PRC	RMB 100 million	Loan and deposit taking business	51%	–	51%
Ansai Rural	Shaanxi, the PRC	RMB 30 million	Loan and deposit taking business	52%	–	52%
Fengning Rural	Hebei, the PRC	RMB 30 million	Loan and deposit taking business	51%	–	51%
Pudong Rural	Shanghai, the PRC	RMB 150 million	Loan and deposit taking business	60%	–	60%
Changshu Rural	Jiangsu, the PRC	RMB 200 million	Loan and deposit taking business	51%	–	51%
CCB Life	Shanghai, the PRC	RMB 800 million	Insurance	51%	–	51%
Haimen Rural	Jiangsu, the PRC	RMB 100 million	Loan and deposit taking business	51%	–	51%
Taixing Rural	Jiangsu, the PRC	RMB 100 million	Loan and deposit taking business	51%	–	51%
Lanhye Investment Holdings Limited	British Virgin Islands	1 share of US$1 each	Investment	–	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	601 million shares of US$1 each	Investment	–	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	163 million shares of HK$40 each	Commercial banking	–	100%	100%

(Expressed in millions of RMB, unless otherwise stated)

25 Interests in associates and jointly controlled entities

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

	Six months ended 30 June 2011	2010
As at 1 January	**1,777**	1,791
Acquisition during the period/year	**85**	18
Share of profits less losses	**25**	34
Effect of exchange difference and others	**(31)**	(66)
Total	**1,856**	1,777

(2) Details of the interests in major associate and jointly controlled entity are as follows:

Name of Company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	78,192,220 ordinary shares of HK$1 each	Insurance	25.5%	25.5%	1,450	972	335	53
Diamond String Limited	Hong Kong, the PRC	10,000 ordinary shares of HK$1 each	Property investment	50%	50%	1,129	1,127	–	–

26 Fixed assets

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2011	**57,848**	**15,639**	**26,724**	**19,375**	**119,586**
Additions through acquisitions	**–**	**–**	**10**	**52**	**62**
Additions	**607**	**2,809**	**658**	**726**	**4,800**
Transfer in/(out)	**1,160**	**(1,571)**	**27**	**384**	**–**
Disposals	**(137)**	**(129)**	**(473)**	**(339)**	**(1,078)**
As at 30 June 2011	**59,478**	**16,748**	**26,946**	**20,198**	**123,370**
Accumulated depreciation					
As at 1 January 2011	**(11,646)**	**–**	**(16,360)**	**(7,661)**	**(35,667)**
Additions through acquisitions	**–**	**–**	**(8)**	**(45)**	**(53)**
Charge for the period	**(1,082)**	**–**	**(2,206)**	**(1,901)**	**(5,189)**
Disposals	**31**	**–**	**440**	**338**	**809**
As at 30 June 2011	**(12,697)**	**–**	**(18,134)**	**(9,269)**	**(40,100)**
Allowances for impairment losses (Note 32)					
As at 1 January 2011	**(476)**	**–**	**(3)**	**(6)**	**(485)**
Disposals	**1**	**–**	**–**	**–**	**1**
As at 30 June 2011	**(475)**	**–**	**(3)**	**(6)**	**(484)**
Net carrying value					
As at 1 January 2011	**45,726**	**15,639**	**10,361**	**11,708**	**83,434**
As at 30 June 2011	**46,306**	**16,748**	**8,809**	**10,923**	**82,786**

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets (continued)

Group (continued)

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2010	51,305	11,349	24,030	16,351	103,035
Additions	3,506	8,940	3,928	2,505	18,879
Transfer in/(out)	3,174	(4,546)	29	1,343	–
Disposals	(137)	(104)	(1,263)	(824)	(2,328)
As at 31 December 2010	57,848	15,639	26,724	19,375	119,586
Accumulated depreciation					
As at 1 January 2010	(9,701)	–	(13,286)	(4,852)	(27,839)
Charge for the year	(2,009)	–	(4,285)	(3,561)	(9,855)
Disposals	64	–	1,211	752	2,027
As at 31 December 2010	(11,646)	–	(16,360)	(7,661)	(35,667)
Allowances for impairment losses (Note 32)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charge for the year	(2)	–	–	–	(2)
Disposals	15	5	–	–	20
As at 31 December 2010	(476)	–	(3)	(6)	(485)
Net carrying value					
As at 1 January 2010	41,115	11,344	10,741	11,493	74,693
As at 31 December 2010	45,726	15,639	10,361	11,708	83,434

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets (continued)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2011	**57,296**	**15,636**	**26,458**	**19,083**	**118,473**
Additions	**605**	**2,804**	**638**	**613**	**4,660**
Transfer in/(out)	**1,159**	**(1,570)**	**27**	**384**	**–**
Disposals	**(135)**	**(129)**	**(469)**	**(333)**	**(1,066)**
As at 30 June 2011	**58,925**	**16,741**	**26,654**	**19,747**	**122,067**
Accumulated depreciation					
As at 1 January 2011	**(11,585)**	**–**	**(16,201)**	**(7,506)**	**(35,292)**
Charge for the period	**(1,072)**	**–**	**(2,182)**	**(1,875)**	**(5,129)**
Disposals	**31**	**–**	**432**	**332**	**795**
As at 30 June 2011	**(12,626)**	**–**	**(17,951)**	**(9,049)**	**(39,626)**
Allowances for impairment losses (Note 32)					
As at 1 January 2011	**(476)**	**–**	**(3)**	**(6)**	**(485)**
Disposals	**1**	**–**	**–**	**–**	**1**
As at 30 June 2011	**(475)**	**–**	**(3)**	**(6)**	**(484)**
Net carrying value					
As at 1 January 2011	**45,235**	**15,636**	**10,254**	**11,571**	**82,696**
As at 30 June 2011	**45,824**	**16,741**	**8,700**	**10,692**	**81,957**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2010	51,072	11,139	23,818	16,109	102,138
Additions	3,462	8,838	3,877	2,442	18,619
Transfer in/(out)	2,894	(4,237)	15	1,328	–
Disposals	(132)	(104)	(1,252)	(796)	(2,284)
As at 31 December 2010	57,296	15,636	26,458	19,083	118,473
Accumulated depreciation					
As at 1 January 2010	(9,648)	–	(13,157)	(4,732)	(27,537)
Charge for the year	(1,998)	–	(4,245)	(3,510)	(9,753)
Disposals	61	–	1,201	736	1,998
As at 31 December 2010	(11,585)	–	(16,201)	(7,506)	(35,292)
Allowances for impairment losses (Note 32)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charge for the year	(2)	–	–	–	(2)
Disposals	15	5	–	–	20
As at 31 December 2010	(476)	–	(3)	(6)	(485)
Net carrying value					
As at 1 January 2010	40,935	11,134	10,658	11,371	74,098
As at 31 December 2010	45,235	15,636	10,254	11,571	82,696

(Expressed in millions of RMB, unless otherwise stated)

26 Fixed assets (continued)

Notes:

(1) As at 30 June 2011, ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB11,398 million (31 December 2010: RMB9,790 million) was being finalised.

(2) Analysed by remaining terms of the leases

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Long term leases (over 50 years) held overseas	**39**	72	**–**	38
Medium term leases (10-50 years) held overseas	**154**	169	**139**	148
Medium term leases (10-50 years) held in Mainland China	**44,614**	43,745	**44,186**	43,309
Short term leases (less than 10 years) held in Mainland China	**1,499**	1,740	**1,499**	1,740
Total	**46,306**	45,726	**45,824**	45,235

27 Land use rights

Group

	Six months ended 30 June 2011	2010
Cost/deemed cost		
As at 1 January	**20,458**	20,173
Additions	**169**	375
Disposals	**(64)**	(90)
As at 30 June/31 December	**20,563**	20,458
Accumulated amortisation		
As at 1 January	**(3,387)**	(2,900)
Charge for the period/year	**(254)**	(503)
Disposals	**8**	16
As at 30 June/31 December	**(3,633)**	(3,387)
Allowances for impairment losses (Note 32)		
As at 1 January	**(149)**	(151)
Disposals	**1**	2
As at 30 June/31 December	**(148)**	(149)
Net carrying value		
As at 1 January	**16,922**	17,122
As at 30 June/31 December	**16,782**	16,922

(Expressed in millions of RMB, unless otherwise stated)

27 Land use rights (continued)

Bank

	Six months ended 30 June 2011	2010
Cost/deemed cost		
As at 1 January	20,397	20,110
Additions	169	375
Disposals	(62)	(88)
As at 30 June/31 December	20,504	20,397
Accumulated amortisation		
As at 1 January	(3,383)	(2,897)
Charge for the period/year	(254)	(502)
Disposals	8	16
As at 30 June/31 December	(3,629)	(3,383)
Allowances for impairment losses (Note 32)		
As at 1 January	(149)	(151)
Disposals	1	2
As at 30 June/31 December	(148)	(149)
Net carrying value		
As at 1 January	16,865	17,062
As at 30 June/31 December	16,727	16,865

28 Intangible assets

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2011	3,906	49	3,955
Additions through acquisitions	48	424	472
Additions	13	–	13
Disposals	(5)	–	(5)
As at 30 June 2011	3,962	473	4,435
Accumulated amortisation			
As at 1 January 2011	(2,626)	(11)	(2,637)
Additions through acquisitions	(27)	–	(27)
Charge for the period	(253)	–	(253)
Disposals	4	–	4
As at 30 June 2011	(2,902)	(11)	(2,913)
Allowances for impairment losses (Note 32)			
As at 1 January 2011	(1)	(7)	(8)
As at 30 June 2011	(1)	(7)	(8)
Net carrying value			
As at 1 January 2011	1,279	31	1,310
As at 30 June 2011	1,059	455	1,514

(Expressed in millions of RMB, unless otherwise stated)

28 Intangible assets (continued)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2010	3,433	58	3,491
Additions	502	14	516
Disposals	(29)	(23)	(52)
As at 31 December 2010	3,906	49	3,955
Accumulated amortisation			
As at 1 January 2010	(2,183)	(30)	(2,213)
Charge for the year	(467)	(1)	(468)
Disposals	24	20	44
As at 31 December 2010	(2,626)	(11)	(2,637)
Allowances for impairment losses (Note 32)			
As at 1 January 2010	(1)	(7)	(8)
As at 31 December 2010	(1)	(7)	(8)
Net carrying value			
As at 1 January 2010	1,249	21	1,270
As at 31 December 2010	1,279	31	1,310

Bank

	Software	**Others**	**Total**
Cost/deemed cost			
As at 1 January 2011	**3,858**	**38**	**3,896**
Additions	**11**	**–**	**11**
Disposals	**(4)**	**–**	**(4)**
As at 30 June 2011	**3,865**	**38**	**3,903**
Accumulated amortisation			
As at 1 January 2011	**(2,604)**	**(11)**	**(2,615)**
Charge for the period	**(248)**	**–**	**(248)**
Disposals	**4**	**–**	**4**
As at 30 June 2011	**(2,848)**	**(11)**	**(2,859)**
Allowances for impairment losses (Note 32)			
As at 1 January 2011	**(1)**	**(7)**	**(8)**
As at 30 June 2011	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2011	**1,253**	**20**	**1,273**
As at 30 June 2011	**1,016**	**20**	**1,036**

(Expressed in millions of RMB, unless otherwise stated)

28 Intangible assets (continued)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2010	3,400	49	3,449
Additions	482	10	492
Disposals	(24)	(21)	(45)
As at 31 December 2010	3,858	38	3,896
Accumulated amortisation			
As at 1 January 2010	(2,170)	(29)	(2,199)
Charge for the year	(458)	(1)	(459)
Disposals	24	19	43
As at 31 December 2010	(2,604)	(11)	(2,615)
Allowances for impairment losses (Note 32)			
As at 1 January 2010	(1)	(7)	(8)
As at 31 December 2010	(1)	(7)	(8)
Net carrying value			
As at 1 January 2010	1,229	13	1,242
As at 31 December 2010	1,253	20	1,273

29 Goodwill

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009 and CCB Life on 29 June 2011. Movement of the goodwill is as follows:

	Note	**Six months ended 30 June 2011**	2010
As at 1 January		**1,534**	1,590
Additions through acquisitions	51(2)	**194**	–
Effect of exchange difference		**(30)**	(56)
As at 30 June/31 December		**1,698**	1,534

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

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

Based on the result of the impairment test, no impairment losses on goodwill were recognised for the six months ended 30 June 2011 (for the six months ended 30 June 2010: nil).

(Expressed in millions of RMB, unless otherwise stated)

30 Deferred tax

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deferred tax assets	**19,934**	17,825	**20,884**	18,774
Deferred tax liabilities	**(348)**	(243)	**(14)**	(4)
Total	**19,586**	17,582	**20,870**	18,770

(1) Analysed by nature

Group

	30 June 2011		31 December 2010	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(7,756)**	**(1,977)**	(10,685)	(2,683)
– Allowances for impairment losses	**68,206**	**16,942**	63,559	15,736
– Early retirement benefits and accrued salaries	**19,580**	**4,895**	18,772	4,694
– Others	**441**	**74**	469	78
Total	**80,471**	**19,934**	72,115	17,825
Deferred tax liabilities				
– Fair value adjustments	**(1,225)**	**(298)**	(1,034)	(236)
– Allowances for impairment losses	**(66)**	**(16)**	73	24
– Accrued salaries	**14**	**3**	(34)	(6)
– Others	**(138)**	**(37)**	(77)	(25)
Total	**(1,415)**	**(348)**	(1,072)	(243)

Bank

	30 June 2011		31 December 2010	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(8,090)**	**(2,029)**	(10,752)	(2,692)
– Allowances for impairment losses	**67,804**	**16,869**	63,143	15,665
– Early retirement benefits and accrued salaries	**19,498**	**4,874**	18,627	4,657
– Others	**8,425**	**1,170**	7,840	1,144
Total	**87,637**	**20,884**	78,858	18,774
Deferred tax liabilities				
– Fair value adjustments	**5**	**1**	(7)	(2)
– Allowances for impairment losses	**(66)**	**(16)**	73	24
– Others	**3**	**1**	(80)	(26)
Total	**(58)**	**(14)**	(14)	(4)

(Expressed in millions of RMB, unless otherwise stated)

30 Deferred tax (continued)

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2011	**4,688**	**(2,919)**	**15,760**	**53**	**17,582**
Recognised in profit or loss	**207**	**(111)**	**1,166**	**26**	**1,288**
Recognised in other comprehensive income	**–**	**855**	**–**	**–**	**855**
Addition through acquisition	**3**	**(100)**	**–**	**(42)**	**(139)**
As at 30 June 2011	**4,898**	**(2,275)**	**16,926**	**37**	**19,586**
As at 1 January 2010	3,809	(4,565)	11,249	81	10,574
Recognised in profit or loss	879	(445)	4,511	(28)	4,917
Recognised in other comprehensive income	–	2,091	–	–	2,091
As at 31 December 2010	4,688	(2,919)	15,760	53	17,582

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2011	**4,657**	**(2,694)**	**15,689**	**1,118**	**18,770**
Recognised in profit or loss	**217**	**(125)**	**1,164**	**53**	**1,309**
Recognised in other comprehensive income	**–**	**791**	**–**	**–**	**791**
As at 30 June 2011	**4,874**	**(2,028)**	**16,853**	**1,171**	**20,870**
As at 1 January 2010	3,802	(4,405)	11,164	740	11,301
Recognised in profit or loss	855	(409)	4,525	378	5,349
Recognised in other comprehensive income	–	2,120	–	–	2,120
As at 31 December 2010	4,657	(2,694)	15,689	1,118	18,770

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

(Expressed in millions of RMB, unless otherwise stated)

31 Other assets

	Note	Group 30 June 2011	Group 31 December 2010	Bank 30 June 2011	Bank 31 December 2010
Repossessed assets	(1)				
– Buildings		**1,493**	1,373	**1,493**	1,373
– Land use rights		**224**	243	**224**	243
– Others		**192**	230	**192**	230
		1,909	1,846	**1,909**	1,846
Long-term deferred expenses		**360**	351	**346**	344
Receivables from CCBIG	(2)	**–**	–	**18,689**	19,055
Other receivables		**38,505**	13,478	**35,618**	11,260
Leasehold improvements		**2,312**	2,607	**2,300**	2,595
Subtotal		**43,086**	18,282	**58,862**	35,100
Allowances for impairment losses (Note 32)		**(2,741)**	(2,981)	**(2,741)**	(2,978)
Total		**40,345**	15,301	**56,121**	32,122

(1) For the six months ended 30 June 2011, the original cost of repossessed assets disposed of by the Group amounted to RMB256 million (for the six months ended 30 June 2010: RMB613 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

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

32 Movements of allowances for impairment losses

Group

	Note	Six months ended 30 June 2011 As at 1 January	Charge for the period/ (Write-back)	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	14	**11**	**(15)**	**14**	**–**	**10**
Placements with banks and non-bank financial institutions	15	**84**	**(33)**	**33**	**–**	**84**
Interest receivable	19	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	20(3)	**143,102**	**13,895**	**(539)**	**(1,289)**	**155,169**
Held-to-maturity investments	22	**5,003**	**(51)**	**(57)**	**–**	**4,895**
Debt securities classified as receivables	23	**120**	**27**	**–**	**–**	**147**
Fixed assets	26	**485**	**–**	**–**	**(1)**	**484**
Land use rights	27	**149**	**–**	**–**	**(1)**	**148**
Intangible assets	28	**8**	**–**	**–**	**–**	**8**
Other assets	31	**2,981**	**(151)**	**–**	**(89)**	**2,741**
Total		**151,944**	**13,672**	**(549)**	**(1,380)**	**163,687**

(Expressed in millions of RMB, unless otherwise stated)

32 Movements of allowances for impairment losses (continued)

Group (continued)

	Note	2010 As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	18	(3)	–	(4)	11
Placements with banks and non-bank financial institutions	15	131	(30)	–	(17)	84
Interest receivable	19	1	14	–	(14)	1
Loans and advances to customers	20(3)	126,826	25,641	(88)	(9,277)	143,102
Held-to-maturity investments	22	6,086	(381)	(173)	(529)	5,003
Debt securities classified as receivables	23	96	24	–	–	120
Fixed assets	26	503	2	–	(20)	485
Land use rights	27	151	–	–	(2)	149
Intangible assets	28	8	–	–	–	8
Other assets	31	3,288	226	–	(533)	2,981
Total		137,108	25,493	(261)	(10,396)	151,944

Bank

	Note	**Six months ended 30 June 2011** As at 1 January	Charge for the period/ (Write-back)	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	14	**11**	**(15)**	**14**	**–**	**10**
Placements with banks and non-bank financial institutions	15	**84**	**(33)**	**33**	**–**	**84**
Interest receivable	19	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	20(3)	**142,261**	**13,788**	**(539)**	**(1,247)**	**154,263**
Held-to-maturity investments	22	**5,003**	**(51)**	**(57)**	**–**	**4,895**
Debt securities classified as receivables	23	**120**	**27**	**–**	**–**	**147**
Fixed assets	26	**485**	**–**	**–**	**(1)**	**484**
Land use rights	27	**149**	**–**	**–**	**(1)**	**148**
Intangible assets	28	**8**	**–**	**–**	**–**	**8**
Other assets	31	**2,978**	**(149)**	**–**	**(88)**	**2,741**
Total		**151,100**	**13,567**	**(549)**	**(1,337)**	**162,781**

	Note	2010 As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	18	(3)	–	(4)	11
Placements with banks and non-bank financial institutions	15	131	(30)	–	(17)	84
Interest receivable	19	1	14	–	(14)	1
Loans and advances to customers	20(3)	126,111	25,400	(91)	(9,159)	142,261
Held-to-maturity investments	22	6,086	(381)	(173)	(529)	5,003
Debt securities classified as receivables	23	96	24	–	–	120
Fixed assets	26	503	2	–	(20)	485
Land use rights	27	151	–	–	(2)	149
Intangible assets	28	8	–	–	–	8
Other assets	31	3,283	228	–	(533)	2,978
Total		136,388	25,254	(264)	(10,278)	151,100

(Expressed in millions of RMB, unless otherwise stated)

33 Amounts due from/to subsidiaries

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

	30 June 2011	31 December 2010
Deposits with banks and non-bank financial institutions	7,684	4,771
Placements with banks and non-bank financial institutions	9,385	6,187
Positive fair value of derivatives	–	35
Interest receivable	64	20
Available-for-sale financial assets	3,844	3,955
Other assets	18,761	19,158
Total	39,738	34,126

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

	30 June 2011	31 December 2010
Deposits from banks and non-bank financial institutions	3,472	2,232
Placements from banks and non-bank financial institutions	2,467	2,563
Financial assets sold under repurchase agreements	4,372	6,222
Deposits from customers	748	2,716
Interest payable	68	97
Debt securities issued	–	848
Total	11,127	14,678

34 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Banks	230,978	187,548	232,440	188,229
Non-bank financial institutions	434,146	495,989	435,334	497,009
Total	665,124	683,537	667,774	685,238

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Mainland China	663,738	682,885	665,771	683,783
Overseas	1,386	652	2,003	1,455
Total	665,124	683,537	667,774	685,238

(Expressed in millions of RMB, unless otherwise stated)

35 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Banks	**107,605**	65,895	**76,734**	41,334
Non-bank financial institutions	**380**	377	**332**	330
Total	**107,985**	66,272	**77,066**	41,664

(2) Analysed by geographical sectors

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Mainland China	**35,754**	24,952	**11,993**	6,292
Overseas	**72,231**	41,320	**65,073**	35,372
Total	**107,985**	66,272	**77,066**	41,664

36 Financial liabilities at fair value through profit or loss

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Structured financial instruments	**2,425**	2,422	**78**	75
Financial liabilities related to precious metals	**13,957**	12,865	**13,957**	12,865
Total	**16,382**	15,287	**14,035**	12,940

The Group's and the Bank's financial liabilities at fair value through profit or loss are all financial liabilities designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period presented and cumulatively as at 30 June 2011 and 31 December 2010.

37 Financial assets sold under repurchase agreements

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Securities				
– PBOC bills	**2,602**	2,867	**2,602**	2,867
– Other securities	**459**	55	**359**	–
	3,061	2,922	**2,961**	2,867
Loans	**–**	2,000	**4,372**	8,222
Total	**3,061**	4,922	**7,333**	11,089

(Expressed in millions of RMB, unless otherwise stated)

38 Deposits from customers

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Demand deposits				
– Corporate customers	**3,560,261**	3,412,050	**3,552,412**	3,408,265
– Personal customers	**1,893,998**	1,726,159	**1,883,316**	1,714,764
	5,454,259	5,138,209	**5,435,728**	5,123,029
Time deposits (including call deposits)				
– Corporate customers	**1,868,834**	1,608,186	**1,843,453**	1,585,294
– Personal customers	**2,569,015**	2,328,974	**2,539,115**	2,306,323
	4,437,849	3,937,160	**4,382,568**	3,891,617
Total	**9,892,108**	9,075,369	**9,818,296**	9,014,646

Deposits from customers include:

		Group		Bank	
		30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
(1)	Pledged deposits				
	– Deposits for acceptance	**134,128**	118,172	**133,904**	118,172
	– Deposits for guarantee	**42,744**	34,103	**42,744**	34,103
	– Deposits for letter of credit	**58,354**	39,692	**58,354**	39,692
	– Others	**160,303**	104,779	**160,177**	104,747
	Total	**395,529**	296,746	**395,179**	296,714
(2)	Outward remittance and remittance payables	**21,535**	15,895	**21,492**	15,864

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

(Expressed in millions of RMB, unless otherwise stated)

39 Accrued staff costs

Group

	Note	Six months ended 30 June 2011			
		As at 1 January	**Accrued**	**Paid**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**14,873**	**22,208**	**(20,923)**	**16,158**
Defined contribution retirement schemes		**492**	**3,202**	**(3,231)**	**463**
Other social insurance and welfare		**1,265**	**2,616**	**(2,314)**	**1,567**
Housing funds		**112**	**1,813**	**(1,747)**	**178**
Union running costs and employee education costs		**954**	**885**	**(526)**	**1,313**
Supplementary retirement benefits	(1)	**6,901**	**127**	**(354)**	**6,674**
Early retirement benefits		**6,765**	**106**	**(668)**	**6,203**
Compensation to employees for termination of employment relationship		**7**	**6**	**(6)**	**7**
Total		**31,369**	**30,963**	**(29,769)**	**32,563**

	Note	2010			
		As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		10,835	42,652	(38,614)	14,873
Defined contribution retirement schemes		459	7,206	(7,173)	492
Other social insurance and welfare		1,105	5,311	(5,151)	1,265
Housing funds		82	3,409	(3,379)	112
Union running costs and employee education costs		797	1,695	(1,538)	954
Supplementary retirement benefits	(1)	6,786	651	(536)	6,901
Early retirement benefits		7,353	841	(1,429)	6,765
Compensation to employees for termination of employment relationship		8	19	(20)	7
Total		27,425	61,784	(57,840)	31,369

Bank

	Note	Six months ended 30 June 2011			
		As at 1 January	**Accrued**	**Paid**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**14,133**	**21,573**	**(20,022)**	**15,684**
Defined contribution retirement schemes		**491**	**3,163**	**(3,194)**	**460**
Other social insurance and welfare		**1,169**	**2,595**	**(2,272)**	**1,492**
Housing funds		**111**	**1,805**	**(1,739)**	**177**
Union running costs and employee education costs		**945**	**879**	**(524)**	**1,300**
Supplementary retirement benefits	(1)	**6,901**	**127**	**(354)**	**6,674**
Early retirement benefits		**6,765**	**106**	**(668)**	**6,203**
Compensation to employees for termination of employment relationship		**7**	**6**	**(6)**	**7**
Total		**30,522**	**30,254**	**(28,779)**	**31,997**

	Note	2010			
		As at 1 January	As at Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		10,217	41,218	(37,302)	14,133
Defined contribution retirement schemes		458	7,142	(7,109)	491
Other social insurance and welfare		1,013	5,236	(5,080)	1,169
Housing funds		81	3,397	(3,367)	111
Union running costs and employee education costs		792	1,684	(1,531)	945
Supplementary retirement benefits	(1)	6,786	651	(536)	6,901
Early retirement benefits		7,353	841	(1,429)	6,765
Compensation to employees for termination of employment relationship		8	19	(20)	7
Total		26,708	60,188	(56,374)	30,522

(Expressed in millions of RMB, unless otherwise stated)

39 Accrued staff costs (continued)

(1) Supplementary retirement benefits

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

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

	30 June 2011	31 December 2010
Present value of supplementary retirement benefit obligations	**6,479**	6,646
Unrecognised actuarial gains	**195**	255
As at 30 June/31 December	**6,674**	6,901

(b) *Movements of supplementary retirement benefits of the Group and the Bank are as follows:*

	Six months ended 30 June 2011	2010
As at 1 January	**6,901**	6,786
Paid	**(354)**	(536)
Expenses recognised in profit or loss		
– Interest cost	**127**	219
– Past service costs	**–**	432
As at 30 June/31 December	**6,674**	6,901

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

(c) *Principal actuarial assumptions of the Group and the Bank as at the end of the reporting period:*

	30 June 2011	31 December 2010
Discount rate	**4.00%**	4.00%
Health care cost increases	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**13.8 years**	14.1 years

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

40 Taxes payable

	Group		**Bank**	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Income tax	**18,453**	27,748	**18,189**	27,554
Business tax and surcharges	**6,392**	5,739	**6,348**	5,704
Others	**343**	754	**262**	687
Total	**25,188**	34,241	**24,799**	33,945

(Expressed in millions of RMB, unless otherwise stated)

41 Interest payable

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deposits from banks and non-bank financial institutions	**2,151**	1,002	**2,118**	982
Deposits from customers	**69,799**	62,966	**69,698**	62,906
Debts securities issued	**1,673**	1,575	**1,675**	1,575
Others	**212**	116	**208**	129
Total	**73,835**	65,659	**73,699**	65,592

42 Provisions

	Group and Bank	
	30 June 2011	31 December 2010
Litigation provisions	**882**	691
Others	**2,520**	2,708
Total	**3,402**	3,399

43 Debt securities issued

		Group		Bank	
	Note	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
Certificates of deposit issued	(1)	**24,952**	13,414	**19,870**	11,530
Subordinated bonds issued	(2)	**79,908**	79,901	**79,908**	79,901
Total		**104,860**	93,315	**99,778**	91,431

(1) Certificates of deposit were mainly issued by Hong Kong branch, Singapore branch of the Bank and CCB Asia in Hong Kong and recognised at amortised cost.

(2) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

		Group and Bank	
	Note	**30 June 2011**	31 December 2010
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	**12,000**	12,000
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	**28,000**	28,000
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	**10,000**	10,000
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	**10,000**	10,000
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	**20,000**	20,000
Total nominal value		**80,000**	80,000
Less: Unamortised issuance cost		**(92)**	(99)
Carrying value as at 30 June/31 December		**79,908**	79,901

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

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

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

44 Other liabilities

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Dividend payable	**51,129**	13	**51,103**	–
Deferred revenue	**4,732**	4,049	**4,629**	3,956
Capital expenditure payable	**3,883**	5,332	**3,882**	5,332
Securities underwriting and redemption payable	**2,997**	1,977	**2,997**	1,977
Dormant accounts	**2,564**	3,388	**2,564**	3,388
Insurance reserve of CCB life	**2,019**	–	**–**	–
Payment and collection clearance accounts	**764**	491	**746**	487
Settlement accounts	**773**	555	**773**	555
Others	**10,406**	8,855	**5,594**	6,760
Total	**79,267**	24,660	**72,288**	22,455

45 Share capital

	Group and Bank	
	30 June 2011	31 December 2010
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

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

46 Capital reserve

	Group and Bank	
	30 June 2011	31 December 2010
Share premium	**135,047**	135,047
Others	**111**	89
Total	**135,158**	135,136

(Expressed in millions of RMB, unless otherwise stated)

47 Investment revaluation reserve

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

Group

	Six months ended 30 June 2011		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**9,024**	**(2,318)**	**6,706**
Losses during the period			
– Debt securities	**(2,116)**	**550**	**(1,566)**
– Equity instruments and funds	**(467)**	**117**	**(350)**
	(2,583)	**667**	**(1,916)**
Reclassification adjustments			
– Impairment	**(41)**	**10**	**(31)**
– Disposals	**(665)**	**167**	**(498)**
– Others	**25**	**(6)**	**19**
	(681)	**171**	**(510)**
As at 30 June	**5,760**	**(1,480)**	**4,280**

	2010		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	17,566	(4,403)	13,163
Losses during the year			
– Debt securities	(6,140)	1,485	(4,655)
– Equity instruments and funds	(2,018)	504	(1,514)
	(8,158)	1,989	(6,169)
Reclassification adjustments			
– Impairment	295	(74)	221
– Disposals	(735)	184	(551)
– Others	56	(14)	42
	(384)	96	(288)
As at 31 December	9,024	(2,318)	6,706

(Expressed in millions of RMB, unless otherwise stated)

47 Investment revaluation reserve (continued)

Bank

	Six months ended 30 June 2011		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**9,039**	**(2,296)**	**6,743**
Losses during the period			
– Debt securities	**(2,155)**	**548**	**(1,607)**
– Equity instruments	**(406)**	**102**	**(304)**
	(2,561)	**650**	**(1,911)**
Reclassification adjustments			
– Impairment	**(41)**	**10**	**(31)**
– Disposals	**(549)**	**137**	**(412)**
– Others	**25**	**(6)**	**19**
	(565)	**141**	**(424)**
As at 30 June	**5,913**	**(1,505)**	**4,408**

	2010		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	17,629	(4,416)	13,213
Losses during the year			
– Debt securities	(6,017)	1,477	(4,540)
– Equity instruments	(2,056)	513	(1,543)
	(8,073)	1,990	(6,083)
Reclassification adjustments			
– Impairment	139	(34)	105
– Disposals	(712)	178	(534)
– Others	56	(14)	42
	(517)	130	(387)
As at 31 December	9,039	(2,296)	6,743

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

48 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF ("PRC GAAP"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in general meetings.

(Expressed in millions of RMB, unless otherwise stated)

49 General reserve

The general reserve of the Group and the Bank at the end of the reporting period is set up based upon the requirements of:

		Group		Bank	
	Note	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
MOF	(1)	**66,458**	60,475	**66,458**	60,475
Hong Kong Banking Ordinance	(2)	**697**	692	**105**	105
Other regulatory bodies in Mainland China	(3)	**166**	151	**–**	–
Other overseas regulatory bodies		**101**	29	**100**	28
Total		**67,422**	61,347	**66,663**	60,608

(1) Pursuant to relevant regulations issued by the MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

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

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

50 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.

51 Notes to consolidated cash flow statement

(1) Cash and cash equivalents

	30 June 2011	31 December 2010	30 June 2010
Cash	**47,172**	48,201	39,623
Surplus deposit reserves with central banks	**269,061**	170,938	191,154
Demand deposits with banks and non-bank financial institutions	**33,609**	17,910	22,655
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**19,499**	7,000	36,136
Placements with banks and non-bank financial institutions with original maturity with or within three months	**33,006**	57,250	9,154
Total	**402,347**	301,299	298,722

(Expressed in millions of RMB, unless otherwise stated)

51 Notes to consolidated cash flow statement (continued)

(2) Acquisition of CCB Life

To acquire CCB Life, the Bank paid a cash consideration of RMB816 million, and acquired cash and cash equivalents of RMB99 million. The net cash outflow arising from the aforesaid acquisition was RMB717 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	1,096	–	1,096
Financial assets at fair value through profit or loss	6	–	6
Financial assets held under resale agreements	50	–	50
Interest receivable	75	–	75
Loans and advances to customers	10	–	10
Available-for-sale financial assets	1,678	–	1,678
Held-to-maturity investments	1,146	–	1,146
Debt securities classified as receivables	50	–	50
Fixed assets	9	–	9
Intangible assets	445	424	21
Other assets	250	–	250
Accrued staff costs	(9)	–	(9)
Taxes payable	(9)	–	(9)
Deferred tax liabilities	(139)	(106)	(33)
Other liabilities	(3,439)	–	(3,439)
Total	1,219	318	901
Non-controlling interests	(597)		
Net identifiable assets	622		
Goodwill on acquisition	194		
Consideration transferred	816		
Cash and cash equivalents acquired	99		
Cash Consideration	(816)		
Net cash outflow from the acquisition	(717)		

Operating income and net profit of CCB Life contributed to the Group since the acquisition date did not result in significant impact to the consolidated statement of comprehensive income for the six months ended 30 June 2011. Operating income and net profit of the Group for the six months ended 30 June 2011 was not significantly impacted either had the acquisition occurred as at the beginning of the period.

52 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.

(Expressed in millions of RMB, unless otherwise stated)

52 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
	30 June 2011								
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

(Expressed in millions of RMB, unless otherwise stated)

52 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
	31 December 2010								
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

(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.

(Expressed in millions of RMB, unless otherwise stated)

52 Operating segments (continued)

(2) Business segments (continued)

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.

	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
	30 June 2011				
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

(Expressed in millions of RMB, unless otherwise stated)

52 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
	31 December 2010				
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

(Expressed in millions of RMB, unless otherwise stated)

53 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Entrusted loans	**900,453**	778,349	**866,699**	776,418
Entrusted funds	**900,453**	778,349	**866,699**	776,418

54 Pledged assets

(1) Assets pledged as security

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Pledged deposits	**399**	559	**399**	559
Equity instruments	**51**	43	**–**	–
Loans	**–**	2,000	**4,372**	8,222
Bonds	**1,186**	543	**1,186**	543
PBOC bills	**2,555**	2,860	**2,555**	2,860
Total	**4,191**	6,005	**8,512**	12,184

(b) Carrying value of pledged assets analysed by classification

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deposits with banks and non-bank financial institutions	**399**	559	**399**	559
Financial assets at fair value through profit or loss	**51**	43	**–**	–
Loans and advances to customers	**–**	2,000	**4,372**	8,222
Available-for-sale financial assets	**826**	543	**826**	543
Held-to-maturity investments	**2,915**	2,860	**2,915**	2,860
Total	**4,191**	6,005	**8,512**	12,184

(2) Collateral accepted as securities for assets

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

55 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.

(Expressed in millions of RMB, unless otherwise stated)

55 Commitments and contingent liabilities (continued)

(1) Credit commitments (continued)

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Loan commitments				
– with an original maturity under one year	**141,320**	123,092	**138,340**	120,071
– with an original maturity of one year or over	**489,045**	461,785	**488,800**	461,636
Credit card commitments	**239,409**	227,478	**215,027**	205,092
	869,774	812,355	**842,167**	786,799
Bank acceptances	**416,973**	393,671	**416,843**	393,522
Financing guarantees	**195,284**	162,824	**194,694**	162,410
Non-financing guarantees	**447,168**	446,010	**447,090**	445,936
Sight letters of credit	**52,390**	58,135	**52,390**	58,135
Usance letters of credit	**173,217**	131,045	**173,136**	130,710
Others	**21,451**	31,780	**22,737**	31,881
Total	**2,176,257**	2,035,820	**2,149,057**	2,009,393

(2) Credit risk-weighted amount

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Credit risk-weighted amount of contingent liabilities and commitments	**999,935**	954,706	**998,715**	953,856

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Within one year	**3,102**	3,002	**2,861**	2,742
After one year but within two years	**2,513**	2,319	**2,338**	2,243
After two years but within three years	**1,803**	1,766	**1,716**	1,727
After three years but within five years	**1,970**	2,171	**1,890**	1,968
After five years	**1,784**	1,388	**1,388**	1,359
Total	**11,172**	10,646	**10,193**	10,039

(4) Capital commitments

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Contracted for	**1,061**	3,815	**1,036**	3,726
Authorised but not contracted for	**9,923**	1,619	**9,921**	1,603
Total	**10,984**	5,434	**10,957**	5,329

(Expressed in millions of RMB, unless otherwise stated)

55 Commitments and contingent liabilities (continued)

(5) Underwriting obligations

As at 30 June 2011, the unexpired underwriting commitments of the Group and the Bank 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 and the Bank, 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 (Note 42). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

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

56 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB552,117 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2011, Huijin directly held 57.10% shares of the Bank.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of USD200 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

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

The Group has issued subordinated debts with a nominal value of RMB80 billion (31 December 2010: RMB80 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

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

Amounts

	Six months ended 30 June			
	2011		2010	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**289**	**0.13%**	–	–
Interest expense	**42**	**0.05%**	11	0.02%

(Expressed in millions of RMB, unless otherwise stated)

56 Related party relationships and transactions (continued)

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

(a) Transactions with parent companies (continued)

Balances outstanding as at the end of the reporting period

	Note	As at 30 June 2011 Balance	As at 30 June 2011 Ratio to similar transactions	As at 31 December 2010 Balance	As at 31 December 2010 Ratio to similar transactions
Interest receivable		**474**	**0.87%**	185	0.42%
Held-to-maturity investments		**16,680**	**0.94%**	16,680	0.89%
Deposits from customers		**419**	**0.00%**	4,934	0.05%
Interest payable		**3**	**0.00%**	1	0.00%
Other liabilities	(i)	**30,293**	**38.22%**	–	–

(i) Other liabilities as at 30 June 2011 represent cash dividends payable to Huijin approved by the 2010 Annual General Meeting.

(b) Transactions with the affiliates of parent companies

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

Amounts

	Note	Six months ended 30 June 2011 Amount	2011 Ratio to similar transactions	2010 Amount	2010 Ratio to similar transactions
Interest income		**11,221**	**5.02%**	7,174	3.99%
Interest expense		**633**	**0.81%**	534	0.86%
Fee and commission income		**176**	**0.36%**	26	0.07%
Fee and commission expense		**56**	**4.59%**	168	16.28%
Other operating income, net		**–**	**–**	4	0.47%
Operating expenses	(i)	**371**	**0.59%**	490	0.95%

Balances outstanding as at the end of the reporting period

	Note	As at 30 June 2011 Balance	As at 30 June 2011 Ratio to similar transactions	As at 31 December 2010 Balance	As at 31 December 2010 Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**13,136**	**10.92%**	9,436	12.05%
Placements with banks and non-bank financial institutions		**16,241**	**31.41%**	19,478	30.45%
Financial assets at fair value through profit or loss		**3,783**	**3.19%**	1,353	7.80%
Positive fair value of derivatives		**569**	**4.39%**	830	7.39%
Financial assets held under resale agreements		**6,712**	**2.25%**	1,401	0.77%
Interest receivable		**9,588**	**17.55%**	5,875	13.33%
Loans and advances to customers		**20,536**	**0.34%**	15,306	0.28%
Available for sale financial assets		**103,897**	**16.53%**	85,682	12.30%
Held-to-maturity investments		**434,300**	**24.43%**	372,605	19.78%
Debt securities classified as receivables		**71,048**	**23.13%**	34,049	11.10%
Other assets	(ii)	**376**	**0.93%**	157	1.03%
Deposits from banks and non-bank financial institutions	(iii)	**62,982**	**9.47%**	53,529	7.83%
Placements from banks and non-bank financial institutions		**23,288**	**21.57%**	14,018	21.15%
Negative fair value of derivatives		**523**	**4.91%**	628	6.71%
Financial assets sold under repurchase agreements		**710**	**23.20%**	–	–
Deposits from customers		**30,777**	**0.31%**	13,597	0.15%
Interest payable		**763**	**1.03%**	69	0.11%
Other liabilities		**664**	**0.84%**	150	0.61%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

56 Related party relationships and transactions (continued)

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

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, transactions that the Group entered into with associates and jointly controlled entities are as follows:

Amounts

	Six months ended 30 June	
	2011	2010
Interest income	**–**	1
Interest expense	**1**	–

Balances outstanding as at the end of the reporting period

	30 June 2011	31 December 2010
Loans and advances to customers	**–**	567
Deposits from customers	**319**	–

(3) Transactions between the Bank and its subsidiaries

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

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

Amounts

	Six months ended 30 June	
	2011	2010
Interest income	**144**	31
Interest expense	**171**	6
Fee and commission income	**112**	48
Fee and commission expense	**3**	–
Dividend income	**40**	33
Net trading gain	**11**	–
Other operating income, net	**12**	6
Operating expenses	**–**	2

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

As at 30 June 2011, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB3,684 million (as at 31 December 2010: RMB4,262 million).

For the six months ended 30 June 2011, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 30 June 2011, the balances of the above transactions were RMB989 million and RMB142 million respectively.

As at 30 June 2011, there was no material loan commitment to related parties.

(4) Transactions with other PRC state-owned entities

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

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

56 Related party relationships and transactions (continued)

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2011 and for the year ended 2010, there were no material transactions and balances with key management personnel on an individual basis.

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

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

(7) Defined contribution retirement schemes

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

57 Risk Management

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

- credit risk
- market risk
- liquidity risk
- operational risk

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

Risk management framework

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

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

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

(1) Credit risk

Credit risk management

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

Credit business

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

57 Risk Management (continued)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks. In 2011, the Bank has further emphasised the importance of segregation of duties as well as enhancing the operating mechanism as a whole. During the process of optimizing the parallel operation, the Bank has also begun to escalate its business focus from parallel operation to post-lending management. The centralized risk management was also expedited in the cities where the first-tier branches are located, and the Bank will continue to explore the ways of specifying the operating characteristic for those branches, in addition to develop an intensive management for risk, reallocation of resource, and improving the quality and efficiency.

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

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

Loan grading classification

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

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Deposits with central banks	**2,169,669**	1,799,828	**2,162,871**	1,793,907
Deposits with banks and non-bank financial institutions	**120,260**	78,318	**122,399**	78,198
Placements with banks and non-bank financial institutions	**51,708**	63,962	**58,934**	68,528
Financial assets at fair value through profit or loss	**108,208**	7,860	**102,618**	3,044
Positive fair value of derivatives	**12,955**	11,224	**11,719**	10,153
Financial assets held under resale agreements	**298,819**	181,075	**298,769**	181,075
Interest receivable	**54,628**	44,088	**54,273**	43,861
Loans and advances to customers	**5,985,218**	5,526,026	**5,860,128**	5,428,279
Available-for-sale debt securities	**609,298**	676,840	**604,438**	675,277
Held-to-maturity investments	**1,777,779**	1,884,057	**1,776,493**	1,883,927
Debt securities classified as receivables	**307,117**	306,748	**307,067**	306,748
Other financial assets	**35,897**	10,994	**51,940**	27,835
Total	**11,531,556**	10,591,020	**11,411,649**	10,500,832
Off-balance sheet credit commitments	**2,176,257**	2,035,820	**2,149,057**	2,009,393
Maximum credit risk exposure	**13,707,813**	12,626,840	**13,560,706**	12,510,225

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Individually assessed and impaired gross amount	**57,750**	58,658	**57,678**	58,584
Allowances for impairment losses	**(36,271)**	(37,352)	**(36,199)**	(37,278)
Subtotal	**21,479**	21,306	**21,479**	21,306
Collectively assessed and impaired gross amount	**5,667**	6,054	**5,549**	5,920
Allowances for impairment losses	**(3,564)**	(3,657)	**(3,549)**	(3,648)
Subtotal	**2,103**	2,397	**2,000**	2,272
Overdue but not impaired				
– less than 90 days	**21,550**	15,971	**21,334**	15,707
Gross amount	**21,550**	15,971	**21,334**	15,707
Allowances for impairment losses	**(799)**	(916)	**(796)**	(912)
Subtotal	**20,751**	15,055	**20,538**	14,795
Neither overdue nor impaired				
– Unsecured loans	**1,624,777**	1,513,872	**1,591,564**	1,492,970
– Guaranteed loans	**1,263,426**	1,161,167	**1,223,236**	1,130,549
– Loans secured by tangible assets other than monetary assets	**2,565,379**	2,364,592	**2,518,606**	2,322,350
– Loans secured by monetary assets	**601,838**	548,814	**596,424**	544,460
Gross amount	**6,055,420**	5,588,445	**5,929,830**	5,490,329
Allowances for impairment losses	**(114,535)**	(101,177)	**(113,719)**	(100,423)
Subtotal	**5,940,885**	5,487,268	**5,816,111**	5,389,906
Total	**5,985,218**	5,526,026	**5,860,128**	5,428,279

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group

	As at 30 June 2011			As at 31 December 2010		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,103,200**	**17.98%**	**379,873**	1,010,527	17.83%	357,152
– Transportation, storage and postal services	**716,452**	**11.67%**	**287,312**	660,308	11.65%	267,123
– Production and supply of electric power, gas and water	**560,875**	**9.13%**	**139,050**	528,279	9.32%	129,473
– Real estate	**454,607**	**7.40%**	**367,968**	435,234	7.68%	354,485
– Leasing and commercial services	**377,128**	**6.14%**	**158,295**	361,713	6.38%	146,145
– Wholesale and retail trade	**295,980**	**4.82%**	**104,641**	243,738	4.30%	91,752
– Water, environment and public utility management	**217,403**	**3.54%**	**97,458**	216,328	3.82%	95,955
– Construction	**173,891**	**2.83%**	**61,679**	150,736	2.66%	53,883
– Mining	**159,479**	**2.60%**	**24,711**	148,261	2.62%	23,731
– Education	**101,480**	**1.65%**	**40,189**	100,193	1.77%	38,738
– Telecommunications, computer services and software	**22,908**	**0.37%**	**6,277**	28,498	0.50%	7,085
– Others	**292,700**	**4.77%**	**110,709**	251,180	4.40%	107,221
Total corporate loans and advances	**4,476,103**	**72.90%**	**1,778,162**	4,134,995	72.93%	1,672,743
Personal loans and advances	**1,565,166**	**25.49%**	**1,446,953**	1,390,957	24.54%	1,295,659
Discounted bills	**99,118**	**1.61%**	**–**	143,176	2.53%	–
Total loans and advances to customers	**6,140,387**	**100.00%**	**3,225,115**	5,669,128	100.00%	2,968,402

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2011				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**22,365**	**(14,243)**	**(22,934)**	**1,079**	**697**
Transportation, storage and postal services	**6,243**	**(3,278)**	**(15,575)**	**3,183**	**16**

	As at 31 December 2010				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	22,538	(14,627)	(22,345)	10,316	3,637
Transportation, storage and postal services	6,646	(3,194)	(12,541)	1,839	82

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank

	As at 30 June 2011			As at 31 December 2010		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,087,282**	**18.07%**	**378,032**	994,814	17.86%	355,803
– Transportation, storage and postal services	**706,700**	**11.75%**	**283,103**	653,718	11.74%	264,290
– Production and supply of electric power, gas and water	**553,501**	**9.20%**	**138,238**	522,734	9.38%	128,549
– Real estate	**429,920**	**7.15%**	**347,959**	413,977	7.43%	337,168
– Leasing and commercial services	**376,643**	**6.26%**	**158,024**	361,451	6.49%	145,918
– Wholesale and retail trade	**280,700**	**4.67%**	**101,642**	230,543	4.14%	88,661
– Water, environment and public utility management	**217,271**	**3.61%**	**97,418**	216,163	3.88%	95,924
– Construction	**172,553**	**2.87%**	**61,472**	149,348	2.68%	53,632
– Mining	**155,569**	**2.59%**	**24,711**	145,810	2.62%	23,731
– Education	**101,420**	**1.69%**	**40,133**	100,045	1.80%	38,620
– Telecommunications, computer services and software	**22,390**	**0.37%**	**6,107**	27,572	0.49%	6,900
– Others	**272,528**	**4.53%**	**109,074**	245,523	4.40%	105,837
Total corporate loans and advances	**4,376,477**	**72.76%**	**1,745,913**	4,061,698	72.91%	1,645,033
Personal loans and advances	**1,538,863**	**25.59%**	**1,426,826**	1,365,684	24.52%	1,276,534
Discounted bills	**99,051**	**1.65%**	**–**	143,158	2.57%	–
Total loans and advances to customers	**6,014,391**	**100.00%**	**3,172,739**	5,570,540	100.00%	2,921,567

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2011				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**22,294**	**(14,172)**	**(22,778)**	**1,055**	**697**
Transportation, storage and postal services	**6,243**	**(3,278)**	**(15,454)**	**3,122**	**16**

	As at 31 December 2010				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	22,465	(14,554)	(22,181)	10,210	3,637
Transportation, storage and postal services	6,646	(3,194)	(12,479)	1,791	82

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Group

	As at 30 June 2011			As at 31 December 2010		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,410,170	22.96%	832,890	1,321,708	23.31%	765,533
Bohai Rim	1,073,592	17.48%	484,766	1,008,340	17.79%	456,068
Western	1,040,197	16.94%	576,801	963,636	17.00%	532,143
Central	988,423	16.10%	525,715	922,185	16.27%	477,127
Pearl River Delta	913,078	14.87%	565,149	858,420	15.14%	515,678
Northeastern	379,956	6.19%	182,281	350,584	6.18%	163,249
Head office	81,045	1.32%	494	63,638	1.12%	494
Overseas	253,926	4.14%	57,019	180,617	3.19%	58,110
Gross loans and advances to customers	6,140,387	100.00%	3,225,115	5,669,128	100.00%	2,968,402

Details of impaired loans and impairment allowances in respect of geographical sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2011		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	13,563	(8,096)	(25,728)
Central	11,934	(6,237)	(19,510)
Western	11,672	(6,246)	(22,962)
Bohai Rim	10,222	(6,535)	(20,527)
Pearl River Delta	7,846	(5,011)	(17,761)

	As at 31 December 2010		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	13,830	(8,106)	(24,260)
Central	12,222	(6,290)	(17,403)
Western	10,340	(6,138)	(19,073)
Bohai Rim	9,400	(6,618)	(18,816)
Pearl River Delta	8,491	(5,133)	(16,507)

The definitions of geographical segments are set out in Note 52(1).

Bank

	As at 30 June 2011			As at 31 December 2010		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,407,787	23.40%	831,928	1,320,810	23.71%	765,222
Bohai Rim	1,033,596	17.20%	474,098	978,095	17.56%	448,493
Western	1,040,145	17.30%	576,785	963,592	17.30%	532,117
Central	987,415	16.42%	525,577	920,626	16.53%	476,579
Pearl River Delta	913,078	15.18%	565,149	858,420	15.41%	515,678
Northeastern	379,956	6.30%	182,281	350,584	6.29%	163,249
Head office	81,045	1.35%	494	63,638	1.14%	494
Overseas	171,369	2.85%	16,427	114,775	2.06%	19,735
Gross loans and advances to customers	6,014,391	100.00%	3,172,739	5,570,540	100.00%	2,921,567

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

Bank (continued)

Details of impaired loans and impairment allowances in respect of geographical sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	As at 30 June 2011		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**13,563**	**(8,096)**	**(25,707)**
Central	**11,934**	**(6,237)**	**(19,501)**
Western	**11,672**	**(6,246)**	**(22,962)**
Bohai Rim	**10,222**	**(6,535)**	**(20,089)**
Pearl River Delta	**7,846**	**(5,011)**	**(17,761)**

	As at 31 December 2010		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	13,830	(8,106)	(24,251)
Central	12,222	(6,290)	(17,387)
Western	10,340	(6,138)	(19,073)
Bohai Rim	9,400	(6,618)	(18,461)
Pearl River Delta	8,491	(5,133)	(16,507)

The definitions of geographical segments are set out in Note 52(1).

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

	Group		**Bank**	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Unsecured loans	**1,629,573**	1,520,613	**1,596,196**	1,499,484
Guaranteed loans	**1,285,699**	1,180,113	**1,245,456**	1,149,489
Loans secured by tangible assets other than monetary assets	**2,615,954**	2,412,285	**2,569,011**	2,369,804
Loans secured by monetary assets	**609,161**	556,117	**603,728**	551,763
Gross loans and advances to customers	**6,140,387**	5,669,128	**6,014,391**	5,570,540

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(1) Credit risk (continued)

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

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

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Individually assessed and impaired gross amount	**108**	105	**108**	105
Allowances for impairment losses	**(94)**	(95)	**(94)**	(95)
Subtotal	**14**	10	**14**	10
Neither overdue nor impaired				
– grade A to AAA	**356,783**	186,796	**364,957**	186,957
– grade B to BBB	**247**	90	**247**	90
– unrated	**113,743**	136,459	**114,884**	140,744
Subtotal	**470,773**	323,345	**480,088**	327,791
Total	**470,787**	323,355	**480,102**	327,801

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(g) *Distribution of debt securities investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	Group		Bank	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Individually assessed and impaired gross amount	**18,089**	19,784	**18,089**	19,784
Allowances for impairment losses	**(9,911)**	(10,462)	**(9,911)**	(10,462)
Subtotal	**8,178**	9,322	**8,178**	9,322
Neither overdue nor impaired				
Bloomberg Composite				
– AAA	**12,450**	3,381	**12,450**	3,381
– AA- to AA+	**2,998**	2,811	**2,998**	2,811
– A- to A+	**6,685**	7,142	**6,685**	7,142
– lower than A-	**2,673**	702	**2,673**	702
Subtotal	**24,806**	14,036	**24,806**	14,036
Other agency ratings				
– AAA	**191,172**	194,574	**188,824**	194,574
– AA- to AA+	**14,666**	13,352	**14,313**	13,352
– A- to A+	**2,447,495**	2,609,336	**2,447,355**	2,609,206
– lower than A-	**1,914**	2,212	**–**	–
Subtotal	**2,655,247**	2,819,474	**2,650,492**	2,817,132
Subtotal of debt securities held by operations in Mainland China	**2,688,231**	2,842,832	**2,683,476**	2,840,490
Debt securities held by overseas operations	**27,525**	32,673	**20,494**	28,506
Total	**2,715,756**	2,875,505	**2,703,970**	2,868,996

57 Risk Management (continued)

(1) Credit risk (continued)

(g) Distribution of debt securities investments analysed by rating (continued)

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

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

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

(i) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

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

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

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

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

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

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

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rate and foreign currency VaR for the Bank's trading portfolio. By reference to historical movements in market rates and prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting periods and during the respective periods is as follows:

		Six months ended 30 June 2011		
	30 June 2011	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio	**79**	**65**	**127**	**12**
– Interest rate risk	**27**	**29**	**67**	**7**
– Foreign exchange risk	**74**	**58**	**122**	**8**

		Six months ended 30 June 2010		
	30 June 2010	Average	Maximum	Minimum
Risk valuation of trading portfolio	44	32	63	8
– Interest rate risk	36	17	45	2
– Foreign exchange risk	39	30	65	5

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

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations where there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is one percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB44,424 million (as at 31 December 2010: RMB34,771 million). Had the impact of interest rate movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB14,622 million (as at 31 December 2010: RMB21,214 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, tenor and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the banking book. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

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

Group

		As at 30 June 2011						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.54%	71,462	2,145,379	–	–	–	2,216,841
Deposits and placements with banks and non-bank financial institutions		2.17%	–	151,623	19,403	902	40	171,968
Financial assets held under resale agreements		3.74%	–	265,261	28,258	5,300	–	298,819
Loans and advances to customers	(ii)	5.42%	–	1,641,939	4,250,846	26,368	66,065	5,985,218
Investments	(iii)	3.11%	31,432	452,538	546,071	1,009,469	794,324	2,833,834
Other assets		–	248,086	–	–	–	–	248,086
Total assets		4.08%	350,980	4,656,740	4,844,578	1,042,039	860,429	11,754,766
Liabilities								
Borrowings from central banks		1.02%	–	1,317	–	–	–	1,317
Deposits and placements from banks and non-bank financial institutions		1.96%	–	702,736	34,216	36,157	–	773,109
Financial liabilities at fair value through profit or loss		1.20%	4,830	9,155	50	2,347	–	16,382
Financial assets sold under repurchase agreements		5.27%	–	1,908	1,153	–	–	3,061
Deposits from customers		1.46%	47,602	7,095,084	2,297,389	442,797	9,236	9,892,108
Debt securities issued		3.55%	–	6,005	11,822	6,465	80,568	104,860
Other liabilities		–	225,253	–	–	–	–	225,253
Total liabilities		1.53%	277,685	7,816,205	2,344,630	487,766	89,804	11,016,090
Asset-liability gap		2.55%	73,295	(3,159,465)	2,499,948	554,273	770,625	738,676

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
		As at 31 December 2010						
Assets								
Cash and deposits with central banks		1.52%	65,649	1,782,380	–	–	–	1,848,029
Deposits and placements with banks and non-bank financial institutions		1.51%	–	138,366	3,864	50	–	142,280
Financial assets held under resale agreements		1.68%	–	160,915	20,160	–	–	181,075
Loans and advances to customers	(ii)	5.07%	–	2,753,781	2,682,962	21,099	68,184	5,526,026
Investments	(iii)	2.83%	31,269	595,367	660,904	886,509	732,725	2,906,774
Other assets		–	206,133	–	–	–	–	206,133
Total assets		3.74%	303,051	5,430,809	3,367,890	907,658	800,909	10,810,317
Liabilities								
Borrowings from central banks		2.34%	–	1,781	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions		1.73%	–	679,934	31,497	38,378	–	749,809
Financial liabilities at fair value through profit or loss		1.32%	2,926	9,963	51	2,347	–	15,287
Financial assets sold under repurchase agreements		1.82%	–	4,868	54	–	–	4,922
Deposits from customers		1.73%	41,602	6,708,141	1,951,209	367,097	7,320	9,075,369
Debt securities issued		3.78%	–	7,563	3,401	2,446	79,905	93,315
Other liabilities		–	168,929	–	–	–	–	168,929
Total liabilities		1.34%	213,457	7,412,250	1,986,212	410,268	87,225	10,109,412
Asset-liability gap		2.40%	89,594	(1,981,441)	1,381,678	497,390	713,684	700,905

Notes:

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

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB21,186 million as at 30 June 2011 (31 December 2010: RMB23,433 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

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

Bank

		As at 30 June 2011						
	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.54%	71,223	2,138,581	–	–	–	2,209,804
Deposits and placements with banks and non-bank financial institutions		2.21%	–	149,737	31,523	73	–	181,333
Financial assets held under resale agreements		3.74%	–	265,211	28,258	5,300	–	298,769
Loans and advances to customers	(ii)	5.46%	–	1,543,274	4,228,851	22,113	65,890	5,860,128
Investments	(iii)	3.12%	28,576	448,395	543,927	1,005,905	792,389	2,819,192
Other assets		–	260,161	–	–	–	–	260,161
Total assets		4.09%	359,960	4,545,198	4,832,559	1,033,391	858,279	11,629,387
Liabilities								
Borrowings from central banks		1.02%	–	1,317	–	–	–	1,317
Deposits and placements from banks and non-bank financial institutions		1.91%	–	690,022	19,811	35,007	–	744,840
Financial liabilities at fair value through profit or loss		1.20%	4,830	9,155	50	–	–	14,035
Financial assets sold under repurchase agreements		5.27%	–	4,934	2,399	–	–	7,333
Deposits from customers		1.47%	42,931	7,038,809	2,286,630	440,815	9,111	9,818,296
Debt securities issued		3.64%	–	5,560	8,875	4,775	80,568	99,778
Other liabilities		–	216,000	–	–	–	–	216,000
Total liabilities		1.53%	263,761	7,749,797	2,317,765	480,597	89,679	10,901,599
Asset-liability gap		2.56%	96,199	(3,204,599)	2,514,794	552,794	768,600	727,788

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

	Note	Effective interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
		As at 31 December 2010						
Assets								
Cash and deposits with central banks		1.52%	65,408	1,776,459	–	–	–	1,841,867
Deposits and placements with banks and non-bank financial institutions		1.46%	–	137,516	9,210	–	–	146,726
Financial assets held under resale agreements		1.68%	–	160,915	20,160	–	–	181,075
Loans and advances to customers	(ii)	5.07%	–	2,693,227	2,648,564	18,464	68,024	5,428,279
Investments	(iii)	2.83%	27,623	593,104	660,150	883,051	732,691	2,896,619
Other assets		–	220,239	–	–	–	–	220,239
Total assets		3.73%	313,270	5,361,221	3,338,084	901,515	800,715	10,714,805
Liabilities								
Borrowings from central banks		2.34%	–	1,781	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions		1.69%	–	660,043	29,463	37,396	–	726,902
Financial liabilities at fair value through profit or loss		1.32%	2,926	9,963	51	–	–	12,940
Financial assets sold under repurchase agreements		1.29%	–	6,774	4,315	–	–	11,089
Deposits from customers		1.28%	41,602	6,656,114	1,943,158	366,508	7,264	9,014,646
Debt securities issued		3.70%	–	6,203	3,145	2,182	79,901	91,431
Other liabilities		–	164,651	–	–	–	–	164,651
Total liabilities		1.34%	209,179	7,340,878	1,980,132	406,086	87,165	10,023,440
Asset-liability gap		2.39%	104,091	(1,979,657)	1,357,952	495,429	713,550	691,365

Notes:

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

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB20,973 million as at 30 June 2011 (31 December 2010: RMB23,092 million).

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the treasury's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages other currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

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

Group

		As at 30 June 2011			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,167,004	13,100	36,737	2,216,841
Deposits and placements with banks and non-bank financial institutions	(i)	417,244	23,435	30,108	470,787
Loans and advances to customers		5,589,474	272,147	123,597	5,985,218
Investments		2,765,970	35,649	32,215	2,833,834
Other assets		231,319	7,000	9,767	248,086
Total assets		11,171,011	351,331	232,424	11,754,766
Liabilities					
Borrowings from central banks		6	646	665	1,317
Deposits and placements from banks and non-bank financial institutions	(ii)	579,270	105,246	91,654	776,170
Financial liabilities at fair value through profit or loss		13,958	77	2,347	16,382
Deposits from customers		9,601,865	166,632	123,611	9,892,108
Debt securities issued		85,892	5,741	13,227	104,860
Other liabilities		206,578	7,096	11,579	225,253
Total liabilities		10,487,569	285,438	243,083	11,016,090
Net position		683,442	65,893	(10,659)	738,676
Net notional amount of derivatives		39,407	(80,396)	43,010	2,021

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

	Note	As at 31 December 2010 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,815,825	5,960	26,244	1,848,029
Deposits and placements with Banks and non-bank financial institutions	(i)	254,409	26,068	42,878	323,355
Loans and advances to customers		5,194,760	223,264	108,002	5,526,026
Investments		2,834,022	35,416	37,336	2,906,774
Other assets		198,160	1,769	6,204	206,133
Total assets		10,297,176	292,477	220,664	10,810,317
Liabilities					
Borrowings from central banks		6	1,054	721	1,781
Deposits and placements from banks and non-bank financial institutions	(ii)	619,166	68,882	66,683	754,731
Financial liabilities at fair value through profit or loss		12,865	75	2,347	15,287
Deposits from customers		8,833,230	126,643	115,496	9,075,369
Debt securities issued		79,910	3,610	9,795	93,315
Other liabilities		146,955	9,392	12,582	168,929
Total liabilities		9,692,132	209,656	207,624	10,109,412
Net position		605,044	82,821	13,040	700,905
Net notional amount of derivatives		56,482	(65,331)	10,622	1,773

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	As at 30 June 2011 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		**2,164,951**	**13,100**	**31,753**	**2,209,804**
Deposits and placements with banks and non-bank financial institutions	(i)	**422,923**	**28,856**	**28,323**	**480,102**
Loans and advances to customers		**5,540,016**	**247,285**	**72,827**	**5,860,128**
Investments		**2,764,297**	**32,962**	**21,933**	**2,819,192**
Other assets		**229,120**	**23,199**	**7,842**	**260,161**
Total assets		**11,121,307**	**345,402**	**162,678**	**11,629,387**
Liabilities					
Borrowings from central banks		**6**	**646**	**665**	**1,317**
Deposits and placements from banks and non-bank financial institutions	(ii)	**557,383**	**109,610**	**85,180**	**752,173**
Financial liabilities at fair value through profit or loss		**13,958**	**77**	**–**	**14,035**
Deposits from customers		**9,592,240**	**155,923**	**70,133**	**9,818,296**
Debt securities issued		**85,707**	**4,207**	**9,864**	**99,778**
Other liabilities		**207,480**	**5,165**	**3,355**	**216,000**
Total liabilities		**10,456,774**	**275,628**	**169,197**	**10,901,599**
Net position		**664,533**	**69,774**	**(6,519)**	**727,788**
Net notional amount of derivatives		**43,298**	**(70,915)**	**29,412**	**1,795**

	Note	As at 31 December 2010 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,815,109	5,960	20,798	1,841,867
Deposits and placements with banks and non-bank financial institutions	(i)	258,007	28,914	40,880	327,801
Loans and advances to customers		5,162,066	209,412	56,801	5,428,279
Investments		2,837,047	33,378	26,194	2,896,619
Other assets		217,396	2,025	818	220,239
Total assets		10,289,625	279,689	145,491	10,714,805
Liabilities					
Borrowings from central banks		6	1,054	721	1,781
Deposits and placements from banks and non-bank financial institutions	(ii)	601,454	74,872	61,665	737,991
Financial liabilities at fair value through profit or loss		12,865	75	–	12,940
Deposits from customers		8,827,457	116,157	71,032	9,014,646
Debt securities issued		79,909	2,435	9,087	91,431
Other liabilities		152,348	8,913	3,390	164,651
Total liabilities		9,674,039	203,506	145,895	10,023,440
Net position		615,586	76,183	(404)	691,365
Net notional amount of derivatives		60,175	(61,683)	3,033	1,525

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

– optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

– managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contract life and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(a) *Maturity analysis*

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

Group

	As at 30 June 2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,900,608	316,233	–	–	–	–	–	2,216,841
Deposits and placements with banks and non-bank financial institutions	–	62,085	72,625	15,989	20,327	902	40	171,968
Financial assets held under resale agreements	–	–	194,588	70,673	28,258	5,300	–	298,819
Loans and advances to customers	28,680	88,956	198,085	389,790	1,543,539	1,630,124	2,106,044	5,985,218
Investments								
– Financial assets at fair value through profit or loss	10,272	–	75,792	13,759	10,792	6,215	1,650	118,480
– Available-for-sale financial assets	19,304	92	14,962	51,591	133,882	272,679	136,092	628,602
– Held-to-maturity investments	–	–	13,644	52,494	243,370	874,784	593,487	1,777,779
– Debt securities classified as receivables	–	–	–	–	16,302	23,609	267,206	307,117
– Investments in associates and jointly controlled entities	1,856	–	–	–	–	–	–	1,856
Other assets	127,094	46,822	6,239	7,168	15,145	26,359	19,259	248,086
Total assets	2,087,814	514,188	575,935	601,464	2,011,615	2,839,972	3,123,778	11,754,766
Liabilities								
Borrowings from central banks	–	1,317	–	–	–	–	–	1,317
Deposits and placements from banks and non-bank financial institutions	–	451,005	121,920	89,826	38,591	71,767	–	773,109
Financial liabilities at fair value through profit or loss	–	5,146	3,462	5,400	–	2,347	27	16,382
Financial assets sold under repurchase agreements	–	–	1,620	288	1,153	–	–	3,061
Deposits from customers	–	5,456,759	916,349	833,057	2,232,376	443,115	10,452	9,892,108
Debt securities issued								
– Certificates of deposit issued	–	–	2,365	3,640	11,821	6,465	661	24,952
– Subordinated bonds issued	–	–	–	–	–	–	79,908	79,908
Other liabilities	498	104,561	60,950	11,065	35,531	5,698	6,950	225,253
Total liabilities	498	6,018,788	1,106,666	943,276	2,319,472	529,392	97,998	11,016,090
Long/(short) position	2,087,316	(5,504,600)	(530,731)	(341,812)	(307,857)	2,310,580	3,025,780	738,676
Notional amount of derivatives								
– Interest rate contracts	–	–	3,121	9,043	43,868	80,000	31,832	167,864
– Exchange rate contracts	–	–	148,913	122,346	419,233	37,446	11,001	738,939
– Other contracts	–	–	3,370	13	808	1,449	–	5,640
Total	–	–	155,404	131,402	463,909	118,895	42,833	912,443

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

Group (continued)

	As at 31 December 2010							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,628,890	219,139	–	–	–	–	–	1,848,029
Deposits and placements with banks and non-bank financial institutions	–	53,210	74,247	9,638	5,135	50	–	142,280
Financial assets held under resale agreements	–	–	99,961	60,954	20,160	–	–	181,075
Loans and advances to customers	28,796	68,102	182,745	395,284	1,278,290	1,504,855	2,067,954	5,526,026
Investments								
– Financial assets at fair value through profit or loss	9,484	–	796	1,239	1,576	3,945	304	17,344
– Available-for-sale financial assets	28,437	–	30,095	130,872	143,758	238,283	125,403	696,848
– Held-to-maturity investments	2,035	–	52,824	198,229	355,341	761,587	514,041	1,884,057
– Debt securities classified as receivables	–	–	–	–	16,494	3,628	286,626	306,748
– Investments in associates and jointly controlled entities	1,777	–	–	–	–	–	–	1,777
Other assets	124,387	47,792	3,613	5,664	9,779	5,520	9,378	206,133
Total assets	1,823,806	388,243	444,281	801,880	1,830,533	2,517,868	3,003,706	10,810,317
Liabilities								
Borrowings from central banks	–	1,781	–	–	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions	–	518,773	77,774	16,846	61,039	75,377	–	749,809
Financial liabilities at fair value through profit or loss	–	2,926	3,043	6,896	24	2,347	51	15,287
Financial assets sold under repurchase agreements	–	–	2,868	2,000	54	–	–	4,922
Deposits from customers	–	5,162,475	809,818	775,614	1,949,539	367,799	10,124	9,075,369
Debt securities issued								
– Certificates of deposit issued	–	–	794	898	6,569	5,149	4	13,414
– Subordinated bonds issued	–	–	–	–	–	–	79,901	79,901
Other liabilities	243	76,817	8,056	15,598	58,579	3,946	5,690	168,929
Total liabilities	243	5,762,772	902,353	817,852	2,075,804	454,618	95,770	10,109,412
Long/(short) position	1,823,563	(5,374,529)	(458,072)	(15,972)	(245,271)	2,063,250	2,907,936	700,905
Notional amount of derivatives								
– Interest rate contracts	–	–	3,475	24,497	49,557	70,726	32,875	181,130
– Exchange rate contracts	–	–	159,043	146,726	275,359	27,309	11,012	619,449
– Other contracts	–	–	1,576	331	731	1,237	–	3,875
Total	–	–	164,094	171,554	325,647	99,272	43,887	804,454

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

Bank

	As at 30 June 2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,899,780	310,024	–	–	–	–	–	2,209,804
Deposits and placements with banks and non-bank financial institutions	–	60,141	71,279	18,317	31,523	73	–	181,333
Financial assets held under resale agreements	–	–	194,538	70,673	28,258	5,300	–	298,769
Loans and advances to customers	27,263	88,509	189,054	376,317	1,524,004	1,582,321	2,072,660	5,860,128
Investments								
– Financial assets at fair value through profit or loss	–	–	75,792	13,526	9,427	2,256	1,617	102,618
– Available-for-sale financial assets	17,038	92	12,532	52,528	133,351	270,931	135,004	621,476
– Held-to-maturity investments	–	–	13,634	52,404	243,330	874,628	592,497	1,776,493
– Debt securities classified as receivables	–	–	–	–	16,302	23,609	267,156	307,067
– Investments in subsidiaries	11,538	–	–	–	–	–	–	11,538
Other assets	143,524	46,780	5,895	7,035	14,105	23,591	19,231	260,161
Total assets	2,099,143	505,546	562,724	590,800	2,000,300	2,782,709	3,088,165	11,629,387
Liabilities								
Borrowings from central banks	–	1,317	–	–	–	–	–	1,317
Deposits and placements from banks and non-bank financial institutions	–	453,806	123,471	71,895	25,051	70,617	–	744,840
Financial liabilities at fair value through profit or loss	–	5,146	3,462	5,400	–	–	27	14,035
Financial assets sold under repurchase agreements	–	–	1,927	3,007	2,399	–	–	7,333
Deposits from customers	–	5,438,901	895,386	810,876	2,221,668	441,138	10,327	9,818,296
Debt securities issued								
– Certificates of deposit issued	–	–	2,087	3,473	8,875	4,775	660	19,870
– Subordinated bonds issued	–	–	–	–	–	–	79,908	79,908
Other liabilities	14	103,479	60,350	10,308	32,634	5,258	3,957	216,000
Total liabilities	14	6,002,649	1,086,683	904,959	2,290,627	521,788	94,879	10,901,599
Long/(short) position	2,099,129	(5,497,103)	(523,959)	(314,159)	(290,327)	2,260,921	2,993,286	727,788
Notional amount of derivatives								
– Interest rate contracts	–	–	2,397	8,462	36,159	75,553	31,832	154,403
– Exchange rate contracts	–	–	118,494	105,096	357,615	36,553	11,001	628,759
– Other contracts	–	–	3,360	–	60	32	–	3,452
Total	–	–	124,251	113,558	393,834	112,138	42,833	786,614

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank (continued)

	As at 31 December 2010							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,628,372	213,495	–	–	–	–	–	1,841,867
Deposits and placements with banks and non-bank financial institutions	–	49,494	72,580	14,172	10,480	–	–	146,726
Financial assets held under resale agreements	–	–	99,961	60,954	20,160	–	–	181,075
Loans and advances to customers	27,826	68,098	178,306	389,016	1,259,594	1,468,371	2,037,068	5,428,279
Investments								
– Financial assets at fair value through profit or loss	–	–	599	1,007	653	515	270	3,044
– Available-for-sale financial assets	26,182	–	29,844	130,722	144,408	236,504	125,371	693,031
– Held-to-maturity investments	2,035	–	52,824	198,209	355,231	761,587	514,041	1,883,927
– Debt securities classified as receivables	–	–	–	–	16,494	3,628	286,626	306,748
– Investments in subsidiaries	9,869	–	–	–	–	–	–	9,869
Other assets	142,005	47,456	3,093	5,209	8,012	5,081	9,383	220,239
Total assets	1,836,289	378,543	437,207	799,289	1,815,032	2,475,686	2,972,759	10,714,805
Liabilities								
Borrowings from central banks	–	1,781	–	–	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions	–	520,782	77,870	14,111	40,889	73,250	–	726,902
Financial liabilities at fair value through profit or loss	–	2,926	3,043	6,896	24	–	51	12,940
Financial assets sold under repurchase agreements	–	–	3,446	3,328	4,315	–	–	11,089
Deposits from customers	–	5,163,478	772,509	759,893	1,941,488	367,210	10,068	9,014,646
Debt securities issued								
– Certificates of deposit issued	–	–	487	1,481	5,657	3,905	–	11,530
– Subordinated bonds issued	–	–	–	–	–	–	79,901	79,901
Other liabilities	4	76,101	7,453	15,053	56,523	3,807	5,710	164,651
Total liabilities	4	5,765,068	864,808	800,762	2,048,896	448,172	95,730	10,023,440
Long/(short) position	1,836,285	(5,386,525)	(427,601)	(1,473)	(233,864)	2,027,514	2,877,029	691,365
Notional amount of derivatives								
– Interest rate contracts	–	–	3,475	23,719	43,435	69,163	32,875	172,667
– Exchange rate contracts	–	–	129,103	132,548	250,552	27,309	11,012	550,524
– Other contracts	–	–	1,502	–	90	33	–	1,625
Total	–	–	134,080	156,267	294,077	96,505	43,887	724,816

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	As at 30 June 2011							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,317	1,317	1,317	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	773,109	797,684	451,285	122,351	96,495	39,267	88,286	–
Financial liabilities at fair value through profit or loss	16,382	16,596	5,146	3,472	5,416	–	2,535	27
Financial assets sold under repurchase agreements	3,061	3,119	–	1,636	293	1,190	–	–
Deposits from customers	9,892,108	10,057,267	5,456,996	925,403	850,701	2,302,903	507,792	13,472
Debt securities issued								
– Certificates of deposit issued	24,952	25,614	–	2,379	3,684	12,012	6,751	788
– Subordinated bonds issued	79,908	131,716	–	–	736	2,464	13,820	114,696
Other financial liabilities	96,943	96,943	37,946	51,367	5,374	643	–	1,613
Total	10,887,780	11,130,256	5,952,690	1,106,608	962,699	2,358,479	619,184	130,596
Off balance sheet loan commitments and credit card commitments (Note)		869,774	680,825	44,598	27,970	76,425	34,324	5,632
Financial guarantees issued maximum amount guaranteed (Note)		868,059	–	166,351	102,054	230,305	270,082	99,267

	As at 31 December 2010							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,781	1,781	1,781	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	749,809	773,294	518,852	78,010	16,966	67,208	92,258	–
Financial liabilities at fair value through profit or loss	15,287	15,503	2,926	3,052	6,915	24	2,535	51
Financial assets sold under repurchase agreements	4,922	4,956	–	2,872	2,027	57	–	–
Deposits from customers	9,075,369	9,206,516	5,163,295	816,968	790,309	2,008,784	415,469	11,691
Debt securities issued								
– Certificates of deposit issued	13,414	13,628	–	827	915	6,653	5,228	5
– Subordinated bonds issued	79,901	121,121	–	–	1,504	1,696	12,800	105,121
Other financial liabilities	38,970	38,970	37,630	227	55	86	460	512
Total	9,979,453	10,175,769	5,724,484	901,956	818,691	2,084,508	528,750	117,380
Off balance sheet loan commitments and credit card commitments (Note)		812,355	481,802	52,753	49,993	117,755	68,140	41,912
Financial guarantees issued maximum amount guaranteed (Note)		798,014	–	235,130	92,683	200,576	237,075	32,550

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	As at 30 June 2011							
	Carrying amount	**Gross cash outflow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative financial liabilities								
Borrowings from central banks	**1,317**	**1,317**	**1,317**	**–**	**–**	**–**	**–**	**–**
Deposits and placements from banks and non-bank financial institutions	**744,840**	**767,978**	**453,965**	**123,727**	**78,124**	**25,252**	**86,910**	**–**
Financial liabilities at fair value through profit or loss	**14,035**	**14,061**	**5,146**	**3,472**	**5,416**	**–**	**–**	**27**
Financial assets sold under repurchase agreements	**7,333**	**7,490**	**–**	**1,943**	**3,012**	**2,535**	**–**	**–**
Deposits from customers	**9,818,296**	**9,983,292**	**5,439,749**	**903,772**	**828,472**	**2,292,151**	**505,801**	**13,347**
Debt securities issued								
– Certificates of deposit issued	**19,870**	**20,410**	**–**	**2,094**	**3,505**	**9,015**	**5,008**	**788**
– Subordinated bonds issued	**79,908**	**131,716**	**–**	**–**	**736**	**2,464**	**13,820**	**114,696**
Other financial liabilities	**91,591**	**91,591**	**33,861**	**51,321**	**5,256**	**642**	**–**	**511**
Total	**10,777,190**	**11,017,855**	**5,934,038**	**1,086,329**	**924,521**	**2,332,059**	**611,539**	**129,369**
Off balance sheet loan commitments and credit card commitments (Note)		**842,167**	**680,823**	**20,126**	**27,048**	**74,490**	**34,048**	**5,632**
Financial guarantees issued maximum amount guaranteed (Note)		**867,310**	**–**	**166,146**	**101,969**	**230,063**	**269,866**	**99,266**

	As at 31 December 2010							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,781	1,781	1,781	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	726,902	749,660	520,806	78,142	14,198	46,487	90,027	–
Financial liabilities at fair value through profit or loss	12,940	12,968	2,926	3,051	6,916	24	–	51
Financial assets sold under repurchase agreements	11,089	11,378	–	3,450	3,373	4,555	–	–
Deposits from customers	9,014,646	9,145,793	5,164,298	779,659	774,588	2,000,733	414,880	11,635
Debt securities issued								
– Certificates of deposit issued	11,530	11,743	–	520	1,498	5,741	3,984	–
– Subordinated bonds issued	79,901	121,121	–	–	1,504	1,696	12,800	105,121
Other financial liabilities	36,046	36,046	34,719	225	48	86	456	512
Total	9,894,835	10,090,490	5,724,530	865,047	802,125	2,059,322	522,147	117,319
Off balance sheet loan commitments and credit card commitments (Note)		786,799	481,802	30,098	49,139	115,964	67,884	41,912
Financial guarantees issued maximum amount guaranteed (Note)		797,191	–	235,164	92,315	200,576	236,586	32,550

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

57 Risk Management (continued)

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

In the first half of 2011, the Group has continued to further strengthen the operational risk management processes to ensure operational stability and business as usual, by enhancing the self-assessment of operational risk, establishing key risk controls and examination, utilizing usage of operational risk tools and systems, performing emergency drills to ensure continuous business operations in adverse scenarios and promoting business continuity management:

– continuous self-assessment of operational risk – The Group continuously improves and expands the scope of self-assessment, placing particular focus on off-balance sheet related items to enhance respective regulations, processes and services;

– establishment of examination of key risk controls – The Group carries out examination over key risk controls, and continues to refine, expand and re-examine the scope and contents of the monitoring checks, placing particular focus on key business areas and preventive checks on major operational risk areas;

– strengthening the centralized operational risk management evaluation system – The Group refines the operational risk indicators with respect to corporate and personal credit businesses, which assists and drives branches' evaluation of the operational risks;

– improvement in segregation of duties – The Group continues to improve and review the roles and responsibilities of its key staff positions to ensure adequate segregation of duties (responsibilities), further strengthening the system of checks and balances;

– steady progress in business continuity management – The Group conducts emergency operational drills in pilot branches, which improves the strategies and mechanisms of the Tier 2 institutions and networks in response to natural disasters;

– strengthening major risks and unforeseen events reporting process – The Group formalizes the supervision and monitoring over major risks and unforeseen events by prescribing the information recording and reporting processes. Clear information channels have also been established to increase the ability of the Bank to address these risks and events;

– streamline and review of current data – The Group continues to evaluate its data management system and timely remediates deficiency to ensure secured and smooth system operations; and

– the Group has implemented laws, rules and regulations concerning anti-money laundering (AML). The Group continued to improve its internal control system relating to AML. The Group follows "know-your-customer" principle in identifying and recording customers' identities and transactions diligently, and proactively identifies and reports significant, suspicious and suspected terrorist-related transactions. Training and publicity for AML has also been enhanced. All these measures are put in place to effectively fulfill the statutory AML obligations.

(5) Fair value

(a) Financial assets

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

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

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

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(5) Fair value (continued)

(a) *Financial assets (continued)*

Group

	Carrying value		Fair value	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Debt securities classified as receivables	**307,117**	306,748	**288,352**	282,996
Held-to-maturity investments	**1,777,779**	1,884,057	**1,752,618**	1,864,881
Total	**2,084,896**	2,190,805	**2,040,970**	2,147,877

Bank

	Carrying value		Fair value	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010
Debt securities classified as receivables	**307,067**	306,748	**288,302**	282,996
Held-to-maturity investments	**1,776,493**	1,883,927	**1,751,353**	1,864,751
Total	**2,083,560**	2,190,675	**2,039,655**	2,147,747

(b) *Financial liabilities*

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 30 June 2011 was RMB74,556 million (31 December 2010: RMB75,779 million), which was lower than their carrying value of RMB79,908 million (31 December 2010: RMB79,901 million).

(6) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to run stable operations and resist adverse risks. The CBRC requires commercial banks to maintain the capital adequacy ratio at or above minimum of 8% and the core capital adequacy ratio at or above minimum of 4%. Supplementary capital of a commercial bank cannot exceed 100% of its core capital, and long-term subordinated debts qualified for inclusion in the supplementary capital cannot exceed 50% of the core capital. Any amount in excess of the balance of the trading book over 10% of total on and off-balance sheet assets or RMB8,500 million will be subject to provision for market risk in the computation of capital adequacy ratio. The Group timely monitors, analyses and reports capital adequacy ratio level to exercise effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating capital internally and raising capital through external channels, to ensure that the capital adequacy ratio and core capital adequacy ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management needs. This helps insulate against potential risks as well as support the healthy business development. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need. The Group regularly compares its position with its capital adequacy ratio target to ensure capital will be adequate for future or otherwise to plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimize the Group's total capital and structure, as well as improve the competitiveness of the Group's cost of capital.

(Expressed in millions of RMB, unless otherwise stated)

57 Risk Management (continued)

(6) Capital management (continued)

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

	Note	30 June 2011	31 December 2010
Core capital adequacy ratio	(a)	**10.42%**	10.40%
Capital adequacy ratio	(b)	**12.51%**	12.68%
Components of capital base			
Core capital:			
– Share capital		**250,011**	250,011
– Capital reserve, investment revaluation reserve and exchange reserve	(c)	**131,558**	127,536
– Surplus reserve and general reserve		**118,103**	112,028
– Retained earnings	(c),(d)	**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	(e)	**(2,327)**	(1,911)
Net capital		**823,355**	762,449
Risk-weighted assets	(f)	**6,579,846**	6,015,329

Notes:

(a) 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 other items, by risk-weighted assets.

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

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

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

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

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

58 Events after the reporting period

There are no significant events after the reporting period.

59 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

60 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2011 and which have not been adopted in the these financial statements.

- Amendments to IFRS 7, “Financial Instruments: Disclosures”
- Amendments to IAS 12, “Income Taxes”
- IFRS 9, “Financial Instruments”
- IFRS 10, “Consolidated Financial Statements”
- IFRS 11, “Joint Arrangements”
- IFRS 12, “Disclosure of Interests in Other Entities”
- IFRS 13, “Fair Value Measurement”

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

(Expressed in millions of RMB unless otherwise stated)

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

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

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

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the period ended 30 June 2011 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the period ended 30 June 2011 or total equity as at 30 June 2011 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP respectively.

2 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.

3 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

(Expressed in millions of RMB unless otherwise stated)

3 Currency concentrations (continued)

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.

4 Cross-border claims

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

For the purpose of this unaudited supplementary financial information, Mainland China excludes 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)

5 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.

6 Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2011, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Definitions

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

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

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