

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



中國銀行

BANK OF CHINA

中國銀行股份有限公司

BANK OF CHINA LIMITED

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

(the "Bank")

(Stock Code: 3988)

2009 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of the Bank is pleased to announce the unaudited results of the Bank and its subsidiaries for the six month period ended 30 June 2009. This announcement, containing the full text of the 2009 Interim Report of the Bank, complies with the relevant requirements of the Hong Kong Listing Rules in relation to information to accompany preliminary announcements of interim results. Printed version of the Bank's 2009 Interim Report will be delivered to the H-Share Holders of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.boc.cn in mid or late September 2009.

CONTENTS

Financial Highlights	2
Corporate Information	3
Overview of Operating Performance	4
Strategic Development Plan	8
Management Discussion and Analysis	10
Financial Review	10
Business Review	20
Risk Management	27
Channel Development	32
Outlook	34
Changes in Share Capital and Shareholdings of Substantial Shareholders	35
Directors, Supervisors, Senior Management and Staff	40
Corporate Governance	44
Significant Events	51
Report on Review of Interim Financial Information	60
Interim Financial Information	61
Definitions	149

Financial Highlights

Note: This report is prepared in accordance with International Financial Reporting Standards (IFRS).

Unit: RMB million

	Note	For the six month period ended 30 June 2009	For the six month period ended 30 June 2008
Results of operations			
Net interest income		74,722	81,523
Non-interest income	1	33,131	37,341
Operating income		107,853	118,864
Operating expenses		(41,820)	(44,875)
Impairment losses on assets		(10,081)	(17,144)
Operating profit		55,952	56,845
Profit before income tax		56,210	57,361
Profit for the period		43,352	44,645
Profit attributable to equity holders of the Bank		41,123	42,181
Earnings per share for profit attributable to equity holders of the Bank (basic and diluted, RMB)		0.16	0.17
Key financial ratios			
Return on average total assets (%)	2	1.14	1.43
Return on average equity (%)	3	17.59	19.81
Net interest spread (%)	4	1.93	2.55
Net interest margin (%)	5	2.04	2.72
Non-interest income to operating income (%)	6	30.72	31.41
Cost to income (%)	7	33.54	32.96
Cost to income (calculated under domestic regulations, %)	8	32.13	29.22
Credit cost (%)	9	0.37	0.43
		As at 30 June 2009	As at 31 December 2008
Statement of financial position items			
Total assets		8,207,362	6,951,680
Loans and advances to customers, net		4,205,797	3,189,652
Investment securities	10	1,890,780	1,646,208
Total liabilities		7,708,278	6,461,793
Due to customers		6,252,814	5,102,111
Capital and reserves attributable to equity holders of the Bank		470,797	464,258
Loan to deposit ratio (%)	11	68.98	64.60
Net assets per share (RMB)	12	1.85	1.83
Capital adequacy ratios			
Core capital adequacy ratio (%)		9.43	10.81
Capital adequacy ratio (%)		11.53	13.43
Asset quality			
Identified impaired loans to gross loans (%)	13	1.83	2.76
Allowance for loan impairment losses to identified impaired loans (%)	14	136.17	117.18
Non-performing loans to gross loans (%)	15	1.80	2.65
Allowance for loan impairment losses to non-performing loans (%)	16	138.96	121.72

Please refer to “Definitions” in this report for notes.

Corporate Information

Registered Corporate Name in Chinese
中國銀行股份有限公司（“中國銀行”）

Registered Corporate Name in English
BANK OF CHINA LIMITED
（“Bank of China”）

Legal Representative and Chairman
XIAO Gang

Vice Chairman and President
LI Lihui

Secretary to the Board of Directors
ZHANG Bingxun

Office Address:
No. 1 Fuxingmen Nei DaJie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: bocir@bank-of-china.com

Company Secretary
Cheung Ying YEUNG

Listing Affairs Representative
LUO Nan

Office Address:
No. 1 Fuxingmen Nei DaJie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: bocir@bank-of-china.com

Registered Address of Head Office
No. 1 Fuxingmen Nei DaJie, Beijing, China

Office Address
No. 1 Fuxingmen Nei DaJie,
Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6659 3777
Website: <http://www.boc.cn>
E-mail: bocir@bank-of-china.com

Place of Business in Hong Kong
8/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Selected Newspapers for Information Disclosure (A Share)
China Securities, Shanghai Securities, Securities Times

Website Designated by CSRC to Publish the Interim Report
<http://www.sse.com.cn>

Website Designated by the Hong Kong Exchanges and Clearing Limited to Publish the Interim Report
<http://www.hkexnews.hk>

Places Where the Interim Report can be Obtained
Major business locations

Stock Information
A Share
Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share
The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

A-Share Registrar
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
36/F, China Insurance Building
166 East Lujiazui Road
Pudong New Area, Shanghai
Telephone: (86) 21-3887 4800

H-Share Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18/F, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong
Telephone: (852) 2862 8555

Overview of Operating Performance

During 2009, the Bank operated in a complex and uncertain economic environment. Adhering to the guiding principles of a scientific outlook on development, the government's strategic direction to "maintain growth, expand domestic demand and promote restructuring" along with a moderately relaxed monetary policy, the Bank continued to implement its strategic development plan and achieved remarkable results in business development including expansion of scale, promotion of restructuring and improvements in risk management. In the first half of 2009, the Group recorded a profit attributable to equity holders of the Bank of RMB41.123 billion. The profit for the second quarter of 2009 was RMB22.553 billion, an increase of 21.45% compared with the first quarter of 2009. Return on average equity and return on average total assets stood at 17.59% and 1.14%, respectively, as at 30 June 2009 and the capital adequacy ratio was 11.53%.

Continued Expansion of Scale and Promotion of Restructuring, Gaining Growth Momentum in All Business Lines

Expansion of the Group's balance sheet with structure further enhanced

As at 30 June 2009, the Group's total assets and total liabilities amounted to RMB8.21 trillion¹ and RMB7.71 trillion, representing an increase of RMB1.26 trillion and RMB1.25 trillion, or 18.06% and 19.29%, respectively, from the prior year-end. The proportion of interest-earning assets to total assets was 96.91%, up by 0.69 percentage point from the prior year-end; the proportion of RMB-denominated assets was 73.26%, up by 8.02 percentage points from the prior year-end; and RMB-denominated investment securities represented 71.82% of total investment securities, up by 9.20 percentage points from the prior year-end. Demand deposits accounted for 44.79% of total deposits from customers, up by 0.17 percentage point from the prior year-end.

Deposits and loans grew rapidly, resulting in a notable increase in market share

Capitalising on the opportunities arising from the government policy directed at expanding domestic demand and stimulating economic development, the Bank leveraged its overall competitive advantages and strengthened its marketing activities to attract high-quality customers and projects. In the first half of the year, the balance of RMB-denominated domestic deposits and loans in domestic operations increased by 27% and 38% respectively from the prior year-end, resulting in market share increases by 0.46 and 0.88 percentage point, respectively, compared with the prior year-end. The Bank maintained its leading position in domestic foreign currency-denominated deposits and loans with the highest increase in market share among its peers of 1.86 and 2.62 percentage points, respectively, from the prior year-end.

¹ The unit of currency in "Management Discussion and Analysis" is RMB, unless indicated otherwise. RMB-denominated businesses are domestic RMB businesses. The market share is based on the PBOC statistics.

Fee-based business developed steadily with an increase in fee income

The Bank responded proactively to the adverse effect of the economic downturn by enhancing product innovation to promote sustainable growth in fee-based business. In the first half of 2009, the Group earned a net fee and commission income of RMB22.955 billion, an increase of 2.64% compared with the first half of 2008. This represented 21.28% of operating income, an increase of 2.46 percentage points compared with the first half of 2008. The Bank maintained its leading position in international settlement business with an increase in market share. Fee income from domestic settlement, bank card and financial consultancy services grew rapidly and contributed a higher percentage of non-interest income compared with the first half of 2008.

Overseas business developed reinforcing the advantages of diversified business operations

By capitalising on the competitive advantages of the Group, the Bank further enhanced synergies between domestic and overseas businesses, striving to meet the financial services needs of “Going-Global” Chinese enterprises, and proactively developing cross-border RMB settlement business on a pilot basis. In addition, the Bank increased the rate of expansion of its outlets, focusing on the Asia Pacific region, and centralisation of middle office and back office operations. The Bank also strengthened its competitive positions over business lines including investment banking, investment funds, insurance, proprietary investment and leasing to proactively identify market opportunities, promote high-quality business and further strengthen its market competitiveness. In the first half of 2009, overseas operations achieved a net profit of USD1.502 billion, an increase of 28% compared with the same period of 2008.

Strengthening the Proactive Approach to Risk Management to Improve the Quality of Business Development

The Bank continuously improved its risk policies and upgraded its differentiated risk management framework

The Bank adhered to its moderate risk appetite, dynamically adjusting its credit policies, and appropriately investing in credit assets by identifying those industries and customers with sound growth potential and relatively low risk whilst at the same time withdrawing from higher risk industries and customers. The Bank introduced efficiencies into the credit approval and credit management process by adhering to the principles of centralised management. The Bank also enhanced its multi-dimensional and differentiated credit authorisation framework, taking into consideration geographical regions, customer types, industries and products. In addition, strengthened support was given to significant high-quality customers and projects. Recovery and disposal of non-performing assets (“NPAs”) was enhanced and the NPAs reduced by RMB22.6 billion in the first half of 2009. In addition, the Bank accelerated its implementation work of Basel II programme.

Enhancing the credit profile to further improve the quality of the loan portfolio

In the first half of 2009, the profile of corporate loans by domestic operations was optimised in terms of industry mix, tenor and customer type. The proportion of loans granted to industries supported by the government significantly increased. As at 30 June 2009, the proportion of such government supported loans increased by 7.27 percentage points from the prior year-end and loans extended to customers internally rated at BB and above increased by 0.96 percentage point, whereas loans to industries with over-capacity decreased by 3.41 percentage points. As at 30 June 2009, the Group's identified impaired loans amounted to RMB79.078 billion, a decrease of RMB11.801 billion compared with the prior year-end. The ratio of identified impaired loans to gross loans was 1.83%, a decrease of 0.93 percentage point compared with the prior year-end. The ratio of allowance for loan impairment losses to identified impaired loans was 136.17%, up by 18.99 percentage points compared with the prior year-end.

Promotion of sound internal control and strengthened risk mitigation ability

The Bank made continued efforts to prevent fraud cases by further improving the three lines of defence to reinforce its internal control framework. In order to facilitate the establishment of long-term effective internal control mechanisms, the Bank proactively performed on and off-site inspections and closely monitored the risk related to its business development efforts. At the same time, the Bank improved the operational risk management framework, and set up mechanisms to effectively identify, assess and monitor operational risk.

Significant Infrastructure Enhancements to Set the Foundation for Business Development

Accelerated implementation of IT Blueprint and improved level at operational service effectiveness

The development of the Core Banking System was completed and system integration testing progressed smoothly with pilot branches pushing ahead with implementation preparation. The Financial Management System was successfully implemented in the Hebei branch. The integration of the foreign currency clearing systems in the Chinese Mainland and Hong Kong was completed, further strengthening the Bank's competitive advantage in foreign currency settlement and clearing services.

Progress in channel development and significant improvements to service functions

The Bank continued to transform its retail outlets and optimise processes within business operations, services and sales, management and internal control, so as to enhance operational efficiencies. The Bank made good progress in centralising back office operations and piloting remote delegation of authority. The on-line banking system (version3.0) was successfully launched strengthening service functions and increasing the number of on-line banking customers by 118% compared with the prior year-end.

In the second half of 2009, the foundation for domestic economic recovery will be further strengthened and the national economy is expected to continue its momentum of sound development. At the same time, a number of uncertainties will continue to exist in the domestic and global economies, creating significant challenges for commercial banks. Under the guiding principles of a scientific outlook on development, the Bank will continue to implement national macro-economic policies, adhering to the strategies of “Scaling Up, Streamlining Structure, Shoring Up Brand, Strengthening Infrastructure, Slashing Cost and Sharpening Competitiveness”, by attaching importance to business development, steady expansion of scale, and optimising restructuring and risk management, and underpinning the foundations for the Bank’s sustainable development.

Strategic Development Plan

The Bank prepared a new strategic development plan which was approved by the Board of Directors in March 2009.

Strategic Positioning

To be a large multinational banking group based on a diversified and integrated cross-border business platform, with a core business of commercial banking. The substance is provided below:

Focusing on commercial banking business with diversified development

With commercial banking business identified as the core business for the Group's development, the Bank will improve its core competitiveness by expanding its business network, enlarging its customer base, and enhancing product innovation and brand recognition. At the same time, the Bank will make full use of its competitive advantages in diversified services and provide its customers with comprehensive and high quality financial services by robustly promoting businesses including investment banking, investment funds, insurance, proprietary investment and leasing, and using the synergies offered by its diversified business platform in accordance with the principle of "unifying strategy, brand, customers and channels".

Focusing on domestic market, with integrated development of domestic and overseas operations

The Bank has deployed the majority of its assets, outlets and human resources in the Chinese Mainland, one of the fastest growing economies in the world; therefore, the Bank will focus on development of its domestic businesses. At the same time, the Bank is distinguished from other domestic banks because of its unique brand and the competitive advantages of its multinational operations. The Bank will make use of business opportunities arising from economic globalisation and the increasingly close links between China and the international economy to proactively expand cross-border operations by providing comprehensive services to meet the needs of its customers, extending service coverage, and achieving integrated development of domestic and overseas operations.

To be a large-sized banking group with long-term and sustainable development

By restructuring and brand enhancement, the Bank will expand the scale of its business, increase its market share, and take the initiative lead in the market so as to achieve forward-looking business development. At the same time, the Bank will further strengthen its risk management, enhance its business processes, improve operational efficiencies and accelerate channel development, together, strengthening the foundation for further growth and enhancing the long-term profitability and sustainability of development.

Strategic Goals

To be a leading international bank delivering growth and excellence.

The Bank's strategic goals will be achieved in two stages: by 2012, upon the 100th anniversary of the Bank's foundation, the Bank will have steadily upgraded operating performance, market competitiveness, and brand recognition and reputation, by further improvement to infrastructure, corporate governance and culture; and by 2020, the Bank will endeavor to be one of the leading international banks.

The Bank's strategic development plan sets out quantitative targets for operating performance, asset quality and market share, and establishes a series of supporting policies and measures in respect of cultivating corporate culture, human resources management, integration of business process and structure, development of information technology, and risk management and internal control. With a view to enhancing the effectiveness of implementation of its strategy, the Bank has built a sound system to manage and evaluate the progress of implementation, and established an appropriate scheme to link performance assessment and strategic implementation and to bring into play the strategic orientation of performance assessment.

Management Discussion and Analysis

Financial Review

Economic and Financial Environment

In the first half of 2009, the global economy experienced a deep recession. In the first quarter, the US, EU and Japan's GDP all declined by more than 5%, and some emerging economies recorded a reduction of over 8%. In the second quarter, the global economic recession slowed with certain areas showing signs of recovery. Although commodity prices sharply rebounded, the overall price levels in all major economies continued to fall. However, expectations of inflation intensified as major central banks continued with low interest rate policies and a large-scale quantitative relaxation of monetary policy.

Global financial markets stabilised. During the first quarter, the world's major stock indices further declined and US Dollar appreciated at an accelerated rate due to the intensified global economic recession, the Eastern Europe crisis and uncertainties of the bailout policies of major countries. After mid-March, global financial markets began to recover steadily due to growth in the US banking industry earnings, continued relaxation of monetary policy by major central banks and significant achievements at the G20 Summit. The exchange rate of major currencies against US Dollar showed relative improvement, major stock indices rebounded substantially from historical lows, major economy treasury bond yields continued to grow, and crude oil price showed relative increase.

China's domestic economy also stabilised and recovered. China declared a set of plans to address the international financial crisis and maintain rapid but stable economic development. As a result, there were positive movements in economic indicators and economic growth stabilised. In the first half of 2009, GDP of Chinese Mainland increased by 7.1% compared with the same period of last year while CPI decreased by 1.1%; total investment in fixed assets increased by 33.5%; total retail sales of consumer goods increased by 15.0%; and import and export volumes decreased by 23.5%, with a slight decline in the trade surplus. Hong Kong SAR's GDP stabilised after experiencing a sharp decline.

Domestic financial markets were relatively active. China implemented a proactive fiscal policy and moderately relaxed monetary policy in the first half of 2009. The benchmark interest rates of RMB deposits and loans and mandatory reserve ratio remained unchanged, and the exchange rate of RMB against US Dollar remained stable. M2 increased by 28.5% year-on-year, RMB loans of financial institutions grew by 34.4%, and RMB deposits rose by 29%. Capital markets rebounded sharply with Shanghai Stock Exchange Composite Stock Index rising by 62.5% in the first six months of 2009. Bond markets also experienced growth in volumes of new issuances with active trading. At the end of June 2009, the market value of bonds had increased by 21.2% compared with the prior year-end.

Income Statement Analysis

During 2009, the Group proactively responded to the adverse effects of the widespread global financial crisis and endeavoured to improve its operating performance by adopting a series of policies and measures, including expanding scale, promoting restructuring and controlling costs. In the first half of 2009, the Group realised a profit attributable to equity holders of the Bank of RMB41.123 billion, a decrease of 2.51% compared with the first half of 2008. Earnings per share were RMB0.16, slightly lower than those of the first half of 2008. Return on average total assets and return on average equity were 1.14% and 17.59%, a decrease of 0.29 percentage point and 2.22 percentage points compared with the first half of 2008, respectively.

Net interest income and net interest margin

In the first half of 2009, the Group earned a net interest income of RMB74.722 billion, a decrease of RMB6.801 billion or 8.34% compared with the first half of 2008. The average balances², average interest rates of major interest-earning assets and interest-bearing liabilities of the Group, analysis of the impact of changes in volume and interest rate³ on the Group's net interest income are summarised in the following table:

² Average balances of interest-earning assets and interest-bearing liabilities are average daily balances derived from the Bank's management accounts (unreviewed).

³ The impact of changes in volume on interest income and expenses is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact of changes in interest rate on interest income and expenses is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. Impacts relating to the combined changes in both volume and rate have been classified as changes in interest rates.

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2009			For the six month period ended 30 June 2008			Analysis of net interest income variances		
	Average balance	Interest income/ expense	Average interest rate	Average balance	Interest income/ expense	Average interest rate	Volume	Interest rate	Total
Group									
Interest-earning assets									
Loans	3,728,565	89,478	4.84%	3,089,832	94,232	6.13%	19,416	(24,170)	(4,754)
Investment debt securities ¹	1,836,550	24,996	2.74%	1,700,287	31,017	3.67%	2,480	(8,501)	(6,021)
Balances with central banks ²	1,271,261	8,750	1.39%	846,622	8,591	2.04%	4,296	(4,137)	159
Due from banks and other financial institutions	541,875	4,108	1.53%	390,740	7,565	3.89%	2,915	(6,372)	(3,457)
Total	7,378,251	127,332	3.48%	6,027,481	141,405	4.72%	29,107	(43,180)	(14,073)
Interest-bearing liabilities									
Due to customers ³	5,713,957	45,145	1.59%	4,685,320	49,750	2.14%	10,916	(15,521)	(4,605)
Due to banks and other financial institutions ⁴	1,018,941	5,340	1.06%	738,782	7,542	2.05%	2,848	(5,050)	(2,202)
Other borrowed funds ⁵	109,618	2,125	3.91%	115,677	2,590	4.50%	(135)	(330)	(465)
Total	6,842,516	52,610	1.55%	5,539,779	59,882	2.17%	13,629	(20,901)	(7,272)
Net interest income		74,722			81,523		15,478	(22,279)	(6,801)
Net interest spread			1.93%			2.55%			
Net interest margin			2.04%			2.72%			
Domestic RMB businesses									
Interest-earning assets									
Loans	2,786,409	76,530	5.54%	2,082,491	72,338	6.99%	24,400	(20,208)	4,192
Investment debt securities	1,213,492	16,884	2.81%	984,720	15,712	3.21%	3,642	(2,470)	1,172
Balances with central banks	962,756	7,924	1.66%	768,647	8,220	2.15%	2,070	(2,366)	(296)
Due from banks and other financial institutions	210,899	1,478	1.41%	93,190	1,999	4.31%	2,516	(3,037)	(521)
Total	5,173,556	102,816	4.01%	3,929,048	98,269	5.03%	32,628	(28,081)	4,547
Interest-bearing liabilities									
Due to customers	4,476,498	41,620	1.87%	3,529,226	39,056	2.23%	10,475	(7,911)	2,564
Due to banks and other financial institutions	515,351	3,725	1.46%	413,738	3,964	1.93%	973	(1,212)	(239)
Other borrowed funds	66,000	1,486	4.54%	63,000	1,523	4.86%	72	(109)	(37)
Total	5,057,849	46,831	1.87%	4,005,964	44,543	2.24%	11,520	(9,232)	2,288
Net interest income		55,985			53,726		21,108	(18,849)	2,259
Net interest spread			2.14%			2.79%			
Net interest margin			2.18%			2.75%			
Domestic foreign currency businesses							Unit: USD million, except percentages		
Interest-earning assets									
Loans	48,483	795	3.31%	54,825	1,385	5.08%	(160)	(430)	(590)
Investment debt securities	32,327	493	3.08%	52,475	1,097	4.20%	(420)	(184)	(604)
Balances with central banks and due from banks and other financial institutions	64,384	353	1.11%	41,912	753	3.61%	402	(802)	(400)
Total	145,194	1,641	2.28%	149,212	3,235	4.36%	(178)	(1,416)	(1,594)
Interest-bearing liabilities									
Due to customers	54,265	243	0.90%	44,925	446	2.00%	93	(296)	(203)
Due to banks and other financial institutions	41,198	183	0.90%	32,136	332	2.08%	93	(242)	(149)
Other borrowed funds	4,391	60	2.76%	5,294	94	3.58%	(16)	(18)	(34)
Total	99,854	486	0.98%	82,355	872	2.13%	170	(556)	(386)
Net interest income		1,155			2,363		(348)	(860)	(1,208)
Net interest spread			1.30%			2.23%			
Net interest margin			1.60%			3.18%			

Notes:

- Investment debt securities include available for sale debt securities, held to maturity debt securities, debt securities classified as loans and receivables, trading debt securities and debt securities designated at fair value through profit or loss.
- Balances with central banks include the mandatory reserve fund, the surplus reserve fund, balance under reverse repo agreements and other deposits.
- Due to customers includes structured deposits.
- Due to banks and other financial institutions includes due to central banks, due to banks and other financial institutions, certificates of deposit and placements from banks and other financial institutions.
- Other borrowed funds include bonds issued and other borrowings.

The average balances and average interest rates of domestic loans and due to customers, classified by business type, are summarised in the following table:

Unit: RMB million, except percentages

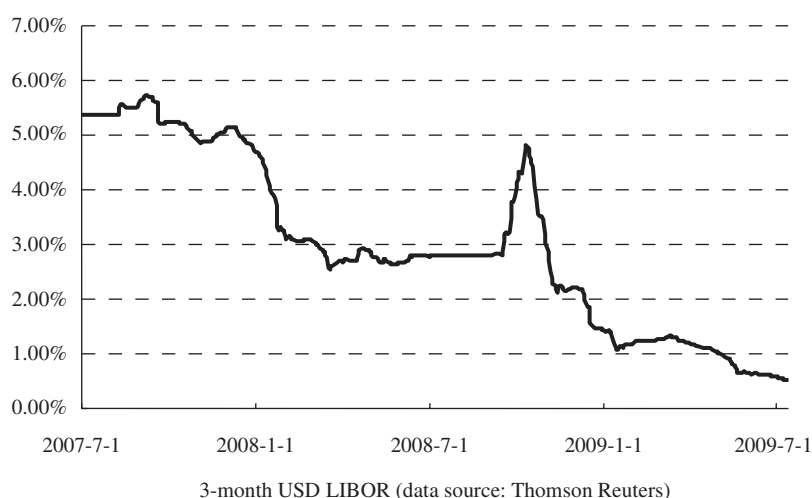
Items	For the six month period ended 30 June 2009		For the six month period ended 30 June 2008		Change	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	1,819,794	6.00%	1,384,972	7.01%	434,822	-101 Bps
Personal loans	699,781	5.62%	611,113	6.86%	88,668	-124 Bps
Trade bills	266,834	2.16%	86,406	7.46%	180,428	-530 Bps
Total	2,786,409	5.54%	2,082,491	6.99%	703,918	-145 Bps
Including:						
Medium and long term loans	1,674,666	6.01%	1,266,657	7.00%	408,009	-99 Bps
1-Year short term loans and others	1,111,743	4.82%	815,834	6.96%	295,909	-214 Bps
Due to customers						
Corporate demand deposits	1,210,744	0.65%	1,002,024	1.01%	208,720	-36 Bps
Corporate time deposits	729,973	2.66%	550,815	3.33%	179,158	-67 Bps
Personal demand deposits	622,954	0.36%	532,183	0.73%	90,771	-37 Bps
Personal time deposits	1,604,334	3.02%	1,202,109	3.33%	402,225	-31 Bps
Other	308,493	1.90%	242,095	2.55%	66,398	-65 Bps
Total	4,476,498	1.87%	3,529,226	2.23%	947,272	-36 Bps
Domestic foreign currency businesses						
					Unit: USD million, except percentages	
Loans	48,483	3.31%	54,825	5.08%	(6,342)	-177 Bps
Due to customers						
Corporate demand deposits	17,068	0.06%	12,941	1.06%	4,127	-100 Bps
Corporate time deposits	5,597	1.48%	5,470	3.49%	127	-201 Bps
Personal demand deposits	9,259	0.07%	6,986	0.72%	2,273	-65 Bps
Personal time deposits	18,925	1.63%	15,643	2.25%	3,282	-62 Bps
Other	3,416	2.42%	3,885	4.30%	(469)	-188 Bps
Total	54,265	0.90%	44,925	2.00%	9,340	-110 Bps

In the first half of 2009, the Group's net interest margin (NIM) was 2.04%, a decrease of 68 basis points compared with the first half of 2008, or a decrease of 59 basis points compared with the whole year of 2008. The movement in NIM was mainly attributable to the following:

- RMB benchmark and market interest rates decreased significantly. Since September 2008, the PBOC made successive cuts to interest rates, the rate of 1-year RMB deposits and 1-year RMB loans decreased by 1.89 and 2.16 percentage points respectively. The

average decrease in interest rate of loans was greater than that of deposits. In addition, the market interest rates experienced a sharp decline. The average 7-day RMB SHIBOR for the six months ended 30 June 2009 was 0.9570%, a decrease of 2.1032 percentage points compared with the first half of 2008, or a decrease of 1.9596 percentage points compared with the whole year of 2008.

- Market interest rates for foreign currencies also experienced a sharp decline. In response to the global financial crisis, major economies cut interest rates significantly and continuously, resulting in successive fall of market interest rates. The average 3-month USD LIBOR for the six months ended 30 June 2009 was 1.0437%, a decrease of 1.9747 percentage points compared with the first half of 2008, or a decrease of 1.8841 percentage points compared with the whole year of 2008.



Non-interest income

In the first half of 2009, the Group reported a non-interest income of RMB33.131 billion, a decrease of RMB4.210 billion or 11.27% compared with the first half of 2008.

Net fee and commission income

In the first half of 2009, the Group earned a net fee and commission income of RMB22.955 billion, an increase of RMB0.590 billion or 2.64% compared with the first half of 2008. This represented 21.28% of overall operating income, an increase of 2.46 percentage points compared with the first half of 2008. In order to mitigate the negative impact of the external operating environment, the Group reinforced its customer base, enhanced product innovation, promoted development of its network and improved service quality, so as to maintain its leading position in international settlement. In addition, the Group actively sought new opportunities, and domestic settlement fee, consultancy and advisory fee and bank card fee increased rapidly. Please refer to Note II.2 to the Interim Financial Information for more detailed information.

Other non-interest income

In the first half of 2009, other non-interest income amounted to RMB10.176 billion, a decrease of RMB4.800 billion compared with the same period of 2008. The decrease included the impact of the proactive adjustment of BOCG Life in its business strategy and product structure, resulting in a decrease in insurance premiums. In addition, the sales of Olympic-licensed products were completed in the first quarter of 2009, resulting in a decrease in related sales revenue compared with the same period of 2008. Please refer to Note II.3 and 4 to the Interim Financial Information for more detailed information.

Operating expenses

In the first half of 2009, the Group recorded operating expenses of RMB41.820 billion, a decrease of RMB3.055 billion or 6.81% compared with the same period of 2008, mainly attributable to the decrease in the insurance benefits and claims expenses in BOCG Life and the decrease in the cost of sales of Olympic-licensed products compared with the same period of 2008. The cost to income ratio was 33.54%, an increase of 0.58 percentage point compared with the same period of 2008. Please refer to Note II.5 to the Interim Financial Information for more detailed information.

Impairment losses on assets

Impairment losses on loans and advances

In the first half of 2009, the Group further improved the quality of its loans and advances, and both the identified impaired loans and the ratio of identified impaired loans to gross loans decreased. The Group's impairment losses on loans and advances amounted to RMB7.027 billion with a credit cost of 0.37%, a decrease of 0.06 percentage point compared with the same period of 2008. For more information on loan quality and allowance for loan impairment losses, please refer to the "Risk Management – Credit Risk" section and Note II.7,15 and Note III.1 to the Interim Financial Information.

Impairment losses on other assets

In the first half of 2009, impairment losses on other assets of the Group were RMB3.054 billion, a decrease of RMB7.597 billion compared with the same period of 2008. The decrease was mainly attributable to the relative stabilisation of the global financial markets which resulted in a decrease of the impairment charges on the Group's foreign currency-denominated investment securities. For more details, please refer to Note II.7 and Note III.1 to the Interim Financial Information.

Financial Position Analysis

The principal components of the Group's statement of financial position are set out below:

Unit: RMB million

Items	As at 30 June 2009	As at 31 December 2008
Assets		
Loans and advances to customers, net	4,205,797	3,189,652
Investment securities ¹	1,890,780	1,646,208
Balances with central banks	1,198,959	1,207,613
Due from banks and other financial institutions	531,935	525,509
Other assets	379,891	382,698
Total	8,207,362	6,951,680
Liabilities		
Due to customers	6,252,814	5,102,111
Due to banks and other financial institutions ²	1,010,470	859,343
Other borrowed funds ³	104,843	108,231
Other liabilities	340,151	392,108
Total	7,708,278	6,461,793

Notes:

- 1 Investment securities include available for sale securities, held to maturity securities, securities classified as loans and receivables, and financial assets at fair value through profit or loss.
- 2 Due to banks and other financial institutions includes due to central banks, due to banks and other financial institutions, certificates of deposit and placements from banks and other financial institutions.
- 3 Other borrowed funds include bonds issued and other borrowings.

As at 30 June 2009, the Group's total assets were RMB8,207.362 billion, an increase of RMB1,255.682 billion or 18.06% compared with the prior year-end. The Group's total liabilities amounted to RMB7,708.278 billion, an increase of RMB1,246.485 billion or 19.29% compared with the prior year-end. The major components included:

Loans and advances to customers

The Group's loans and advances to customers amounted to RMB4,313.474 billion, an increase of RMB1,017.328 billion or 30.86% compared with the prior year-end. In the first half of 2009, the government implemented a set of policies to address the effects of the international financial crisis, creating additional funding opportunities to large-scale and high-quality projects. The Group leveraged the advantages of its diversified business platform and revitalised marketing

team to convert these opportunities. The Group has achieved significant growth in its loan portfolio while addressing related risk management considerations. As at 30 June 2009, the domestic RMB-denominated loans increased by RMB896.254 billion or 38.32% from the prior year-end, leading to an increase of 0.88 percentage point in market share among all financial institutions. The Group's loan to deposit ratio was 68.98%, an increase of 4.38 percentage points compared with the prior year-end.

Investment securities

The Group held investment securities of RMB1,890.780 billion, an increase of RMB244.572 billion or 14.86% compared with the prior year-end. In the first half of 2009, the Group increased its investment in higher-yield RMB-denominated debt securities and steadily reduced its foreign currency-denominated securities portfolio in view of the movements in the global financial markets, further reducing risk in its debt investments portfolio. As at 30 June 2009, the Group's RMB-denominated investment securities amounted to RMB1,357.883 billion, an increase of RMB326.958 billion or 31.72% compared with the prior year-end. The balance of foreign currency-denominated investment securities was USD78.001 billion, a decrease of USD12.023 billion or 13.36% compared with the prior year-end.

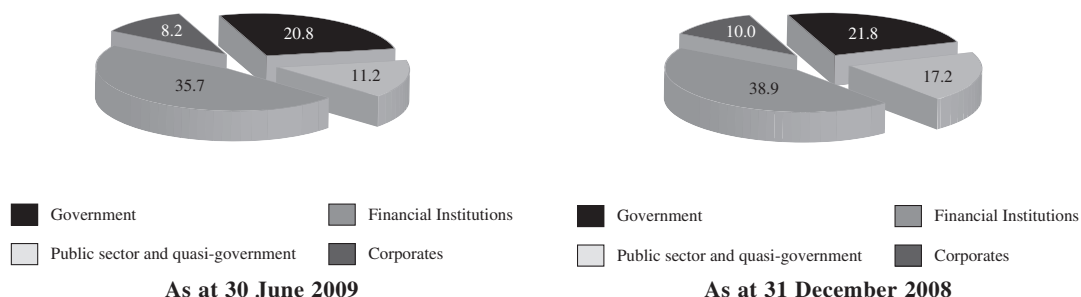
The classification of the Group's investment securities portfolio is shown below:

Unit: RMB million, except percentages

Items	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	61,009	3.23	87,814	5.33
Securities available for sale	850,911	45.00	752,602	45.72
Securities held to maturity	624,524	33.03	365,838	22.22
Securities classified as loans and receivables	354,336	18.74	439,954	26.73
Total	1,890,780	100.00	1,646,208	100.00

Foreign currency bonds by issuer type

Unit: USD billion



As at 30 June 2009, the carrying value of US subprime mortgage related debt securities was USD1.938 billion (or RMB13.244 billion), representing 0.70% of the investment securities of the Group. The impairment allowance for these securities was USD2.382 billion (or RMB16.276 billion) as at 30 June 2009. In addition, the Group recorded a fair value change of USD0.316 billion (or RMB2.156 billion) in the “Reserve for fair value changes of available for sale securities” in equity, reflecting the decrease in the fair value of the US subprime mortgage related securities positions.

As at 30 June 2009, the carrying value of US Alt-A mortgage-backed securities was USD0.932 billion (or RMB6.370 billion), representing 0.34% of the investment securities of the Group. The impairment allowance for US Alt-A mortgage-backed securities held as at 30 June 2009 was USD0.748 billion (or RMB5.113 billion).

As at 30 June 2009, the carrying value of Non-Agency US mortgage-backed securities was USD2.749 billion (or RMB18.784 billion), representing 0.99% of the investment securities of the Group. The impairment allowance for Non-Agency US mortgage-backed securities held as at 30 June 2009 was USD1.541 billion (or RMB10.525 billion).

As at 30 June 2009, the carrying value of the debt securities issued by US Freddie Mac and Fannie Mae held by the Group was USD1.692 billion (or RMB11.558 billion). The carrying value of the mortgage-backed securities guaranteed by these two agencies as at 30 June 2009 was USD2.658 billion (or RMB18.159 billion). The principal and interest payments on these securities are currently on schedule.

The Group will continue to follow developments in the international financial market and assess impairment on related debt securities in a prudent manner in accordance with IFRS.

Due to customers

The Group's deposits from customers amounted to RMB6,252.814 billion, an increase of RMB1,150.703 billion or 22.55% from the prior year-end. In the first half of 2009, the Group achieved rapid growth in deposits and enlarged its customer base through enhancement of its deposit-taking business, cross selling and marketing activities. As at 30 June 2009, RMB-denominated deposits were RMB4,987.631 billion, an increase of RMB1,055.986 billion or 26.86% from the prior year-end, allowing the Bank to increase its market share to 9.28%, up by 0.46 percentage point compared with the prior year-end.

Equity

As at 30 June 2009, the Group's total equity was RMB499.084 billion, an increase of RMB9.197 billion or 1.88% compared with the prior year-end. This change was mainly attributable to:

- The Group reported a profit for the period of RMB43.352 billion in the first half of 2009; and
- A dividend of RMB32.999 billion in respect of the 2008 profit was approved by shareholders of the Bank at the Annual General Meeting.

Please refer to the Condensed Consolidated Statement of Changes in Equity in the Interim Financial Information for more details on equity movements.

The operating performance and financial position of geographical and business segments are set forth in Note II.31 to the Interim Financial Information.

Business Review

In the first half of 2009, the Group implemented its strategic development plan and achieved steady growth across all business lines. The following table sets forth the profit before tax for each line of business:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2009		For the six month period ended 30 June 2008	
	Amount	% of total	Amount	% of total
Commercial banking business				
Including:				
Corporate banking business	35,807	63.70	33,451	58.32
Personal banking business	12,112	21.55	13,287	23.16
Treasury operations	5,045	8.98	8,410	14.66
Investment banking and insurance	1,256	2.23	558	0.97
Others and elimination	1,990	3.54	1,655	2.89
Total	56,210	100.00	57,361	100.00

Commercial Banking Business

During the first half of 2009, the Group's commercial banking business grew rapidly, leading to a substantial increase in market share. A detailed review of the Group's principal deposits and loans as at the end of June 2009 is summarised in the following table:

Unit: RMB million

Items	As at 30 June 2009	As at 31 December 2008	Change
Corporate deposits			
Domestic: RMB	2,264,056	1,712,083	551,973
Foreign currency	160,590	139,177	21,413
Overseas	328,422	310,887	17,535
Sub-total	2,753,068	2,162,147	590,921
Savings deposits			
Domestic: RMB	2,332,729	2,020,900	311,829
Foreign currency	197,659	175,403	22,256
Overseas	559,724	527,208	32,516
Sub-total	3,090,112	2,723,511	366,601
Security and margin deposits			
Domestic: RMB	390,846	198,662	192,184
Foreign currency	7,952	8,045	(93)
Overseas	10,836	9,746	1,090
Sub-total	409,634	216,453	193,181
Financial institution deposits			
Domestic: RMB	514,363	308,701	205,662
Foreign currency	195,846	188,327	7,519
Sub-total	710,209	497,028	213,181
Corporate loans			
Domestic: RMB	2,445,606	1,684,690	760,916
Foreign currency	445,132	323,881	121,251
Overseas	475,425	484,143	(8,718)
Sub-total	3,366,163	2,492,714	873,449
Personal loans			
Domestic: RMB	789,332	653,994	135,338
Foreign currency	233	239	(6)
Overseas	157,746	149,199	8,547
Sub-total	947,311	803,432	143,879

Note: Financial institution deposits herein are included in "Due to banks and other financial institutions", and corporate deposits, saving deposits, security and margin deposits are included in "Due to customers" in the Interim Financial Information.

Domestic Commercial Banking Business

In the first half of 2009, by taking advantage of the opportunities arising from the government's policies to stimulate economic growth, the Bank achieved substantial growth by expanding scale, optimising structure and increasing its market share. Commercial banking business in domestic operations realised a profit before tax of RMB44.012 billion, and the principal components are set forth below:

Unit: RMB million, except percentages

Items	For the six month period ended 30 June 2009		For the six month period ended 30 June 2008	
	Amount	% of total	Amount	% of total
Corporate banking business	31,718	72.07	30,242	63.84
Personal banking business	9,879	22.45	10,280	21.70
Treasury operations	2,415	5.48	6,849	14.46
Total of profit before tax	44,012	100.00	47,371	100.00

Corporate banking business

In supporting the government's policy of expanding domestic demand, plans for revitalising industry and strategic investment in key projects, the Bank optimised its customer base and industry structure, continually improved its servicing mechanisms for key customers, strengthened product innovation, leveraged its advantages in trade finance services, and enhanced its core competitiveness in corporate banking. In the first half of 2009, the domestic corporate banking business recorded a profit before tax of RMB31.718 billion, an increase of RMB1.476 billion, or 4.88%, compared with the first half of 2008.

The Bank continuously enhanced its marketing activities, leading to a significant increase in its market share of deposits and loans. In the first half of 2009, the RMB-denominated and foreign currency-denominated corporate deposits increased by RMB552.0 billion and USD3.1 billion respectively, representing an increase of 32% and 15% from the end of 2008, with the market share up by 0.80 percentage point and 2.76 percentage points, respectively. The RMB-denominated and foreign currency-denominated corporate loans increased by RMB760.9 billion and USD17.8 billion, or 45% and 37%, from the end of 2008 respectively, and market share increased by 1.00 percentage point and 2.62 percentage points, respectively.

The Bank strictly managed its lending activities, continuously optimising the structure of corporate loans. As at 30 June 2009, the percentage of loans granted to government-supported industries increased by 7.27 percentage points, and loans granted to customers rated BB or above increased by 0.96 percentage point whilst loans granted to industries with over-capacity decreased by 3.41 percentage points.

The Bank took full advantage of its trade finance expertise and its international settlement business outperformed the market. In the first half of 2009, despite a slowdown in the import and export market, the Bank registered transaction volumes of USD287.3 billion in international trade settlement with an increase in market share. The balance of RMB-denominated and foreign currency-denominated trade finance increased by RMB18.8 billion and USD10.3 billion, or 59% and 67%, respectively, compared with the prior year-end. Furthermore, the Bank had the first mover advantage in the cross-border RMB settlement business.

The Bank accelerated development of its SME business and achieved significant growth in both the number of customers and the scale of business. By the end of June 2009, the number of SME customers had increased by 6,202 and the balance of its SME loans increased by RMB293.7 billion, an increase of 25% and 51%, respectively, compared with the prior year-end.

Personal banking business

The Bank strived to enhance the core competitiveness of its personal banking business by continuously expanding its customer base, accelerating restructuring of service models and product innovation. In the first half of 2009, the personal banking business in domestic operations recorded a profit before tax of RMB9.879 billion.

The Bank intensified its business expansion and achieved rapid growth in both savings deposits and personal loans. As at 30 June 2009, the balance of RMB-denominated savings deposits increased by RMB311.8 billion or 15% from the prior year-end, with an increase of 0.09 percentage point in the market share. The balance of foreign currency-denominated savings deposits increased by USD3.3 billion or 13% compared with the prior year-end, contributing to an increase of 1.23 percentage points in the market share. The balance of RMB-denominated personal loans increased by RMB135.3 billion or 21% compared with the prior year-end, with the market share up by 0.51 percentage point.

The Bank further strengthened its wealth management scheme, and significantly expanded its middle and high-end wealth management customer base. As at 30 June 2009, the Bank operated more than 590 wealth management centres and more than 50 prestigious wealth management centres, and established private banking branches in 13 domestic cities. The number of the Bank's middle and high-end customers increased by 17% compared with the prior year-end, and their related financial assets under management also saw a rapid growth of 25%.

The Bank made significant efforts to develop its bank card business. As at 30 June 2009, the Bank's domestic operations had issued 156 million bank cards, an increase of 12.78 million compared with the prior year-end. Cardholder spending volume in the first half of 2009 amounted to RMB234.3 billion, an increase of 66% compared with the first half of 2008. The Bank signed up over 0.23 million merchants in domestic operations, and continued to rank top in the foreign currency card merchant acquiring volumes.

Financial markets business

The Bank continued to push forward the restructuring of its financial markets business, optimise investment structure, facilitate product innovation, and properly control risks, in an effort to enhance returns. In the first half of 2009, the Bank generated a profit before tax of RMB2.415 billion from its domestic financial markets business.

By virtue of the effective adjustment of domestic and foreign currency investment structure, the Bank increased the yield of bond portfolio with lower risks. As at the end of June 2009, the balance of RMB-denominated bond investments in domestic operations reached RMB1,348 billion, an increase of 33% compared with the prior year-end, and the balance of foreign currency-denominated bond investments stood at USD29.2 billion, down by 22% compared with the prior year-end.

The Bank strengthened its competitive businesses and also further developed new lines of business. The Bank continued to focus on the market-making businesses, and enhanced the brand of its treasury businesses. In the first half of 2009, the Bank ranked first in terms of the volume of foreign exchange settlement and bullion trading, and continued to lead the domestic banking industry in terms of foreign currency-denominated wealth management products. The sales volume of RMB-denominated wealth management products reached RMB240.5 billion, the Bank's market share and ranking of such products increased compared with the prior year-end, with competitiveness enhanced remarkably. The Bank underwrote 25 issues of short-term financing notes and medium-term notes as a lead manager, amounting to a total of RMB123.7 billion, resulting in a market share of 11.2%, up by 5.11 percentage points from the prior year-end. Net assets under custody reached RMB743.0 billion, an increase of 17.7% compared with the prior year-end. The number of personal annuity accounts and the amount of annuity funds under management increased by 0.31 million and RMB2.9 billion, an increase of 78.5% and 31.1%, respectively, compared with the end of 2008.

Overseas Commercial Banking Business

BOCHK

In the first half of 2009, BOCHK reacted well to the financial crisis. At the same time, it proactively expanded business developments, strengthened management, and increased its market share in major business areas. BOCHK registered a profit attributable to equity holders of HKD4.423 billion (or RMB3.899 billion).

BOCHK continued to extend its product range. Deposits from customers grew steadily. Constant improvement was made in the deposit mix with a higher proportion of lower-cost deposits. BOCHK took advantage of business opportunities to develop its loans business and increase its market share. In addition, it continued to expand the syndicated loan business in the Asia-Pacific region and maintained its leading position in the Hong Kong-Macau syndicated loan market. BOCHK fostered business innovations, supported the development of SMEs, proactively

promoted its mortgage business and achieved a leading market position. The growth in number of credit cards issued was satisfactory with increases in both cardholder spending volume and merchant acquiring volume. By reinforcing its proactive risk management framework, BOCHK enhanced its early warning capability in credit management. Further business collaborations were made with its Chinese Mainland counterparts within the Group. It also successfully launched the cross-border RMB settlement business.

(For further details of BOCHK's business results and related information, please refer to its interim report for the same period.)

Other locations

During the first half of 2009, the Bank made good progress in integrating development of domestic and overseas operations by leveraging the overall advantages of the Group, and achieved sound development of commercial banking business in other regions. The Bank accelerated the launch of its global financial service system, and implemented the global customer manager system on a pilot basis. The Bank actively marketed to overseas operations and connected overseas customers of Chinese enterprises, and provided "Going-Global" enterprises with comprehensive financial services. In addition, leveraging the opportunities of cross-border RMB settlement business, the Bank further enhanced overseas RMB-denominated business. Through establishment of a Singapore-based Asian wealth management service framework, the off-shore financial service centre of the Swiss subsidiary, and the Luxembourg Branch based international fund distribution platform, the Bank gradually built up a global wealth management service platform, and promoted the development of its overseas wealth management business. The Bank set up its Asia-Pacific Personal Financial Product Centre responsible for research and extension of personal financial products, including bank cards, foreign exchange and structured deposits. By utilising the resources of its global network, the Bank accelerated implementation of its bank card business overseas development strategy.

Diversified Business Platform

Combining the Group's strategic development plan and their own competitive advantages, subsidiary companies of the Bank clearly developed their respective strategic positions and supporting measures, and actively implemented the Group's strategy of "Expanding Scale and Promoting Restructuring".

By strengthening its marketing efforts, BOCI achieved sound business development, including underwriting of stocks, securities brokerage services and domestic RMB-denominated bonds underwriting, and maintained its leading positions in the Hong Kong Mandatory Provident Fund market and the Macau Pension market. In the first half of 2009, BOCI recorded a net profit of HKD1.049 billion, an increase of 49.00% compared with the same period of 2008.

BOCG Investment robustly developed its principal businesses including equity investment, investment in NPAs and fixed assets, and supported the Group's commercial banking business through its direct investment platform. In the first half of 2009, BOCG Investment realised a net profit of HKD1.313 billion, an increase of 86.59% compared with the first half of 2008.

With a base of banc assurance, BOCG Insurance took full advantage of the Group's distribution network and customer base to promote sales of its products and enhanced business innovation, leading to a greater market share. In the first half of 2009, it registered a gross premium income of HKD1.964 billion (or RMB1.731 billion).

In response to the slowdown in the aviation industry, BOC Aviation used the opportunity to expand its assets scale and optimise its assets portfolio. In the first half of 2009, BOC Aviation reported a net profit of USD65 million, an increase of 10% compared with the same period of 2008.

BOCIM achieved steady growth in assets under management and diversified product portfolios. As at 30 June 2009, total assets under management amounted to RMB24.6 billion, an increase of 10% compared with the prior year-end.

Risk Management

In line with its strategic development plan, the Bank carried out risk management in a “comprehensive, proactive, professional and differentiated” manner to support business development.

Credit Risk

The Bank continued to exercise centralised management over credit approval, credit rating and risk classification. While accelerating development of its credit business, the Bank adhered to the principles and criteria of credit approval in line with a moderate risk appetite to ensure the quality of its newly granted loans.

In terms of corporate banking, the Bank formulated the *Guidelines for Industry Credit Granting of 2009* in light of the restructuring of industry and revitalisation plans of the government. The Bank further specified credit allocation which encouraged provision of credit support to key industries and projects such as infrastructure constructions, key industrial projects, post-disaster reconstruction and independent innovation. In addition, the Bank strongly supported the “Going-Global” initiatives of large-scale resource-oriented enterprises whilst discouraging credit support to industries of “high energy consumption, high pollution and resource consumption”, with strict control over projects and sectors expressly restricted by the government such as obsolete processing industries and others. The Bank enhanced credit management for group customers and pushed forward industry credit limit management. The Bank accelerated the promotion of the SME credit mode to support the development of superior SMEs. The Bank also enhanced its decision-making process for credit review of corporate customers and conducted parallel operations between business departments and risk management departments for its key customers and key projects. Furthermore, the Bank developed post-disbursement management and risk monitoring measures for key customers, strictly implemented a reporting system for those significant high risk events, and strengthened monitoring and management of its overdue loans.

In terms of personal banking, the Bank further enhanced management of personal loans, monitoring and analysis of its assets quality, and continued to carry out the early warning and calling-off mechanisms. The Bank launched a standardised procedure to effectively manage the personal banking business, and regulated management of each procedure in the personal credit business. The Bank strengthened the management of personal housing loans, monitored and analysed real estate market information and established an early warning mechanism. The Bank also proactively developed tools such as a score card in its decision-making process over granting of personal loans and credit card approval to effectively identify underlying risks and improve the efficiency of the Bank’s credit approval processes.

The Bank assessed and managed the quality of credit assets in accordance with the *Guidelines for Loan Credit Risk Classification* issued by the CBRC. As at the end of June 2009, the Group's non-performing loans totalled RMB77.487 billion, representing a net decrease of RMB10.003 billion from the prior year-end; and the ratio of non-performing loans to gross loans dropped by 0.85 percentage point to 1.80% compared with the prior year-end.

Five-category loan classification

Unit: RMB million, except percentages

	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Group				
Pass	4,080,567	94.60	3,048,668	92.50
Special-mention	155,420	3.60	159,988	4.85
Substandard	33,760	0.79	39,411	1.20
Doubtful	32,070	0.74	35,212	1.06
Loss	11,657	0.27	12,867	0.39
Total	4,313,474	100.00	3,296,146	100.00
NPLs	77,487	1.80	87,490	2.65
Domestic				
Pass	3,469,331	94.27	2,436,838	91.51
Special-mention	136,834	3.72	142,661	5.36
Substandard	31,631	0.86	36,585	1.38
Doubtful	31,227	0.85	34,354	1.29
Loss	11,280	0.30	12,366	0.46
Total	3,680,303	100.00	2,662,804	100.00
NPLs	74,138	2.01	83,305	3.13

Migration ratio

Unit: %

	For the six month period ended 30 June 2009	2008	2007
Pass	1.28	3.65	2.62
Special-mention	4.99	8.02	10.79
Substandard	11.77	33.51	32.62
Doubtful	2.68	7.89	5.00

Notes:

- 1 Migration ratios are calculated in accordance with the loan migration formula in the *Core Indicators of Risk Monitoring in Commercial Banks (Provisional)* issued by the CBRC.
- 2 Migration ratios for the six month period ended 30 June 2009 are not annualised.

According to International Accounting Standard 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at 30 June 2009, the Group's identified impaired loans totalled RMB79.078 billion, representing a net decrease of RMB11.801 billion from the prior year-end; and the ratio of impaired loans to gross loans dropped by 0.93 percentage point to 1.83% compared with the prior year-end.

The Bank focused on controlling borrowers' concentration risk and was in full compliance with the regulatory requirements on borrower concentration.

Unit: RMB million, except percentages

	As at 30 June 2009		As at 31 December 2008	
	Balance of loans	% of total	Balance of loans	% of total
Largest single customer	22,600	3.9	17,990	3.4
Ten largest customers	146,308	25.5	93,235	17.6

Notes:

- 1 Percentage of loans granted to the largest single customer = balance of loans granted to the largest single customer ÷ net capital, which shall not exceed 10% according to regulatory requirements.
- 2 Percentage of loans granted to ten largest customers = balance of loans granted to top 10 customers ÷ net capital, which shall not exceed 50% according to regulatory requirements.

For details on the geographical distribution of loans and classification of identified impaired loans, please refer to Note II. 15 and Note III. 1 to the Interim Financial Information.

Market Risk

The Bank continued to strengthen monitoring and analysis of market risk at the group level, optimised the structure of its investment portfolios, enhanced its banking book interest rate and exchange rate risk management, pushed forward the implementation of the Basel II programme, and further improved its market risk management. In terms of market risk management of the trading book, the Bank strengthened risk monitoring and analysis of the Group's trading business on the basis of centralised management. In terms of banking book interest rate risk management, the Bank assessed interest rate risk mainly through repricing gap analysis. The Bank further strengthened the centralised management of the Group's bond portfolio and convened meetings of the Securities Investment and Management Committee on a regular basis to review and adjust its bond investment strategies. In terms of exchange rate risk management, the Bank effectively controlled its foreign exchange exposure by ensuring currency matching in sources and application of funds and management of exchange rate risk through economic hedging and other transactions. Please refer to Note III. 2 to the Interim Financial Information for details on market risk.

Liquidity Risk

Under the government's moderately relaxed monetary policy in the first half of 2009, the Bank's RMB liquidity was generally stable and maintained at a sufficient level due to the significant growth in RMB-denominated deposits, the steady increase of RMB-denominated loans and investment debt securities and the relatively stable capital markets. At the same time, the Bank's foreign currency liquidity moved from sufficient to moderate as the global financial markets stabilised with release of risk-averse funds and the Bank's foreign currency-denominated loans increased rapidly.

As at 30 June 2009, the Bank's liquidity position met regulatory requirements, as shown in the table below:

Unit: %

			As at 30 June 2009	As at 31 December 2008	2007
		Regulatory standard			
Liquidity ratio	RMB	≥25	51.5	48.8	32.6
	Foreign currency	≥25	68.4	76.6	75.9
Loan to deposit ratio	RMB & foreign currency	≤75	67.3	61.3	64.0
Excess reserve ratio	RMB	–	2.2	3.5	3.1
	Foreign currency	–	9.5	20.5	20.7
Inter-bank ratio	Inter-bank borrowing ratio	≤4	1.83	1.91	1.3
	Inter-bank loans ratio	≤8	3.31	1.67	0.7

Notes:

- Liquidity ratio is the primary indicator of the Group's liquidity, while the loan to deposit ratio, excess reserve ratio and inter-bank ratio are the indicators of liquidity for the Bank's domestic operations.
- Liquidity ratio = current assets ÷ current liabilities. Liquidity ratio is calculated in accordance with the relevant provisions of PBOC and CBRC.
- Loan to deposit ratio = balance of loans ÷ balance of deposits
- RMB excess reserve ratio = (reserve in excess of the mandatory requirements + cash) ÷ (balance of deposits + remittance payables)
- Foreign currency excess reserve ratio = (reserve in excess of the mandatory requirements + cash + due from banks and due from overseas branches and subsidiaries) ÷ balance of deposits
- Inter-bank borrowing ratio = total RMB inter-bank borrowing from other banks and financial institutions ÷ total RMB deposits
- Inter-bank loans ratio = total RMB inter-bank loans to other banks and financial institutions ÷ total RMB deposits

Internal Control and Operational Risk

The Bank emphasised the role of three lines of defence in its internal control framework. The Bank enhanced daily management of its business outlets and risk control over its major business activities, strengthened on-site and off-site inspections, and focused on those businesses significantly affected by economic and financial fluctuations and those closely related to its strategic development plan. In the first half of 2009, the Bank conducted internal audits on four key business lines including extension of credit to group customers, trade finance, agency business and financial management, enhanced inspection and evaluation of the internal control of its branches and sub-branches, and focused on trends and signs of new risks.

In accordance with the regulatory requirements of CBRC, the Bank continued to promote the implementation of its Basel II operational risk programme by pushing forward various tasks to enable the Bank to comply with the Basel II Standardised Approach. The Bank further promoted its operational risk management framework and gradually built up an effective management mechanism for operational risk identification, assessment, monitoring and reporting. The Bank also closely monitored its operational risk and controlled the risk profile in various businesses, and started to measure operational risk regulatory capital under the Standardised Approach, whilst at the same time making efforts to build up its professional team to enhance its overall operational risk management.

Channel Development

As at 30 June 2009, the Bank had a total of 10,845 domestic and overseas outlets, an increase of 56 over the prior year-end. The Bank also initially established a three-tier wealth management scheme in domestic cities. The Bank provided convenient and high quality banking services for its customers by drawing upon its service platform of customer managers, network services, self-service banking and electronic banking.

The Bank intensified channel developments, accelerated outlet transformation and advanced its standardisation of outlets, with 7,500 business outlets refurbished. In addition to improving both the image and service areas of its outlets, the Bank committed to optimising operational processes, service and sales and boosting management process innovation, and continued to improve its network capabilities regarding product marketing, business processing and customer relationship management. As a result of these efforts, the service quality, operational efficiency and profitability of outlets have improved significantly. As at 30 June 2009, the Bank's domestic Automatic Teller Machines (ATMs) and multi-functional self-service terminals totalled 16,131 and 10,678, an increase of 10% and 18% compared with the prior year-end respectively. In the first half of 2009, the transactional volume of deposits and withdrawals using ATMs increased by 35% compared with the first half of 2008.

The Bank continued to improve its online banking services by upgrading systems and broadening service coverage. As at 30 June 2009, the Bank provided a variety of online banking services to corporate and retail customers in 7 countries and regions, successfully connected its online banking system with that of BOCHK and offered cross-border cash management services to its group customers. In the first half of 2009, the Bank processed nearly RMB10 trillion of online corporate transactions and continued to maintain the leading market share in the Online Payment of Custom Duties. As at 30 June 2009, the number of domestic and overseas retail customers using its online banking services increased by 112% from the prior year-end.

The Bank achieved progress in development of its call centres, and immediately recognised benefits from the integrated call centre approach. The integrated call centre project was launched in certain provinces, enabling integration of operational management, uniform service standards, resource sharing and further reductions in operating costs. A one-point-of-access and comprehensive financial service platform has been established, enabling the Bank to provide its customers with improved services.

Geographic distribution of assets, organisations and employees

Items	Assets		Organisations		Employees	
	Total assets (RMB million)	% of total	Number of branches and outlets	% of total	Number of employees	% of total
Northern China	3,618,046	36.00	1,451	13.38	40,197	16.16
Northeastern China	420,512	4.19	890	8.21	22,159	8.90
Eastern China	2,205,001	21.94	3,384	31.20	72,334	29.07
Central and Southern China	1,520,752	15.13	2,686	24.77	59,590	23.95
Western China	657,144	6.54	1,565	14.43	28,438	11.43
Hong Kong and Macau	1,241,617	12.35	805	7.42	24,080	9.68
Other overseas operations	387,385	3.85	64	0.59	2,016	0.81
Elimination	(1,843,095)					
Total	8,207,362		10,845	100.00	248,814	100.00

Note: The proportion of assets by geographic distribution is calculated based on total assets before elimination.

Outlook

Looking ahead to the second half of 2009, the global economy will continue to face many challenges and uncertainties, and the international financial markets will continue to be volatile. As China's economy is currently experiencing a critical period of stabilisation and recovery, the government will continue with its macroeconomic policies of maintaining a proactive fiscal and moderately relaxed monetary policy with a view to building up the economic base for further recovery. As a result, the national economy is expected to maintain momentum in its sound development and create a favourable environment for banks.

Under the guiding principles of a scientific outlook on development, the Bank will continue to implement national macro-economic policies, adhering to the strategies of "Scaling Up, Streamlining Structure, Shoring Up Brand, Strengthening Infrastructure, Slashing Cost and Sharpening Competitiveness" by focusing on business development, steady expansion of scale, and optimising restructuring and risk management, and underpinning the foundations for the Bank's sustainable development.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Disclosure of Shareholding under A-Share Regulation

Changes in Share Capital during the Reporting Period

Unit: Share

	1 January 2009		Increase/decrease during the reporting period					30 June 2009	
	Number of shares	Percentage	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	179,702,746,069	70.79%	-	-	-	(8,377,341,329)	(8,377,341,329)	171,325,404,740	67.49%
1. State-owned shares	179,702,746,069	70.79%	-	-	-	(8,377,341,329)	(8,377,341,329)	171,325,404,740	67.49%
2. Shares held by state-owned legal persons									
3. Shares held by other domestic investors									
Including:									
Shares held by domestic legal persons									
Shares held by domestic natural persons									
4. Shares held by foreign investors									
Including:									
Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Shares not subject to selling restrictions	74,136,415,940	29.21%	-	-	-	8,377,341,329	8,377,341,329	82,513,757,269	32.51%
1. RMB-denominated ordinary shares	6,493,506,000	2.56%	-	-	-	-	-	6,493,506,000	2.56%
2. Domestically listed foreign shares									
3. Overseas listed foreign shares	67,642,909,940	26.65%	-	-	-	8,377,341,329	8,377,341,329	76,020,251,269	29.95%
4. Others									
III.Total	253,839,162,009	100.00%	-	-	-	-	-	253,839,162,009	100.00%

Notes:

- 1 As of 30 June 2009, the Bank had issued a total of 253,839,162,009 shares, including 177,818,910,740 A Shares and 76,020,251,269 H Shares.
- 2 As of 30 June 2009, state-owned shares within the shares subject to selling restrictions include the 171,325,404,740 A Shares held by Central Huijin Investment Ltd. The selling restriction on the above 171,325,404,740 A Shares has expired on 5 July 2009, and the aforesaid shares have become tradable on 6 July 2009. Thereafter, all the 177,818,910,740 A Shares are no longer subject to selling restriction.
- 3 The selling restriction on the 8,377,341,329 H Shares held by National Council for Social Security Fund PRC has expired on 13 March 2009. Thereafter, all the 76,020,251,269 H Shares are no longer subject to selling restriction.
- 4 “Shares subject to selling restrictions” refers to shares held by shareholders who are subject to restrictions on selling in accordance with laws, regulations and rules or commitments.

Number of Shares Subject to Selling Restrictions Held by Shareholders and the Selling Restrictions as of 30 June 2009

Unit: Share

No.	Name of shareholder	Number of shares subject to selling restrictions	Trading schedule of shares subject to selling restrictions		Reason for restriction	Type of shares
			Time to become tradable	Number of shares to become tradable		
1	Central Huijin Investment Ltd.	171,325,404,740	6 July 2009	171,325,404,740	Company commitment	A

Notes:

- 1 Central Huijin Investment Ltd. (“Huijin”) undertook that, within three years of the Bank’s A-Share listing, it would not transfer the A Shares of the Bank directly or indirectly held by itself or entrust other persons to manage the shares, nor would it allow the Bank to repurchase such shares, with the exception of those allowed to be converted into H Shares following approval of the China Securities Regulatory Commission and other authorised securities approval authorities of the State Council. Any withdrawal of Huijin’s shares that are deposited with the China Securities Depository and Clearing Corporation Limited and re-registration of such shares as H Shares would not affect any pre-existing restrictions on the sale or transfer applicable to Huijin’s shares.
- 2 The selling restriction on the 171,325,404,740 A Shares held by Huijin has expired on 5 July 2009, and the aforesaid shares have become tradable on 6 July 2009 (5 July is non-trading day). Please refer to the *Announcement on the Commencement of Trading of Shares Held by Central Huijin Investment Ltd.* made by the Bank on 1 July 2009.

Number of Shareholders and Shareholdings

Number of shareholders: 1,464,461 (including 1,198,766 A-Share Holders and 265,695 H-Share Holders)

Top Ten Shareholders as of 30 June 2009

Unit: Share

No.	Name of shareholder	Number of shares	Percentage in total share capital	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of shares
1	Central Huijin Investment Ltd.	171,407,012,157	67.53%	171,325,404,740	None	State	A
2	HKSCC Nominees Limited	62,534,733,625	24.64%	–	Unknown	Foreign legal person	H
3	National Council for Social Security Fund PRC	8,377,341,329	3.30%	–	Unknown	State	H
4	Li Ka Shing	3,066,790,989	1.21%	–	Unknown	Foreign natural person	H
5	Asian Development Bank	506,679,102	0.20%	–	Unknown	Foreign legal person	H
6	The Bank of Tokyo-Mitsubishi UFJ Ltd.	473,052,000	0.19%	–	Unknown	Foreign legal person	H
7	Bosera Emerging Growth Stock Securities Investment Fund	129,999,891	0.05%	–	None	Domestic non-state-owned legal person	A
8	China Life Insurance Company Limited-traditional-ordinary insurance products-005L-CT001Shanghai	99,000,000	0.04%	–	None	State-owned legal person	A
9	China Southern Power Grid Co., Ltd.	90,909,000	0.04%	–	None	State-owned legal person	A
9	Aluminum Corporation of China	90,909,000	0.04%	–	None	State-owned legal person	A
9	Shenhua Group Corporation Limited	90,909,000	0.04%	–	None	State-owned legal person	A

The number of shares held by H-Share Holders was recorded in the Register of Members as kept by the H-Share Registrar of the Bank. The number of shares held by the National Council for Social Security Fund PRC does not include the shares it held under HKSCC Nominees Limited.

During the reporting period, Huijin increased its shareholding in the Bank by 5,000,000 A Shares. According to the *Guidance on the Shareholding Increase of Listed Company by Shareholders and its Concerted Action Parties* issued by the Shanghai Stock Exchange, Huijin shall not sell its shares held in the Bank within one year starting from the date of its initial shareholding increase in the Bank, being September 2008.

RBS China Investments S.à.r.l. held 20,942,736,236 H Shares in the Bank as of 31 December 2008, representing 8.25% of the Bank's total issued share capital. According to the *Report of Change in Shareholding* signed by RBS China Investments S.à.r.l. on 15 January 2009, the 20,942,736,236 H Shares originally held by RBS China Investments S.à.r.l. had been transferred or sold on 7 and 14 January 2009 respectively.

The Bank is not aware of any connected relations or concerted action among the aforesaid shareholders.

Top Ten Shareholders of Shares not Subject to Selling Restrictions as of 30 June 2009

Unit: Share

No.	Name of shareholder	Number of shares not subject to selling restrictions	Type of shares
1	HKSCC Nominees Limited	62,534,733,625	H
2	National Council for Social Security Fund PRC	8,377,341,329	H
3	Li Ka Shing	3,066,790,989	H
4	Asian Development Bank	506,679,102	H
5	The Bank of Tokyo-Mitsubishi UFJ Ltd.	473,052,000	H
6	Bosera Emerging Growth Stock Securities Investment Fund	129,999,891	A
7	China Life Insurance Company Limited-traditional- ordinary insurance products-005L-CT001Shanghai	99,000,000	A
8	China Southern Power Grid Co., Ltd.	90,909,000	A
8	Aluminum Corporation of China	90,909,000	A
8	Shenhua Group Corporation Limited	90,909,000	A

The number of shares held by H-Share Holders was recorded in the Register of Members as kept by the H-Share Registrar of the Bank. The Bank is not aware of any connected relations or concerted action among the aforesaid shareholders.

Disclosure of Shareholding under H-Share Regulation

Substantial Shareholder Interests

The register maintained by the Bank pursuant to section 336 of the SFO recorded that, as of 30 June 2009, the following corporations were substantial shareholders (as defined in the SFO) having the following interests in the Bank:

Unit: Share

Name of shareholder	Number of shares held/ number of underlying shares	Type of shares	Percentage in total issued A Shares	Percentage in total issued H Shares	Percentage in total issued share capital	Capacity
Central Huijin Investment Ltd.	171,325,404,740	A	96.35%	–	67.49%	Beneficial owner
National Council for Social Security Fund PRC	11,317,729,129	H	–	14.89%	4.46%	Beneficial owner
Temasek Holdings (Private) Limited	10,481,591,118	H	–	13.79%	4.13%	Attributable interest

Notes:

- 1 Temasek Holdings (Private) Limited (“Temasek”) holds the entire issued share capital of Fullerton Management Pte. Ltd. (“Fullerton Management”), which in turn holds the entire issued share capital of Fullerton Financial Holdings Pte. Ltd. (“Fullerton Financial”). Accordingly, Temasek and Fullerton Management are deemed to have the same interests in the Bank as Fullerton Financial under the SFO. Fullerton Financial holds 10,471,575,118 H Shares of the Bank. Temasek also has an interest in 10,016,000 H Shares of the Bank through other corporations controlled by it.
- 2 Shares listed in the above table under Temasek were not registered under Temasek in the Register of Members as kept by the H-Share Registrar of the Bank.

All the interests stated above represented long positions. Save as disclosed above, as of 30 June 2009, no other interests or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Directors, Supervisors, Senior Management and Staff

Directors, Supervisors and Senior Management

Honorary Director¹

Name	Position
CHEN Muhua	Honorary Chairperson

Board of Directors

Name	Position	Name	Position
XIAO Gang	Chairman	WANG Gang	Non-Executive Director
LI Lihui	Vice Chairman and President	LIN Yongze	Non-Executive Director
LI Zaohang	Executive Director and Executive Vice President	SEAH Lim Huat Peter	Non-Executive Director
ZHOU Zaiqun	Executive Director and Executive Vice President	Anthony Francis NEOH	Independent Non-Executive Director
ZHANG Jinghua	Non-Executive Director	Alberto TOGNI	Independent Non-Executive Director
HONG Zhihua	Non-Executive Director	HUANG Shizhong	Independent Non-Executive Director
HUANG Haibo	Non-Executive Director	HUANG Danhan	Independent Non-Executive Director
CAI Haoyi	Non-Executive Director		

Notes:

- 1 Under PRC law, an honorary director is not a member of the Board of Directors and does not have the power or right to vote on matters considered by the Board of Directors of the Bank.
- 2 Sir Frederick Anderson GOODWIN ceased to serve as Non-Executive Director of the Bank as of 22 January 2009.
- 3 During the reporting period, none of the aforesaid Directors held any share of the Bank.

Board of Supervisors

Name	Position	Name	Position
LIU Ziqiang	Chairman of Board of Supervisors	LI Chunyu	Employee Supervisor
WANG Xueqiang	Supervisor	JIANG Kuiwei	Employee Supervisor
LIU Wanming	Supervisor		

Note: During the reporting period, none of the aforesaid Supervisors held any share of the Bank.

Senior Management

Name	Position	Name	Position
LI Lihui	President	WANG Yongli	Executive Vice President
LI Zaohang	Executive Vice President	CHEN Siqing	Executive Vice President
ZHOU Zaiqun	Executive Vice President	CHIM Wai Kin	Chief Credit Officer
ZHANG Yanling	Executive Vice President	NG Peng Khian	Chief Audit Officer
ZHANG Lin	Secretary of Party Discipline Committee	ZHANG Bingxun	Secretary to the Board of Directors
ZHU Min	Executive Vice President		

Note: During the reporting period, none of the aforesaid senior management personnel held any share of the Bank.

Organisational Information, Human Resources Management and Development

Organisational Information

By the end of June 2009, the Bank had a total of 10,845 domestic and overseas branches, subsidiaries and outlets, an increase of 56 from the beginning of 2009. The network includes 9,976 branches, subsidiaries and outlets in the Chinese Mainland and 869 branches, subsidiaries and representative offices in Hong Kong, Macau and other countries and regions. In the Chinese Mainland, the commercial banking business is carried out by a network of 37 tier one branches, 285 tier two branches and 9,650 outlets.

In the first half of 2009, the Bank furthered its process reengineering and organisational restructuring programme by setting up the Corporate Banking Unit, Personal Banking Unit, Financial Markets Unit and Operation Service Unit at the Head Office. The establishment of a customer-centric service model and a flat, focused operations and management structure has enhanced the Bank's organisational efficiency, while the integration of the financial management and IT systems has strengthened the management functions of the Group. Business restructuring is also being carried out step by step in tier one branches of the Chinese Mainland.

Human Resources Management and Development

By the end of June 2009, the Bank had 248,814 employees (including 56,458 external contractual staff in domestic institutions), of which 26,206 were employed in overseas branches, subsidiaries and representative offices.

In the first half of 2009, the Bank continued its ongoing efforts to reform its management of human resources and enhance its professional staff team buildup, in line with the Group's strategic development plan. The Bank enhanced recruitment to an appropriate level, established a strategy- and performance-oriented employee allocation mechanism, encouraged the development of professional talents, and continued with the outlet transformation and staff allocation optimisation programme. The Bank further improved its labour cost management mechanism in order to balance staff cost increase with the Bank's operating results, thus strengthening the effect of incentives and encouragements. It also continued to optimise the incentive mechanism in overseas operations by adopting a differentiated remuneration allocation system in accordance with the performance output characteristics of different positions. The Bank further improved its remuneration management system and promoted the implementation of the Bank's strategic development plan by establishing a customer-centric performance evaluation model and a classified employee performance evaluation system, emphasising the importance of performance management processes and clarifying the responsibilities of management and staff in strategy execution.

In the first half of 2009, the Bank began implementing the *Training and Development Plan for 2009-2012* that focuses on the cultivation of core talents, providing training programmes for employees at various levels and positions, in line with the Group's development strategy. It also set up an on-line training website and optimised the E-training system. During the first half of 2009, 1,848 off-site training sessions lasting more than two days each were offered, attracting 80,418 class participants.

Corporate Governance

Basic Information on Corporate Governance

During the reporting period, while strictly adhering to China's laws and regulations as well as the various corporate governance rules, policies and requirements of relevant regulatory authorities, the Bank worked extensively on corporate governance development by summing up past experiences and drawing upon best practices:

1. Clarifying strategy and developing implementation plans

Following a thorough analytical study of the domestic and international situation as well as the Bank's own condition, the Board of Directors clarifies the Bank's strategic positioning as "to be a large multinational banking group based on a diversified and integrated cross-border business platform, with a core business of commercial banking", in line with the strategic objective of "to be a leading international bank delivering growth and excellence". Guided by the national policies of "maintain growth, expanding domestic demand and promote restructuring", the senior management has implemented this resolution by further elaborating on the strategic objectives and formulating specific development measures.

2. Enhancing relevant policies and rules on corporate governance

During the reporting period, the 2008 Annual General Meeting of the Bank approved an amendment to the Articles of Association, in line with the relevant regulatory requirements, stating that "the Bank should maintain the continuity and stability of its profit distribution policy". Moreover, the Bank approved the *Supplemental Delegation of Authorities by the Shareholders' Meeting to the Board of Directors of Bank of China Limited* and amended the *Administrative Measures of Bank of China Limited on Approval of Investment*, which defined the responsibilities of the shareholders' meeting, the Board of Directors and the senior management, further improving the efficiency and quality of the Bank's decision-making process. In accordance with the recently amended listing rules of the Chinese Mainland and Hong Kong, the Bank revised and improved its *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* in a timely manner, further enhancing governance of the conduct and duty performance of Directors, Supervisors and senior management personnel.

3. Safeguarding shareholders' rights and interests and acting in a socially responsible manner

The Bank strived to improve its business performance and maximise shareholder value. Meanwhile, it undertook various measures to safeguard shareholders' rights to be informed, to participate in decision-making and to share in the Bank's profits. During the reporting period, the Bank amended its dividend distribution policy to distribute dividends at a ratio of 45%-60% of the Group's net profit for 2009-2012, with a view to both improving their cash return and providing a predictable dividend income. During the reporting period, the Bank held the first Extraordinary General Meeting of 2009 and the 2008 Annual General Meeting. The 2008 Annual General Meeting was held in Beijing and Hong Kong by video conference, enabling shareholders in both cities to participate in the decision-making process as well as communicate with the Board of Directors and the senior management.

The Bank is also mindful of other stakeholders, acts in a socially responsible manner and strives to contribute to the harmony of society. In March 2009, the Bank released its *Corporate Social Responsibility Report*.

4. Strengthening information disclosure management and improving transparency

During the reporting period, the Bank continued to strengthen and improve its information disclosure system to ensure that all information disclosed is timely, fair, truthful, accurate and complete. The Bank's well-established information disclosure system includes an information disclosure policy, administrative measures and practice manual, as well as a supervision, inspection and performance evaluation mechanism for information disclosure. The Bank has also defined the division of responsibility for information disclosure for each department and branch, and procedures of information collection, identification and reporting, linking information disclosure performance to internal control evaluation in order to foster greater management accountability with incentive measures. During the reporting period, the Bank released the 2008 annual report, the first quarter report of 2009 and 19 provisional announcements.

Shareholders' Meeting

During the reporting period, the Bank held the first Extraordinary General Meeting of 2009 in Beijing on 23 March 2009. At the meeting, shareholders reviewed and approved proposals on new distribution methods for the Bank's periodic reports to H-Share Holders and on the issuance of subordinated bonds. On 18 June 2009, the Bank held the 2008 Annual General Meeting concurrently in Beijing and Hong Kong by video conference. At the meeting, shareholders reviewed and approved eleven proposals, including the 2008 annual report, the profit distribution plan for 2008, and re-election of Directors, etc. These included two proposals passed as special resolutions: a proposal to amend the Articles of Association, and a proposal to issue RMB-denominated bonds in Hong Kong for an amount not exceeding RMB10 billion by the end of 2010. Both meetings were convened and held in strict compliance with the listing rules of the Chinese Mainland and Hong Kong. The Bank's Directors, Supervisors and senior management members attended the two meetings, communicating with shareholders and addressing their concerns.

Directors and Board of Directors

Sir Frederick Anderson Goodwin ceased to serve as Non-Executive Director of the Bank as of 22 January 2009. As reviewed and approved by the 2008 Annual General Meeting, Mr. Seah Lim Huat Peter was re-elected as the Bank's Non-Executive Director, and Mr. Alberto Togni was re-elected as the Bank's Independent Non-Executive Director. Both of them will serve a three-year term of office from 1 June 2009 to the date of the Bank's Annual General Meeting in 2012.

During the reporting period, the Board of Directors held three on-site meetings, reviewing proposals on new distribution methods for periodic reports, the 2008 annual report, the profit distribution plan for 2008, the first quarter report of 2009, market risk limits, an amendment to the Articles of Association, the supplemental delegation of authorities by the shareholders' meeting to the Board of Directors, an amendment to the dividend distribution policy and the nomination and appointment of Directors, etc. The Board of Directors also reviewed the external auditors' report on the implementation of agreed-upon procedures for the Bank's first quarter financial report of 2009.

During the reporting period, the Board of Directors also adopted eleven written resolutions, including an amendment to the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited*, and the authorisation of the senior management to issue subordinated bonds, etc.

There are five special committees reporting directly to the Board of Directors: the Strategic Development Committee, the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee. The work performance of each special committee during the reporting period is as follows:

Committee	Work Performance
Strategic Development Committee	The Committee held three meetings in which it mainly reviewed the strategic development plan of Bank of China, a proposal to amend the <i>Administrative Measures on Approval of Investment</i> and a proposal to issue RMB-denominated bonds in Hong Kong for an amount not exceeding RMB10 billion by the end of 2010. Jointly with the Board of Directors, the Committee reviewed the Bank's mid-to-long term capital plan and a proposal to increase the Bank's shareholding in BOCHK. Jointly with the Audit Committee, the Committee reviewed a proposal on profit distribution for 2008 and a proposal to amend dividend distribution policy.
Audit Committee	The Committee held two formal meetings and three communication meetings, in which it mainly reviewed the 2008 financial report, the first quarter report of 2009, the management report on corrective measures taken in response to the suggestions of the external auditors, the 2008 self-evaluation report on internal control, the progress of the Bank's IT blueprint project, the report on fraud cases in 2008, the Internal Audit's work report for 2008 and its evaluation of internal control and the internal control evaluation standards of Bank of China. It also approved the supervision rules of the Audit Committee on financial statements, the Internal Audit's inspection plan and budget for 2009, the performance objectives of Chief Audit Officer for 2009 and the completion status of 2008. Jointly with the Strategic Development Committee, the Committee reviewed a proposal on profit distribution for 2008 and a proposal to amend the dividend distribution policy. Jointly with the Risk Policy Committee, the Committee reviewed the status of securities investment portfolio of Bank of China and the response to the financial crisis, and the report on the syndicated loans.

Committee	Work Performance
Risk Policy Committee	The Committee held three formal meetings and three special meetings, in which it mainly reviewed the progress report on the key tasks of risk management of Bank of China, key risk indicators (KRIs) report and risk appetite indicators, application of market risk limit of 2009, the report on overseas syndicated loans, the work report on risk management in 2008 and the outline of risk management of Bank of China of 2009.
Personnel and Remuneration Committee	The Committee held two meetings, in which it mainly reviewed proposals on the 2008 performance appraisal results and performance bonus plan for the Chairman of the Board of Directors, the Chairman of the Board of Supervisors, Supervisors, Executive Directors and senior management personnel, the 2009 performance targets for senior management, the 2009 performance targets for the Chairman of the Board of Directors, the President, and the other senior management personnel; the performance of the Directors in 2008 and the adjustment plan for the Directors.
Connected Transactions Control Committee	The Committee held one meeting, in which it mainly reviewed the statement of funds provided to controlling shareholder and its related parties in 2008, the report on connected transactions involved in the fund borrowing and lending between the Bank and BOCHK, and the statement of the Bank's continuous connected transactions for 2008.

Supervisors and Board of Supervisors

The Bank's Board of Supervisors is composed of five supervisors, including three supervisors assumed by representatives of shareholders (including Chairman of the Board of Supervisors) and two supervisors assumed by staff representatives.

The Board of Supervisors examines and supervises the Bank's operational and financial activities through regular meetings, examination of relevant documents, and debriefing on management work reports and reports on specific issues. During the reporting period, the Annual General Meeting approved the work report of the Board of Supervisors of 2008.

Senior Management

In the first half of 2009, the senior management of the Bank, acting in accordance with the Articles of Association of the Bank and with the authorisation of the Board of Directors, diligently drove the sound development of the Bank's various businesses in line with the performance goals set by the Board of Directors for 2009. Implementing the *Strategic Development Plan of Bank of China*, the senior management of the Bank strengthened the Bank's market position by seizing opportunities arising from the government's domestic demand stimulus package, expanding market share, increasing scale, perfecting structure and controlling risks.

During the reporting period, the senior management of the Bank held fourteen meetings of the Group Executive Committee, in which it considered and approved proposals on such important issues as the centralised management of the Group's local and foreign currency denominated bonds, the development of the equity investment business, the development of the IT blueprint, the implementation of Basel II, the development of wealth management products and product innovation management.

Under the senior management, there are the Corporate Banking Committee, Personal Banking Committee, Financial Markets Committee, Operation Service Committee, Internal Control Committee, Securities Investment and Management Committee, Procurement Review Committee, Asset Disposal Committee and Anti-money Laundering Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as specified in the committee charters and the rights delegated by the Group Executive Committee, thus facilitating sound development of the Bank's various businesses.

Investor Relations and Information Disclosure

In the first half of 2009, conscious of market changes, competitive developments and market focuses, the Bank continued its proactive communication with the domestic and overseas investors and analysts. In the beginning of the year, the Bank sustained the pressure of divestment of its strategic investors through effective communication and timely disclosure of the information. After the Bank's 2008 annual results announcement, the senior management took part in a global road-show in 12 cities in the Chinese Mainland, Hong Kong, Europe and North America from late March to early April, visiting over 110 institutional investors and introducing them to the latest developments in the Bank's strategic focus and the performance of its various businesses. All investors responded with great interest. The Bank has also enhanced its day-to-day communication with investors through regular conferences and visits. During the reporting period, the senior management of the Bank and representatives of the Bank's major business departments attended over 150 meetings with domestic and overseas institutional investors and analysts, effectively promoting the investment proposition of the Bank to the investment community. At the same time, the Bank also continued to improve the Investor Relations webpage on its website and enhance the effectiveness of its telephone hotlines and email communication. It also explored different means of communication to enable institutional and retail investors to readily access information on the Bank's latest developments in a timely manner.

In line with its obligations under the securities rules and regulations of its place of listing, the Bank has published periodic reports and other provisional announcements in a timely, fair, truthful, accurate and complete manner in order to enhance investors' understanding of the Bank's financial condition, operations and corporate governance etc. During the reporting period, the Bank implemented its information disclosure management measures and organised regular training programmes to its branches with the aim of ensuring that price-sensitive information is communicated to investors on a timely and comprehensive basis. In the first half of 2009, the Bank published its 2008 annual report. While full and detailed in its disclosure, the annual report was also concise in length, and taking advantage of the amendments in the Hong Kong Listing Rules, the printed quantity was greatly reduced for environmental consciousness, demonstrating the Bank's commitment as a socially responsible citizen. The Bank's efforts were extensively recognised in the market. The Bank's 2008 annual report received the gold award in the annual report competition from the League of American Communications Professionals, as well as awards from the Annual Report Competition in the US.

Going forward, the Bank will continue to improve its information disclosure management and strengthen its investor relations function in order to increase transparency. Furthermore, the Bank will strengthen its efforts to promote its strategy and investment proposition to the investment community.

Significant Events

Dividend Distribution Policy and Profit Distribution during the Reporting Period

The Bank's dividend distribution policy complies with all relevant regulatory requirements. During the reporting period, the Bank amended its dividend distribution policy to distribute dividends at a ratio of 45%-60% of the Group's net profit for 2009-2012. In addition, the Bank amended its Articles of Association in line with regulatory requirements by stating that "the Bank should maintain the continuity and stability of its profit distribution policy". The amendment was approved in the 2008 Annual General Meeting held on 18 June 2009.

The 2008 Annual General Meeting approved the Bank's appropriation of RMB7.718 billion as statutory surplus reserve and its overseas operations' appropriation of RMB22 million as statutory reserve and regulatory reserve according to local regulatory requirements. RMB15.806 billion was appropriated by the Bank as general reserve. No discretionary reserve was set aside. The Bank distributed a dividend of RMB0.13 (including tax) per share, amounting to approximately RMB32.999 billion in total. The dividend distribution was completed on 20 July 2009. The Bank will not distribute interim dividend for the period ended 30 June 2009, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

Corporate Governance

For details about the corporate governance of the Bank, please refer to the section on Corporate Governance contained in this report.

Purchase and Sale, Merger and Acquisition of Assets

During the reporting period, the Bank undertook no material purchase, sale, merger or acquisition of assets.

Material Litigation and Arbitration Cases

The Bank was involved in certain litigation and arbitration cases in its regular course of business. After consulting legal professionals, the senior management holds that none of the litigation and arbitration cases will have a significant adverse impact on the operating results or financial position of the Bank.

Significant Related Party Transactions

The Bank undertook no significant related party transactions during the reporting period. For related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note II.30 to the Interim Financial Information for details.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not transact, take custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements.

Material Guarantee Business

As approved by the PBOC and CBRC, the guarantee business is an off-balance-sheet item in the ordinary course of the Bank's business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in accordance with the risks of guarantee business and carried out this business accordingly. During the reporting period, save as disclosed, the Bank did not enter into any material guarantee business.

During the reporting period, the Bank had no non-compliance with the relevant decision-making procedures in the provision of material guarantee business.

Material Cash Assets of the Bank Entrusted to Others for Management

During the reporting period, no material cash assets of the Bank were entrusted to others for management.

Undertakings

During the reporting period, to the best of the Bank's knowledge, there was no breach of material undertakings by the Bank or its shareholders holding 5% or more of the shares of the Bank.

Existence of Unfulfilled Results Commitments or Unfulfilled Commitments of Capital Injection and Asset Restructuring as of the Date of Announcement of this Report

Not applicable.

Extension of Lock-up Holding Commitment by Shareholders Holding Shares of More than 5% of the Bank

Not applicable.

Disciplinary Action Regarding the Bank and Its Directors, Supervisors and Senior Management Members

During the reporting period, neither the Bank nor its Directors, Supervisors or senior management members were investigated, disciplined or reprimanded by the CSRC or publicly reprimanded by the stock exchanges. No other regulatory administration imposed any penalty on the Bank that had a material impact on the Bank's operations.

Alteration of Business Plan

During the reporting period, the Bank made no alteration to its business plan.

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Previous Year

Not applicable.

Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Its Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or its controlling shareholder's related parties for non-operating purposes.

Use of Raised Funds

All proceeds from the domestic and overseas offerings in 2006 have been used to strengthen the Bank's capital base. The Bank issued RMB60 billion of RMB-denominated subordinated bonds in 2004 and 2005 in order to mitigate liquidity risk, optimise the maturity structure of assets and liabilities and improve the capital adequacy level.

In line with the Bank's development strategy, the Bank has planned to issue RMB-denominated subordinated bonds for an amount of not more than RMB120 billion before 31 December 2012. The relevant proposal was approved in the Extraordinary General Meeting held on 23 March 2009. With the approval of the CBRC and PBOC, the Bank issued RMB40 billion of RMB-denominated subordinated bonds in China's inter-bank bond market on 6 July 2009. For details, please refer to the circular and announcement of resolutions of the Extraordinary General Meeting, the announcements published by the Bank on 29 June 2009 and 7 July 2009 and Note II.32 to the Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Shares

As of 30 June 2009, the total number of the Bank's treasury shares was approximately 2.34 million. Please refer to the Condensed Consolidated Interim Financial Information for details of purchase, sale or redemption of the Bank's shares by the Bank.

Implementation of Stock Incentive Plan during the Reporting Period

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board of Directors' meeting and the Extraordinary General Meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Shares in Other Listed Companies and Financial Enterprises Held by the Bank

Investment Securities

The investment securities held by the Bank and its subsidiaries during the regular course of business are as follows:

No.	Type of securities	Securities code	Company/ securities name	Initial investment cost (unit: RMB)	Securities held	Carrying value at period end (unit: RMB)	Proportion of the total investment securities (%)	Gains/(losses) during the reporting period (unit: RMB)
1	Fund	–	Fortis Plan Target Click Fund (USD) 2035	556,008,950	1,622,407	532,580,979	13.41%	(114,274,920)
2	Stock	5 HK	HSBC Holdings	144,416,952	2,068,837	119,724,580	3.01%	50,613,516
3	Convertible bond	XS0313803321	Xinyu Hengdeli	94,908,250	100	91,998,077	2.32%	25,999,457
4	Stock	941 HK	China Mobile	85,859,156	1,285,920	87,962,586	2.21%	7,312,784
5	Stock	321 HK	Texwinca Holdings Ltd.	89,913,000	15,000,000	81,847,275	2.06%	531,894
6	Fund	–	Huatai Value Adding Investment Product	69,840,804	51,869,551	73,802,940	1.86%	3,962,136
7	Stock	11 HK	Hang Seng Bank Ltd.	69,728,835	718,538	69,039,631	1.74%	3,737,259
8	Stock	MA	MasterCard Inc.	–	55,679	63,642,283	1.60%	9,274,147
9	Stock	939 HK	China Construction Bank	54,268,743	11,585,044	61,359,540	1.54%	3,202,519
10	Fund	070008	Harvest Money Market Fund	50,335,368	51,673,020	51,556,016	1.30%	1,220,648
Other investment securities held at period end				2,532,648,499	–	2,738,553,517	68.95%	290,111,881
Gains/(losses) of investment securities sold during the reporting period				–	–	–	–	484,247,736
Total				3,747,928,557	–	3,972,067,423	100.00%	765,939,057

Notes:

- 1 The table lists the top ten investment securities held by the Group in descending order at their carrying value at period end.
- 2 Investment securities listed in this table include stocks, warrants, convertible bonds, open-ended and close-ended fund which are classified under financial assets at fair value through profit or loss by the Group.
- 3 “Other investment securities held at period end” refers to investment securities other than the top ten investment securities listed above held by the Group by the end of the reporting period.
- 4 Unit for stock and fund is share and unit for convertible bond is issue.

Stocks of Other Listed Companies Held by the Group

Stock code	Company name	Initial investment cost (unit: RMB)	Proportion of total capital of the invested company	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of the equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
600591 CH	Shanghai Airlines Co., Ltd.	87,758,661	11.04%	850,308,798	–	222,982,067	Available for sale equity security	Joint-stock reform
2008 HK	Phoenix Satellite Television Holdings Ltd.	343,565,978	8.30%	377,705,120	6,900,382	127,112,300	Available for sale equity security	Joint-stock reform
189 HK	Dongyue Group Ltd.	207,711,190	5.18%	64,737,360	–	34,288,272	Available for sale equity security	IPO
549 HK	Jilin Qifeng Chemical Fiber Co., Ltd.	60,937,612	10.95%	28,592,220	–	18,058,244	Available for sale equity security	Joint-stock reform
Total	–	699,973,441	–	1,321,343,498	6,900,382	402,440,883	–	–

Notes:

- 1 The table lists stocks of listed companies in which the Group had a shareholding of 5% or above, which are classified as long-term equity investments or available for sale equity securities.
- 2 “Gains during the reporting period” refers to the relevant investment’s contribution to the Group’s consolidated profits for the period.

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Equity held (unit: share)	Proportion of total capital of the invested company	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase/ (decrease) of the equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
Dongfeng Peugeot Citroen Auto Finance Co., Ltd.	211,862,778	–	50%	260,973,673	335,823	(324,908)	Investment in associates and joint ventures	Investment
JCC Financial Co., Ltd.	51,412,950	–	20%	61,572,509	5,460,256	–	Investment in associates and joint ventures	Investment
Hunan Hualing Financial Co., Ltd.	25,624,873	–	10%	30,792,876	2,249,079	–	Investment in associates and joint ventures	Investment
CJM Insurance Brokers Limited	4,081,445	2,000,000	22%	3,305,625	596,491	–	Investment in associates and joint ventures	Investment
The Debt Management Company Limited	14,633	1,660	11%	14,633	–	–	Available for sale equity investments	Investment
Total	292,996,679	–	–	356,659,316	8,641,649	(324,908)	–	–

Notes:

- 1 Financial companies include securities firms, commercial banks, insurance companies, futures companies, trust companies, etc.
- 2 The table lists equity investments in unlisted financial companies in which the Group held a proportion of 5% or more of the total shares.
- 3 The table is in the descending order of carrying value at period end. Carrying value is after the reduction of impairment allowance.
- 4 “Gains during the reporting period” refers to the relevant investment’s contribution to the Group’s consolidated profits for the period.

The Audit Committee

The Audit Committee of the Bank is composed of non-executive directors only, including three Non-Executive Directors and four Independent Non-Executive Directors. Mr. Huang Shizhong, an Independent Non-Executive Director, is the Chairman. Ms. Huang Haibo, Mr. Wang Gang, Mr. Seah Lim Huat Peter, Mr. Anthony Francis Neoh, Mr. Alberto Togni and Ms. Huang Danhan are members of the Committee. Acting in line with the principle of independence, the Committee assists the Board of Directors in supervising the Group's financial reporting, internal control, and internal and external audit.

The Audit Committee of the Bank has reviewed the interim results of the Bank. The Bank's external auditors have conducted a review of the interim financial statements in accordance with the International Standards on Review Engagements No. 2410. The Audit Committee has discussed matters relating to the accounting standards and practices adopted by the financial statements, internal control and financial reporting.

Appointment or Termination of External Auditors

The Bank has appointed PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers Hong Kong as its domestic and international external auditors respectively for the year 2009.

Directors and Supervisors' Rights to Acquire Shares

On 5 July 2002, BOCHK (BVI), which directly holds a controlling stake in BOCHK (Holdings), granted options to the following Directors according to the Pre-listing Share Option Scheme. Directors can use the options to purchase the existing issued shares of BOCHK (Holdings) from BOCHK (BVI) at an exercise price of HKD8.50 per share. BOCHK (Holdings) is a subsidiary of the Bank and is listed on the Hong Kong Stock Exchange. These options have a vesting period of four years starting 25 July 2002, with a valid exercise period of 10 years.

Particulars of the outstanding options granted to the Directors of the Bank under the Pre-listing Share Option Scheme as of 30 June 2009 are set out below:

Name	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options					
				Granted on 5 July 2002	Balance as of 1 January 2009	Exercised during the period	Surrendered during the period	Lapsed during the period	Balance as of 30 June 2009
Li Zaohang	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	-	-	-	1,446,000
Zhou Zaiqun	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,084,500	-	-	-	1,084,500

Save as disclosed above, as of 30 June 2009, none of the Directors, Supervisors of the Bank or their spouses or children below the age of 18 was granted the rights or options to enable them to purchase shares or other securities from the Bank or its subsidiaries according to relevant scheme of the Bank and its subsidiaries (if any).

Directors and Supervisors' Interests in Shares, Underlying Shares and Debentures

Save as disclosed above, as of 30 June 2009, Director Zhou Zaiqun possessed 500 shares and interests in BOCHK (Holdings), which were recorded in the register required to be kept by the Bank pursuant to section 352 of the SFO or otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code"), which is set out in Appendix 10 of the Hong Kong Listing Rules.

Save as disclosed above, as of 30 June 2009, the Bank's Directors and Supervisors did not hold 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 SFO) as recorded in the register to be kept by the Bank pursuant to section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

Compliance with the *Code on Corporate Governance Practices of the Hong Kong Listing Rules*

Pursuant to the *Code on Corporate Governance Practices* (the "Code") as set out in Appendix 14 of the Hong Kong Listing Rules, the Bank has fully complied with the code provisions of the Code and has substantially complied with most of the recommended best practices it sets out.

Securities Transactions by Directors and Supervisors

Pursuant to overseas and local securities regulators' requirements, the Bank has adopted and implemented the *Management Rules on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "Management Rules") to govern securities transactions by Directors, Supervisors and senior management personnel of the Bank. The terms of the Management Rules are more stringent than the mandatory standards as set out in the Model Code. During the reporting period, the Bank has revised and improved the Management Rules according to the latest revision of the regulatory rules and upon the review and approval of the Board of Directors. The Bank has made specific enquiries to all Directors and Supervisors, all of whom confirmed that they have complied with the standards set out in both the Management Rules and the Model Code throughout the reporting period.

Compliance with International Accounting Standard No. 34 (IAS 34)

The 2009 interim report of the Bank is in compliance with International Accounting Standard No.34-Interim Financial Reporting.

Interim Report

Shareholders may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the interim report prepared under IFRS or go to the Bank's business locations for copies (Chinese version) prepared under CAS 2006. You may also access this interim report (Chinese and/or English version) at the following websites: www.boc.cn, www.sse.com.cn, and www.hkexnews.hk.

Should there be any queries about how to obtain copies of this interim report or access the document on the Bank's website, please dial the Bank's hotlines at: (852) 2846 2700 or (86) 10-6659 2638.

Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

To the Board of Directors of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 62 to 148, which comprises the condensed consolidated statement of financial position of Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International 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, 27 August 2009

Interim Financial Information

Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	
CONDENSED CONSOLIDATED INCOME STATEMENT	62
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	63
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	64
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	66
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	68
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	
I. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES	70
II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	72
1. Net interest income	72
2. Net fee and commission income	73
3. Net trading gains	74
4. Other operating income	75
5. Operating expenses	75
6. Staff costs	76
7. Impairment losses on assets	77
8. Income tax expense	78
9. Earnings per share (basic and diluted)	80
10. Cash and due from banks and other financial institutions	81
11. Balances with central banks	81
12. Placements with banks and other financial institutions	82
13. Financial assets at fair value through profit or loss	83
14. Derivative financial instruments	84
15. Loans and advances to customers, net	85
16. Investment securities	89
17. Property and equipment	91
18. Investment property	92
19. Other assets	93
20. Financial liabilities at fair value through profit or loss	94
21. Due to customers	94
22. Bonds issued	95
23. Share option schemes	95
24. Deferred income taxes	96
25. Other liabilities	98
26. Reserve for fair value changes of available for sale securities	99
27. Dividends	99
28. Contingent liabilities and commitments	99
29. Note to cash flow statement	103
30. Related party transactions	103
31. Segment information	107
32. Events after the financial reporting date	113
III. FINANCIAL RISK MANAGEMENT	
1. Credit risk	114
2. Market Risk	129
3. Liquidity risk	139
4. Capital management	142
APPENDIX I – UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION	
1. Liquidity ratios	144
2. Currency concentrations	145
3. Cross-border claims	146
4. Overdue assets	147
5. Subsidiaries	147
APPENDIX II – SUPPLEMENTARY INFORMATION – RECONCILIATION OF DIFFERENCES BETWEEN CAS AND IFRS FINANCIAL INFORMATION	148

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2009 (unaudited)	2008 (unaudited)
Interest income	II.1	127,332	141,405
Interest expense	II.1	<u>(52,610)</u>	<u>(59,882)</u>
Net interest income		<u>74,722</u>	<u>81,523</u>
Fee and commission income	II.2	24,850	24,113
Fee and commission expense	II.2	<u>(1,895)</u>	<u>(1,748)</u>
Net fee and commission income		<u>22,955</u>	<u>22,365</u>
Net trading gains	II.3	1,729	3,475
Net gains on investment securities		1,532	735
Other operating income	II.4	<u>6,915</u>	<u>10,766</u>
Operating income		107,853	118,864
Operating expenses	II.5	(41,820)	(44,875)
Impairment losses on assets	II.7	<u>(10,081)</u>	<u>(17,144)</u>
Operating profit		55,952	56,845
Share of results of associates and joint ventures		<u>258</u>	<u>516</u>
Profit before income tax		56,210	57,361
Income tax expense	II.8	<u>(12,858)</u>	<u>(12,716)</u>
Profit for the period		<u>43,352</u>	<u>44,645</u>
Attributable to:			
Equity holders of the Bank		41,123	42,181
Minority interest		<u>2,229</u>	<u>2,464</u>
		<u>43,352</u>	<u>44,645</u>
Earnings per share for profit attributable to the equity holders of the Bank during the period (Expressed in RMB per ordinary share)			
– Basic and diluted	II.9	<u>0.16</u>	<u>0.17</u>

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2009 (unaudited)	2008 (unaudited)
Profit for the period		43,352	44,645
Other comprehensive income:			
Exchange differences on translating foreign operations		631	(6,238)
Available for sale financial assets			
– Net fair value losses taken to equity		(2,973)	(11,413)
– Net fair value losses transferred to the income statement		912	8,930
Share of other comprehensive income of associates		(169)	148
Other		143	(2)
Income tax relating to components of other comprehensive income		<u>1,069</u>	<u>265</u>
Other comprehensive income for the period, net of tax		<u>(387)</u>	<u>(8,310)</u>
Total comprehensive income for the period		<u>42,965</u>	<u>36,335</u>
Total comprehensive income attributable to:			
Equity holders of the Bank		39,639	35,991
Minority interest		<u>3,326</u>	<u>344</u>
		<u>42,965</u>	<u>36,335</u>

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2009 (unaudited)	As at 31 December 2008 (audited)
	Note		
ASSETS			
Cash and due from banks and other financial institutions	II.10	110,313	72,533
Balances with central banks	II.11	1,198,959	1,207,613
Placements with banks and other financial institutions	II.12	458,031	488,465
Government certificates of indebtedness for bank notes issued		34,398	32,039
Precious metals		50,482	42,479
Financial assets at fair value through profit or loss	II.13	61,009	87,814
Derivative financial assets	II.14	37,643	76,124
Loans and advances to customers, net	II.15	4,205,797	3,189,652
Investment securities	II.16		
– available for sale		850,911	752,602
– held to maturity		624,524	365,838
– loans and receivables		354,336	439,954
Investment in associates and joint ventures		7,639	7,376
Property and equipment	II.17	99,587	92,236
Investment property	II.18	10,219	9,637
Deferred income tax assets	II.24	23,627	17,405
Other assets	II.19	79,887	69,913
Total assets		8,207,362	6,951,680

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

		As at 30 June 2009 (unaudited)	As at 31 December 2008 (audited)
	Note		
LIABILITIES			
Due to banks and other financial institutions		631,504	603,393
Due to central banks		72,488	55,596
Bank notes in circulation		34,512	32,064
Certificates of deposit and placements from banks and other financial institutions		306,478	200,354
Financial liabilities at fair value through profit or loss	II.20	43,987	67,549
Derivative financial liabilities	II.14	24,365	59,482
Due to customers	II.21	6,252,814	5,102,111
Bonds issued	II.22	64,655	65,393
Other borrowings		40,188	42,838
Current tax liabilities		22,671	24,827
Retirement benefit obligations		6,867	7,363
Deferred income tax liabilities	II.24	2,711	2,093
Other liabilities	II.25	205,038	198,730
Total liabilities		<u>7,708,278</u>	<u>6,461,793</u>
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital		253,839	253,839
Capital reserve		66,263	66,166
Treasury shares		(8)	(17)
Statutory reserves		23,351	23,429
General and regulatory reserves		41,079	40,973
Undistributed profits		91,428	83,427
Reserve for fair value changes of available for sale securities	II.26	5,301	7,534
Currency translation differences		(10,456)	(11,093)
		<u>470,797</u>	<u>464,258</u>
Minority interest		<u>28,287</u>	<u>25,629</u>
Total equity		<u>499,084</u>	<u>489,887</u>
Total equity and liabilities		<u><u>8,207,362</u></u>	<u><u>6,951,680</u></u>

Approved and authorised for issue by the Board of Directors on 27 August 2009.

The accompanying notes form an integral part of this interim financial information.

Xiao Gang
Director

Li Lihui
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

		Unaudited									
		Attributable to equity holders of the Bank									
Note		Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Minority Interest	Total
	As at 1 January 2009	253,839	66,166	23,429	40,973	83,427	7,534	(11,093)	(17)	25,629	489,887
	Total comprehensive income for the period	–	99	–	–	41,122	(2,219)	637	–	3,326	42,965
	Appropriation to statutory reserves	–	–	148	–	(148)	–	–	–	–	–
	Appropriation to general reserve and regulatory reserve	–	–	–	97	(97)	–	–	–	–	–
	Dividends II.27	–	–	–	–	(32,999)	–	–	–	(287)	(33,286)
	Net change in treasury shares	–	–	–	–	–	–	–	9	–	9
	Others	–	(2)	(226)	9	123	(14)	–	–	(381)	(491)
	As at 30 June 2009	<u>253,839</u>	<u>66,263</u>	<u>23,351</u>	<u>41,079</u>	<u>91,428</u>	<u>5,301</u>	<u>(10,456)</u>	<u>(8)</u>	<u>28,287</u>	<u>499,084</u>

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

Note	Unaudited									
	Attributable to equity holders of the Bank									
	Share capital	Capital reserve	Statutory reserves	General and regulatory reserves	Undistributed profits	Reserve for fair value changes of available for sale securities	Currency translation differences	Treasury shares	Minority Interest	Total
As at 1 January 2008	253,839	66,592	15,448	24,911	68,480	(1,506)	(7,289)	(45)	30,227	450,657
Total comprehensive income for the period	-	(86)	-	-	42,190	(1,520)	(4,593)	-	344	36,335
Appropriation to statutory reserves	-	-	243	-	(243)	-	-	-	-	-
Appropriation to general reserve and regulatory reserve	-	-	-	324	(324)	-	-	-	-	-
Dividends	-	-	-	-	(25,384)	-	-	-	(1,992)	(27,376)
Exercise of subsidiary share options	-	-	-	-	-	-	-	-	20	20
Net change in treasury shares	-	-	-	-	-	-	-	34	-	34
As at 30 June 2008	<u>253,839</u>	<u>66,506</u>	<u>15,691</u>	<u>25,235</u>	<u>84,719</u>	<u>(3,026)</u>	<u>(11,882)</u>	<u>(11)</u>	<u>28,599</u>	<u>459,670</u>
Total comprehensive income for the period	-	(340)	-	-	22,184	10,560	789	-	(1,204)	31,989
Appropriation to statutory reserves	-	-	7,738	-	(7,738)	-	-	-	-	-
Appropriation to general reserve and regulatory reserve	-	-	-	15,738	(15,738)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(1,777)	(1,777)
Net change in treasury shares	-	-	-	-	-	-	-	(6)	-	(6)
Others	-	-	-	-	-	-	-	-	11	11
As at 31 December 2008	<u>253,839</u>	<u>66,166</u>	<u>23,429</u>	<u>40,973</u>	<u>83,427</u>	<u>7,534</u>	<u>(11,093)</u>	<u>(17)</u>	<u>25,629</u>	<u>489,887</u>

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

	For the six month period ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Note		
Cash flows from operating activities		
Profit before income tax	56,210	57,361
Adjustments:		
Impairment losses on assets	10,081	17,144
Depreciation of property and equipment	3,794	3,199
Amortisation of intangible assets and other assets	251	418
Net gains on disposal of property and equipment, intangible assets and other long-term assets	(34)	(139)
Net gains on disposal of investment in subsidiaries, associates and joint ventures	—	(28)
Share of results of associates and joint ventures	(258)	(516)
Interest income arising from investment securities	(23,696)	(28,809)
Dividends arising from investment securities	(74)	(287)
Net gains on derecognition of investment securities	(1,532)	(735)
Interest expense arising from bonds issued	1,514	1,578
Net changes in operating assets and liabilities:		
Net increase in balances with central banks	(209,982)	(180,649)
Net (increase)/decrease in due from banks and placements with banks and other financial institutions	(79,455)	208
Net increase in precious metals	(8,003)	(3,387)
Net decrease in financial assets at fair value through profit or loss	28,884	33,623
Net increase in loans and advances to customers	(1,023,172)	(393,972)
Net decrease in other assets	34,083	31,591
Net increase in due to banks and other financial institutions	28,111	85,537
Net increase/(decrease) in due to central banks	16,892	(38,936)
Net increase/(decrease) in certificates of deposit and placements from banks and other financial institutions	106,124	(23,049)
Net increase in due to customers	1,150,703	463,553
Net decrease in other borrowings	(2,650)	(4,490)
Net decrease in other liabilities	(85,162)	(27,876)
Net cash flow from operating activities	2,629	(8,661)
Income tax paid	(19,156)	(16,610)
Net cash outflow from operating activities	<u>(16,527)</u>	<u>(25,271)</u>

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

		For the six month period ended 30 June	
	Note	2009 (unaudited)	2008 (unaudited)
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		521	1,263
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		–	71
Dividends received		270	440
Interest income received from investment securities		23,593	29,381
Proceeds from disposal of investment securities		865,117	859,225
Payment for increase of investment in subsidiaries, associates and joint ventures		(87)	(78)
Purchase of property and equipment, intangible assets and other long-term assets		(11,918)	(7,268)
Purchase of investment securities		<u>(993,420)</u>	<u>(890,705)</u>
Net cash outflow from investing activities		<u>(115,924)</u>	<u>(7,671)</u>
Cash flows from financing activities			
Cash received from issuance of bonds		–	635
Proceeds from minority equity holders of a subsidiary upon exercise of subsidiary share options		–	20
Net sale of treasury shares		17	34
Repayment for debts		(798)	–
Cash payments for interest on bonds issued		(1,568)	(1,497)
Dividend payments to minority equity holders		(287)	(1,992)
Cash flow from other financing activities		<u>(499)</u>	<u>29</u>
Net cash outflow from financing activities		<u>(3,135)</u>	<u>(2,771)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>4,204</u>	<u>(20,188)</u>
Net decrease in cash and cash equivalents		(131,382)	(55,901)
Cash and cash equivalents at beginning of the period		<u>921,407</u>	<u>528,937</u>
Cash and cash equivalents at end of the period	II.29	<u>790,025</u>	<u>473,036</u>

The accompanying notes form an integral part of this interim financial information.

I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2008.

On 1 January 2009, the Group adopted the following new standards and amendments.

- **IAS 1 (Revised) – Presentation of Financial Statements**

The revised standard requires “non owner changes in equity” to be presented separately from owner changes in equity. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- **IFRS 8 – Operating Segments**

Adoption of IFRS 8 has resulted in a reclassification of certain services from corporate banking to treasury operations based on the Group’s internal reporting. Comparatives for 2008 have been restated.

- **IFRS 7 (Amendment) – Financial instruments: disclosures**

The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The Group will make additional relevant disclosures in its annual financial statements for the year ended 31 December 2009.

The application of these interpretations had no material effect on the Group’s operating results or financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

**I BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES
(continued)**

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

	Effective date
• IAS 27 (Revised) – Consolidated and Separate Financial Statements	1 July 2009
• IAS 39 – Financial Instruments: Recognition and Measurement – Amendments for Eligible hedged items	1 July 2009
• IFRS 3 (Revised) – Business Combinations	1 July 2009

The application of these amendments is not expected to have a material effect on the Group's operating results or financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Net interest income

	For the six month period ended 30 June	
	2009	2008
Interest income		
Loans and advances to customers	89,478	94,232
Investment securities and financial assets at fair value through profit or loss	24,996	31,017
Due from central banks	8,750	8,591
Due from and placements with banks and other financial institutions	<u>4,108</u>	<u>7,565</u>
Subtotal	<u>127,332</u>	<u>141,405</u>
Interest expense		
Due to customers	(45,145)	(49,750)
Due to and placements from banks and other financial institutions	(5,340)	(7,542)
Other borrowed funds	<u>(2,125)</u>	<u>(2,590)</u>
Subtotal	<u>(52,610)</u>	<u>(59,882)</u>
Net interest income	<u><u>74,722</u></u>	<u><u>81,523</u></u>
Included within interest income is interest income accrued on impaired financial assets	<u><u>1,008</u></u>	<u><u>955</u></u>

Included within interest income and interest expenses are RMB126,015 million (2008: RMB139,197 million) and RMB52,221 million (2008: RMB58,808 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**2 Net fee and commission income**

	For the six month period ended 30 June	
	2009	2008
Agency commissions	4,649	5,330
Credit commitment fees	4,565	3,730
Spread income from foreign exchange business	3,676	4,700
Settlement and clearing fees	3,673	4,341
Consultancy and advisory fees	2,999	1,525
Bank card fees	2,772	2,149
Custodian and other fiduciary service fees	612	840
Other	<u>1,904</u>	<u>1,498</u>
Fee and commission income	24,850	24,113
Fee and commission expense	<u>(1,895)</u>	<u>(1,748)</u>
Net fee and commission income	<u><u>22,955</u></u>	<u><u>22,365</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**3 Net trading gains**

	For the six month period ended 30 June	
	2009	2008
Net gains from foreign exchange and foreign exchange products (1)	936	6,262
Net gains/(losses) from interest rate products	370	(2,488)
Net gains/(losses) from equity products	173	(382)
Net gains from precious metals and other commodity products	<u>250</u>	<u>83</u>
Total (2)	<u><u>1,729</u></u>	<u><u>3,475</u></u>

- (1) The net gains from foreign exchange and foreign exchange products include losses in connection with the retranslation of foreign currency denominated monetary assets and liabilities of RMB5,204 million (2008: losses of RMB23,749 million), and net realised and unrealised gains on foreign exchange derivatives (including those entered into in conjunction with the Group's asset and liability management and funding arrangements) of RMB6,140 million (2008: gains of RMB30,011 million).
- (2) Included in "Net trading gains" above for the six month period ended 30 June 2009 are losses of RMB1,318 million in relation to financial assets and financial liabilities designated at fair value through profit or loss (2008: losses of RMB297 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Other operating income

	For the six month period ended 30 June	
	2009	2008
Insurance premiums		
– Life insurance contracts	1,993	4,054
– Non-life insurance contracts	1,195	750
Aircraft leasing income	1,245	978
Gains on disposal of property and equipment, intangible assets and other assets	75	152
Dividend income	81	287
Changes in fair value of investment properties	471	682
Gains on disposal of subsidiaries, associates and joint ventures	–	28
Other	1,855	3,835
	<u>6,915</u>	<u>10,766</u>
Total	<u><u>6,915</u></u>	<u><u>10,766</u></u>

5 Operating expenses

	For the six month period ended 30 June	
	2009	2008
Staff costs (Note II.6)	19,651	19,753
General operating and administrative expenses (1)	10,040	9,491
Business and other taxes	5,650	5,703
Depreciation and amortisation	4,045	3,617
Insurance benefits and claims		
– Life insurance contracts	810	3,245
– Non-life insurance contracts	791	445
Allowance/(Reversal) for litigation losses	(47)	12
Losses on disposal of property and equipment	39	13
Other	841	2,596
	<u>41,820</u>	<u>44,875</u>
Total	<u><u>41,820</u></u>	<u><u>44,875</u></u>

- (1) Included in the general operating and administrative expenses are operating lease rental expenses of RMB1,482 million and other premises and equipment related expenses of RMB2,783 million (2008: RMB1,301 million and RMB2,304 million) respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**6 Staff costs**

	For the six month period ended 30 June	
	2009	2008
Salary, bonus and subsidy	14,514	14,899
Staff welfare	720	675
Retirement benefits	(26)	139
Social insurance, including:	2,388	2,088
– Medical	545	449
– Pension	1,361	1,198
– Annuity	318	272
– Unemployment	98	106
– Injury at work	30	31
– Maternity insurance	36	32
Housing funds	1,000	877
Labour union fee and staff education fee	405	535
Reimbursement for cancellation of labour contract	10	–
Other	640	540
Total	<u>19,651</u>	<u>19,753</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

7 Impairment losses on assets

	For the six month period ended 30 June	
	2009	2008
Loans and advances (1)		
– Individually assessed	(2,529)	(470)
– Collectively assessed	<u>9,556</u>	<u>6,963</u>
Subtotal	7,027	6,493
Investment securities (2)		
– Available for sale		
– Debt securities	2,437	9,526
– Equity securities and fund investments	<u>–</u>	<u>6</u>
– Held to maturity	477	1,100
– Loans and receivables	<u>51</u>	<u>–</u>
Subtotal	2,965	10,632
Other assets	<u>89</u>	<u>19</u>
Total	<u><u>10,081</u></u>	<u><u>17,144</u></u>

(1) Details of movements in allowances for loans and advances are disclosed in Note II.15.

(2) Impairment charges on investment securities:

	For the six month period ended 30 June	
	2009	2008
US Subprime mortgage related debt securities	1,104	4,610
US Alt-A mortgage-backed securities	377	2,544
US Non-Agency mortgage-backed securities	1,353	3,367
Other securities	<u>131</u>	<u>111</u>
Total	<u><u>2,965</u></u>	<u><u>10,632</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**8 Income tax expense**

	For the six month period ended 30 June	
	2009	2008
Current income tax		
– Chinese Mainland income tax	15,829	8,323
– Hong Kong profits tax	1,104	1,211
– overseas taxation	<u>527</u>	<u>506</u>
Subtotal	17,460	10,040
Deferred income tax (Note II.24)	<u>(4,602)</u>	<u>2,676</u>
Total	<u><u>12,858</u></u>	<u><u>12,716</u></u>

The provision for Chinese Mainland income tax includes: income tax based on the statutory tax rate of 25% of the assessable income of the Bank and each of the subsidiaries established in the Chinese Mainland; and supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulation.

Taxation on overseas profits has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**8 Income tax expense (continued)**

The tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic domestic tax rate of the Bank as follows:

	For the six month period ended 30 June	
	2009	2008
Profit before income tax	<u>56,210</u>	<u>57,361</u>
Tax calculated at applicable statutory tax rate	14,053	14,340
Effect of different tax rates on Overseas Operations	(896)	(750)
Supplementary PRC tax on overseas income	677	512
Income not subject to tax (1)	(1,266)	(1,124)
Items not deductible for tax purposes (2)	465	646
Other	<u>(175)</u>	<u>(908)</u>
Income tax expense	<u><u>12,858</u></u>	<u><u>12,716</u></u>

- (1) Income not subject to tax mainly comprises interest income from PRC treasury bills.
- (2) Non-deductible items primarily included loans written-off which are not deductible for tax purposes, marketing and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**9 Earnings per share (basic and diluted)**

Basic earnings per share were computed by dividing the profit attributable to the equity holders of the Bank for the six month periods by the weighted average number of ordinary shares in issue during the periods.

The Bank had no dilutive potential ordinary shares for the six month periods ended 30 June 2009 and 30 June 2008.

	For the six month period ended 30 June	
	2009	2008
Profit attributable to equity holders of the Bank	41,123	42,181
Weighted average number of ordinary shares in issue (in millions)	<u>253,832</u>	<u>253,834</u>
Basic and diluted earnings per share (in RMB)	<u><u>0.16</u></u>	<u><u>0.17</u></u>

Weighted average number of ordinary shares (in million shares)

	For the six month period ended 30 June	
	2009	2008
Issued ordinary shares at 1 January	253,839	253,839
Net change of weighted average number of treasury shares	<u>(7)</u>	<u>(5)</u>
Weighted average number of ordinary shares at 30 June	<u><u>253,832</u></u>	<u><u>253,834</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

10 Cash and due from banks and other financial institutions

	As at 30 June 2009	As at 31 December 2008
Cash	36,409	35,489
Due from domestic banks	61,258	6,661
Due from domestic other financial institutions	296	268
Due from overseas banks	12,334	30,115
Due from overseas other financial institutions	<u>16</u>	<u>—</u>
Total	<u><u>110,313</u></u>	<u><u>72,533</u></u>

11 Balances with central banks

	As at 30 June 2009	As at 31 December 2008
Mandatory reserves (1)	738,877	600,911
Surplus reserves (2)	105,921	136,969
Balance under reverse repo agreements (3)	230,171	145,631
Other deposits (4)	<u>123,990</u>	<u>324,102</u>
Total	<u><u>1,198,959</u></u>	<u><u>1,207,613</u></u>

(1) The Group places mandatory reserve funds with the PBOC and the central banks of other countries or regions where it has operations. As at 30 June 2009, mandatory reserve funds placed with the PBOC were calculated at 15.5% (2008: 15.5%) and 5% (2008: 5%) of eligible RMB deposits and foreign currency deposits from customers of domestic branches of the Bank respectively. The amount of mandatory reserve funds placed with the central banks of other countries is determined by local jurisdiction.

(2) This mainly represented the surplus reserve funds placed with PBOC by domestic branches of the Bank.

(3) The Group accepted treasury bonds as collateral in connection with its reverse repo agreements with the PBOC. The Group is not permitted to sell or re-pledge such collateral accepted.

(4) This mainly represents balances placed with central banks of other countries by Overseas Operations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

12 Placements with banks and other financial institutions

	As at 30 June 2009	As at 31 December 2008
Placements with:		
Domestic banks	197,979	110,742
Other domestic financial institutions	26,140	73,525
Overseas banks	231,432	304,597
Other overseas financial institutions	<u>2,876</u>	<u>—</u>
Subtotal	458,427	488,864
Allowance for impairment losses	<u>(396)</u>	<u>(399)</u>
Total	<u><u>458,031</u></u>	<u><u>488,465</u></u>
Impaired placements	396	399
Percentage of impaired placements to total placements with banks and other financial institutions	<u><u>0.09%</u></u>	<u><u>0.08%</u></u>

Placements with banks and other financial institutions include balances arising from reverse repo agreements as follows:

	As at 30 June 2009	As at 31 December 2008
Bills under reverse repos	—	29
Bonds under reverse repos		
– Government	15,623	51,935
– Financial institution	<u>16,831</u>	<u>50,753</u>
Total	<u><u>32,454</u></u>	<u><u>102,717</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

13 Financial assets at fair value through profit or loss

	As at 30 June 2009	As at 31 December 2008
Trading financial assets		
Trading debt securities		
Government	15,537	23,780
Public sector and quasi-government	415	30
Financial institution	8,111	15,949
Corporate	1,339	1,302
	<u>25,402</u>	<u>41,061</u>
Other trading financial assets		
Fund investments	417	508
Equity securities	1,031	1,485
	<u>1,448</u>	<u>2,000</u>
Subtotal	<u>26,850</u>	<u>43,054</u>
Financial assets designated at fair value through profit or loss		
Debt securities designated at fair value through profit or loss		
Government	2,114	3,146
Public sector and quasi-government	1,458	2,454
Financial institution	22,464	28,118
Corporate	4,774	7,599
	<u>30,810</u>	<u>41,317</u>
Other financial assets designated at fair value through profit or loss		
Fund investments	1,899	1,912
Loans	1,306	1,422
Equity securities	144	109
	<u>3,349</u>	<u>3,443</u>
Subtotal	<u>34,159</u>	<u>44,760</u>
Total	<u><u>61,009</u></u>	<u><u>87,814</u></u>
Analysed as:		
Listed in Hong Kong	2,401	2,883
Listed outside Hong Kong	31,368	40,933
Unlisted	27,240	43,998
	<u>61,009</u>	<u>87,814</u>
Total	<u><u>61,009</u></u>	<u><u>87,814</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

14 Derivative financial instruments

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity related derivative financial instruments for trading, asset and liability management and on behalf of customers.

The contractual/notional amounts of financial instruments provide a basis for comparison with fair value instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks.

	As at 30 June 2009			As at 31 December 2008		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps (1)	1,237,591	29,793	(12,823)	1,510,772	62,814	(40,111)
Currency options	7,750	40	(29)	9,285	110	(94)
Subtotal	1,245,341	29,833	(12,852)	1,520,057	62,924	(40,205)
Interest rate derivatives						
Interest rate swaps	389,420	6,731	(10,278)	430,473	10,668	(16,159)
Interest rate options	3,660	–	(36)	21,521	93	(708)
Interest rate futures	2,797	1	(6)	8,016	17	(19)
Subtotal	395,877	6,732	(10,320)	460,010	10,778	(16,886)
Equity derivatives	5,381	235	(214)	7,794	1,199	(988)
Precious metals and other commodity derivatives	17,761	685	(541)	20,101	1,025	(924)
Credit derivatives	3,826	158	(438)	5,272	198	(479)
Total	1,668,186	37,643	(24,365)	2,013,234	76,124	(59,482)

- (1) These exchange rate derivatives primarily include foreign exchange transactions with customers; foreign exchange transactions to manage foreign currency exchange risks arising from customers; and foreign currency exchange transactions entered into as part of asset and liability management and funding requirements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Loans and advances to customers, net

15.1 Analysis of loans and advances to customers

	Group		Chinese Mainland	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
Corporate loans and advances				
Loans and advances	3,025,304	2,353,896	2,552,872	1,870,883
Discounted bills	340,859	138,818	337,866	137,688
Subtotal	3,366,163	2,492,714	2,890,738	2,008,571
Personal loans				
Mortgages	739,285	635,000	608,356	507,571
Credit cards	20,805	16,495	14,952	10,649
Other	187,221	151,937	166,257	136,013
Subtotal	947,311	803,432	789,565	654,233
Gross loans and advances	4,313,474	3,296,146	3,680,303	2,662,804
Allowance for impairment losses				
Individually assessed	(43,817)	(51,146)	(42,302)	(49,087)
Collectively assessed	(63,860)	(55,348)	(60,414)	(51,670)
Gross allowance for impairment losses	(107,677)	(106,494)	(102,716)	(100,757)
Loans and advances to customers, net	<u>4,205,797</u>	<u>3,189,652</u>	<u>3,577,587</u>	<u>2,562,047</u>

15.2 Analysis of loans and advances to customers by geographical area, industry, collateral type and analysis of overdue loans and advances to customers is presented in Note III.1.1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Loans and advances to customers, net (continued)

15.3 Analysis of loans and advances to customers by collective and individual assessment

Group

		Identified impaired loans and advances (2)				
	Loans and advances for which allowance is collectively assessed (1)	for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	Total	Identified impaired loans and advances as % of gross total loans and advances
As at 30 June 2009						
Gross loans and advances	4,234,396	16,942	62,136	79,078	4,313,474	1.83%
Allowance for impairment losses	(52,803)	(11,057)	(43,817)	(54,874)	(107,677)	
Loans and advances to customers, net	4,181,593	5,885	18,319	24,204	4,205,797	
As at 31 December 2008						
Gross loans and advances	3,205,267	18,340	72,539	90,879	3,296,146	2.76%
Allowance for impairment losses	(43,192)	(12,156)	(51,146)	(63,302)	(106,494)	
Loans and advances to customers, net	3,162,075	6,184	21,393	27,577	3,189,652	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Loans and advances to customers, net (continued)

15.3 Analysis of loans and advances to customers by collective and individual assessment (continued)

Chinese Mainland

		Identified impaired loans and advances (2)				
	Loans and advances for which allowance is collectively assessed (1)	for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	Total	Identified impaired loans and advances as % of gross total loans and advances
As at 30 June 2009						
Gross loans and advances	3,603,967	16,746	59,590	76,336	3,680,303	2.07%
Allowance for impairment losses	(49,469)	(10,945)	(42,302)	(53,247)	(102,716)	
Loans and advances to customers, net	3,554,498	5,801	17,288	23,089	3,577,587	
As at 31 December 2008						
Gross loans and advances	2,575,452	18,207	69,145	87,352	2,662,804	3.28%
Allowance for impairment losses	(39,608)	(12,062)	(49,087)	(61,149)	(100,757)	
Loans and advances to customers, net	2,535,844	6,145	20,058	26,203	2,562,047	

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(2) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly significant corporate loans and advances over a certain amount which are impaired); or
- collectively (portfolios of insignificant homogenous loans, which includes insignificant corporate loans and advances and all personal loans which are impaired).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Loans and advances to customers, net (continued)

15.4 Movement of allowance for impairment losses on loans and advances to customers

	2009	2008
Group		
As at 1 January	106,494	96,068
Impairment losses for the period/year	29,328	34,460
Releases	(22,301)	(17,668)
Written off and transfer out	(5,696)	(5,575)
Recovery of loans and advances written off in previous years	278	902
Unwind of discount on allowance	(358)	(766)
Exchange differences	(68)	(927)
	<u>107,677</u>	<u>106,494</u>
As at 30 June/31 December	<u>107,677</u>	<u>106,494</u>
Chinese Mainland		
As at 1 January	100,757	93,283
Impairment losses for the period/year	28,552	31,107
Releases	(21,555)	(16,851)
Written off and transfer out	(4,697)	(5,430)
Recovery of loans and advances written off in previous years	77	27
Unwind of discount on allowance	(338)	(704)
Exchange differences	(80)	(675)
	<u>102,716</u>	<u>100,757</u>
As at 30 June/31 December	<u>102,716</u>	<u>100,757</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

16 Investment securities

	As at 30 June 2009	As at 31 December 2008
Investment securities available for sale		
Debt securities available for sale		
Government	439,137	393,081
Public sector and quasi-government	43,588	67,421
Financial institution	256,575	222,178
Corporate	101,028	60,745
	840,328	743,425
Fund investments	1,232	1,079
Equity securities	9,351	8,098
Total securities available for sale	850,911	752,602
Debt securities held to maturity		
Government	438,789	181,218
Public sector and quasi-government	28,937	37,035
Financial institution	141,292	127,591
Corporate	19,551	24,321
	628,569	370,165
Allowance for impairment losses	(4,045)	(4,327)
Total securities held to maturity	624,524	365,838
Debt securities classified as loans and receivables		
China Orient Bond	160,000	160,000
PBOC Special Bills (1)	82	73,512
PBOC Target Bills	72,000	72,000
Special Purpose Treasury Bond	42,500	42,500
Long term notes – Financial institution	14,545	14,545
Short term bills and notes		
Public sector and quasi-government	15,333	12,627
Financial institution	25,812	37,125
Certificate Treasury Bonds and others	24,236	27,771
	354,508	440,080
Allowance for impairment losses	(172)	(126)
Total securities classified as loans and receivables	354,336	439,954
Total	1,829,771	1,558,394

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

16 Investment securities (continued)

	As at 30 June 2009	As at 31 December 2008
Analysed as follows:		
Listed in Hong Kong	16,625	14,154
Listed outside Hong Kong	1,159,282	759,545
Unlisted	<u>653,864</u>	<u>784,695</u>
 Total	 <u><u>1,829,771</u></u>	 <u><u>1,558,394</u></u>

The market values of the above listed held to maturity securities are set out below:

	<u>As at 30 June 2009</u>		<u>As at 31 December 2008</u>	
	Carrying value	Market value	Carrying value	Market value
Investment securities held to maturity				
Listed in Hong Kong	4,813	4,823	5,089	5,105
Listed outside Hong Kong	<u>499,761</u>	<u>504,252</u>	<u>237,098</u>	<u>244,095</u>

- (1) The Special Bill issued by the PBOC on 30 June 2004 with a par value of RMB73,430 million matured on 30 June 2009 and the Bank received the principal and interest amount in full.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

17 Property and equipment

	Buildings and improvements	Equipment and motor vehicles	Construction in progress	Aircraft	Total
As at 30 June 2009					
Cost	72,362	29,569	9,733	31,434	143,098
Accumulated depreciation	(20,644)	(19,964)	–	(1,755)	(42,363)
Allowance for impairment losses	(832)	–	(316)	–	(1,148)
Net book amount	50,886	9,605	9,417	29,679	99,587
As at 31 December 2008					
Cost	72,770	29,530	8,094	22,606	133,000
Accumulated depreciation	(19,783)	(18,509)	–	(1,316)	(39,608)
Allowance for impairment losses	(840)	–	(316)	–	(1,156)
Net book amount	52,147	11,021	7,778	21,290	92,236
Six month period ended 30 June 2009					
Opening net book amount	52,147	11,021	7,778	21,290	92,236
Additions	129	456	2,274	8,999	11,858
Transfer to investment property, net (Note II.18)	(73)	–	(14)	–	(87)
Reclassification	258	118	(618)	242	–
Disposals	(247)	(26)	(2)	(359)	(634)
Depreciation charge	(1,322)	(1,988)	–	(484)	(3,794)
Exchange differences	(6)	24	(1)	(9)	8
Closing net book amount	50,886	9,605	9,417	29,679	99,587
Year ended 31 December 2008					
Opening net book amount	50,962	8,733	6,848	17,262	83,805
Additions	945	4,761	8,348	7,617	21,671
Transfer to investment property, net	(182)	–	–	–	(182)
Reclassification	4,776	1,123	(7,224)	1,325	–
Disposals	(1,006)	(49)	(51)	(3,105)	(4,211)
Depreciation charge	(2,598)	(3,423)	–	(739)	(6,760)
Allowance for impairment losses	(11)	–	(3)	–	(14)
Exchange differences	(739)	(124)	(140)	(1,070)	(2,073)
Closing net book amount	52,147	11,021	7,778	21,290	92,236

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**18 Investment property**

	2009	2008
As at 1 January	9,637	9,986
Additions	52	625
Transfer from property and equipment, net (Note II.17)	87	182
Disposals	(22)	(616)
Fair value changes	471	44
Exchange differences	<u>(6)</u>	<u>(584)</u>
As at 30 June/31 December	<u><u>10,219</u></u>	<u><u>9,637</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

19 Other assets

	As at 30 June 2009	As at 31 December 2008
Interest receivable	33,225	34,690
Accounts receivable and prepayments	33,652	22,643
Intangible assets	2,439	2,315
Land use rights	3,393	3,439
Reposessed assets (1)	2,529	2,412
Goodwill	1,878	1,877
Other	<u>2,771</u>	<u>2,537</u>
Total	<u>79,887</u>	<u>69,913</u>

(1) Reposessed assets

The Group obtained assets by taking possession of collateral held as security. Such reposessed assets of the Group are as follows:

	As at 30 June 2009	As at 31 December 2008
Business property	3,057	3,065
Residential property	669	678
Other	<u>1,246</u>	<u>1,224</u>
	4,972	4,967
Allowance for impairment losses	<u>(2,443)</u>	<u>(2,555)</u>
Reposessed assets, net	<u>2,529</u>	<u>2,412</u>

The total book value of reposessed assets disposed for the six month period ended 30 June 2009 amounted to RMB253 million (for the year ended 2008: RMB1,840 million). The Group is planning to dispose the reposessed assets held at 30 June 2009 by auction, bidding or transfer.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

20 Financial liabilities at fair value through profit or loss

	As at 30 June 2009	As at 31 December 2008
Trading financial liabilities		
– Short position in debt securities	7,245	10,995
Financial liabilities designated at fair value through profit or loss (1)		
– Structured deposit	36,012	55,809
– Certificates of deposit	<u>730</u>	<u>745</u>
Total	<u><u>43,987</u></u>	<u><u>67,549</u></u>

- (1) There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for those financial liabilities designated by the Group at fair value through profit or loss in the six month period ended 30 June 2009 or for the year 2008.

21 Due to customers

	As at 30 June 2009	As at 31 December 2008
Demand deposits		
Corporate customers	1,726,615	1,375,251
Individual customers	<u>1,074,169</u>	<u>901,188</u>
Subtotal	<u>2,800,784</u>	<u>2,276,439</u>
Time deposits		
Corporate customers	1,026,453	786,896
Individual customers	<u>2,015,943</u>	<u>1,822,323</u>
Subtotal	<u>3,042,396</u>	<u>2,609,219</u>
Security and margin deposits	<u>409,634</u>	<u>216,453</u>
Total	<u><u>6,252,814</u></u>	<u><u>5,102,111</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

**II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (continued)**

22 Bonds issued

There were no significant bonds issued, repurchased or repaid during the six month period ended 30 June 2009.

For the subordinated bonds issued and redeemed by the Bank after the financial reporting date, please refer to Note II 32 “Events after the financial reporting date”.

23 Share option schemes

23.1 Share appreciation rights plan of the bank

No share appreciation rights were granted.

23.2 BOCHK (Holdings) share option scheme and sharesave plan

No options were granted by BOC Hong Kong (Holdings) Limited pursuant to the Share Option Scheme or the Sharesave Plan during the period.

23.3 BOCHK (Holdings) pre-listing share option scheme

During the six month period ended 30 June 2009, no share options were exercised by the directors or key management of the Group (2008: 361,500). The number of share options granted to the directors and key management of the Group outstanding at 30 June 2009 was 4,215,500 (31 December 2008: 4,215,500).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**24 Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts:

	As at 30 June 2009	As at 31 December 2008
Deferred income tax assets	23,627	17,405
Deferred income tax liabilities	<u>(2,711)</u>	<u>(2,093)</u>
	<u>20,916</u>	<u>15,312</u>

The movements of the deferred income tax asset and liability account are as follows:

	2009	2008
As at 1 January	15,312	14,753
Credited to income statement of the period/year (Note II.8)	4,602	3,501
Credited/(charged) to equity	1,069	(3,103)
Acquisition of subsidiaries	–	(73)
Exchange differences	<u>(67)</u>	<u>234</u>
As at 30 June/31 December	<u>20,916</u>	<u>15,312</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

24 Deferred income taxes (continued)

Deferred income tax assets and liabilities, before offsetting qualifying amounts, are attributable to the following items:

	<u>As at 30 June 2009</u>		<u>As at 31 December 2008</u>	
	Temporary difference	Deferred tax assets/(liabilities)	Temporary difference	Deferred tax assets/(liabilities)
Deferred income tax assets				
Asset impairment allowances	92,270	23,060	89,351	22,303
Fair value changes of financial instruments at fair value through profit or loss, and derivative financial instruments	11,953	2,987	39,729	9,934
Fair value changes of available for sale investment securities credited to equity	2,067	440	6,625	1,066
Statutory asset revaluation surplus	5,389	1,347	5,545	1,386
Pension and other benefit costs	4,516	1,129	4,805	1,201
Other temporary differences	<u>10,515</u>	<u>2,397</u>	<u>7,474</u>	<u>1,061</u>
Subtotal	<u>126,710</u>	<u>31,360</u>	<u>153,529</u>	<u>36,951</u>
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss, and derivative financial instruments	(21,604)	(5,392)	(58,286)	(14,570)
Fair value changes of available for sale investment securities charged to equity	(5,353)	(1,337)	(13,033)	(3,032)
Depreciation of property and equipment	(6,035)	(1,112)	(6,622)	(1,087)
Revaluation of property and investment property	(12,744)	(2,112)	(12,162)	(2,006)
Other temporary differences	<u>(3,920)</u>	<u>(491)</u>	<u>(7,623)</u>	<u>(944)</u>
Subtotal	<u>(49,656)</u>	<u>(10,444)</u>	<u>(97,726)</u>	<u>(21,639)</u>
Net	<u><u>77,054</u></u>	<u><u>20,916</u></u>	<u><u>55,803</u></u>	<u><u>15,312</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

24 Deferred income taxes (continued)

The deferred income tax credit/(charge) in the income statement comprises the following temporary differences:

	For the six month period ended 30 June	
	2009	2008
Asset impairment allowances	757	2,335
Fair value changes of financial instruments at fair value through profit or loss, and derivative financial instruments	2,231	(3,391)
Statutory asset revaluation surplus	(39)	(47)
Pension and other benefit costs	(72)	(86)
Other temporary differences	1,725	(1,487)
Total	<u>4,602</u>	<u>(2,676)</u>

25 Other liabilities

	As at 30 June 2009	As at 31 December 2008
Interest payable	52,205	52,999
Items in the process of clearance and settlement	47,506	69,900
Dividend payable (Note II.27)	32,997	–
Insurance liabilities		
– Life insurance contract	24,413	24,935
– Non-life insurance contract	3,922	3,524
Salary and welfare payable	9,127	11,031
Provision	1,423	2,503
Other	33,445	33,838
Total	<u>205,038</u>	<u>198,730</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**26 Reserve for fair value changes of available for sale securities**

	2009	2008
As at 1 January	7,534	(1,506)
Net changes in fair value	(3,999)	(6,659)
Share of associates' reserve for fair value		
changes of available for sale securities	(174)	170
Net impairment charges transferred to income statement	2,220	20,769
Net fair value changes transferred to income		
statement on derecognition	(1,505)	(1,960)
Deferred income taxes	1,239	(3,280)
Other	(14)	—
	<u>5,301</u>	<u>7,534</u>
As at 30 June/31 December		

27 Dividends

A dividend of RMB32,999 million in respect of 2008 profits was approved by the equity holders of the Bank at the Annual General Meeting held on 18 June 2009.

28 Contingent liabilities and commitments**28.1 Legal proceedings**

As at 30 June 2009, the Group was involved in certain lawsuits as defendants arising from its normal business operations. As at 30 June 2009, provisions of RMB613 million (31 December 2008: RMB1,358 million) were made based on court judgments or the advice of counsel. After consulting legal professionals, management of the Group believes that the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**28 Contingent liabilities and commitments (continued)****28.2 Assets pledged**

Assets pledged as collateral for repurchase, short positions and derivatives transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard terms in the normal course of business.

	As at 30 June 2009	As at 31 December 2008
Debt securities	<u>129,006</u>	<u>36,185</u>

28.3 Collateral accepted

The Group accepts cash collateral and accepts securities collateral that it is permitted to sell or re-pledge in connection with its reverse repurchase agreements with banks and other financial institutions. As at 30 June 2009, the fair value of cash collateral and securities collateral received from banks and financial institutions accepted by the Group amounted to RMB12,591 million (as at 31 December 2008: RMB23,565 million). As at 30 June 2009, the Group had an obligation to return securities collateral that it has sold or pledged with a fair value of RMB1,711 million (as at 31 December 2008: RMB nil). These transactions are conducted under standard terms in the normal course of business.

28.4 Capital commitments

	As at 30 June 2009	As at 31 December 2008
Property and equipment		
– Contracted but not provided for	39,523	43,555
– Authorised but not contracted for	3,095	2,602
Intangible assets		
– Contracted but not provided for	379	1,149
– Authorised but not contracted for	<u>13</u>	<u>14</u>
Total	<u>43,010</u>	<u>47,320</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**28 Contingent liabilities and commitments (continued)****28.5 Operating leases**

Under irrevocable operating lease contracts, the minimum rental payments that should be paid by the Group in the future are summarised as follows:

	As at 30 June 2009	As at 31 December 2008
Within one year	2,712	2,609
One to two years	2,099	2,000
Two to three years	1,681	1,518
Above three years	<u>4,459</u>	<u>4,030</u>
Total	<u><u>10,951</u></u>	<u><u>10,157</u></u>

28.6 Certificate Treasury Bond redemption commitments

The Bank is entrusted by the MOF to underwrite certain Certificate Treasury Bonds. The investors of Certificate Treasury Bonds have a right to redeem the bonds at par any time prior to maturity and the Bank is committed to redeem those bonds. The redemption price is the principal value of the Certificate Treasury Bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2009, the principal value of the bonds amounted to RMB51,450 million (2008: RMB51,650 million). The original maturities of these bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of those bonds through the Bank will not be material.

For the early redemption of these Certificate Treasury Bonds, the MOF will pay interest and repay the principal at maturity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

28 Contingent liabilities and commitments (continued)

28.7 Credit commitments

	As at 30 June 2009	As at 31 December 2008
Loan commitments (1)		
with an original maturity of under one year	357,569	274,078
with an original maturity of one year or over	847,197	467,949
Letters of guarantee issued (2)	550,363	532,845
Bank bill acceptance	357,050	195,082
Letters of credit issued	131,059	109,636
Accepted bill of exchange under letter of credit	38,375	32,855
Other	<u>3,389</u>	<u>1,618</u>
 Total	 <u><u>2,285,002</u></u>	 <u><u>1,614,063</u></u>

(1) Loan commitments represent general credit facility limits for customers. These credit facilities may be drawn in the form of loans and advances or the issuance of letters of credit, acceptances or letters of guarantee.

(2) Letters of guarantee issued include financial guarantees and performance guarantees. These are obligations on the Group to make payment depending on the outcome of a future event.

Credit risk weighted amounts of credit commitments

	As at 30 June 2009	As at 31 December 2008
Credit commitments	<u><u>712,987</u></u>	<u><u>573,950</u></u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

28 Contingent liabilities and commitments (continued)

28.8 Underwriting obligations

The unexpired underwriting obligations of securities are as follows:

	As at 30 June 2009	As at 31 December 2008
Underwriting obligations	<u>57,071</u>	<u>17,440</u>

29 Note to cash flow statement

For the purposes of the condensed consolidated cash flow statement, cash and cash equivalents comprise the following balances with an maturity of less than three months:

	As at 30 June 2009	As at 30 June 2008
Cash and due from banks and other financial institutions	109,246	59,190
Balances with central banks	258,957	171,259
Placements with banks and other financial institutions	227,740	221,209
Short term bills and notes	<u>194,082</u>	<u>21,378</u>
Total	<u>790,025</u>	<u>473,036</u>

30 Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or other entities. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation (“CIC”) and its subsidiary Central Huijin Investment Ltd..

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)**30 Related party transactions (continued)****30.1 Transactions with the parent companies and other companies controlled by the parent****(1) General information of parent companies**

Central Huijin Investment Ltd. (“Huijin”)

Legal representative	Lou Jiwei
Registered Capital	RMB552,117 million
Location of registration	Beijing
Capital shares	67.53% (2008: 67.52%)
Voting right	67.53% (2008: 67.52%)
Nature	State-owned company
Principal activities	Investment in major state-owned financial institutions on behalf of the State Council
National organization code	71093296-1

Huijin is a wholly-owned subsidiary of CIC. CIC is a wholly state-owned company, engaging in foreign currency investment and management.

(2) Transactions with the parent companies

Due to Huijin	2009	2008
As at 1 January	44,668	21,592
Additions during the period/year	39,316	112,503
Reductions during the period/year	<u>(59,895)</u>	<u>(89,427)</u>
As at 30 June/31 December	<u><u>24,089</u></u>	<u><u>44,668</u></u>

The Group also entered into banking transactions with CIC during the six month period ended 30 June 2009 in the normal course of its business.

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

30 Related party transactions (continued)

30.1 Transactions with the parent companies and other companies controlled by the parent (continued)

(3) Transactions with other companies controlled by the parent companies

The Group's parent companies also have controlling equity interests in certain other entities. The Group enters into banking transactions with these companies in the normal course of its business. These include financial assets at fair value through profit or loss, investment securities and money market transactions.

30.2 Transactions with government authorities, agencies, affiliates and other state controlled entities

The Bank is subject to the control of the State Council of the PRC Government through CIC and Huijin, which also directly and indirectly controls a significant number of entities through government authorities, agencies, affiliates and other state controlled entities. The Group enters into extensive banking transactions with government authorities, agencies, affiliates and other state controlled entities, in the normal course of business at commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other state controlled entities include purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Certificate Treasury Bonds issued by government agencies through the Group's branch network, foreign exchange and interest rate derivative transactions, lending, provision of credit and guarantees and deposit taking.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

30 Related party transactions (continued)

30.3 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The outstanding balances with associates and joint ventures are stated below:

	As at 30 June 2009	As at 31 December 2008
Placements with banks and other financial institutions	1,258	2,305
Loans and advances to customers	273	277
Due to customers	<u>(7,630)</u>	<u>(5,577)</u>

30.4 Transactions with the Annuity Plan

The deposit balance of the employee defined contribution plan (the “Annuity Plan”) in the Bank is RMB2,015 million as at 30 June 2009 (31 December 2008: RMB4,370 million).

30.5 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month period ended 30 June 2009 and the year ended 31 December 2008, there were no material transactions and balances with key management personnel on an individual basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

The Group manages the business from both a geographic and business perspective. From the geographic perspective, the Group operates in three principal regions: Chinese Mainland, Hong Kong and Macau and other overseas locations. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market deposit rates, lending rates and market rates. The transfer price takes into account the specific features and maturities of the product. Internal transactions are eliminated on consolidation.

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information (continued)

The operating segments are presented by geography and by business as follows:

Geographical segments

Chinese Mainland – Corporate banking, personal banking and treasury operations are performed in Chinese Mainland.

Hong Kong and Macau – Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong and Macau. The core of this segment is BOC Hong Kong (Group) Limited.

Other overseas locations – Corporate and personal banking services are provided in other overseas locations. The significant other overseas locations include New York, London, Singapore and Tokyo.

Business segments

Corporate banking – Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, lending, custody, trade related products and other credit facilities, foreign currency and derivative products.

Personal banking – Services to retail customers including current accounts, savings, deposits, investment savings products, credit and debit cards, consumer loans and mortgages.

Treasury operations – Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking – Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance – Underwriting of general and life insurance business and insurance agency services.

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information (continued)

As at and for the six month period ended 30 June 2009

	Hong Kong and Macau				Other overseas locations	Elimination	Total
	Chinese Mainland	BOC Hong Kong Group	Other	Subtotal			
Interest income	114,035	10,185	1,420	11,605	3,842	(2,150)	127,332
Interest expense	(50,155)	(2,046)	(888)	(2,934)	(1,671)	2,150	(52,610)
Net interest income	63,880	8,139	532	8,671	2,171	–	74,722
Include: intersegment net interest income	1,196	(387)	40	(347)	(849)	–	–
Fee and commission income	19,508	3,441	1,304	4,745	776	(179)	24,850
Fee and commission expense	(463)	(827)	(606)	(1,433)	(99)	100	(1,895)
Net fee and commission income	19,045	2,614	698	3,312	677	(79)	22,955
Include: intersegment net fee and commission income	25	52	(53)	(1)	55	(79)	–
Net trading gains/(losses)	1,850	(791)	567	(224)	103	–	1,729
Net gains on investment securities	901	60	531	591	40	–	1,532
Other operating income *	1,285	2,669	2,961	5,630	71	(71)	6,915
Operating income	86,961	12,691	5,289	17,980	3,062	(150)	107,853
Operating expenses *	(33,935)	(4,453)	(2,711)	(7,164)	(871)	150	(41,820)
Impairment losses on assets	(8,930)	(983)	(55)	(1,038)	(113)	–	(10,081)
Operating profit	44,096	7,255	2,523	9,778	2,078	–	55,952
Share of results of associates and joint ventures	–	–	258	258	–	–	258
Profit before income tax	44,096	7,255	2,781	10,036	2,078	–	56,210
Income tax expense	(11,008)	(1,180)	(264)	(1,444)	(406)	–	(12,858)
Profit for the period	33,088	6,075	2,517	8,592	1,672	–	43,352
Segment assets	6,889,920	1,003,464	230,514	1,233,978	387,385	(311,560)	8,199,723
Investment in associates and joint ventures	–	50	7,589	7,639	–	–	7,639
Total assets	6,889,920	1,003,514	238,103	1,241,617	387,385	(311,560)	8,207,362
Segment liabilities	6,520,525	927,224	198,235	1,125,459	373,693	(311,399)	7,708,278
Other segment items:							
Capital expenditure	1,897	131	9,797	9,928	93	–	11,918
Depreciation and amortisation	3,008	376	596	972	65	–	4,045
Credit commitments	1,993,697	205,611	23,486	229,097	103,346	(41,138)	2,285,002

* Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information (continued)

As at 31 December 2008 and for the six month period ended 30 June 2008

	Hong Kong and Macau				Other overseas locations	Elimination	Total
	Chinese Mainland	BOC Hong Kong Group	Other	Subtotal			
Interest income	120,974	16,256	3,131	19,387	6,157	(5,113)	141,405
Interest expense	(50,664)	(7,159)	(2,567)	(9,726)	(4,605)	5,113	(59,882)
Net interest income	70,310	9,097	564	9,661	1,552	–	81,523
Include: intersegment net interest income	2,072	320	(290)	30	(2,102)	–	–
Fee and commission income	18,836	3,497	1,198	4,695	668	(86)	24,113
Fee and commission expense	(441)	(805)	(486)	(1,291)	(102)	86	(1,748)
Net fee and commission income	18,395	2,692	712	3,404	566	–	22,365
Include: intersegment net fee and commission income	32	10	(7)	3	(35)	–	–
Net trading gains/(losses)	3,856	(387)	(83)	(470)	89	–	3,475
Net gains on investment securities	425	116	126	242	68	–	735
Other operating income *	3,279	5,007	2,499	7,506	56	(75)	10,766
Operating income	96,265	16,525	3,818	20,343	2,331	(75)	118,864
Operating expenses *	(34,938)	(6,891)	(2,258)	(9,149)	(822)	34	(44,875)
Impairment losses on assets	(13,854)	(2,004)	(258)	(2,262)	(1,028)	–	(17,144)
Operating profit	47,473	7,630	1,302	8,932	481	(41)	56,845
Share of results of associates and joint ventures	–	–	596	596	–	(80)	516
Profit before income tax	47,473	7,630	1,898	9,528	481	(121)	57,361
Income tax expense	(10,931)	(1,144)	(229)	(1,373)	(412)	–	(12,716)
Profit for the period	36,542	6,486	1,669	8,155	69	(121)	44,645
Segment assets	5,570,992	1,004,479	238,454	1,242,933	585,365	(454,986)	6,944,304
Investment in associates and joint ventures	–	54	7,322	7,376	–	–	7,376
Total assets	5,570,992	1,004,533	245,776	1,250,309	585,365	(454,986)	6,951,680
Segment liabilities	5,198,840	936,878	207,896	1,144,774	573,004	(454,825)	6,461,793
Other segment items:							
Capital expenditure	1,792	190	5,306	5,496	36	–	7,324
Depreciation and amortisation	2,768	348	445	793	56	–	3,617
Credit commitments	1,323,648	223,463	22,033	245,496	94,817	(49,898)	1,614,063

* Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information (continued)

As at and for the six month period ended 30 June 2009

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	66,028	49,500	39,190	428	560	104	(28,478)	127,332
Interest expense	(20,308)	(27,214)	(32,814)	(247)	(24)	(481)	28,478	(52,610)
Net interest income/ (expense)	45,720	22,286	6,376	181	536	(377)	–	74,722
Include: intersegment net interest income	2,207	27,878	(29,895)	(14)	14	(190)	–	–
Fee and commission income	14,573	6,352	2,916	1,032	1	184	(208)	24,850
Fee and commission expense	(581)	(668)	(42)	(315)	(431)	(28)	170	(1,895)
Net fee and commission income	13,992	5,684	2,874	717	(430)	156	(38)	22,955
Include: intersegment net fee and commission income	2	22	–	–	(153)	167	(38)	–
Net trading gains/(losses)	170	213	2,305	375	(1,359)	25	–	1,729
Net gains on investment securities	–	–	1,001	–	3	528	–	1,532
Other operating income	151	955	35	34	3,302	3,151	(713)	6,915
Operating income	60,033	29,138	12,591	1,307	2,052	3,483	(751)	107,853
Operating expenses	(18,262)	(16,000)	(4,581)	(403)	(1,949)	(1,376)	751	(41,820)
Impairment losses on assets	(5,964)	(1,026)	(2,965)	–	(13)	(113)	–	(10,081)
Operating profit	35,807	12,112	5,045	904	90	1,994	–	55,952
Share of results of associates and joint ventures	–	–	–	298	(36)	(4)	–	258
Profit before income tax	<u>35,807</u>	<u>12,112</u>	<u>5,045</u>	<u>1,202</u>	<u>54</u>	<u>1,990</u>	<u>–</u>	<u>56,210</u>
Income tax expense								(12,858)
Profit for the period								<u>43,352</u>
Segment assets	3,382,948	982,284	3,700,128	30,766	34,923	131,669	(62,995)	8,199,723
Investment in associates and joint ventures	–	–	–	1,760	279	5,639	(39)	7,639
Total assets	<u>3,382,948</u>	<u>982,284</u>	<u>3,700,128</u>	<u>32,526</u>	<u>35,202</u>	<u>137,308</u>	<u>(63,034)</u>	<u>8,207,362</u>
Segment liabilities	<u>4,012,738</u>	<u>3,092,437</u>	<u>504,865</u>	<u>27,163</u>	<u>31,882</u>	<u>102,027</u>	<u>(62,834)</u>	<u>7,708,278</u>
Capital expenditure	<u>623</u>	<u>686</u>	<u>33</u>	<u>34</u>	<u>15</u>	<u>10,527</u>	<u>–</u>	<u>11,918</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

31 Segment information (continued)

As at 31 December 2008 and for the six month period ended 30 June 2008

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	70,609	48,643	47,609	1,177	552	294	(27,479)	141,405
Interest expense	(26,859)	(27,579)	(30,740)	(997)	–	(1,186)	27,479	(59,882)
Net interest income/ (expense)	43,750	21,064	16,869	180	552	(892)	–	81,523
Include: intersegment net interest income	541	24,726	(24,775)	(126)	14	(380)	–	–
Fee and commission income	12,791	6,411	3,985	1,090	1	158	(323)	24,113
Fee and commission expense	(488)	(606)	(150)	(274)	(383)	(112)	265	(1,748)
Net fee and commission income	12,303	5,805	3,835	816	(382)	46	(58)	22,365
Include: intersegment net fee and commission	43	7	3	–	(201)	205	(58)	(1)
Net trading gains/(losses)	423	304	4,271	(181)	(1,379)	37	–	3,475
Net gains on investment securities	–	–	579	–	48	108	–	735
Other operating income	81	3,017	5	148	4,883	3,350	(718)	10,766
Operating income	56,557	30,190	25,559	963	3,722	2,649	(776)	118,864
Operating expenses	(17,049)	(16,454)	(6,520)	(362)	(4,030)	(1,195)	735	(44,875)
Impairment losses on assets	(6,057)	(449)	(10,629)	–	(8)	(1)	–	(17,144)
Operating profit	33,451	13,287	8,410	601	(316)	1,453	(41)	56,845
Share of results of associates and joint ventures	–	–	–	262	11	329	(86)	516
Profit before income tax	33,451	13,287	8,410	863	(305)	1,782	(127)	57,361
Income tax expense								(12,716)
Profit for the period								44,645
Segment assets	2,513,321	880,058	3,482,759	79,910	34,286	119,660	(165,690)	6,944,304
Investment in associates and joint ventures	–	–	–	1,673	283	5,462	(42)	7,376
Total assets	2,513,321	880,058	3,482,759	81,583	34,569	125,122	(165,732)	6,951,680
Segment liabilities	3,044,833	2,756,285	641,670	77,190	31,380	70,024	(159,589)	6,461,793
Capital expenditure	595	656	31	44	20	5,978	–	7,324

II NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

32 Events after the financial reporting date

- (1) On 22 July 2009, BOC Hong Kong Group agreed with the Securities and Futures Commission, the Hong Kong Monetary Authority and thirteen other distributing banks to make an offer to eligible customers to repurchase their holdings in all outstanding Lehman Brothers Minibonds subscribed through BOC Hong Kong Group (the “Repurchase Scheme”). Details of the Repurchase Scheme, including the definition of eligible customers and outstanding Lehman Brothers Minibonds, have been set out in BOC Hong Kong (Holdings)’s announcement dated 22 July 2009 (the “Announcement”).

As set out in the Announcement, under the Repurchase Scheme, BOC Hong Kong Group has, without admission of liability, made an offer to repurchase at a price equivalent to 60% of the nominal value of the principal invested for eligible customers below the age of 65 as at 1 July 2009 or at 70% of the nominal value of the principal invested for eligible customers aged 65 or above as at 1 July 2009. If any recovery is made from the enforcement of the collateral held in respect of a series, the BOC Hong Kong Group will make further payments to eligible customers who have accepted the Repurchase Scheme. BOC Hong Kong Group will also make a voluntary offer to pay an ex gratia amount to customers who would have qualified as eligible customers but for their previous settlements with BOC Hong Kong Group, to bring them in line with the Repurchase Scheme offer. BOC Hong Kong Group will further make available an amount equivalent to the total commission income received as a Lehman Brothers Minibonds distributor of approximately HK\$160 million (RMB141 million) to the trustee of the Lehman Brothers Minibonds to fund the trustee’s expenses in realising the value of the underlying collateral in respect of the outstanding Lehman Brothers Minibonds. The aforesaid amount to the trustee is expected to be provided for in the second half of the year.

BOC Hong Kong Group estimates that, in addition to the amount that has been paid or committed to be paid in cases settled or to be settled through its complaints handling process, it will have to pay out a further sum of approximately HK\$3,108 million (RMB2,740 million) under the Repurchase Scheme and the voluntary offer to customers who have previously settled with BOC Hong Kong Group. BOC Hong Kong Group will need to make provisions in the second half of the year for the above Repurchase Scheme and voluntary offer in accordance with its accounting policies taking into account the estimated aggregate amount paid and payable of HK\$3,626 million (RMB3,196 million), the provision already made of HK\$867 million (RMB764 million) and the net amount which is recoverable from the Lehman Brothers Minibonds. At present, the net amount which is recoverable from the Lehman Brothers Minibonds is uncertain.

- (2) In July 2009, pursuant to the approvals from the China Banking Regulatory Commission and the People’s Bank of China, the Bank issued subordinated bonds in China’s interbank bond market in China, amounting to RMB40 billion.
- (3) On 20 July 2009, the Bank redeemed all of the first tranche of its subordinated bonds issued in 2004 at face value amounting to RMB14.07 billion.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT

1 Credit risk

1.1 Loans and advances

(1) Concentrations of risk for loans and advances to customers

The gross loans and advances of the Group are set out below:

(i) Analysis of loans and advances to customers by geographical sector

Group	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Chinese Mainland	3,680,303	85.32%	2,662,804	80.79%
Hong Kong, Macau	486,095	11.27%	466,893	14.16%
Other Overseas Operations	147,076	3.41%	166,449	5.05%
Gross loans and advances to customers	<u>4,313,474</u>	<u>100.00%</u>	<u>3,296,146</u>	<u>100.00%</u>

Chinese Mainland	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Northern China	662,844	18.01%	459,249	17.25%
Northeastern China	224,235	6.09%	165,279	6.21%
Eastern China	1,492,370	40.55%	1,088,512	40.88%
Central and Southern China	912,038	24.78%	669,521	25.14%
Western China	388,816	10.57%	280,243	10.52%
Gross loans and advances to customers	<u>3,680,303</u>	<u>100.00%</u>	<u>2,662,804</u>	<u>100.00%</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(1) Concentrations of risk for loans and advances to customers (continued)

(ii) Analysis of loans and advances to customers by customer type

Group	As at 30 June 2009	As at 31 December 2008
Chinese Mainland		
Corporate loans		
– Trade bills	566,327	275,110
– Other	2,324,411	1,733,461
Personal loans	<u>789,565</u>	<u>654,233</u>
Subtotal	<u>3,680,303</u>	<u>2,662,804</u>
Hong Kong, Macau		
Corporate loans		
– Trade bills	30,001	31,234
– Other	301,262	288,627
Personal loans	<u>154,832</u>	<u>147,032</u>
Subtotal	<u>486,095</u>	<u>466,893</u>
Other Overseas Operations		
Corporate loans		
– Trade bills	18,294	44,411
– Other	125,868	119,871
Personal loans	<u>2,914</u>	<u>2,167</u>
Subtotal	<u>147,076</u>	<u>166,449</u>
Gross loans and advances to customers	<u><u>4,313,474</u></u>	<u><u>3,296,146</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(1) Concentrations of risk for loans and advances to customers (continued)

(iii) Analysis of loans and advances to customers by industry

Group	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	993,186	23.03%	778,219	23.61%
Commerce and services	563,387	13.06%	410,830	12.46%
Transportation and logistics	426,822	9.89%	318,328	9.66%
Production and supply of				
electronic power, gas and water	354,832	8.23%	310,806	9.43%
Real estate	339,255	7.87%	271,484	8.24%
Water, environment and				
public utility management	206,611	4.79%	54,448	1.65%
Mining	134,657	3.12%	103,938	3.15%
Financial services	123,461	2.86%	74,321	2.25%
Public utilities	91,530	2.12%	68,589	2.08%
Construction	67,917	1.57%	51,606	1.57%
Other	64,505	1.50%	50,145	1.53%
Subtotal	3,366,163	78.04%	2,492,714	75.63%
Personal loans				
Mortgages	739,285	17.14%	635,000	19.26%
Credit cards	20,805	0.48%	16,495	0.50%
Other	187,221	4.34%	151,937	4.61%
Subtotal	947,311	21.96%	803,432	24.37%
Gross loans and advances to customers	4,313,474	100.00%	3,296,146	100.00%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(1) Concentrations of risk for loans and advances to customers (continued)

(iii) Analysis of loans and advances to customers by industry (continued)

Chinese Mainland	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	946,605	25.72%	706,734	26.54%
Commerce and services	466,064	12.67%	307,219	11.54%
Transportation and logistics	363,204	9.87%	264,005	9.91%
Production and supply of				
electronic power, gas and water	341,257	9.27%	297,173	11.16%
Real estate	217,695	5.92%	154,416	5.80%
Water, environment and				
public utility management	206,606	5.61%	54,448	2.04%
Mining	85,519	2.32%	55,251	2.07%
Financial services	108,213	2.94%	53,150	2.00%
Public utilities	87,520	2.38%	66,278	2.49%
Construction	58,012	1.58%	42,278	1.59%
Other	10,043	0.27%	7,619	0.29%
Subtotal	2,890,738	78.55%	2,008,571	75.43%
Personal loans				
Mortgages	608,356	16.53%	507,571	19.06%
Credit cards	14,952	0.40%	10,649	0.40%
Other	166,257	4.52%	136,013	5.11%
Subtotal	789,565	21.45%	654,233	24.57%
Gross loans and advances to customers	3,680,303	100.00%	2,662,804	100.00%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(1) Concentrations of risk for loans and advances to customers (continued)

(iv) Analysis of loans and advances to customers by collateral type

Group	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Unsecured loans	1,244,705	28.86%	970,737	29.45%
Guaranteed loans	784,742	18.19%	789,641	23.96%
Collateralised and other secured loans				
– mortgage loans	1,541,265	35.73%	1,117,159	33.89%
– pledged loans	742,762	17.22%	418,609	12.70%
Gross loans and advances to customers	<u>4,313,474</u>	<u>100.00%</u>	<u>3,296,146</u>	<u>100.00%</u>
Chinese Mainland	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total	Amount	% of total
Unsecured loans	997,437	27.10%	706,588	26.54%
Guaranteed loans	702,553	19.09%	710,702	26.69%
Collateralised and other secured loans				
– mortgage loans	1,330,299	36.15%	915,589	34.38%
– pledged loans	650,014	17.66%	329,925	12.39%
Gross loans and advances to customers	<u>3,680,303</u>	<u>100.00%</u>	<u>2,662,804</u>	<u>100.00%</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(2) Analysis of impaired loans and advances to customers

(i) Impaired loans by geographical area

Group	As at 30 June 2009			As at 31 December 2008		
	Impaired loans	% of total	Impaired loan ratio	Impaired loans	% of total	Impaired loan ratio
Chinese Mainland	76,336	96.53%	2.07%	87,352	96.12%	3.28%
Hong Kong and Macau	1,848	2.34%	0.38%	2,813	3.09%	0.60%
Other Overseas Operations	894	1.13%	0.61%	714	0.79%	0.43%
Total	<u>79,078</u>	<u>100.00%</u>	<u>1.83%</u>	<u>90,879</u>	<u>100.00%</u>	<u>2.76%</u>

Chinese Mainland	As at 30 June 2009			As at 31 December 2008		
	Impaired loans	% of total	Impaired loan ratio	Impaired loans	% of total	Impaired loan ratio
Northern China	19,438	25.46%	2.93%	19,395	22.20%	4.22%
Northeastern China	7,313	9.58%	3.26%	9,867	11.30%	5.97%
Eastern China	20,043	26.26%	1.34%	22,413	25.66%	2.06%
Central and Southern China	18,069	23.67%	1.98%	20,574	23.55%	3.07%
Western China	<u>11,473</u>	<u>15.03%</u>	<u>2.95%</u>	<u>15,103</u>	<u>17.29%</u>	<u>5.39%</u>
Total	<u>76,336</u>	<u>100.00%</u>	<u>2.07%</u>	<u>87,352</u>	<u>100.00%</u>	<u>3.28%</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(2) Analysis of impaired loans and advances to customers (continued)

(ii) Impaired loans by customer type

Group	As at 30 June 2009			As at 31 December 2008		
	Impaired loans	% of total	Impaired loan ratio	Impaired loans	% of total	Impaired loan ratio
Corporate loans and advances	68,736	86.92%	2.04%	80,300	88.36%	3.22%
Personal loans	10,342	13.08%	1.09%	10,579	11.64%	1.32%
Total	<u>79,078</u>	<u>100.00%</u>	<u>1.83%</u>	<u>90,879</u>	<u>100.00%</u>	<u>2.76%</u>
Chinese Mainland	As at 30 June 2009			As at 31 December 2008		
	Impaired loans	% of total	Impaired loan ratio	Impaired loans	% of total	Impaired loan ratio
Corporate loans and advances	66,121	86.62%	2.29%	76,906	88.04%	3.83%
Personal loans	10,215	13.38%	1.29%	10,446	11.96%	1.60%
Total	<u>76,336</u>	<u>100.00%</u>	<u>2.07%</u>	<u>87,352</u>	<u>100.00%</u>	<u>3.28%</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(2) Analysis of impaired loans and advances to customers (continued)

(iii) Impaired loans by geography and industry

	As at 30 June 2009			As at 31 December 2008		
	Impaired loans	% of total	Impaired loan ratio	Impaired loans	% of total	Impaired loan ratio
Chinese Mainland						
Corporate loans and advances						
Manufacturing	31,034	39.25%	3.28%	33,614	36.99%	4.76%
Commerce and services	14,651	18.53%	3.14%	17,443	19.19%	5.68%
Transportation and logistics	7,672	9.70%	2.11%	9,522	10.48%	3.61%
Production and supply of electronic power, gas and water	4,788	6.05%	1.40%	4,804	5.29%	1.62%
Real estate	4,121	5.21%	1.89%	5,870	6.46%	3.80%
Water, environment and public utility management	824	1.04%	0.40%	1,298	1.43%	2.38%
Mining	342	0.43%	0.40%	423	0.46%	0.77%
Financial services	3	0.00%	0.00%	66	0.07%	0.12%
Public utilities	1,671	2.11%	1.91%	2,152	2.37%	3.25%
Construction	519	0.66%	0.89%	1,026	1.13%	2.43%
Other	496	0.63%	4.94%	688	0.75%	9.03%
Subtotal	66,121	83.61%	2.29%	76,906	84.62%	3.83%
Personal loans						
Mortgage loans	5,039	6.37%	0.83%	5,031	5.54%	0.99%
Credit cards	636	0.81%	4.25%	445	0.49%	4.18%
Other	4,540	5.74%	2.73%	4,970	5.47%	3.65%
Subtotal	10,215	12.92%	1.29%	10,446	11.50%	1.60%
Total for Chinese Mainland	76,336	96.53%	2.07%	87,352	96.12%	3.28%
Overseas Operations	2,742	3.47%	0.43%	3,527	3.88%	0.56%
Total	79,078	100.00%	1.83%	90,879	100.00%	2.76%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(2) Analysis of impaired loans and advances to customers (continued)

(iv) Impaired loans and related allowance by geographical area

	As at 30 June 2009			As at 31 December 2008		
	Impairment allowance			Impairment allowance		
	Impaired loans	Individually assessed	Collectively assessed	Impaired loans	Individually assessed	Collectively assessed
Chinese Mainland	76,336	42,302	10,945	87,352	49,087	12,062
Hong Kong and Macau	1,848	1,169	57	2,813	1,637	53
Other Overseas Operations	894	346	55	714	422	41
Total	<u>79,078</u>	<u>43,817</u>	<u>11,057</u>	<u>90,879</u>	<u>51,146</u>	<u>12,156</u>

For description of allowances on identified impaired loans, refer to Note II.15.3(2).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(3) Loans and advances rescheduled

All rescheduled loans are determined to be impaired and, therefore, there are no past due or impaired rescheduled loans at 30 June 2009 that would otherwise be past due or impaired (As at 31 December 2008: nil).

Within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less are as follows:

Group	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total loans and advances to customers	Amount	% of total loans and advances to customers
Loans and advances to customers (overdue for 90 days or less)	<u>391</u>	<u>0.01%</u>	<u>151</u>	<u>0.00%</u>
Chinese Mainland				
	As at 30 June 2009		As at 31 December 2008	
	Amount	% of total loans and advances to customers	Amount	% of total loans and advances to customers
Loans and advances to customers (overdue for 90 days or less)	<u>358</u>	<u>0.01%</u>	<u>144</u>	<u>0.01%</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.1 Loans and advances (continued)

(4) Overdue loans and advances to customers

Analysis of overdue loans and advances by geographical area

	As at 30 June 2009	As at 31 December 2008
Chinese Mainland	86,003	90,471
Hong Kong and Macau	5,416	6,880
Other Overseas Operations	<u>246</u>	<u>579</u>
 Total	 91,665	 97,930
 Less: gross loans and advances to customers overdue for less than 3 months	 <u>(31,719)</u>	 <u>(38,717)</u>
 Gross loans and advances to customers overdue for more than 3 months	 <u><u>59,946</u></u>	 <u><u>59,213</u></u>
 Individually assessed impairment allowance – for loans and advances to customers overdue for more than 3 months	 <u><u>(31,909)</u></u>	 <u><u>(35,566)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.2 Debt securities

The table below represents an analysis of the carrying value of debt securities by credit rating and credit risk characteristic.

	As at 30 June 2009							
	AAA	AA	A	Lower than A	Unrated (1)			Total
					PRC government and government bodies	Other governments and government agencies	Other	
Investment debt securities								
US subprime mortgage related debt securities	2,502	2,628	786	7,270	–	58	–	13,244
US Alt-A mortgage-backed securities	1,068	312	413	4,577	–	–	–	6,370
US Non-Agency mortgage- backed securities	3,641	1,283	921	12,939	–	–	–	18,784
US Freddie Mac and Fannie Mae – issued debt securities	11,186	140	–	–	–	–	–	11,326
– mortgage-backed securities	439	–	–	–	–	17,720	–	18,159
Other debt securities	85,248	81,162	55,149	7,558	1,264,454	127,193	130,541	1,751,305
Subtotal	104,084	85,525	57,269	32,344	1,264,454	144,971	130,541	1,819,188
Financial assets at fair value through profit or loss								
US Freddie Mac and Fannie Mae – issued debt securities	232	–	–	–	–	–	–	232
Other debt securities	1,390	7,809	18,564	2,399	16,132	6,556	3,130	55,980
Subtotal	1,622	7,809	18,564	2,399	16,132	6,556	3,130	56,212
Total	105,706	93,334	75,833	34,743	1,280,586	151,527	133,671	1,875,400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.2 Debt securities (continued)

	As at 31 December 2008							
	AAA	AA	A	Lower than A	Unrated (1)			Total
					PRC government and government bodies	Other governments and government agencies	Other	
Investment debt securities								
US subprime mortgage related debt securities	6,874	4,670	1,880	4,209	–	69	–	17,702
US Alt-A mortgage-backed securities	3,714	728	764	2,639	–	–	–	7,845
US Non-Agency mortgage- backed securities	14,557	2,441	3,350	3,652	–	–	–	24,000
US Freddie Mac and Fannie Mae – issued debt securities	33,944	141	–	–	–	147	–	34,232
– mortgage-backed securities	529	–	–	–	–	24,831	–	25,360
Other debt securities	<u>95,357</u>	<u>100,090</u>	<u>47,287</u>	<u>5,503</u>	<u>981,670</u>	<u>119,372</u>	<u>90,799</u>	<u>1,440,078</u>
Subtotal	<u>154,975</u>	<u>108,070</u>	<u>53,281</u>	<u>16,003</u>	<u>981,670</u>	<u>144,419</u>	<u>90,799</u>	<u>1,549,217</u>
Financial assets at fair value through profit or loss								
US Freddie Mac and Fannie Mae – issued debt securities	251	–	–	–	–	–	–	251
Other debt securities	<u>2,931</u>	<u>16,824</u>	<u>18,570</u>	<u>2,391</u>	<u>22,721</u>	<u>15,418</u>	<u>3,272</u>	<u>82,127</u>
Subtotal	<u>3,182</u>	<u>16,824</u>	<u>18,570</u>	<u>2,391</u>	<u>22,721</u>	<u>15,418</u>	<u>3,272</u>	<u>82,378</u>
Total	<u>158,157</u>	<u>124,894</u>	<u>71,851</u>	<u>18,394</u>	<u>1,004,391</u>	<u>159,837</u>	<u>94,071</u>	<u>1,631,595</u>

- (1) The Group's unrated debt securities include those issued by PRC Government and PRC government bodies, such as the Ministry of Finance ("MOF"), PBOC, PRC policy banks and asset management companies invested by MOF directly and those issued by other country government bodies and agencies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.2 Debt securities (continued)

The Group's available for sale and held to maturity debt securities held are individually assessed for impairment. The Group's accumulated impairment allowance on available for sale and held to maturity debt securities held at 30 June 2009 amounted to RMB30,028 million and RMB4,045 million, respectively (31 December 2008: RMB28,288 million and RMB4,327 million). The carrying value of the available for sale and held to maturity debt securities considered impaired as at 30 June 2009 were RMB28,938 million and RMB6,468 million, respectively (31 December 2008: RMB32,720 million and RMB7,524 million).

1.3 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note II.19 (1).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

1 Credit risk (continued)

1.4 Derivatives

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions entered into by the Bank and its subsidiaries and are calculated with reference to the guidelines issued by the relevant regulators (for the Bank under guidelines issued by CBRC, and for overseas subsidiaries under guidelines of relevant regulators, as appropriate). Credit risk weighted amounts are dependent on, among other factors, the creditworthiness of the customer and the maturity characteristics of each type of contract.

The credit risk weighted amount of derivative financial instruments are as follow:

	As at 30 June 2009	As at 31 December 2008
Exchange rate contracts		
Currency forwards and swaps, and cross-currency interest rate swaps	8,535	11,245
Currency options	24	61
Interest rate contracts		
Interest rate swaps	4,903	8,447
Interest rate options	1	35
Interest rate futures	2	10
Equity derivatives	76	102
Precious metals and other commodity derivatives	342	665
Credit derivatives	35	44
	<u>13,918</u>	<u>20,609</u>

The credit risk weighted amounts stated above have not taken into account any effects of netting arrangements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market Risk

2.1 Market risk measurement techniques and limits

(1) Trading book

Group sets the market risk limits to manage trading book market risk. Value at Risk (VaR) is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. Total VaR is not the sum of individual VaR due to the impact of correlation amongst risk factors.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOC Hong Kong Limited (“BOCHK”) and BOC International Holdings Limited (“BOCI”). Consistent with 31 December 2008, the Bank and its major subsidiaries use a 99% level of confidence and a historical simulation model to calculate the VaR estimate. The holding period within the VaR calculations is one day.

The chart below shows the VaR of the trading book by types of risk:

Unit: USD million

	For the six month period ended 30 June					
	2009			2008		
	Average	High	Low	Average	High	Low
Bank trading VaR						
Interest rate risk	5.18	9.22	1.59	5.52	13.45	0.94
Foreign exchange risk (i)	0.81	5.27	0.20	0.79	2.53	0.13
Volatility risk	0.45	2.82	0.03	0.36	0.91	0.07
Total Bank trading VaR	5.28	9.51	1.68	5.87	14.10	1.13
BOCHK trading VaR						
Interest rate risk	0.43	0.69	0.28	0.27	0.48	0.13
Foreign exchange risk	1.61	2.04	1.18	0.59	0.94	0.36
Equity risk	0.04	0.32	0.01	0.08	0.36	0.02
Commodity risk	0.00	0.01	0.00	0.01	0.06	0.00
Total BOCHK trading VaR	1.59	2.11	1.16	0.66	1.00	0.38
BOCI trading VaR (ii)						
Equity derivatives unit	1.65	2.74	0.89	2.62	5.51	1.79
Fixed income unit	1.87	2.46	1.17	3.36	4.23	2.86

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009**

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market Risk (continued)

2.1 Market risk measurement techniques and limits (continued)

(1) Trading book (continued)

- (i) The Bank's VaR for the six month period ended 30 June 2009 and 30 June 2008 was calculated on head office and domestic branch foreign currency and RMB trading positions, excluding customer driven foreign currency transactions against RMB.
- (ii) BOCI monitors its trading VaR for equity derivatives unit and fixed income unit separately, which includes the interest rate risk, foreign exchange risk and equity risk.

The exposure of the Group to potential price movement in commodity financial instruments and the related potential impact on the Group's income statement are considered to be insignificant.

(2) Banking book

The banking book is exposed to interest rate risk arising from mismatches in maturities, repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group manages interest rate risk in the banking book primarily through interest rate repricing gap analysis. The interest rate gap analysis is set out in Note III 2.2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.2 GAP Analysis

The table below summarises the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 30 June 2009						
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	73,394	–	–	–	–	36,919	110,313
Balances with central banks	949,154	120,196	90,170	–	–	39,439	1,198,959
Placements with banks and other financial institutions	173,372	98,898	185,690	71	–	–	458,031
Government certificates of indebtedness for bank notes issued	–	–	–	–	–	34,398	34,398
Precious metals	–	–	–	–	–	50,482	50,482
Financial assets at fair value through profit or loss	7,294	9,076	8,971	17,676	14,501	3,491	61,009
Derivative financial assets	–	–	–	–	–	37,643	37,643
Loans and advances to customers, net	793,815	725,329	2,628,967	28,493	12,652	16,541	4,205,797
Investment securities							
– available for sale	83,946	131,043	159,723	353,612	112,004	10,583	850,911
– held to maturity	104,761	123,421	128,508	188,677	79,157	–	624,524
– loans and receivables	12,266	17,586	42,853	238,680	42,951	–	354,336
Investment in associates and joint ventures	–	–	–	–	–	7,639	7,639
Property and equipment	–	–	–	–	–	99,587	99,587
Investment property	–	–	–	–	–	10,219	10,219
Deferred income tax assets	–	–	–	–	–	23,627	23,627
Other assets	244	–	–	–	–	79,643	79,887
Total assets	2,198,246	1,225,549	3,244,882	827,209	261,265	450,211	8,207,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.2 GAP Analysis (continued)

	As at 30 June 2009						
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	Total
Liabilities							
Due to banks and other							
financial institutions	585,603	–	–	–	–	45,901	631,504
Due to central banks	61,048	219	10,768	–	–	453	72,488
Bank notes in circulation	–	–	–	–	–	34,512	34,512
Certificates of deposit and							
placements from banks and							
other financial institutions	168,563	51,179	85,034	1,223	–	479	306,478
Financial liabilities at fair value							
through profit or loss	21,724	13,862	3,115	–	1,731	3,555	43,987
Derivative financial liabilities	–	–	–	–	–	24,365	24,365
Due to customers	3,585,572	648,615	1,601,383	357,867	64	59,313	6,252,814
Bonds issued	14,122	10,756	27,930	2,847	9,000	–	64,655
Other borrowings	2,886	5,619	12,430	8,522	7,983	2,748	40,188
Current tax liabilities	–	–	–	–	–	22,671	22,671
Retirement benefit obligations	–	–	–	–	–	6,867	6,867
Deferred income tax liabilities	–	–	–	–	–	2,711	2,711
Other liabilities	8,050	–	–	–	–	196,988	205,038
Total liabilities	<u>4,447,568</u>	<u>730,250</u>	<u>1,740,660</u>	<u>370,459</u>	<u>18,778</u>	<u>400,563</u>	<u>7,708,278</u>
 Total interest repricing gap	 <u>(2,249,322)</u>	 <u>495,299</u>	 <u>1,504,222</u>	 <u>456,750</u>	 <u>242,487</u>	 <u>49,648</u>	 <u>499,084</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.2 GAP Analysis (continued)

	As at 31 December 2008						Total
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	
Assets							
Cash and due from banks and other							
financial institutions	36,567	–	–	–	–	35,966	72,533
Balances with central banks	1,046,056	40,160	80,171	–	–	41,226	1,207,613
Placements with banks and							
other financial institutions	242,970	162,620	82,499	376	–	–	488,465
Government certificates of indebtedness							
for bank notes issued	–	–	–	–	–	32,039	32,039
Precious metals	–	–	–	–	–	42,479	42,479
Financial assets at fair value through							
profit or loss	6,909	11,335	11,708	25,178	28,469	4,215	87,814
Derivative financial assets	–	–	–	–	–	76,124	76,124
Loans and advances to customers, net	843,445	507,398	1,789,527	24,172	10,421	14,689	3,189,652
Investment securities							
– available for sale	70,177	86,823	190,587	294,676	101,162	9,177	752,602
– held to maturity	65,617	45,578	88,635	127,289	38,719	–	365,838
– loans and receivables	11,194	33,302	95,153	257,705	42,600	–	439,954
Investment in associates and							
joint ventures	–	–	–	–	–	7,376	7,376
Property and equipment	–	–	–	–	–	92,236	92,236
Investment property	–	–	–	–	–	9,637	9,637
Deferred income tax assets	–	–	–	–	–	17,405	17,405
Other assets	231	–	–	–	–	69,682	69,913
Total assets	<u>2,323,166</u>	<u>887,216</u>	<u>2,338,280</u>	<u>729,396</u>	<u>221,371</u>	<u>452,251</u>	<u>6,951,680</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.2 GAP Analysis (continued)

	As at 31 December 2008						Total
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	
Liabilities							
Due to banks and other financial institutions	545,139	–	–	–	–	58,254	603,393
Due to central banks	17,336	3,555	34,634	–	–	71	55,596
Bank notes in circulation	–	–	–	–	–	32,064	32,064
Certificates of deposit and placements from banks and other financial institutions	81,429	48,978	64,950	1,776	–	3,221	200,354
Financial liabilities at fair value through profit or loss	33,087	21,342	9,785	11	289	3,035	67,549
Derivative financial liabilities	–	–	–	–	–	59,482	59,482
Due to customers	2,981,811	576,844	1,198,586	287,136	8,188	49,546	5,102,111
Bonds issued	405	9,130	28,142	18,565	9,151	–	65,393
Other borrowings	2,921	6,360	12,774	9,424	8,798	2,561	42,838
Current tax liabilities	–	–	–	–	–	24,827	24,827
Retirement benefit obligations	–	–	–	–	–	7,363	7,363
Deferred income tax liabilities	–	–	–	–	–	2,093	2,093
Other liabilities	–	–	–	–	–	198,730	198,730
Total liabilities	<u>3,662,128</u>	<u>666,209</u>	<u>1,348,871</u>	<u>316,912</u>	<u>26,426</u>	<u>441,247</u>	<u>6,461,793</u>
 Total interest repricing gap	 <u>(1,338,962)</u>	 <u>221,007</u>	 <u>989,409</u>	 <u>412,484</u>	 <u>194,945</u>	 <u>11,004</u>	 <u>489,887</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.3 Foreign currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 June 2009 and 31 December 2008. The Group exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currency. Derivative financial instruments are included in net off-balance sheet position using notional amounts.

	As at 30 June 2009							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other								
financial institutions	84,157	11,787	4,846	5,071	1,782	526	2,144	110,313
Balances with central banks	1,091,739	85,895	1,905	9,637	3,475	–	6,308	1,198,959
Placements with banks and other financial								
institutions	187,166	102,236	55,748	61,365	171	20,798	30,547	458,031
Government certificates of indebtedness for								
bank notes issued	–	–	32,236	–	–	–	2,162	34,398
Precious metals	–	–	1,775	–	–	–	48,707	50,482
Financial assets at fair value through								
profit or loss	18,201	19,187	21,010	543	–	–	2,068	61,009
Derivative financial assets	10,809	10,038	14,070	571	329	657	1,169	37,643
Loans and advances to customers, net	3,155,863	557,015	385,460	47,207	25,026	7,646	27,580	4,205,797
Investment securities								
– available for sale	554,050	155,989	37,704	35,445	41,324	1,586	24,813	850,911
– held to maturity	472,390	94,022	34,685	10,886	4,515	332	7,694	624,524
– loans and receivables	313,242	6,226	13,418	5,104	–	–	16,346	354,336
Investment in associates and joint ventures	2,581	1,044	3,990	–	–	–	24	7,639
Property and equipment	52,458	32,525	11,655	189	1,137	386	1,237	99,587
Investment property	1,314	–	7,672	–	–	–	1,233	10,219
Deferred income tax assets	23,067	305	199	–	–	36	20	23,627
Other assets	45,969	11,783	17,465	1,783	416	683	1,788	79,887
Total assets	6,013,006	1,088,052	643,838	177,801	78,175	32,650	173,840	8,207,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.3 Foreign currency risk (continued)

	As at 30 June 2009							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	415,044	138,802	7,864	12,121	9,414	632	47,627	631,504
Due to central banks	–	66,041	5,991	–	–	–	456	72,488
Bank notes in circulation	–	–	32,236	–	–	–	2,276	34,512
Certificates of deposit and placements from banks and other financial institutions	186,359	107,939	1,578	7,002	1,497	766	1,337	306,478
Financial liabilities at fair value through profit or loss	15,832	10,568	11,536	1,778	38	280	3,955	43,987
Derivative financial liabilities	1,066	11,018	10,590	814	33	474	370	24,365
Due to customers	5,016,873	436,441	560,710	72,147	17,704	29,063	119,876	6,252,814
Bonds issued	64,384	219	52	–	–	–	–	64,655
Other borrowings	–	26,388	–	9,569	2,546	201	1,484	40,188
Current tax liabilities	20,165	227	1,550	157	–	114	458	22,671
Retirement benefit obligations	6,867	–	–	–	–	–	–	6,867
Deferred income tax liabilities	297	638	1,756	–	–	–	20	2,711
Other liabilities	118,766	31,638	47,946	2,253	700	1,206	2,529	205,038
Total liabilities	5,845,653	829,919	681,809	105,841	31,932	32,736	180,388	7,708,278
Net on-balance sheet position	167,353	258,133	(37,971)	71,960	46,243	(86)	(6,548)	499,084
Net off-balance sheet position	230,565	(210,446)	85,533	(63,224)	(44,368)	600	16,408	15,068
Credit commitments	1,478,358	525,126	162,905	79,430	12,514	6,375	20,294	2,285,002

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.3 Foreign currency risk (continued)

	As at 31 December 2008							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	29,289	31,159	4,454	2,999	2,056	409	2,167	72,533
Balances with central banks	904,590	221,930	14,254	59,001	3,839	–	3,999	1,207,613
Placements with banks and other financial institutions	157,849	193,622	62,686	30,885	946	15,501	26,976	488,465
Government certificates of indebtedness for								
bank notes issued	–	–	30,161	–	–	–	1,878	32,039
Precious metals	–	–	1,188	–	–	–	41,291	42,479
Financial assets at fair value through profit or loss	25,413	26,238	32,576	722	–	–	2,865	87,814
Derivative financial assets	38,290	19,066	16,471	889	97	423	888	76,124
Loans and advances to customers, net	2,264,695	461,158	354,765	50,330	28,898	4,963	24,843	3,189,652
Investment securities								
– available for sale	404,853	206,380	40,468	40,297	42,125	1,580	16,899	752,602
– held to maturity	210,457	95,214	36,680	11,398	1,604	680	9,805	365,838
– loans and receivables	390,202	25,548	7,970	1,061	–	97	15,076	439,954
Investment in associates and joint ventures	2,485	951	3,915	–	–	–	25	7,376
Property and equipment	53,050	23,808	12,389	186	1,213	345	1,245	92,236
Investment property	1,263	–	7,135	–	–	–	1,239	9,637
Deferred income tax assets	16,815	232	232	–	–	59	67	17,405
Other assets	36,156	15,805	12,670	2,360	519	572	1,831	69,913
Total assets	4,535,407	1,321,111	638,014	200,128	81,297	24,629	151,094	6,951,680

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

2 Market risk (continued)

2.3 Foreign currency risk (continued)

	As at 31 December 2008							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Liabilities								
Due to banks and other financial institutions	241,243	296,521	8,054	5,948	7,568	796	43,263	603,393
Due to central banks	–	50,243	5,321	–	–	–	32	55,596
Bank notes in circulation	–	–	30,161	–	–	–	1,903	32,064
Certificates of deposit and placements from banks and other financial institutions	97,440	87,630	1,336	10,086	2,404	249	1,209	200,354
Financial liabilities at fair value through profit or loss	24,226	14,933	20,468	3,555	–	266	4,101	67,549
Derivative financial liabilities	1,362	39,165	17,181	1,056	34	233	451	59,482
Due to customers	3,960,531	409,106	517,786	66,464	16,570	24,058	107,596	5,102,111
Bonds issued	64,324	281	745	–	–	–	43	65,393
Other borrowings	–	27,651	–	10,362	3,020	185	1,620	42,838
Current tax liabilities	23,257	295	622	142	23	49	439	24,827
Retirement benefit obligations	7,363	–	–	–	–	–	–	7,363
Deferred income tax liabilities	240	620	1,186	–	13	–	34	2,093
Other liabilities	110,744	37,480	37,335	2,440	7,908	913	1,910	198,730
Total liabilities	4,530,730	963,925	640,195	100,053	37,540	26,749	162,601	6,461,793
Net on-balance sheet position	4,677	357,186	(2,181)	100,075	43,757	(2,120)	(11,507)	489,887
Net off-balance sheet position	422,058	(336,970)	69,435	(93,283)	(40,870)	2,992	14,830	38,192
Credit commitments	796,585	535,680	178,771	71,184	13,215	3,380	15,248	1,614,063

2.4 Price risk

The Group is exposed to equity risk on its available for sale listed equity securities. As at 30 June 2009, a 5 per cent variance in listed equity prices from the 30 June 2009 price would impact the fair value of available for sale listed equity positions by RMB195 million (31 December 2008: RMB153 million). For those available for sale equities considered impaired, the impact would be taken to the income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

3 Liquidity risk

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at financial reporting date to the contractual maturity date.

	As at 30 June 2009							
	Overdue	On demand	Less than 1 month	Between 1-3 months	Between 3-12 months	Between 1-5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	-	110,313	-	-	-	-	-	110,313
Balances with central banks	-	155,898	832,375	120,245	90,441	-	-	1,198,959
Placements with banks and other financial institutions	-	-	173,014	99,014	185,932	71	-	458,031
Government certificates of indebtedness for								
bank notes issued	-	34,398	-	-	-	-	-	34,398
Precious metals	-	50,482	-	-	-	-	-	50,482
Financial assets at fair value through profit or loss	-	1,362	5,866	7,405	8,948	18,783	18,645	61,009
Derivative financial assets	-	9,762	4,285	11,724	4,086	4,300	3,486	37,643
Loans and advances to customers, net	22,376	39,669	200,398	400,217	1,158,244	1,206,856	1,178,037	4,205,797
Investment securities								
- available for sale	55	-	41,630	98,051	141,131	415,884	154,160	850,911
- held to maturity	-	-	82,374	89,654	113,771	241,669	97,056	624,524
- loans and receivables	-	-	12,266	17,586	36,708	238,680	49,096	354,336
Investment in associates and joint ventures	-	-	-	-	-	1,415	6,224	7,639
Property and equipment	-	-	-	-	-	-	99,587	99,587
Investment property	-	-	-	-	-	-	10,219	10,219
Deferred income tax assets	-	-	-	-	39	23,588	-	23,627
Other assets	166	8,861	19,356	11,506	14,673	13,087	12,238	79,887
Total assets	22,597	410,745	1,371,564	855,402	1,753,973	2,164,333	1,628,748	8,207,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

3 Liquidity risk (continued)

	As at 30 June 2009							Total
	Overdue	On demand	Less than 1 month	Between 1-3 months	Between 3-12 months	Between 1-5 years	Over 5 years	
Liabilities								
Due to banks and other financial institutions	-	631,504	-	-	-	-	-	631,504
Due to central banks	-	52,051	9,450	219	10,768	-	-	72,488
Bank notes in circulation	-	34,512	-	-	-	-	-	34,512
Certificates of deposit and placements from banks and other financial institutions	-	85	164,539	52,011	88,635	1,208	-	306,478
Financial liabilities at fair value through profit or loss	-	-	22,139	13,163	5,302	1,612	1,771	43,987
Derivative financial liabilities	-	6,038	3,108	1,410	3,263	5,824	4,722	24,365
Due to customers	-	2,830,745	743,205	672,783	1,643,916	361,510	655	6,252,814
Bonds issued	-	1	51	1,756	-	2,847	60,000	64,655
Other borrowings	-	-	608	394	3,682	16,284	19,220	40,188
Current tax liabilities	-	-	22	-	22,649	-	-	22,671
Retirement benefit obligations	-	-	76	154	692	2,841	3,104	6,867
Deferred income tax liabilities	-	-	-	-	-	2,711	-	2,711
Other liabilities	-	62,411	54,441	8,958	44,485	27,008	7,735	205,038
Total liabilities	-	3,617,347	997,639	750,848	1,823,392	421,845	97,207	7,708,278
Net Liquidity Gap	22,597	(3,206,602)	373,925	104,554	(69,419)	1,742,488	1,531,541	499,084

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

3 Liquidity risk (continued)

	As at 31 December 2008							Total
	Overdue	On demand	Less than 1 month	Between 1-3 months	Between 3-12 months	Between 1-5 years	Over 5 years	
Assets								
Cash and due from banks and other financial institutions	-	72,533	-	-	-	-	-	72,533
Balances with central banks	-	248,372	838,910	40,160	80,171	-	-	1,207,613
Placements with banks and other financial institutions	-	-	242,707	162,714	82,642	402	-	488,465
Government certificates of indebtedness for								
bank notes issued	-	32,039	-	-	-	-	-	32,039
Precious metals	-	42,479	-	-	-	-	-	42,479
Financial assets at fair value through profit or loss	4	1,921	6,090	9,113	11,977	26,879	31,830	87,814
Derivative financial assets	-	27,151	2,305	14,247	20,789	5,972	5,660	76,124
Loans and advances to customers, net	26,037	24,912	161,036	297,196	885,270	926,058	869,143	3,189,652
Investment securities								
- available for sale	-	-	24,025	57,731	169,976	351,167	149,703	752,602
- held to maturity	-	-	41,059	12,749	64,304	184,694	63,032	365,838
- loans and receivables	-	-	11,195	33,302	88,708	258,004	48,745	439,954
Investment in associates and joint ventures	-	-	-	-	-	1,330	6,046	7,376
Property and equipment	-	-	-	-	-	-	92,236	92,236
Investment property	-	-	-	-	-	-	9,637	9,637
Deferred income tax assets	-	-	-	-	28	17,377	-	17,405
Other assets	235	8,228	15,634	16,193	15,602	4,700	9,321	69,913
Total assets	26,276	457,635	1,342,961	643,405	1,419,467	1,776,583	1,285,353	6,951,680

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

3 Liquidity risk (continued)

	As at 31 December 2008							Total
	Overdue	On demand	Less than 1 month	Between 1-3 months	Between 3-12 months	Between 1-5 years	Over 5 years	
Liabilities								
Due to banks and other financial institutions	-	603,393	-	-	-	-	-	603,393
Due to central banks	-	13,550	3,858	3,555	34,633	-	-	55,596
Bank notes in circulation	-	32,064	-	-	-	-	-	32,064
Certificates of deposit and placements from banks and other financial institutions	-	180	83,930	48,597	65,871	1,776	-	200,354
Financial liabilities at fair value through profit or loss	-	-	33,020	15,335	16,675	1,789	730	67,549
Derivative financial liabilities	-	22,207	3,627	12,904	4,169	8,055	8,320	59,482
Due to customers	-	2,302,936	691,168	589,914	1,219,512	290,326	8,255	5,102,111
Bonds issued	-	-	405	130	2,071	2,635	60,152	65,393
Other borrowings	-	-	583	908	4,216	17,243	19,888	42,838
Current tax liabilities	-	-	50	-	24,777	-	-	24,827
Retirement benefit obligations	-	-	77	155	697	2,932	3,502	7,363
Deferred income tax liabilities	-	-	-	-	-	2,093	-	2,093
Other liabilities	-	77,884	25,380	17,860	42,712	24,227	10,667	198,730
Total liabilities	-	3,052,214	842,098	689,358	1,415,333	351,076	111,714	6,461,793
Net Liquidity Gap	26,276	(2,594,579)	500,863	(45,953)	4,134	1,425,507	1,173,639	489,887

4 Capital management

The tables below summaries the capital adequacy ratios and the composition of regulatory capital of the Group as at 30 June 2009 and 31 December 2008. The Group complied with the relevant externally imposed capital requirements.

	As at 30 June 2009	As at 31 December 2008
Capital adequacy ratio	11.53%	13.43%
Core capital adequacy ratio	9.43%	10.81%

The capital adequacy ratios above are calculated in accordance with the rules and regulations promulgated by the CBRC, and the generally accepted accounting principles of the PRC ("CAS").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amount in millions of Renminbi, unless otherwise stated)

III FINANCIAL RISK MANAGEMENT (continued)

4 Capital management (continued)

	As at 30 June 2009	As at 31 December 2008
Components of capital base		
Core capital:		
Share capital	253,831	253,822
Reserves (1)	208,406	164,529
Minority interest	<u>28,287</u>	<u>25,629</u>
Total core capital	<u>490,524</u>	<u>443,980</u>
Supplementary capital:		
Collective impairment allowances	52,803	43,192
Long-term subordinated bonds issued	60,000	60,000
Other (1)	<u>11,738</u>	<u>14,203</u>
Gross value of supplementary capital	<u>124,541</u>	<u>117,395</u>
Total capital base before deductions	615,065	561,375
Deductions:		
Goodwill	(1,878)	(1,877)
Investments in entities engaged in banking and financial activities which are not consolidated	(7,091)	(5,677)
Investment properties	(10,219)	(9,637)
Investments in commercial corporations	(11,074)	(11,391)
Other deductible item	<u>(11,534)</u>	<u>—</u>
Total capital base after deductions	<u><u>573,269</u></u>	<u><u>532,793</u></u>
Core capital base after deductions (2)	<u><u>468,687</u></u>	<u><u>428,751</u></u>
Risk-weighted assets and market risk capital adjustment	<u><u>4,971,226</u></u>	<u><u>3,966,943</u></u>

(1) Pursuant to regulations released by CBRC in November 2007, all net unrealised fair value gains after tax consideration are removed from the core capital calculation. The fair value gains on trading activities recognised in profit and loss are included in the supplementary capital. Only a certain percentage of fair value gain recognised in equity can be included in the supplementary capital.

(2) Pursuant to the relevant regulations, 100% of goodwill and 50% of other deductions were applied in deriving the core capital base.

Unaudited Supplementary Financial Information

(Amount in millions of Renminbi, unless otherwise stated)

According to Hong Kong Listing Rule and disclosure regulations of banking industry, the Group discloses the following supplementary financial information:

1 Liquidity ratios

	As at 30 June 2009	As at 31 December 2008
RMB current assets to RMB current liabilities	<u>51.52%</u>	<u>48.77%</u>
Foreign currency current assets to foreign currency current liabilities	<u>68.44%</u>	<u>76.61%</u>

Liquidity ratio is calculated in accordance with the relevant provisions of PBOC and CBRC. Financial data as at 30 June 2009 and 31 December 2008 are based on Chinese Accounting Standards.

(Amount in millions of Renminbi, unless otherwise stated)

2 Currency concentrations

The following information is computed in accordance with the provisions of CBRC.

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 30 June 2009				
Spot assets	783,494	39,866	311,258	1,134,618
Spot liabilities	(533,534)	(159,494)	(217,604)	(910,632)
Forward purchases	596,522	251,945	211,379	1,059,846
Forward sales	(806,821)	(166,537)	(301,999)	(1,275,357)
Net options position*	<u>61</u>	<u>125</u>	<u>(194)</u>	<u>(8)</u>
Net long/(short) position	<u>39,722</u>	<u>(34,095)</u>	<u>2,840</u>	<u>8,467</u>
Net structural position	<u>2,893</u>	<u>92,076</u>	<u>14,864</u>	<u>109,833</u>
As at 31 December 2008				
Spot assets	895,019	28,639	319,212	1,242,870
Spot liabilities	(532,785)	(115,475)	(207,967)	(856,227)
Forward purchases	551,648	197,710	381,516	1,130,874
Forward sales	(888,579)	(128,232)	(497,926)	(1,514,737)
Net options position*	<u>107</u>	<u>(43)</u>	<u>(65)</u>	<u>(1)</u>
Net long/(short) position	<u>25,410</u>	<u>(17,401)</u>	<u>(5,230)</u>	<u>2,779</u>
Net structural position	<u>(5,579)</u>	<u>89,192</u>	<u>14,319</u>	<u>97,932</u>

* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

(Amount in millions of Renminbi, unless otherwise stated)

3 Cross-border claims

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

Cross-border claims include balances with central banks, placements with banks and other financial institutions, government certificates of indebtedness for bank notes issued, financial assets at fair value through profit or loss, loans and advances to customers and investment securities.

Cross-border claims have been disclosed by country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is 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.

	Banks and other financial institutions	Public sector entities	Other	Total
As at 30 June 2009				
Asia Pacific excluding Chinese Mainland				
Hong Kong	79,024	24,041	408,645	511,710
Other Asia Pacific locations	96,638	59,065	82,075	237,778
Subtotal	175,662	83,106	490,720	749,488
North and South America	57,853	53,873	199,065	310,791
Europe	223,934	5,604	47,859	277,397
Middle East and Africa	2,525	–	9,343	11,868
Total	<u>459,974</u>	<u>142,583</u>	<u>746,987</u>	<u>1,349,544</u>

	Banks and other financial institutions	Public sector entities	Other	Total
As at 31 December 2008				
Asia Pacific excluding Chinese Mainland				
Hong Kong	93,220	45,016	382,430	520,666
Other Asia Pacific locations	106,419	39,581	94,713	240,713
Subtotal	199,639	84,597	477,143	761,379
North and South America	72,928	104,201	342,597	519,726
Europe	278,810	3,456	102,923	385,189
Middle East and Africa	3,337	–	6,652	9,989
Total	<u>554,714</u>	<u>192,254</u>	<u>929,315</u>	<u>1,676,283</u>

(Amount in millions of Renminbi, unless otherwise stated)

4 Overdue assets

For the purposes of the table below, loans and advances to customers and placements with banks and other financial institutions are considered overdue if either principal or interest payment is overdue.

(1) Gross amount of overdue loans and advances to customers

	As at 30 June 2009	As at 31 December 2008
Gross loans and advances to customers overdue for		
less than 3 months	31,719	38,717
3 to 6 months	6,531	6,400
6 to 12 months	11,781	6,393
more than 12 months	<u>41,634</u>	<u>46,420</u>
Total	<u><u>91,665</u></u>	<u><u>97,930</u></u>
Percentage		
less than 3 months	0.74%	1.18%
3 to 6 months	0.15%	0.19%
6 to 12 months	0.27%	0.19%
more than 12 months	<u>0.97%</u>	<u>1.41%</u>
Total	<u><u>2.13%</u></u>	<u><u>2.97%</u></u>

(2) Gross amount of overdue placements with banks and other financial institutions

The gross amount of overdue placements with banks and other financial institutions as at 30 June 2009 and 31 December 2008 is not considered material.

5 Subsidiaries

There have been no significant acquisitions or disposals of subsidiaries during the six month period ended 30 June 2009. Please refer to 2008 annual report for the related information for the year ended 31 December 2008.

Supplementary Information – Reconciliation of Differences between CAS and IFRS Financial Information

(Amount in millions of Renminbi, unless otherwise stated)

	<u>Equity</u>		<u>Net profit attributable to equity holders of the Bank</u>	
	<u>As at 30 June 2009</u>	<u>As at 31 December 2008</u>	<u>For the six month period ended 30 June</u>	
			<u>2009</u>	<u>2008</u>
CAS figures	<u>502,981</u>	<u>493,901</u>	<u>41,005</u>	<u>42,037</u>
Adjustments for accounting standard differences:				
– Reversal of asset revaluation surplus and corresponding depreciation/ amortisation and others (1)	<u>(5,196)</u>	<u>(5,352)</u>	<u>157</u>	<u>192</u>
– Deferred tax impact (2)	<u>1,299</u>	<u>1,338</u>	<u>(39)</u>	<u>(48)</u>
Subtotal	<u>(3,897)</u>	<u>(4,014)</u>	<u>118</u>	<u>144</u>
IFRS figures	<u><u>499,084</u></u>	<u><u>489,887</u></u>	<u><u>41,123</u></u>	<u><u>42,181</u></u>

- (1) Reversal of revaluation surplus and corresponding depreciation/amortisation

Under CAS, the Group recorded an asset revaluation adjustment of RMB10,432 million in Capital Reserve as of 31 December 2003, related principally to land use right, in connection with the Joint Stock Reform Plan. The revalued land use right will be amortised over their remaining useful lives. Under IFRS, the relevant asset revaluation surplus and corresponding depreciation/amortisation recognised under CAS should be reversed.

- (2) Deferred tax impact

As described above in Note 1, there are differences between the carrying value of relevant assets under CAS and under IFRS. Under IFRS, the tax base of relevant assets is the revalued amount, which resulted in the recognition of deferred tax assets accordingly.

Definitions

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

Our Bank/the Bank/the Group/we/us	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	the performing Articles of Association of the Bank
BOC Aviation	BOC Aviation Private Limited (formerly known as Singapore Aircraft Leasing Enterprise Pte. Ltd.)
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCG Life	BOC Group Life Assurance Company Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (BVI)	BOC Hong Kong (BVI) Limited
BOCHK (Group)	BOC Hong Kong (Group) Limited
BOC Hong Kong Group	BOCHK (Holdings) and its immediate holding companies, BOCHK (Group) and BOCHK (BVI)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong and the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI Group	BOC International Holdings Limited and its subsidiaries and associated companies
BOCIM	Bank of China Investment Management Co., Ltd.
CBRC	China Banking Regulatory Commission

Central and Southern China	the area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
CIC	China Investment Corporation
CSRC	China Securities Regulatory Commission
Eastern China	the area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi and Shandong
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
MOF	Ministry of Finance, PRC
Northeastern China	the area including, for the purpose of this report, the branches of Heilongjiang, Jilin and Liaoning
Northern China	the area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	People's Bank of China, PRC
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance of the laws of HKSAR
SHIBOR	Shanghai Inter-Bank Offered Rate
Western China	the area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Notes to the Financial Highlights:

1. Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on investment securities + other operating income
2. Return on average total assets = profit for the period ÷ average total assets. Average total assets = (total assets at the beginning of reporting period + total assets at the end of reporting period) ÷ 2, annualised.
3. Return on average equity = profit attributable to equity holders of the Bank ÷ average owner's equity. Average owner's equity = (owner's equity, excluding minority interest, at the beginning of reporting period + owner's equity, excluding minority interest, at the end of reporting period) ÷ 2, annualised.
4. Net interest spread = average yield of interest-earning assets – average cost of interest-bearing liabilities. Average yield of interest-earning assets = interest income ÷ average balance of interest-earning assets, annualised. Average cost of interest-bearing liabilities = interest expense ÷ average balance of interest-bearing liabilities, annualised. Average balances are average daily balances derived from the Bank's management accounts (unreviewed).
5. Net interest margin = net interest income ÷ average balance of interest-earning assets, annualised. Average balance is average daily balance derived from the Bank's management accounts (unreviewed).
6. Non-interest income to operating income = non-interest income ÷ operating income
7. Cost to income ratio = (operating expenses -business and other taxes) ÷ operating income
8. Cost to income ratio (calculated under domestic regulations) is calculated according to the *Guidelines on the Corporate Governance and Supervision of State-owned Commercial Banks* (Y.J.F 【2006】 No.22).
9. Credit cost = impairment losses on loans ÷ average balance of loans. Average balance of loans = (balance of loans at the beginning of reporting period + balance of loans at the end of reporting period) ÷ 2, annualised.
10. Investment securities include securities available for sale, securities held to maturity, securities classified as loans and receivables and financial assets at fair value through profit or loss.
11. Loan to deposit ratio = balance of loans at the end of reporting period ÷ balance of due to customers at the end of reporting period
12. Net assets per share = capital and reserves attributable to equity holders of the Bank at the end of reporting period ÷ number of ordinary shares in issue at the end of reporting period
13. Identified impaired loans to gross loans = identified impaired loans at the end of reporting period ÷ gross loans at the end of reporting period
14. Allowance for loan impairment losses to identified impaired loans = allowance for loan impairment losses at the end of reporting period ÷ identified impaired loans at the end of reporting period
15. Non-performing loans to gross loans = non-performing loans at the end of reporting period ÷ gross loans at the end of reporting period, and is calculated according to the *Guidelines on the Corporate Governance and Supervision of State-owned Commercial Banks* (Y.J.F 【2006】 No.22).
16. Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at the end of reporting period ÷ non-performing loans at the end of reporting period, and is calculated according to the *Guidelines on the Corporate Governance and Supervision of State-owned Commercial Banks* (Y.J.F 【2006】 No.22).

By Order of the Board
YEUNG Cheung Ying
Company Secretary

Beijing, China, 27 August 2009

As at the date of this announcement, the directors of the Bank are: XIAO Gang, LI Lihui, LI Zaohang, ZHOU Zaiqun, ZHANG Jinghua, HONG Zhihua*, HUANG Haibo*, CAI Haoyi*, WANG Gang*, LIN Yongze*, SEAH Lim Huat Peter*, Anthony Francis NEOH#, Alberto TOGNI#, HUANG Shizhong# and HUANG Danhan#.*

* *Non-executive directors*

Independent non-executive directors