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中 信 銀 行 股 份 有 限 公 司
China CITIC Bank Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 998)

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The Board of Directors of China CITIC Bank Corporation Limited (the "Bank") is pleased to announce the unaudited consolidated results (the "Interim Results") of the Bank and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010 (the "Reporting Period"), which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and in compliance with International Accounting Standards (the "IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The Interim Results have been reviewed by the Audit and Related Party Transactions Control Committee of the Bank's Board of Directors.

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

I. FINANCIAL HIGHLIGHTS

Operating Performance

Unit: RMB million

Item	January to June 2010	January to June 2009		Increase (%)
		After adjustment	Before adjustment	
Profit before taxation	14,281	9,860	9,363	44.84
Net profit attributable to the Bank's shareholders	10,685	7,351	7,052	45.35
Net operating cash flow	11,529	(110,045)	(101,835)	—
Basic earnings per share (RMB)	0.27	0.19	0.18	45.35
Diluted earnings per share (RMB)	0.27	0.19	0.18	45.35
Net operating cash flow per share (RMB)	0.30	(2.82)	(2.61)	—

Profitability Indicators

Item	January to June 2010	January to June 2009		Increase/ (Decrease)
		After adjustment	Before adjustment	
Return on average assets (<i>ROAA</i>)	1.17%	1.06%	1.09%	0.11
Return on average equity (<i>ROAE</i>)	20.09%	12.90%	14.46%	7.19
Cost-to-income ratio	30.46%	31.81%	30.77%	(1.35)
Credit cost	0.29%	0.31%	0.29%	(0.02)
Net interest spread	2.51%	2.22%	2.32%	0.29
Net interest margin	2.60%	2.38%	2.47%	0.22

Scale Indicators

Unit: RMB million

Item	30 June 2010	31 December 2009		Increase (%)
		After adjustment	Before adjustment	
Total assets	1,940,168	1,775,031	1,776,276	9.30
Total loans and advances to customers	1,192,838	1,065,649	1,065,649	11.94
Total liabilities	1,825,946	1,668,023	1,668,023	9.47
Total deposits from customers	1,629,302	1,341,927	1,341,927	21.42
Total equity attributable to the Bank's shareholders	109,951	102,798	104,043	6.96
Net asset value per share attributable to the Bank's shareholders (RMB)	2.82	2.63	2.67	6.96

Asset Quality Indicators

Item	30 June 2010	31 December 2009		Increase/ (Decrease)
		After adjustment	Before adjustment	
NPL ratio	0.81%	0.95%	0.95%	(0.14)
Provision coverage ratio	169.92%	149.36%	149.36%	20.56
Allowance for impairment of loans to total loans ratio	1.38%	1.42%	1.42%	(0.04)

Capital Adequacy Indicators

Item	30 June 2010	31 December 2009		Increase/ (Decrease)
		After adjustment	Before adjustment	
Capital adequacy ratio	10.95%	10.72%	10.14%	0.23
Core capital adequacy ratio	8.26%	9.17%	9.17%	(0.91)
Total equity to total assets ratio	5.89%	6.03%	6.09%	(0.14)

Notes: (1) On 23 October 2009, the Group acquired 70.32% stake in CIFH. Therefore, the accounting figures and financial indicators involved in operating results and profitability for January to June in 2009 have been restated.

(2) In accordance with the opinion regarding the permission of using the valuations of the special events occurred over the period covered by the first IFRS report as the deemed cost, which is included in the “Improvement to International Financial Reporting Standards” promulgated by the International Accounting Standards Board (IASB) in May 2010, the Group decided to use the valuation of the CITIC Bank for its reorganization in 2005 as the initial cost, and selected to change the measurement of properties and buildings to cost mode. Accordingly, the relevant accounting figures and financial indicators for the comparative periods as of the end of 2009 and January to June in 2009 have been adjusted retrospectively.

(3) On 23 October 2009, the Bank completed the acquisition of CIFH and began to be subject to the consolidation supervision of the CBRC since 2010. Figures for the end of 2009 have been restated and figures for 2008 were the Bank’s figures.

II. REPORT OF THE BOARD OF DIRECTORS

(I) Economic, Financial and Supervisory Environment

In the first half of 2010, driven by such positive factors as rapid recovery of industrial production and trade and rising market confidence, the global economy has experienced a sustained recovery. The developed economies such as U.S., Europe and Japan began to restore growth and the economy of new emerging economies and developing countries robustly rebounded. The aggravation of Europe debt crisis, however, has agitated the international financial market again and the major global stock indices and currencies have greatly fluctuated. At present, there is the risk of further spread of the debt crisis and the overlapped effects of high unemployment rate in developed countries, rise of trade protectionism, and possible withdrawal of economic stimulus policies. The uncertainty therefore in the global economic recovery augments significantly.

In the first half of 2010, under the effects of a series of scientific, effective and forceful policies and measures adopted by the Chinese government against the international financial crisis, China’s economy by and large maintained a favorable development trend of high growth, high employment, and low inflation rate. The gross domestic product (GDP) of the first half of 2010 reached RMB17,284 billion, up by 11.1% over the same period of the previous year; the growth rate of investment in fixed assets held steady with relatively fast growth of investment in real estate. The investment in fixed assets in the first half of 2010 reached RMB11,418.7 billion, up by 25.0% over the same period of the previous year, and the investment in real estate development reached RMB1,974.7 billion, up by 38.1% over the same period of the previous year; the market sales witnessed a fast growth and popular commodities sold quite well, the aggregate social retail of consumer goods in the first half of 2010 stood at RMB7,266.9 billion, up by 18.2% over

the same period of the previous year; the foreign trade recovered rapidly with distinct decrease in trade surplus, and the total foreign trade volume in the first half of 2010 was USD1,354.9 billion, up by 43.1% year on year, and trade surplus was USD55.6 billion, a decrease of 43.0% year on year; the consumer price index (CPI) went up slightly with large increase in producer's price index (PPI), the CPI in the first half of 2010 increased by 2.6% over the same period of the previous year and the PPI increased by 6.0% over the same period of the previous year.

In the first half of 2010, China's financial industry witnessed a stable and rapid growth. The Central Bank improved the pertinence and flexibility of the macro-economic control and actively directed the rational and balanced distribution of money and credit while continuing the implementation of proper moderately loosened monetary policy. As of the end of June, the broad money (M2) balance was RMB67.39 trillion, up by 18.5% year on year; the narrow money (M1) balance was RMB24.06 trillion, up by 24.6% year on year; the total balance of RMB loans issued by financial institutions was RMB44.61 trillion, up by 18.2% year on year; the total deposit balance was RMB67.41 trillion, up by 19.0% year on year. The reform of RMB exchange rate was further improved with the parity price of the exchange rate of RMB against USD at RMB6.7909 on 30 June 2010, 373 basis points higher than that at the end of the previous year. The stock markets of Shanghai and Shenzhen plunged to a total capitalization of RMB19.73 trillion as at 30 June 2010, 19.1% lower than the end of the previous year. Benefiting from the expansion of credit scale, optimization and adjustment of asset-liability structure, and stable rise of net interest margin, the domestic banking industry in the first half of 2010 experienced a rapid growth in net profit and a sustainable rapid and sound development momentum on the whole.

In the first half of 2010, the CBRC has persisted in reform and innovation and stick to the risk bottom line, attached ever more importance to the pertinence and flexibility of policies and directed the banking industry to scientifically utilize new methods to optimize credit structure and improve credit quality, strengthened the risk control for government financing platform, real estate market, and operational risk of branches agencies, and improved the overall risk management capability and sustainable development while maintaining the continuity and stability of regulatory policies.

In general, in the first half of 2010, centering on the objectives of "ensuring growth, adjusting structure", the Chinese government continued to implement proactive fiscal polices and moderately loosened monetary policies so as to expedite the transformation of economic development model and develop strategic emerging industries and launched a series of revitalization plans of regional economy so as to facilitate the harmonized development of regional economy. Currently, though China's economy recovers vigorously, the domestic macro-economic control still faces ever increasing dilemmas and the sinuosity of economic recovery exceeds the expectation due to long existing structural problems during economic development and the complexity and volatility of domestic and international economic environment.

(II) Financial Statement Analysis

Overview

In the first half of 2010, in the context of overgrowth of credit expansion and the increase of inflation expectation and for the target of "steady growth, restructuring and inflation control", the Chinese government unveiled a series of macro-economic control measures. In the face of

complicated and changing external environment and centering on the operation objectives of “adjusting structure, strengthening management and promoting development”, the Group actively responded to the market changes and seized market opportunities, actively adjusted structure, reasonably controlled the credit issuance, enhanced the marketing for liability business so that the Group managed to significantly improve its profitability, maintain a good quality of its assets, promote a fast growth of asset scale, and realize a coordinated development of efficiency, quality and scale.

In the first half of 2010, the Group recorded a net profit attributable to the Bank’s shareholders of RMB10.685 billion, representing an increase of RMB3.334 billion or 45.35% year on year. The net interest income was RMB22.363 billion, a year-on-year increase of RMB6.637 billion or 42.20%. The net interest margin was 2.60% (of which the Bank’s net interest margin was 2.66%), a year-on-year increase of 0.22 percentage point.

As of the end of June 2010, the Group’s NPL balance was RMB9.705 billion, a decrease of RMB452 million or 4.45% compared with the end of the previous year, the NPL ratio was 0.81%, a decrease of 0.14 percentage point, the provision coverage ratio was 169.92%, an increase of 20.56 percentage points compared with the previous year end.

As of the end of June 2010, the Group’s total assets amounted to RMB1,940.168 billion, increased by RMB165.137 billion or 9.30% compared with the end of the previous year; the total liabilities amounted to RMB1,825.946 billion, increased by RMB157.923 billion or 9.47% compared with the end of the previous year; total shareholders’ equity (excluding minority interest) amounted to RMB109.951 billion, increased by RMB7.153 billion or 6.96% compared with the end of the previous year.

Accounting data and financial indicators as of the end of 2009 and for January to June 2009 are figures after adjustment.

Income Statement Analysis

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Net interest income	22,363	15,726	6,637	42.20
Net non-interest income	3,204	2,577	627	24.33
Operating income	25,567	18,303	7,264	39.69
Business and administrative expenses	(9,483)	(7,077)	2,406	34.00
Asset impairment loss	(1,824)	(1,459)	365	25.02
Profit before tax	14,281	9,860	4,421	44.84
Income tax	(3,442)	(2,379)	1,063	44.68
Net profit	10,839	7,481	3,358	44.89
Including: Net profit attributable to the Bank’s shareholders	10,685	7,351	3,334	45.35
Profit or loss attributable to minority shareholders	154	130	24	18.46

Net Interest Income

The net interest income of the Group was affected by both the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, and the average balances of interest-earning assets and interest-bearing liabilities. In the first half of 2010, the Group realized a net interest income of RMB22.363 billion, increased by RMB6.637 billion or 42.20% year on year.

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

Unit: RMB million

Item	January to June 2010			January to June 2009			2009		
	Average balance	Interest	Average yield/Cost rate (%)	Average balance	Interest	Average yield/Cost rate (%)	Average balance	Interest	Average yield/Cost rate (%)
Interest-earning assets									
Loans and advances to customers	1,141,362	27,780	4.91	883,567	21,315	4.86	974,336	46,617	4.78
Investment in debt securities	209,415	2,770	2.67	206,909	3,359	3.27	205,762	6,239	3.03
Balances with Central Bank	212,346	1,464	1.39	148,134	1,000	1.36	157,938	2,179	1.38
Deposits and placements with banks and non-bank financial institutions	76,679	411	1.08	46,224	129	0.56	53,594	377	0.70
Amounts under resale agreements	94,312	1,055	2.26	35,395	330	1.88	34,138	687	2.01
Others	1,326	8	1.22	12,670	17	0.27	7,609	32	0.42
Subtotal	1,735,440	33,488	3.89	1,332,899	26,150	3.96	1,433,377	56,131	3.92
Interest-bearing liabilities									
Deposits from customers	1,422,946	9,190	1.30	1,109,712	9,367	1.70	1,183,822	17,767	1.50
Deposits and placements from banks and non-bank financial institutions	163,503	1,416	1.75	72,360	588	1.64	100,694	1,466	1.46
Amounts under repurchase agreements	2,924	14	0.97	3,769	22	1.18	4,642	46	0.99
Others ⁽¹⁾	29,465	505	3.46	24,253	447	3.72	23,706	868	3.66
Subtotal	1,618,838	11,125	1.38	1,210,094	10,424	1.74	1,312,864	20,147	1.53
Net interest income		22,363			15,726			35,984	
Net interest spread ⁽²⁾			2.51			2.22			2.39
Net interest margin ⁽³⁾			2.60			2.38			2.51

Notes: (1) Including amounts borrowed from Central Bank, debt securities payable and financial liabilities for trading purpose.

(2) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The table below shows the changes in net interest income of the Group due to the changes of scale factor and interest rate factor, where changes under the joint influence of scale factor and interest rate factor are reflected in the changes of interest rate factor.

January to June 2010 compared with the same period of 2009			
	Interest rate		
	Scale factor	factor	Total
Assets			
Loans and advances to customers	6,213	252	6,465
Investment in debt securities	41	(630)	(589)
Balances with Central Bank	433	31	464
Deposits and placements with banks and non-bank financial institutions	85	197	282
Amounts under resale agreements	549	176	725
Others	(15)	6	(9)
Changes in interest income	7,306	32	7,338
Liabilities			
Deposits from customers	2,641	(2,818)	(177)
Deposits and placements from banks and non-bank financial institutions	741	87	828
Amounts under repurchase agreements	(5)	(3)	(8)
Others	96	(38)	58
Changes in interest expense	3,473	(2,772)	701
Changes in net interest income	3,833	2,804	6,637

Net Interest Margin and Net Interest Spread

In the first half of 2010, the Group's net interest margin rose to 2.60%, up by 0.22 percentage point year on year, while the net interest spread was 2.51%, up by 0.29 percentage point year on year. The increase of net interest margin was mainly due to the Group's proactive efforts in restructuring and various comprehensive adjustment and control measures achieved the expected results in the complicated and changing operation situation and serious competition environment: (1) on the premise of strict control on credit risk, the credit scale was expanded moderately, the interest-earning assets witnessed a faster growth year on year, and the proportion of general loans with high yield was increased through restructuring; (2) By putting more efforts to promote assessment, exercising competition incentives and readjusting goals in current stage, the marketing for deposit business was promoted and the liability scale was increased effectively. Through the above measures, the Group's efficiency was greatly improved.

Interest Income

In the first half of 2010, the Group realized an interest income of RMB33.488 billion, increased by RMB7.338 billion or 28.06% year on year. The increase of interest income was primarily due to the expansion of the scale of interest-earning assets (loans and advances to customers in particular). The Group's average balance of interest-earning assets increased to RMB1,735.44 billion in the first half of 2010 from RMB1,332.899 billion in the first half of 2009, up by RMB402.541 billion or 30.20%. The average yield of interest-earning assets fell from 3.96% in the first half of 2009 to 3.89% in the first half of 2010, down by 0.07 percentage point.

Interest Income from Loans and Advances to Customers

The interest income from loans and advances to customers has always been the largest component of the Group's interest income. In the first half of 2010 and in the first half of 2009, the interest income from loans and advances to customers accounted for 82.96% and 81.51% of the Group's total interest income respectively.

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

Table 1: Classification by Term Structure

Unit: RMB million

	January to June 2010		
	Average balance	Interest income	Average yield (%)
The Bank:			
Short-term loans	589,396	14,579	4.99
Including: Discounted bills	59,156	880	3.00
Long and medium-term loans	476,291	12,039	5.10
Loans overdue	7,149	189	5.33
Subtotal	1,072,836	26,807	5.04
Overseas businesses	68,526	973	2.86
Total	1,141,362	27,780	4.91

Table 2: Classification by Business Type

Unit: RMB million

	January to June 2010			January to June 2009			2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
The Bank									
Corporate loans	858,471	22,112	5.19	589,025	16,383	5.61	679,588	36,554	5.38
Discounted bills	59,156	880	3.00	141,156	1,550	2.21	129,759	2,757	2.12
Personal loans	155,209	3,815	4.96	90,150	2,440	5.46	101,926	5,300	5.20
Subtotal	1,072,836	26,807	5.04	820,331	20,373	5.01	911,273	44,611	4.89
Overseas businesses	68,526	973	2.86	63,236	942	3.00	63,063	2,006	3.18
Total loans to customers	1,141,362	27,780	4.91	883,567	21,315	4.86	974,336	46,617	4.78

In the first half of 2010, the Group's interest income from loans and advances to customers stood at RMB27.78 billion, up by RMB6.465 billion or 30.33% year on year.

The Bank's interest income from loans and advances to customers stood at RMB26.807 billion, up by RMB6.434 billion or 31.58% year on year, which was mainly due to the increase in the average balance of the loans and advances to customers from RMB820.331 billion in the first half of 2009 to RMB1,072.836 billion in the first half of 2010, and the increase in the average yield as well.

The overseas subsidiaries' interest income from loans and advances to customers stood at RMB973 million, up by RMB31 million or 3.29% year on year.

Interest Income from Investment in Debt Securities

In the first half of 2010, the Group's interest income from investment in debt securities stood at RMB2.77 billion, decreased by RMB589 million or 17.53% year on year. This was primarily because of the low market interest rate. The average yield decreased to 2.67% in the first half of 2010 from 3.27% in the first half of 2009.

Interest Income from Balances with Central Bank

In the first half of 2010, the Group's interest income from balances with Central Bank amounted to RMB1.464 billion, representing an increase of RMB464 million or 46.4% year on year. This was primarily because the increase of deposits from customers and three rounds of increase of statutory deposit reserve ratio by the Central Bank since January 2010, which resulted in the increase of statutory deposit reserve. The average balances with Central Bank increase by RMB64.212 billion or 43.35% compared with the first half of 2009. The average yield increased to 1.39% in the first half of 2010 from 1.36% in the first half of 2009, which was mainly due to the year-on-year decrease of the proportion of the average balance of surplus reserve in the total balances with Central Bank.

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

In the first half of 2010, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB411 million, up by RMB282 million or 218.60% year on year, which was mainly due to the impact of the increase in the average balance of deposits by RMB30.455 billion and the rise in the average yield by 0.52 percentage point. The increase of average yield is mainly due to the low interest rate in money market in the first half of 2009.

Interest Income from Amounts under Resale Agreements

In the first half of 2010, the Group's interest income from amounts under resale agreements stood at RMB1.055 billion, increased by RMB725 million or 219.70% year on year, which was mainly because the average balance of amounts under resale agreements increased by RMB58.917 billion and the average yield rose by 0.38 percentage point. The increase of average balance for amounts under resale agreement was mainly because of the requirement of liquidity management.

Interest Expense

In the first half of 2010, the Group's interest expense was RMB11.125 billion, up by RMB701 million or 6.72% year on year. This was primarily because of the increase in the scale of the interest-bearing liabilities. Affected by interest rate repricing, the average cost of interest-bearing liabilities decreased remarkably, which offset the increase of interest expense to some extent. The average balance of the Group's interest-bearing liabilities increased from RMB1,210.094 billion in the first half of 2009 to RMB1,618.838 billion in the first half of 2010, up by RMB408.744 billion or 33.78%, while the average cost rate of its interest-bearing liabilities fell from 1.74% in the first half of 2009 to 1.38% in the first half of 2010, a decrease of 0.36 percentage point.

Interest Expense on Deposits from Customers

Customer deposits have always been the primary funding source of the Group. The interest expense on deposits from customers in the first half of 2010 and the first half of 2009, accounted for 82.61% and 89.86% respectively of the Group's total interest expense.

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

Unit: RMB million

	January to June 2010			January to June 2009			2009		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
The Bank									
Corporate deposits									
Time deposits	545,057	5,585	2.07	477,525	6,049	2.55	483,214	11,190	2.32
Demand deposits	589,180	1,841	0.63	376,095	1,207	0.65	438,681	2,785	0.63
Subtotal	1,134,237	7,426	1.32	853,620	7,256	1.71	921,895	13,975	1.52
Personal deposits									
Time deposits	153,404	1,474	1.94	145,608	1,704	2.36	145,891	3,129	2.14
Demand deposits	48,614	87	0.36	32,372	55	0.34	33,575	116	0.35
Subtotal	202,018	1,561	1.56	177,980	1,759	1.99	179,466	3,245	1.81
Total for the Bank	1,336,255	8,987	1.36	1,031,600	9,015	1.76	1,101,361	17,220	1.56
Overseas businesses	86,691	203	0.47	78,112	352	0.91	82,461	547	0.66
Total deposits from customers	1,422,946	9,190	1.30	1,109,712	9,367	1.70	1,183,822	17,767	1.50

In the first half of 2010, the Group's interest expense on deposits from customers stood at RMB9.19 billion, down by RMB177 million or 1.89% year on year.

The Bank's interest expense on deposits from customers stood at RMB8.987 billion, down by RMB28 million or 0.31% year on year, which was mainly because the increase in average balance of deposits from customers by RMB304.655 billion offset the fall of 0.40 percentage point in average cost rate. The average cost rate of deposits from customers fell by 0.40 percentage point was mainly because 1) the proportion of time deposits in the total deposits decreased from 60% to 52% in the first half of 2010; and 2) the interest rate re-pricing was not completed in 2009 and the average cost rate is relatively high, for the Central Bank lowered the benchmark interest rate for deposits from customers for four consecutive times since October 2008.

The interest expense on deposit of overseas subsidiaries was RMB203 million, a year-on-year decrease of 149 million or 42.33%, which mainly because of the decrease of average interest rate of overseas subsidiaries.

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

In the first half of 2010, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was RMB1.416 billion, up by RMB828 million or 140.82% compared with the same period of the previous year, which was largely due to an increase of RMB91.143 billion or 125.96% in the average balance of deposits and placements from banks and non-bank financial institutions and the rise in the average cost rate from 1.64% to 1.75%. The increase of the average balance is due to the Group's liability restructuring and the increase of average cost rate is mainly due to the relatively high inter-bank market rate in the beginning of this year.

Interest Expense on Other Borrowed Funds

In the first half of 2010, the Group's interest expense on other borrowed funds was RMB505 million, a year-on-year increase of RMB58 million, of which interest expense on bonds issued stood at RMB430 million, down by RMB7 million or 1.60% year on year, which was primarily because the decrease of the average cost rate of issued bonds offset the scale expansion of issued bonds. The Group issued subordinated bonds in May and June 2010 totaling RMB19.966 billion, whose effect on the scale has not been fully presented. The average balance of issued bonds in the first half of 2010 increased to RMB23.393 billion from RMB20.836 billion in the same period of the previous year, up by RMB2.557 billion. The average cost rate of issued bonds decreased to 3.70% in the first half of 2010 from 4.23% in the same period of the previous year, which is mainly because the interest rate of the subordinated bonds issued in 2004 by the Group was floating rate.

Net Non-Interest Income

In the first half of 2010, the Group realized a net non-interest income of RMB3,204 million, up by RMB627 million or 24.33% year on year. The proportion of the Group's net non-interest income to its operating income was 12.53% and 14.08% respectively in the first half of 2010 and in the first half of 2009.

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Net fee and commission income	2,529	1,940	589	30.36
Net gain from trading	430	509	(79)	(15.52)
Net gain/(loss) from investment	71	(37)	108	—
Net (loss) from arbitrage	(1)	(2)	1	—
Income from other businesses	175	167	8	4.79
Total net non-interest income	3,204	2,577	627	24.33

Net Fee and Commission Income

In the first half of 2010, the Group realized a net fee and commission income of RMB2.529 billion, representing an increase of RMB589 million or 30.36% year on year, of which the fee and commission income amounted to RMB2.801 billion, registering a growth of 29.68% year on year. This growth was primarily due to the Group's vigorous development of intermediary business and the growth in items such as consulting and advisory fees, bank card fees, settlement fees and guarantee fees.

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Consulting and advisory fees	863	555	308	55.50
Bank card fees	649	527	122	23.15
Settlement fees	251	144	107	74.31
Guarantee fees	405	317	88	27.76
Wealth management fees	232	202	30	14.85
Custody and other trusted service commissions	78	49	29	59.18
Agency fees	311	357	(46)	(12.89)
Others	12	9	3	33.33
Subtotal	2,801	2,160	641	29.68
Fees and commission expenses	(272)	(220)	52	23.64
Net fee and commission income	2,529	1,940	589	30.36

Loss on Asset Impairment

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Loans and advances to customers	1,671	1,371	300	21.88
Off-balance sheet credit assets	83	43	40	93.02
Investments	—	46	(46)	—
Others (Note)	70	(1)	71	—
Total asset impairment losses	1,824	1,459	365	25.02

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

Business and Administrative Expenses

Unit: RMB million

	January to June 2010	January to June 2009	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Staff cost	3,960	2,900	1,060	36.55
Property and equipment expenses and amortization	1,489	1,258	231	18.36
Others	2,338	1,664	674	40.50
Subtotal	7,787	5,822	1,965	33.75
Business tax and surcharges	1,696	1,255	441	35.14
Total business and administrative expenses	9,483	7,077	2,406	34.00
Cost-to-income ratio	37.09%	38.67%	Down by 1.58 percentage points	
Cost-to-income ratio (excluding business tax and surcharges)	30.46%	31.81%	Down by 1.35 percentage points	

In the first half of 2010, the Group's business and administrative expenses reached RMB9.483 billion, up by RMB2.406 billion or 34.00% year on year, which was mainly because the staff cost and property and equipment expenses and management expenses increased due to the Group's fast business development, outlets expansion and institution enlargement.

In the first half of 2010, the Group's cost-to-income ratio was 30.46%, down by 1.35 percentage points, which was mainly attributed to (1) the increase of operating income due to the expansion of business and scale; and (2) the Group's effective cost control.

Income Tax Analysis

In the first half of 2010, the Group's income tax expense was RMB3.442 billion, up by RMB1.063 billion or 44.68% compared with the same period of the previous year. The Group's effective tax rate stood at 24.10%, down by 0.03 percentage point compared with the 24.13% in the first half of 2009.

Balance Sheet Analysis

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Total loans and advances				
to customers	1,192,838	—	1,065,649	—
Including:				
Corporate loans	956,135	—	822,635	—
Discounted bills	46,131	—	94,774	—
Personal loans	190,572	—	148,240	—
Provisions for impairment	(16,491)	—	(15,170)	—
Net loans and advances				
to customers	1,176,347	60.6	1,050,479	59.2
Investments ⁽¹⁾	243,893	12.6	208,400	11.8
Cash and balances with				
Central Bank	249,963	12.9	224,003	12.6
Net value of deposits and				
placements with banks and				
non-bank financial institutions	101,045	5.2	81,808	4.6
Amounts under resale agreements	143,032	7.4	185,203	10.4
Others ⁽²⁾	25,888	1.3	25,138	1.4
Total assets	1,940,168	100.0	1,775,031	100.0
Deposits from customers	1,629,302	89.2	1,341,927	80.5
Including:				
Corporate deposits	1,349,508	73.9	1,097,852	65.8
Personal deposits	279,794	15.3	244,075	14.7
Deposits and placements from				
banks and non-bank financial				
institutions	127,342	7.0	279,602	16.8
Amounts under				
repurchase agreements	4,348	0.2	4,100	0.2
Debt securities payable	34,553	1.9	18,422	1.1
Others ⁽³⁾	30,401	1.7	23,972	1.4
Total liabilities	1,825,946	100.0	1,668,023	100.0

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

(2) Including derivative financial assets, fixed-assets, investment real estate, goodwill, intangible assets, deferred tax assets and other assets.

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

Most of the Group's assets are loans and advances to customers. As of 30 June 2010, the Group's loans and advances to customers after deducting provisions for impairment losses accounted for 60.6% of the total assets of the Group.

Loan Business

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

Investment Business

Investment Portfolio Analysis

Unit: RMB million

	30 June 2010		31 December 2009	
	Value	Proportion (%)	Value	Proportion (%)
Held-to-maturity debt securities	114,578	47.0	107,466	51.6
Available-for-sale debt securities	115,065	47.2	88,380	42.4
Debt securities measured at fair value through profit or loss	<u>6,608</u>	<u>2.7</u>	<u>4,444</u>	<u>2.1</u>
Total debt securities	<u>236,251</u>	<u>96.9</u>	<u>200,290</u>	<u>96.1</u>
Available-for-sale investment funds	5,345	2.2	5,487	2.6
Investment funds measured at fair value through profit or loss	<u>3</u>	<u>—</u>	<u>3</u>	<u>—</u>
Total investment funds	<u>5,348</u>	<u>2.2</u>	<u>5,490</u>	<u>2.6</u>
Available-for-sale equity investments	166	—	478	0.2
Equity investments for trading purposes	2	—	2	—
Investments in associates	<u>2,126</u>	<u>0.9</u>	<u>2,140</u>	<u>1.1</u>
Total equity investments	<u>2,294</u>	<u>0.9</u>	<u>2,620</u>	<u>1.3</u>
Total investments	<u>243,893</u>	<u>100.0</u>	<u>208,400</u>	<u>100.0</u>
Market value of listed securities in held-to-maturity debt securities	1,208		1,941	

Classification of Debt Securities Investment

As of 30 June 2010, the Group's investment in debt securities reached RMB236.251 billion, representing an increase of RMB35.961 billion or 17.99% from the end of the previous year. This was primarily due to the increase of high-yield and high credit rating long and medium-term government bonds, central bank notes, policy bank bonds and other debt securities invested by the Group based on its judgement on market rate trends and considering the investment yield and risk in conjunction with the adjustment of asset and liability structure.

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Government	66,404	28.1	46,802	23.4
PBOC	53,582	22.7	48,214	24.1
Policy banks	37,291	15.8	29,780	14.9
Banks and non-bank financial institutions	25,569	10.8	28,598	14.3
Public entities	3,396	1.4	5,730	2.8
Others	50,009	21.2	41,166	20.5
Total debt securities	236,251	100.0	200,290	100.0

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Domestic	212,338	89.9	169,065	84.4
Overseas	23,913	10.1	31,255	15.6
Total debt securities	236,251	100.0	200,290	100.0

Breakdown of Significant Financial Debt Securities Investments

The table below shows the breakdown of significant investments in financial debt securities held by the Group as of 30 June 2010.

Unit: RMB million

Debt Securities	Book value	Maturity	Annual interest rate (%)
Debt Securities 1	2,650	2015-2-20	3.01%
Debt Securities 2	1,520	2017-5-6	2.58%
Debt Securities 3	1,050	2013-4-8	2.74%
Debt Securities 4	1,000	2011-2-15	2.63%
Debt Securities 5	1,000	2014-5-21	2.74%
Debt Securities 6	920	2016-6-16	2.60%
Debt Securities 7	700	2015-5-20	3.00%
Debt Securities 8	592	2011-6-15	8.55%
Debt Securities 9	588	2011-9-23	2.31%
Debt Securities 10	<u>572</u>	2017-5-14	2.92%
Total debt securities	<u><u>10,592</u></u>		

Investment Quality Analysis

The following table sets out the changes in the provisions for investment impairment losses.

Unit: RMB million

	30 June 2010	31 December 2009
Beginning balance	586	799
Accruals of the period	—	63
Write-offs	—	(79)
Transfer out (<i>Note</i>)	<u>(73)</u>	<u>(197)</u>
Ending balance	513	586

Note: Transfer-out in the first half of 2010 includes provisions for impairment of investment in overdue debt securities transferred into provisions for bad debt.

30 June 2010 31 December 2009

Provisions for available-for-sale investment impairment	299	371
Provisions for held-to-maturity investment impairment	214	215
Provisions for investments in associates	<u>—</u>	<u>—</u>
Total	513	586

As of 30 June 2010, foreign currency-denominated debt securities held by the Group totaled USD4.721 billion (equivalent to RMB32.062 billion), of which the Bank held USD2.487 billion and the overseas subsidiaries held USD2.234 billion.

As of the end of the reporting period, the Group held foreign currency-denominated residential mortgage-backed securities (MBS) of USD440 million (equivalent to RMB2,988 million), accounting for 1.26% of the Group's RMB and foreign currency-denominated debt securities investments, of which 95.23% were prime. The Group held ALT-A residential MBS of USD21 million (equivalent to RMB142 million), for which the accumulative provisions for impairment totaled USD14 million (equivalent to RMB98 million). The Group held no US sub-prime residential MBS.

The Group held residential MBS guaranteed by Fannie Mae and Freddie Mac of USD370 million (equivalent to RMB2,516 million) and held no agency debts issued by Fannie Mae and Freddie Mac.

The debt securities related to Lehman Brothers held by the Group had a book value of USD75 million (equivalent to RMB508 million), for which provisions for impairment had been charged in full.

The Group, adhering to the principle of prudence, has accumulated provisions for impairment of foreign currency-denominated debt securities investments of USD73 million (equivalent to RMB496 million), of which the Bank has accumulated USD71 million and the overseas subsidiaries have accumulated USD2 million.

Derivatives Classification and Fair Value Analysis

Unit: RMB million

	30 June 2010			31 December 2009		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	189,139	1,928	1,893	174,179	1,762	2,203
Currency derivatives	387,839	1,810	1,713	271,623	1,405	1,404
Credit derivatives	990	9	13	956	14	20
Equity derivatives	264	2	2	126	1	1
Total	578,232	3,749	3,621	446,884	3,182	3,628

On-balance Sheet Interest Receivables

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

Unit: RMB million

	31 December 2009	Increase during the current period	Collected/reversed during the current period	30 June 2010
Loan interest receivables	1,788	27,780	(27,110)	2,458
Interest receivables from debt securities	2,174	2,770	(2,766)	2,178
Other interest receivables	173	2,938	(2,960)	151
Subtotal	4,135	33,488	(32,836)	4,787
Balance for provision for interest receivables	—	(17)	1	(16)
Total	4,135	33,471	(32,835)	4,771

Debt Assets

The table below shows the debt assets of the Group:

Unit: RMB million

	30 June 2010	31 December 2009
Original value of debt assets		
– Land, premises and constructions	571	685
– Others	322	303
Provisions for impairment of debt assets		
– Land, premises and constructions	(355)	(311)
– Others	(66)	(67)
Total book value of debt assets	472	610

Deposits from Customers

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	689,544	42.3	581,483	43.3
Time deposits	659,964	40.5	516,369	38.5
Negotiated	23,660	1.5	7,810	0.6
Non-negotiated	636,304	39.0	508,559	37.9
Subtotal	1,349,508	82.8	1,097,852	81.8
Personal deposits				
Demand deposits	79,117	4.9	66,908	5.0
Time deposits	200,677	12.3	177,167	13.2
Subtotal	279,794	17.2	244,075	18.2
Total deposits from customers	1,629,302	100.0	1,341,927	100.0

As of 30 June 2010, deposits from customers of the Group totaled RMB1,629.302 billion, an increase of RMB287.375 billion or 21.42% from the end of the previous year.

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits				
Demand deposits	676,393	44.2	563,534	44.8
Time deposits	609,900	39.8	485,851	38.5
Negotiated	23,660	1.5	7,810	0.6
Non-negotiated	586,240	38.3	478,041	37.9
Subtotal	1,286,293	84.0	1,049,385	83.3
Personal deposits				
Demand deposits	63,712	4.2	49,066	3.9
Time deposits	181,620	11.8	160,613	12.8
Subtotal	245,332	16.0	209,679	16.7
Total deposits from customers	1,531,625	100.0	1,259,064	100.0

Deposits from customers of the Bank totaled RMB1,531.625 billion, an increase of RMB272.561 billion or 21.65% from the end of the previous year. The balance of corporate deposits of the Bank increased by RMB236.908 billion compared with the end of the previous year, however, of which, the negotiated deposits increased by RMB15.85 billion to RMB23.66 billion on 30 June 2010 from RMB7.81 billion on 31 December 2009, which was mainly because the Bank actively made an adjustment to asset and liability structure. As of 30 June 2010, personal deposits of the Bank increased by RMB35.653 billion or 17.00%. This was mainly due to the significant increase in personal time and demand deposits.

Breakdown of Deposits from Customers by Currency

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
RMB	1,487,774	91.3	1,214,773	90.5
Foreign currencies	141,528	8.7	127,154	9.5
Total	1,629,302	100.0	1,341,927	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim (<i>note</i>)	474,089	29.1	408,341	30.4
Yangtze River Delta	420,416	25.8	346,036	25.8
Pearl River Delta and West of Taiwan Strait	220,715	13.6	176,916	13.2
Central Region	204,082	12.5	158,463	11.8
Western Region	161,930	9.9	127,974	9.5
North-eastern Region	50,320	3.1	41,220	3.1
Overseas	97,750	6.0	82,977	6.2
Total deposits from customers	1,629,302	100.0	1,341,927	100.0

Note: Including the headquarters.

Breakdown of Deposits by Remaining Maturity

The table below sets out the breakdown of deposits from customers based on the remaining maturity as of 30 June 2010.

The Group

Unit: RMB million

	Overdue/Undated		Within 3 months		Within 3-12 months		Within 1-5 years		Over 5 years		Total	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	768,597	47.2	274,898	16.9	266,787	16.4	17,399	1.1	19,827	1.2	1,349,508	82.8
Personal deposits	134,757	8.3	63,937	3.9	68,734	4.2	12,364	0.8	2	—	279,794	17.2
Total	903,354	55.5	338,835	20.8	337,521	20.6	29,763	1.9	19,829	1.2	1,629,302	100.0

Shareholders' Equity

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

Major Off-balance Sheet Items

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

Unit: RMB million

	30 June 2010	31 December 2009
Credit commitments		
– Acceptance	393,049	305,363
– Guarantees	75,403	62,901
– Letter of credit issued	89,407	52,585
– Irrevocable loan commitments	60,202	41,229
– Credit card commitments	37,958	40,597
Subtotal	656,019	502,675
Operating leasing commitments	5,390	4,585
Capital commitments	276	695
Pledged assets	5,575	5,241
Total	667,260	513,196

Supplementary Financial Indicators

Major Indicators ⁽¹⁾	Standard (%)	Data of the Bank (%)		
		30 June 2010	31 December 2009	31 December 2008
Liquidity ratio				
Including: RMB	≥25	53.30	48.12	51.37
Foreign currency	≥25	77.05	104.47	83.24
Loan-to-deposit ratio ⁽²⁾				
Including: RMB	≤75	72.03	79.96	73.29
Foreign currency	≤75	72.60	79.62	72.14

Notes: (1) The figures above are calculated based on the method required by the CBRC.

(2) When calculating the loan-to-deposit ratio, data for bill discounted are included in loans.

Capital Management

The objectives of the Group's capital management include the establishment of a proactive and dynamic capital replenishment mechanism for the maintenance of a strong capital base, assurance of capital adequacy ratio to meet the regulatory requirements at all times and full capital coverage of the risks assumed by the Group. In addition, the objectives also include the specification of the business expansion plans based on the capital base for the optimal allocation of resources, balance of capital, yields and risks, and maximization of shareholders' value with controllable risks.

To that end, the Group executed the following strategies to manage its capital, (1) formulation of scientific capital planning. The Group set up a target range of capital adequacy ratio and an emergency warning line, regularly monitored its capital adequacy, maintained a reasonable growth of its risk assets and proactively managed its capital. (2) implementation of effective measures to strengthen the mechanism of effective capital use for improving the efficiency of capital use. The Group promulgated performance-based employee evaluation system with emphasis on "economic profits" and "return on risk capital". The Group achieved an optimal allocation of economic capital among all business units, products and industries by leveraging on the internal capital allocation system. (3) the Group reasonably used all sorts of capital instruments to optimize the structure of its aggregate capital and to reduce the costs of financing.

To ensure the implementation of the above strategies, the Group is expediting the development of risk measurement techniques and steadily promoting the application of capital management in areas such as product pricing, performance evaluation and operation planning so that the effect of economic capital guiding the Group's businesses can be enhanced.

The following table sets out the Group's capital adequacy ratio and core capital adequacy ratio calculated according to the *Measures for Administration of Capital Adequacy Ratio of Commercial Banks* promulgated by the CBRC.

	30 June 2010	31 December 2009	31 December 2008
Total capital before deduction	152,860	122,735	106,969
Include: Total core capital	114,222	103,573	92,042
Total supplementary capital	38,638	19,162	14,927
Deduction: Unconsolidated equity investments and others	4,128	4,147	99
Net capital	148,732	118,588	106,870
Net core capital	112,190	101,527	91,993
Risk-weighted assets	1,358,402	1,106,648	746,547
Core capital adequacy ratio	8.26%	9.17%	12.32%
Capital adequacy ratio	10.95%	10.72%	14.32%

Notes: On 23 October 2009, the Bank completed the acquisition of CIFIH and began to be subject to the consolidation supervision of the CBRC since 2010. Figures for the end of 2009 have been restated and figures for 2008 were the Bank's figures.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the *Accounting Standards for Business Enterprises* requires the Group to make certain accounting estimates and assumptions when the Group adopts accounting policies to determine the amounts of assets and liabilities as well as profit and loss for the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experience and other factors such as reasonable expectations of future events, and are reviewed on an on-going basis. The accounting estimates and assumptions made by the Group appropriately reflected the financial positions of the Group.

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

Measurement of Fair Value

The Bank measures the fair value of financial instruments according to the method stated in the *Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business*. The methods for determining the fair value include financial media quotes, open or individual valuation techniques, and trading counterparty or third-party price inquiry. In principle, it is the Bank's priority to use the trading quotes of active markets to measure fair values. For the financial instruments where active markets are not available, the latest market trading quotes shall be applied. For those financial instruments where market quotes are not available, valuation techniques or price inquiry method shall be applied.

The Bank strictly implements the internal control procedure for the measurement of fair values. The business department, the risk management department and the accounting department collectively confirm the principle and method for determining the fair values of financial instruments based on the business needs. The relevant systems and methods for measurement of fair values were examined and approved by the Market Risk Management Committee of the Bank.

Segment Report

Business Segment

The Group has been maintaining the leading position in corporate banking business. In the first half of 2010, the corporate banking business, treasury business and personal banking business contributed a profit before tax of RMB13.025 billion, RMB727 million and RMB304 million to the Group, respectively, accounting for 88.82%, 4.96%, and 2.07% respectively. The overseas subsidiaries contributed a profit before tax of RMB609 million, accounting for 4.15%.

Geographical Segment

The Yangtze River Delta, the Pearl River Delta and the West of Taiwan Straits, and the Bohai Rim have always been the most important contributors to the Group's revenue and profit growth, which collectively contributed RMB8.943 billion to the Group's total profit before tax in the first half of 2010, accounting for 62.62% of the Group's total profit before tax. Business of the Group in Central, Western and North-eastern regions have been developing rapidly in recent years, which collectively contributed a profit before tax of RMB3.706 billion, accounting for 25.95% of the Group's total profit before tax. In addition, the profit before tax from Hong Kong Special Administrative Region was RMB654 million and the economic efficiency increased steadily.

(III) Business Overview

Corporate Banking

In 2010, the Bank proactively promoted the change of corporate banking business to a capital-saving growth model, accelerated the adjustment of corporate banking business structure, customer structure and income structure, and made great efforts to develop emerging businesses such as supply-chain financing, small business financing, investment banking, cash management, custody and electronic banking business. While consolidating its traditional advantages in corporate banking business, the Bank accelerated the development of intermediary business and consolidated the capacity of sustainable development of its corporate banking business. As of the end of the reporting period, the balance of corporate deposits grew by 22.58% to RMB1,286.293 billion compared with the end of the previous year; the balance of corporate loans increased by 8.63% to RMB941.676 billion compared with the end of the previous year; and the net non-interest income of the corporate banking business reached RMB1.818 billion, representing a year-on-year increase of 40.06%.

- Contribution by strategic clients increased continuously. The balance of deposits from 3,322 strategic clients reached RMB532.493 billion, increased by 20.19% compared with the end of the previous year, accounting for 41.40% of the Bank's total balance of corporate deposits. The loan balance of loans to strategic clients stood at RMB450.803 billion, up by 10.30% compared with the end of the previous year and accounting for 47.87% of the balance of Bank's corporate loans of the Bank.
- The transaction volume of cash management business was RMB3,666.056 billion, representing an increase of 97.73% compared with the same period of the previous year; the transaction volume of corporate Internet banking doubled to RMB5,218.365 billion compared with the same period of the previous year.
- The half-year financing amount of car dealers exceeded RMB100 billion with RMB106.067 billion for the first time, representing an increase of 100.28% compared with the same period of the previous year, which is higher than the average sales volume of cars in China.
- The credit balance of small business clients was RMB118.361 billion, an increase of 24.27% compared with the end of the previous year. The NPL ratio was 0.65%, down by 0.17 percentage point from the end of the previous year.
- Investment banking business experienced a rapid growth with the net non-interest income of RMB716 million, up by 65.36% year on year. Revenues from consulting and advisory fees, asset management fees, structural financing fees and bonds underwriting fees increased by 13.92%, 631.62%, 70.58% and 32.82% respectively year on year.
- Assets under custody totaled RMB171.345 billion, up by 52.78% compared with the end of the previous year.

Corporate Deposit and Loan Business

The Bank continued to optimize its growth model for corporate deposits, stepped up its efforts to attract institutional deposits from fiscal and tax institutions and corporate deposits for settlement purposes, actively built endogenous growth mechanism and long-term promotion mechanism for corporate deposit so as to promote the continuous and rapid growth in corporate deposits. As of the end of the reporting period, the Bank's corporate deposit balance was RMB1,286.293 billion, up by 22.58% compared with the end of the previous year. The balance of deposits from institutional customers including fiscal and tax entities registered at RMB369.492 billion, up by 33.17% compared with the end of the previous year. The balance of deposits from institutional customers accounted for 28.73% of corporate deposits of the Bank and this proportion increased by 2.29 percentage points compared with the end of the previous year.

The Bank continued to strengthen the concept of capital constraint, scientifically allocated credit resources, actively expanded industries that meet our strategic requirements and policy guidance, customers and products and promoted the structure adjustment for credit business, thus ensured the steady growth of our high-yield credit assets. As of the end of the reporting period, the Bank's corporate loan balance registered at RMB941.676 billion (including discounted bills), up by 8.63% compared with the end of the previous year, of which the balance of general loans was RMB897.502 billion, up by 16.02% compared with the end of the previous year.

Financial Institution Business

The Bank continued to build platforms for cooperating with peers in the financial industry, initiated the mass credit granting to other financial institution, developed the third-party escrow business and margin trading and short selling business, deepened the cooperation with brokers and securities investors, and further broadened our channels for business cooperation with financial peers. In the reporting period, the Bank granted credit facilities to 162 domestic bank financial institutions, signed the third-party escrow agreements with 81 brokers, and opened 836 new accounts for broker institutional clients. By promoting the cooperation with securities companies, banking financial institutions, finance companies and other financial institutions, the bank's deposits from financial institutions maintained a stable growth, and the business structure was further optimized. As of the end of the reporting period, the Bank's average daily balance of deposits from financial institutions amounted to RMB158.017 billion, up by 73.19% compared with the end of the previous year. The proportion of average daily balance of deposits from other banks to that from financial institutions was 39.38% of the Bank's total average daily balance. The average daily balance of deposits from financial institutions driven by the third-party escrow business accounted for 14.23% of the Bank's total average daily deposit balance.

International Businesses

The Bank's international business includes international letters of credit, international trade remittances, outward collection, import collection, guarantee, import bill advance, outward bill purchased, packing loans, forfeiting and factoring products. The Bank endeavours to create the brand image of "foreign exchange expert around you" for its foreign exchange business, and timely designed diversified innovative products and whole process solutions according to customer demand, thus promoting the development of international business. In the first half of 2010, the Bank's international settlement amount (under the trade item) reached USD82.324 billion, an increase of 55.91% year on year, which is 12 percentage points higher than the year-

on-year growth rate of the national import and export trade. According to the statistics of the International Chamber of Commerce, the Bank's market share in international settlement was 5.56%, making it take a leading position among all the small and medium-sized joint stock commercial banks in China. During the reporting period, the amount for trade financing provided by the Bank registered a year on year increase of 29.63% to USD5.283 billion and the balance of trade financing was USD3.274 billion, up by 4.57% compared with the end of the previous year. The total income from international business was RMB889 million, up by 28.26% year on year.

Investment Banking Business

In 2010, the Bank implemented the specialized operation model, stepped up its effort in expanding business such as bond underwriting, syndicated loans, M&A loans, export credit, domestic factoring, asset management and financial advisory, etc. Therefore, the investment banking businesses maintained a sound and rapid growth. As of the end of the reporting period, the net non-interest income from investment banking business reached RMB716 million, up by 65.36% year on year and accounting for 39.38% of the net non-interest income of corporate banking business, of which, the incomes from investment banking consulting and advisory fees, asset management fees, structured financing fees and bond underwriting fees reached RMB287 million, RMB194 million, RMB135 million and RMB99 million respectively, up by 13.92%, 631.62%, 70.58% and 32.82% respectively compared with the same period of the previous year. Sales of corporate trust wealth management products reached RMB36.327 billion, up by 741.29% year on year; the structural financing assets reached RMB76.794 billion, up by 30.87% compared with the end of the previous year; bonds underwriting reached RMB20.667 billion, representing an increase of 66.60% year on year.

According to the statistics of Bloomberg, the Bank ranked the second in terms of the amounts of syndicated loans arranged by foreign and domestic banks in Chinese mainland. The Bank was awarded "Best Syndicated Financing Bank of China in 2010" by Securities Times, and our project "Beijing Automobile Investment Company's acquisition of core technologies of Saab" was awarded "Best M&A Service Project in 2010" by Securities Times.

Supply Chain Financing Business

The Bank was committed to the professional operation of supply chain financing services, actively established the whole supply chain financing service system with core enterprises as focus, and have set up 15 pilot branches with the aim to promote the centralized management of our automobile financing business and steel financing business, so as to improve the professional service level and market competitiveness of our supply chain financing services. As of the end of the reporting period, the Bank cooperated with 2,976 distributors, representing an increase of 588 or 24.62%, and absorbed an average daily deposits from distributors and manufacturers of RMB85.187 billion, representing a year-on-year increase of 34.82%. In terms of auto financing, the Bank issued financing to car dealers exceeding 100 billion for the first time amounting to RMB106.067 billion, an increase of 100.28% year on year, which is higher than the average growth rate of the sales volume for cars in China within the same period; the number of automobile manufactures the Bank cooperated with reached 65, of which 47 manufactures (brands) have established "headquarters to headquarters" automobile sales financing service network with the Bank, basically covering all major domestic automobile manufacturers.

Cash Management Business

The Bank speeded up its pace of developing cash management business product system, introduced cash management version 5.0, expanded account products associated with cash management, launched the establishment of multi-bank cash management system hosting model, promoted the implementation of the project of foreign currency cash pool, and enhanced the Bank's overall capability of providing cash management service. As of the end of the reporting period, the number of active cash management projects and corresponding clients reached 1,229 and 7,130 respectively, up by 22.65% and 29.57% respectively year on year. The total transaction volume reached RMB3,666.056 billion, up by 97.73% year on year.

Small Business Financing Business

The Bank enhanced small business financing system construction in accordance with the two service models – “specialized operation” and “general operation”, and set up special counter in 14 branches so as to speed up the consolidation and promotion of product plans. The Bank formulated a product system with 24 products under three categories, and the influence of “the brand CITIC Small Business Growth Mate” has been increased. As of the end of the reporting period, the Bank had 8,451 small business clients, up by 13.60% year on year. The total credit balance for those small business clients reached RMB118.361 billion, up by 24.27% compared with the end of the previous year, of which the balance for general loans reached RMB52.17 billion, up by 29.13% compared with the end of the previous year. The NPL ratio was 0.65%, which is 0.17 percentage point lower than that of the end of the previous year.

Asset Custody

The Bank continued to consolidate the traditional custody business, actively explored new areas and optimized the business structure, guaranteeing a continuous and rapid growth of the custody business. As of the end of the reporting period, the scale of assets under custody reached RMB171.345 billion, maintaining a positive growth for the 17th consecutive month, up by 52.78% compared with the end of the previous year; the income from custody business reached RMB78.3372 million, up by 61.57% year on year; the scale of contracted pension fund services reached RMB6.257 billion, up by 21.61% compared with the end of the previous year.

Retail Banking Business

In the first half of 2010, facing the uncertainty of domestic and international macro-economic environment, the Bank focused on the target of “promoting the formation of endogenous growth mechanism, building an all-function retail banking system”, adhered to the business development strategy of “dual support” of wealth management and customer deposits, vigorously promoted the development of intermediary business, and was committed to improve the business structure and enhance profitability.

As of the end of the reporting period, the Bank's personal deposits balance amounted to RMB245.332 billion, up by 17.00% over the previous year-end; personal loans balance was RMB175.220 billion, up by 31.12% over the previous year-end. The operating income of retail banking business registered RMB3.555 billion, up by 38.87% year on year, accounting for 14.71% of the Bank's total operating income. The net non-interest income of the retail banking business registered RMB742 million, up by 4.65% year on year, accounting for 27.56% of the

Bank's total net non-interest income. The Bank's customer base of the retail banking business continued to grow and reached 17.4458 million retail customers¹ as of the end of the reporting period, an increase of 7.75% compared with the previous year-end.

- Steady growth of the three profit drivers: personal wealth management, consumer credit and credit card business.
 - The Bank sold RMB113.549 billion equivalent worth of wealth management products, which exceeded the total sales of the full year of 2009.
 - Balance of personal housing mortgage loans registered RMB135.754 billion, up by 30.96% compared with the previous year-end, accounting for 77.48% of the total personal loans.
 - The accumulative number of credit card issuance was 10.3035 million, which realized a pre-tax profit of RMB335 million, exceeding the total pre-tax profit of the full year of 2009.
- The electronic banking business developed fast. In the first half of 2010, the number of transactions of personal Internet banking was 6.5152 million with a transaction volume² reaching RMB349.544 billion, representing 2.21 times and 4.51 times respectively of that in the same period of the previous year. Replacement rate of personal electronic banking across the Bank reached 61.33%.
- The number of private banking clients reached 7,563. The dynamic wealth management system began to take shape.

Retail Assets under Management³

In the first half of 2010, the Bank's retail banking business adhered to the business development strategy of "dual support" of wealth management and deposits. On the basis of stable wealth management and fund accumulation, the Bank greatly expanded deposits for settlement purpose, coordinated the development scale of wealth management and deposits, and promoted sustainable and steady growth of savings deposits. As of the end of the reporting period, the balance of personal deposits was RMB245.332 billion, up by 17.00% compared with the end of the previous year, and the retail assets under management reached RMB368.169 billion, up by 22.22% compared with the end of the previous year.

¹. Since 1 January 2010, the statistical standards for the Bank's retail customers number have been adjusted, and the data filtered the invalid customers (who cannot be identified such as those have no network affiliation or have canceled their accounts). The adjusted number of retail customer accounts as of 31 December 2009 was 16.1908 million.

². Including transactions of Internet banking users with certificates and Internet payment and excluding ordinary version (non certificate) customer transactions.

³. Retail assets under management: total amount of personal savings deposit and wealth management assets under the Bank's management.

Retail Credit

In the first half of 2010, the Bank's retail credit business, based on keeping housing mortgage loans as the core, constantly adjusted its product structure. While keeping the growth of housing mortgage loans, the Bank made efforts to strengthen the development of business loans. As of the end of the reporting period, the balance for the Bank's retail credit was RMB160.874 billion, up by 34.38% compared with the end of the previous year, in which the balance of personal housing mortgage loans, loans for personal business and loans for commercial apartments was RMB135.754 billion, RMB10.726 billion and RMB3.49 billion, respectively, up by 30.96%, 66.21% and 25.65% respectively compared with the end of the previous year.

The Bank strengthened the retail credit risk management, as a result of which both NPL amount and NPL ratio declined. The retail NPL was RMB373 million, down by RMB15 million compared with the end of the previous year. The NPL ratio for retail credit was 0.23%, down by 0.09 percentage point compared with the end of the previous year, in which the NPL ratio for housing loans was 0.13%, down by 0.04 percentage point compared with the end of the previous year.

Wealth Management

In the first half of 2010, in response to the changing requirements of the investment and wealth management market and customer demands, the Bank continued to innovate wealth management products and promoted wealth management products like asset portfolio and bonds pool and structural deposit products such as "Holiday Win" and "Always Win", which further enriched our product lines. Besides, the Bank also launched Financial Express, Brokerage Accounts and other customized products for high-end customers, which played an important role in retaining high-end customers. As of the end of the reporting period, the sales volume of wealth management products was RMB113.549 billion, up by 332.05% year on year, which exceeded the total sales of the full year of 2009. The fee income from wealth management reached RMB172 million, up by 4.87% year on year.

In the first half of 2010, the Bank continued to enhance its efforts in promoting the development and marketing of financial products sold on an agency basis. The Bank formed a diversified wealth management product line sold on an agency basis, including the domestic/foreign currency fixed and quasi-fixed return products, special funds products, open-end funds, broker collective wealth management products, trust products, structural products and so on. As of the end of the reporting period, our income from sales of fund and insurance products on an agency basis totaled RMB38.3071 million.

In the first half of 2010, the Bank strengthened its efforts in cross-selling to its existing VIP customers¹, and carried out Platinum marketing activities. As of the end of the reporting period, the balance of assets under management of our VIP clients in the Bank reached RMB230.673 billion, accounting for 62.90% of total retail assets under management; the newly added assets under management of VIP customers was RMB52.022 billion, accounting for 77.73% of all newly added retail assets under management in the Bank. The number of VIP customers with above RMB500,000 worth of assets under management in the Bank was 146,058, up by 21.02% compared with the end of the previous year.

¹ VIP customers refer to customers with wealth under the Bank's management (total amount of saving deposits and assets under wealth management) of RMB500,000 or above.

Private Banking

The Bank provides private banking services to individual customers with net assets over RMB8 million and the companies they controlled or held with the service philosophy of “being a good assistant to your privileged life”. As of the end of the reporting period, the number of the Bank’s private banking customers was 7,563, up by 44.80% compared with the end of the previous year. In the first half of 2010, with the focus on dynamic wealth management service, the Bank launched the “Good Health Club”, “Investors Club”, “Future Leaders Club” and other value-added services, which further perfected the Bank’s private banking service system.

Credit Card

In the first half of 2010, the Bank promoted a prudent growth of the credit card business, made effective risk control, and further improved profitability. As of the end of the reporting period, the Bank accumulatively issued 10.3035 million credit cards, an increase of 10.42% compared with the end of the previous year, the credit card transaction volume was RMB43.377 billion, up by 18.13% compared with the same period of the previous year; the loan balance of credit card was RMB14.346 billion, up by 3.08% compared with the end of the previous year.

While the credit card business was growing and the risk control continued to be positive, the Banks’s income from credit card business continued to grow, the income structure continued to be optimized, and the profitability was further improved. In the first half of 2010, the credit card business income reached RMB1.128 billion, up by 14.55% year on year. The income from credit card annual fees, installment and cross-selling business accounted for 16.55% of the total income from credit card business, up by 6.14% year on year. The Bank recorded a pre-tax profit of RMB335 million in credit card business, up by 164.12% year on year, which exceeded the total pre-tax profit from credit card business of the full year of 2009.

Treasury and Capital Market Business

In the first half of 2010, the Bank adjusted the business structure actively, improved the competitiveness of treasury and capital market business in terms of products, prices and services, and provided the clients with diversified financial services. The Bank further consolidated its research base, enhanced its support of research on investment, strengthened risk control, and built reasonable risk and benefit portfolio. Seizing market opportunities of foreign exchange business and RMB interest rate market-making business, the Bank timely adjusted the trading strategy and maintained the leading position in the market. Meanwhile, the Bank further implemented the business development strategy of “simple products, effective marketing” and promoted a sustainable development of the intermediary business.

The Bank achieved an outstanding performance in treasury and capital market business by continuing to prudently carry out asset management business, enhancing the brand building through promoting the foreign exchange and interest rate market-making business, and facilitating the growth of non-interest income and the increase of effective customers through simple product sales. As of the end of the reporting period, the operating income of treasury and capital market business of the Bank reached RMB846 million, accounting for 3.50% of the total operating income of the Bank.

The Bank continued to implement the business development strategy of highly efficient marketing, further enrich the product line and optimize the client structure. In the meantime, in accordance with the business strategy of active market-making with the focus on the domestic market, the Bank conducted foreign exchange trading, RMB related bond trading and wealth management business actively. Moreover, the Bank strengthened the business model of “trading-sales”, allowed the trading and sales to complement with each other and develop together, consolidated the client base effectively and ensured the sustainable development of non-interest income business. As of the end of the reporting period, the Bank’s net non-interest income from treasury and capital market business was RMB143 million, accounting for 5.31% of the Bank’s total net non-interest income.

Foreign Exchange Market Business

In the first half of 2010, domestic and international market was gradually recovering, but there were still a lot of uncertainties and complexities. The Bank adhered to the healthy operation of foreign exchange business, strengthened risk control, and market share of the counter foreign exchange settlement and sales among small and medium-sized joint-stock commercial banks in China. The Bank also maintained the leading position foreign exchange market-making business, and the trading volume has been ranked among the top of the market.

RMB Bond and Interest Rate Market-Making Business

In the first half of 2010, due to the complicated domestic and international economic environment, the market experienced greater volatility and uncertainty than in the past. Under this situation, through the judgement and understanding on market, the Bank timely adjusted trading strategies, further strengthened RMB bond and interest rate derivatives market-making business, and continued to actively provide trading liquidity for the market. During the reporting period, the Bank became one of the top in bond market-making business and was awarded “Outstanding Bonds Market-Maker” in the first quarter of 2010 by National Association of Financial Market Institution Investors. The Bank maintained a relatively big market share in interest rate derivatives market-making business, enhancing the Bank’s market position as a RMB market-maker.

Wealth Management and Derivatives Trading Business

In the first half of 2010, oriented toward target customers’ demands as direction, RMB bond assets pool wealth management business as focus, the business model of independent pricing and active management as the core, so as to continuously improve our capability to invest with funds manage customers’ funds. The Bank continued to increase our product development efforts, further enriched wealth management product system, and better met the wealth management demands of different customers at various levels.

In accordance with principles of simple products and effective marketing, the Bank prudently and soundly promoted the development of derivative products business, committed to provide customers with high quality and professional services through standardized simple products to help customers maintain value and avoid risks, in order to improve the those enterprise customers’ efficiency and capabilities in managing risk.

Investment in Debt Securities

In 2010, the Bank adhered to the principle of balancing safety, liquidity and profitability of investment, scientifically allocated the assets and improved asset management efficiency. The Bank actively adjusted the structure of foreign currency assets, reduced its holding of assets with expected high risk and increased the proportion of low-risk bonds, which enhanced the stability and anti-risk capability of the overall assets. The Bank modestly scaled up its investment in RMB bonds, stick to the prudent investment strategy and maintained a shorter duration, which helped increase the overall return rate on assets.

Integrated Financial Service Platform of CITIC Group

CITIC Group consists of financial subsidiaries engaging in banking, securities, funds, trust, insurance and futures businesses, most of which are leaders within their respective industry. Through the integrated financial service platform of CITIC Group, the Bank is gradually developing its unique competitiveness.

Providing Integrated Financial Solutions

The Bank provides the customers with differentiated and integrated financial services through cross-selling of the financial products and joint marketing with other financial subsidiaries under CITIC Group major projects.

- The Bank underwrites short-term financing bonds and mid-term notes. The Bank, together with CITIC Securities, underwrote and issued RMB2 billion of short-term financing bonds and RMB1.6 billion of mid-term notes as lead underwriters for customers.
- The Bank issues corporate wealth management products. The Bank, together with CITIC Trust, issued real estate funds wealth management products, raising a total amount of RMB610 million and providing the Bank's high-profile strategic customers with comprehensive investment and financing service solutions. The Bank, together with CITIC Securities, accumulatively issued the wealth management products of "CITIC Gold Wealth Management Comprehensive Allocation Series", and raised a capital totaling RMB8.162 billion.
- The Bank carried on cross-border syndicated business. The Bank cooperated with its subsidiary, CITIC Bank International to jointly provide USD200 million cross-border syndicated loans.

Promoting Extensive Sharing of Customer Base

The Bank cooperated with four subsidiaries under CITIC Group, including CITIC Securities, China Securities, CITIC Kingtong Securities and CITIC Wantong Securities in third-party escrow business, and became the host escrowing bank of CITIC Securities and CITIC Kingtong Securities and general escrowing bank of China Securities and CITIC Wantong Securities. As of the end of the reporting period, the Bank and the above 4 securities companies shared 5,348 institutional customers, realizing the handling charges from the third-party escrow service of RMB4.6819 million; the number of newly increased individual customers of third-party escrow business from the securities companies under CITIC Group was 70,000.

Conducting Products cross-design and cross-selling

- Giving play to the advantages of the custody business platform. The Bank carried out all-round cooperation with subsidiaries of CITIC Group on product development, building of the industry (VC) fund business platform as well as market exploration for custody business. In particular, the custody scale of PE products in RMB and foreign currencies launched with CITIC Trust and CITIC Capital reached RMB5.204 billion, the custody scale of collective/targeted asset management programs launched with CITIC Securities reached RMB8.950 billion, the custody scale of collective trust program launched with China Securities reached RMB854 million, and the trust scale of collective and single fund scheme launched with CITIC Trust reached RMB30.362 billion.
- Cooperating to develop the annuity business. The Bank carried out all-round cooperation with subsidiaries of CITIC Group such as CITIC Trust and CITIC Securities. During the reporting period, the scale of the “CITIC Xinrui” corporate annuity product designed and launched by the Bank together with other subsidiaries of CITIC Group reached RMB42.5678 million; the scale of the “Jinxu Rensheng” corporate annuity scheme launched by the Bank together with CITIC Securities reached RMB212 million; the scale of the “Xiangrui Xintai” corporate annuity scheme launched by the Bank together with Taikang Life reached RMB85.5935 million; and the scale of the “Jinse Rensheng No. 1” corporate annuity scheme launched by the Bank together with China AMC reached RMB75.4290 million.

Strongly promoting cross-border business

After its acquisition of CIFH, the Bank actively mobilized the development of the domestic and international business linkage, thus the synergy and integrated advantages of CITIC Group were gradually appeared. On 10 May 2010, CKWB controlled by CIFH was formally renamed as CITIC Bank International, marking a milestone stepping forward in the internal integration within the Bank. Leveraging on the powerful nationwide network of the Bank and the platform of CITIC Bank International in Hong Kong, USA and Macao, the Bank accelerated its commercial banking business home and abroad. In the future, the Bank will expand its business in mainland China, Hong Kong and Macao as well as international business with a unified platform.

In terms of international business, the business volume of the entrusted international settlement business between the Bank and CITIC Bank International was approximately USD9.487 billion. At present, CITIC Bank International is among the top three in terms of market share for cross-border RMB trade settlement business in Hong Kong.

In terms of treasury and capital market business, the total amount of RMB nominal-principal foreign exchange forward contracts provided by both parties to customers was four times of that of the same period of the previous year.

In terms of private banking business, relying on the service platform of CITIC Bank International in Hong Kong, the two parties established the “CITIC Bank Private Banking Customers Exclusive Center” in Hong Kong, and cooperated in providing customers with services in both Hong Kong and the Chinese mainland, etc.

In addition, the two parties also cooperate in providing services such as cross-border syndicated loans.

Cooperation with Strategic Investors

In the first half of 2010, the Bank further pushed forward the strategic cooperation with BBVA in business areas including cash management business, international business, investment banking business, private banking business, automobile financing business and training, etc. Senior managers from both sides met regularly through the Strategic Cooperation Committee which has maintained a smooth communication mechanism, and worked together to push forward the cooperation in all related business areas.

- In automobile financing business, the proposal for the Bank and BBVA to jointly set up an automobile financing company has been approved by our Board of Directors. The capital contribution agreement has been signed and is subject to the review and approval of the regulatory authority.
- In private banking business, the Bank and BBVA entered into the agreements of private banking independent business cooperation unit (IBCU), and would establish within the Bank an independent IBCU. The IBCU will be operated as an internal department within the Bank.
- In international business, the Bank has basically established agency bank relations with BBVA's network in South America, and more than 10 subsidiaries of BBVA around the world can provide comprehensive financial services for the Bank's customers. The business volume of entrusted international settlement business, import agency payment business and forfeiting business between the two parties amounted to USD429 million, USD556 million and USD0.89 million respectively.
- In investment banking business, the Bank and BBVA explored business cooperation opportunities actively in export credit, on-lending and cross-border M&A loans consulting, which provided the strategic customers of the Bank with integrated financial service solutions in cross-border investment and financing. The two parties cooperated to provide customers with cross-border debt receivables buyout business amounting to EUR60 million, in which our share was EUR36 million.
- In cash management business, the Bank cooperated with BBVA to provide cash management services for the Mexican subsidiary of China Tobacco Hubei Industrial Corporation, taking the Bank's first step towards in providing cross-border cash management services.
- In training, six training programs carried on in BBVA's domicile were arranged in the first half of 2010, covering 96 management personnel and key business staff of the Bank. The accumulative training time reached 27 days.

Information Technology

In the first half of 2010, the Bank continued to improve IT management structure, IT decision-making mechanism and IT organization management system. With significant projects and system upgrades and reform, the Bank continuously optimized the overall IT structure of the whole Bank to promote application integration and information sharing; enhanced precise and professional management, improved the management systems on application development, quality and operation maintenance management system in order to enhance the support and protection of IT towards business and the Bank's IT risk management and control capability.

- The Bank improved a range of cross department IT management systems, including demands management, project management, quality management and post-project evaluation management. Meanwhile, the Bank established structure control and data management system, improving its IT management level.
- According to the IT planning objectives and directions, the Bank has begun to establish or improve a bank-wide customer information management system, unified workflow platform, unified payment platform, channel integration platform and other major IT infrastructure, which have laid a solid foundation to optimize IT structure and application system.
- Under the guidance of “prevention first, efficient response”, the Bank improved the production and operation management and systems construction, promoted the extensive and in-depth application of automation instruments, and further enhanced emergency response capabilities through rehearsal and summarization, which have helped to basically establish a unified operation and maintenance management system across the Bank. The stability and availability of the Bank's IT system have been improved significantly.
- Under the guidance of professional and precise management concept, the Bank strengthened the unified management on the Bank's IT budget and the overall planning of system construction, and optimized the IT organization structure, staff allocation and work flow.

Domestic Distribution Channels

Branches

In the first half of 2010, the Bank continued to accelerate the construction of networks in major and key cities where the Bank has presence and further improved the layout in the eastern coastal areas. Meanwhile, the Bank appropriately filled in the blank spots in developed second-tier cities in central and western regions. 8 branches and 32 sub-branches have been put into operation in Nanyang, Jiangmen, Qujing, Zhangzhou, Urumqi, Pingxiang, Ordos and Weifang. As of the end of the reporting period, the Bank has set up 647 outlets in 74 cities in China, including 32 tier-one branches (directly under the Bank), 36 tier-two branches and 579 sub-branches.

Self-Service Outlets and Self-Service Terminals

In the first half of 2010, while strengthening safety and risk prevention of self-service banking transactions, the Bank continued to launch new self-service outlets and self-service terminal distribution network so as to increase the self-service terminal replacement rate for transactions. As of the end of the reporting period, the Bank had 1,104 self-service outlets and 3,718 self-service terminals (ATM, CDM and CRS), up by 12.31% and 5.81% respectively compared with the end of the previous year.

Mobile Banking

In the first half of 2010, following the successful launch of the mobile banking V2.0 at the end of 2009, the Bank continued to improve the mobile banking system and started to develop iPhone and other versions of mobile banking as well as mobile payment gateway. In the first half of 2010, the number of our mobile banking customers were 10,953, up by 132.20% over the previous end of the year; transaction volume amounted to RMB28.2250 million, up by 869.73% year on year.

Internet Banking

For personal internet banking, the Bank adhered to the development strategy of “increasing the rate of technological substitution” and implemented the strategy of concurrent development for the customer acquisition, management and improvement. The Bank continued to develop and optimize the performance of its internet banking based on the “customer experience indicator model”, while the personal internet banking business of the Bank maintained the momentum of rapid growth. In the first half of 2010, the personal internet banking customers of the Bank reached 3.7466 million, up by 57.31% from that of the end of the previous year. The coverage ratio of personal internet banking reached 21.48%, up by 6.77 percentage points from that of the beginning of the year. The number of transactions was 6.5152 million, which is 2.21 times of that of the same period of the previous year. The transaction volume was RMB349.544 billion¹, which is 4.51 times of that of the same period of the previous year. The substitution rate of personal electronic banking reached 61.33%.

In corporate Internet banking, the Bank successfully launched Corporate Internet Banking V. 6.1, promoted the optimization of mobile banking, telephone banking and treasury and capital space community service functions, completed the upgrade of telephone customer service system, speeded up the construction of bank-enterprise direct connection channel, which have formed a relatively complete Internet banking service channel system of the Bank. As of the end of the reporting period, the Bank’s accumulative corporate Internet banking transaction volume amounted to RMB5,128.365 billion, which is 2.0 times of that in the same period of last year; and the transaction number replacement rate and transaction volume replacement rate reached 26.38% and 48.08% respectively, up by 8.35 percentage points and 14.38 percentage points respectively compared with the end of the previous year.

¹ Including general, professional and platinum community internet banking as well as internet payment transactions; excluding fund supermarket, “Ka Tong” payment, “Hui Jin Bao” transactions.

Telephone Banking

The Bank provides customers with consulting services, online transactions, active care and other differentiated services through unified national telephone banking. Based on customer service hotline 95558, the Bank launched the VIP service hotline 10105558, and provided VIP customers with VIP boarding, car rescue, golf booking, medicare green channel and other value-added services. Through various online transactions, proactive marketing through telephone, concentrated operation of a variety of business and other business strategies, the Bank's telephone banking has achieved deep integration with VIP wealth management, Internet banking, personal loans, debit cards and other services, and achieved the organic combination of "air service" of telephone banking and "ground service" of business outlets, which have become an important part of customers management strategy of the Bank. Telephone Banking Center highlighted standardized and digital management, and was awarded ISO9000 Quality System Certification for four consecutive years with "zero non-conformities", and received Five-star Call Center Certification from the Standards Committee of CCCS (Customer Contact Center Standard).

Overseas Subsidiaries

CIFH

In the first half of 2010, the Bank's subsidiary CIFH continued to build CITIC Bank International as the Bank's international business platform, in order to lay a foundation to steadily enhance our Asian network and business expansion. During the reporting period, though the European debt crisis triggered great volatility in investment market, CIFH still achieved a relatively good result thanks to the rapid growth of the profit of CITIC Bank International. Its net profit attributable to shareholders was RMB518 million, up by 19.63% year on year. The strong growth in loans of CITIC Bank International drove the total assets of CIFH to grow rapidly. As of the end of the reporting period, the total assets of CIFH reached RMB127.17 billion, up by 17.39% over the end of 2009. However, the severe market volatility affected the performance of the investment in associates to certain extent, and the profit of associates attributable to CIFH was RMB10 million equivalent, down by 86.67% year on year.

- CITIC Bank International. On 10 May 2010, CKWB was renamed as CITIC Bank International. Taking this opportunity, on the one hand it deepened cooperation with the Bank in cross-border business so as to play a greater synergy effect; on the other hand, on a clearly new starting point, it played the role of an international platform for CITIC Bank Group, actively promoted the preparation works for setting up the first branch in the Association of Southeast Asian Nations, improved the strengths in human resources and capital, in order to prepare for the steady expansion of business in Asia. In the first half of 2010, CITIC Bank International's net profit attributable to shareholders was RMB514 million equivalent, up by 37.07% year on year.

- CIAM. Under the environment of the European debt crisis and as the uncertain global economic outlook, CIAM continued to take the stable and development strategy, prudently operated on investment projects, developed the fund management business progressively, and opened up the cooperation platform in mainland China with overseas investors and operators.
- CITIC Capital. During the reporting period, CITIC Capital recorded a performance not as expected because of the effect of severe volatility in the investment market, but the scale of assets under its management continued to expand. As of the end of the reporting period, the assets under CITIC Capital's management totaled USD3.2 billion, up by 14% compared with the end of the previous year.

CIFL

CIFL is a controlled subsidiary of the Bank established in Hong Kong with a registered capital of HKD25 million, of which the Bank holds 95% and CITIC Bank International holds 5%. The business scope includes loan business (CIFL holds the creditor license) and investment business (mainly including funds investment, bond investment and stock investment).

- Business development. CIFL further strengthened its cooperation with the Bank to give full play to the differentiated competitiveness and complement with each other with respective advantages. As of the end of the reporting period, the total assets of CIFL equaled RMB1.096 billion, up by 9.49% compared with the end of the previous year; net profit equaled RMB37 million, up by 236.36% compared with the same period of 2009.
- Risk management. CIFL continued to adopt the two-level approval system, namely the Risk Management Committee and the Board of Directors. Meanwhile, CIFL carried out daily business strictly according to a series of system and regulations it formulated, including Regulations of the Risk Management Committee of China Investment and Finance Limited, Administrative Measures for Authorization of Credit Extension Business of China Investment and Finance Limited, and Administrative Measures for Transaction Authorization of China Investment and Finance Limited. During the reporting period, thanks to the strict risk management, CIFL continued to maintain a record of zero Non-performing assets, and its capability to withstand market turbulence and crisis has been further enhanced.

4. Risk Management

The Bank has remained committed to build an independent, comprehensive, vertical and professional risk management system, cultivated a risk management culture of pursuing “risk-adjusted returns”, implemented the development strategy of “quality industry, quality enterprises, mainstream market and mainstream customers”, and actively managed the credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

Credit Risk

Credit Risk Management

In response to the complicated and variable macro-economic environment, the Bank sticks closely to the business goals of “adjusting structure, enhancing management and promoting development”, adheres to the basic principles of “active marketing and prudent management”, and implement the basic credit extension guidelines of “ adjustment, management, innovation and development”, with an effort to optimize the loan structure, intensify the risk management and impel the healthy and steady development of various credit extension businesses.

Risk Management on Corporate Loans

In the first half of this year, the Bank provided active support to the strategic clients of our headquarters and branches and quality small and medium-sized enterprises (SME), with the lending focus directing to those basic industries that concern our national economy and livelihood of our people and to such real economic sectors as manufacturing, wholesale and retail which are recovering gradually. The Bank has exerted strict control over the loans issuance to government platform clients, real estate sector, sectors with high consumption and high pollution as well as sectors with overcapacity.

- Government Platform Financing. The Bank has formulated prudent credit policies on credit granting to the government platform funded projects in accordance with the principle of “strictly controlling the increments and exercising differentiated treatments”, in order to carry out strict control and management over loans to projects funded through government platforms, and ensure the safety of credit assets. Firstly, the Bank actively defused the credit risks associated with the existing government platform loans, where the government platform loans are divided into 4 types, namely, the support type, maintenance type, adjustment type and exit type for differentiated treatments, and every Project Package of government platform loan has been opened one by one for classification and treatment. Secondly, the Bank strictly controlled the newly increased government platform loans, where all the newly increased government loans shall be submitted to the headquarters of the Bank for stringent examination and approval. In the first half of 2010, the focus of new government platform loans has been directed to the quality public utilities investment projects funded by governments concerning our national economy and livelihood of our people with sufficient self-funded cash flows for operations, and to projects with land reserve in good locations and with great value appreciation potentials in economic-developed central cities and regional central cities with strong local financial strengths.

- Real estate development loans. The Bank has paid close attention to the market risks of the real estate sector, implemented the prudent policy of “controlling the total amount, selecting premium projects and exercising strict management”, and adhered to the principles of “Compliant Policies, Closed Funds, Controllable Costs, Marketable Building Projects, Quality Enterprises, Project Collateral, Mortgage Stimulus and Professional Management”, on the premise of risk controlling, prudentially support the readily marketable residential projects providing the impetus to the growth of mortgage business, which are developed by those quality developers with strong risk resistance capacity and little risk of capital chain rupture. Meanwhile, the closed-end fund management has been strengthened, where the Bank has, in principle, required the implementation of collateral with lands and projects under construction, and insisted on the compliance of the operations. All the real estate development loans of the Bank have been submitted for the professionalized examination and approval of the Industry Loan Approval Team of the Head Office.
- Loans to the sectors with high consumption and high pollution (“two highs”) and sectors with overcapacity. The Bank has seriously implemented various regulations and controlling policies of the State concerning the sectors with high consumption and high pollution and sectors with overcapacity, paid close attention to changes in the credit risks with these sectors and strictly controlled credit extension to these sectors. Adhering to the principles of “controlling total amount and some loans ensured, some loans restricted”, and with credit being granted with “quality enterprises as the target customers, working capital loans as the target use and logistics financing as the target purpose”, the Bank has exerted strict control over the issuance of projects loans. The Bank has implemented the system in which the new loans to seven “two highs” sectors and sectors with overcapacity such as iron and cement, etc are subject to the approval of the Head Office prior to issuance. The Bank does not provide any form of new credit support to any project not in compliance with national environmental protection policies, any project under construction that is within the scope of backward capacity to be eliminated as clearly defined by the State, or any illegal projects that is completed.

Risk Management on Small Business Loans

- Establishment of Professional Teams. The Bank has special marketing and management teams with over 300 members in 4 of our branches, namely Hangzhou, Ningbo, Nanjing and Suzhou for small business finance. We have also established special institutions and special teams in 10 branches including Shanghai and Wuhan branch. It is clearly specified that full-time credit analysts and credit investigators shall be assigned from the risk management line to each of these special institutions, which further enhances the risk control capacity and professionalized operation level of the Bank.
- Control of Key Investment Areas. The credit to small business has been primarily directed to regions with relatively developed economy, active small business, high social credibility, and where the branches of the Bank have strong risk control capabilities, such as the Yangtze River Delta region and Pearl River Delta region.

- Control of Client Admission. The small business customers are mostly fast growing small businesses with prime quality, such as small businesses with strong self-compensating cash flow in domestic/international trade, small businesses that provides supplementary products or services to well-growing leading enterprises and steady small businesses with core technology advantages.
- Construction of Credit Enhancement Platforms. The Bank placed emphasis on cooperation with such credit enhancement platforms as guarantee companies, re-guarantee companies, insurance companies and governments. In the first half of 2010, the Bank formulated and issued the “Guidelines on Strategies for Cooperation with Small Business Credit Enhancement Platforms” to guide our branches to actively construct credit enhancement cooperation platforms and to leverage on such platforms to increase the parties for loan repayment, explore the external information sources and take effective control over risks.
- Stressing on non-financial indicators and face-to-face talk system. The Bank has put stress on keeping overall track of the actual operation of enterprises by grasping non-financial information such as tax payment, power consumption and water consumption, etc. In addition, for new customers applying for credit extension for the first time, the Bank required the person in charge of marketing shall hold face-to-face talk with the in-charge person of the enterprise, so as to gain information on the enterprise objectively.
- Strengthening Post-Lending Examination. The Bank conducted more specific and differentiated post-lending examination on small business loans and promptly initiated the early-warning procedures for enterprises with adverse signals.
- Emphasis on the Dynamic Customer Adjustment. Branches of the Bank assess the small business clients every year, specify the list of customers who shall exit, and make the exit plan to constantly optimize the small business customer structure through dynamic adjustment.

Risk Management on Personal Loans

In the first half of 2010, in view of the changes in the macro-economic environment, the Bank adjusted its credit policies and optimized its product structures. We also strengthened the establishment of personal credit system and intensified post-lending management and asset quality control, achieving the development progress for the current phase.

- In view of the changes in the macro-economic environment, we adjusted the policy of personal residential mortgage loans and raised the interest rate pricing level.
- We optimized the product structures. In addition to exploration of the development of personal business loans, we enhanced our efforts in research and promotion of other personal loan products.
- The establishment of personal loan centres in branches has been completed. We are now actively exploring the path to the operation management and the establishment of risk control system for retail credit business.

- The post-lending management has been strengthened. We consolidated the compliance management for personal loan business by conducting specialized inspections.
- We strengthened the asset quality management by regularly notifying the quality of the personal loan assets to the entire bank and enhancing the effort in the recovery of non-performing loans which were overdue for more than one year.

Credit Card Risk Management

In the first half of 2010, the credit card business of the Bank has been developed following the basic credit business guidelines of “ adjustment, management, innovation and development”, to spur the optimization of credit structure by way of customer structure and portfolio management, and stimulate the introduction of high-end customers by means of continuously innovated product portfolio systems to further optimize the loan structure. The Bank continuously improved and perfected the structure of the whole-process risk management system, intensified operational risk management and enhanced the risk management responsive capability, thus the NPLs and NPL ratios have been controlled effectively.

- Active adjustment of credit card marketing strategies. The Bank has further reinforced the construction of low-risk and low-cost marketing channels such as database marketing, and intensified the ability of sales to refined customers and the strategic transformation of sales modes has been initially achieved.
- Accelerating customer structure adjustment. Counting on the high-end products, and promoting the introduction of prime quality customers, the Bank has further increased the proportion of the medium-to-high end customers through the adjustment of admission and credit limit policies. Moreover, the Bank has imposed strict restrictions on the access of high-risk customers and has gradually reduced the proportion of high-risk customers.
- The Bank has placed priority on the operations for existing customers, increased the proportion of loans granted to the quality customers and enhanced post-lending management for credit card customers. Through offering new credit portfolio products, the Bank continued to boost the activity of credit card transactions of the prime quality customers and increased the overall returns of customers.
- The Bank actively developed multiple technologies for risk quantitative management. The Bank further enhanced the overall risk prevention and control capacity of our credit card business through effective risk quantitative identifying instruments.

The annual credit policies of the Bank are formulated by the Risk Management Commission of the Bank's senior management and the risk committee of the Bank's Board of Directors, and the Treasury and Capital Market Department of the Headquarter is responsible for the daily operations and investment decisions of the treasury and capital business of the Bank in compliance with the credit policies for the relevant year. In accordance with the principle of independence in risk management, the Risk Management Department and the Planning & Finance Department of the headquarters will assume corresponding responsibilities separately in the process of making important decisions in relation to the treasury and capital business risks. The Bank prudentially engaged in marketable securities investment business and provided the risk avoidance and value added services to customers.

- RMB denominated bond investment. Adhering to the credit policies for the relevant year, the Bank took the quality enterprises within the industry as the key credit investment objects.
- Foreign currency denominated bond investment. The year 2010 has witnessed the gradual display of recovery signs in some major nations, yet the deepening of European Sovereignty Debt Crisis has led to the aggravation of market volatility, and the global economy is facing new challenges.

Loan Monitoring and Post-Lending Management

In the first half of 2010, there have been a balanced growth in the scale of credit and loans of the Bank, a drop in both the amount and ratio of our non-performing loans and a steady rally in the benefits of our credit assets, and the coordinative development of credit scale, quality and benefits was realized. The achievements of credit management are manifested in the following aspects:

- The Bank has seized the focus of our work and planned in advance, further enhanced the predictability and pertinence of our credit management, and made effective response to the credit risks arising from the macro-economic situation.
- The Bank has further advanced the management and increased the efficiency of the loan center to effectively prevent the credit operational risks.
- The Bank further promoted the management on the recovery of performing loans, and ensured the actual principal and interest recovery ratio no less than the target of 98%.
- The Bank further strengthened the monitoring on key risks and conducted investigation on the risks associated with the loans to government financing platforms, sectors with overcapacity and real estate sector.
- The Bank has pushed forward loan quality analysis and the accuracy of risk rating and carried out on-site inspections and off-site inspections on all our branches, where loans of a total of 1,938 accounts and a total amount of RMB319.4 billion have been examined.

- The Bank further propelled the construction of credit management system, optimized management functions and intensified the technical support. The development of the CITIC “Daily Statistics” Credit Management Statistical System has achieved phased success, the construction of “Sky Statistics” statistical and analytical system has been accelerated, and the overall business development of the “SKYNET Early Risk Warning System” project has been accomplished, and the system functions were continuously optimized.
- The Bank made an overall advancement in the risk management on group customers to comb out and improve the processes and systems and reinforced the background check on discounted bill businesses.
- The Bank further promoted the implementation of the “Exit” policy, and directed the branches to proactively exit from high-risk loans.

Credit Risk Analysis

Loan Analysis

Distribution of Loans

As of 30 June 2010, the Group’s total loans amounted to RMB1,192.838 billion, up by RMB127.189 billion or 11.94% compared with the end of the previous year.

The Group continued to optimize the regional structure of its credit assets, with the loans showing a balanced growth across all regions. The Group’s loans mainly concentrated in the coastal regions of eastern China with the most robust economic development, such as the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As of 30 June 2010, the Group’s balance of loans for these three major regions accounted for 67.33% of its total loans. In the first half of 2010, loans for the Bohai Rim and the Yangtze River Delta showed a relatively faster growth, up by RMB31.897 billion and RMB28.0 billion respectively. In the first half of 2010, the Group actively followed and implemented the relevant national policies for boosting domestic demand and fittingly enhanced its support for quality projects in the central and western regions, leading to a higher proportion of its loans for the central and western regions in the total loans.

Concentration of Loans by Geographical Region

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim ⁽¹⁾	325,804	27.31	293,907	27.58
Yangtze River Delta	312,055	26.16	284,055	26.66
Pearl River Delta and West of Taiwan Straits	165,304	13.86	145,222	13.63
Central region	148,991	12.49	133,009	12.48
Western region	127,864	10.72	113,499	10.65
Northeastern region	40,784	3.42	34,965	3.28
Overseas	72,036	6.04	60,992	5.72
Total loans to customers	1,192,838	100.00	1,065,649	100.00

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim ⁽¹⁾	325,022	29.10	293,056	29.29
Yangtze River Delta	310,197	27.77	282,138	28.20
Pearl River Delta and West of Taiwan Straits	164,038	14.69	143,807	14.37
Central region	148,991	13.34	133,009	13.30
Western region	127,864	11.45	113,499	11.35
Northeastern region	40,784	3.65	34,965	3.49
Total loans to customers	1,116,896	100.00	1,000,474	100.00

Note: (1) Including the headquarters.

Concentration of Loans by Product

As of 30 June 2010, the Group's balance of corporate loans (excluding discounted bills) amounted to RMB956.135 billion, up by RMB133.5 billion or 16.23% compared with the end of the previous year; the balance of personal loans amounted to RMB190.572 billion, up by RMB42.332 billion or 28.56% compared with the end of the previous year; the discounted bills amounted to RMB46.131 billion, down by RMB48.643 billion or 51.33% compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	956,135	80.16	822,635	77.20
Personal loans	190,572	15.97	148,240	13.91
Discounted bills	46,131	3.87	94,774	8.89
Total loans and advances to customers	1,192,838	100.00	1,065,649	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	897,502	80.36	773,557	77.32
Personal loans	175,220	15.69	133,637	13.36
Discounted bills	44,174	3.95	93,280	9.32
Total loans and advances to customers	1,116,896	100.00	1,000,474	100.00

Structure of Personal Loans

In the first half of 2010, the Group steadily developed the personal housing mortgage loan business and credit card business, with the housing mortgage loan and credit card loan experiencing a growth of 28.55% and 2.68% respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	146,750	77.00	114,156	77.01
Credit card loans	14,572	7.65	14,191	9.57
Others	29,250	15.35	19,893	13.42
Total personal loans	190,572	100.00	148,240	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	135,754	77.48	103,660	77.57
Credit card loans	14,346	8.19	13,918	10.41
Others	25,120	14.33	16,059	12.02
Total personal loans	175,220	100.00	133,637	100.00

Concentration of Loans by Sectors

In the first half of 2010, the Group proactively supported such key industries as energy and transportation, and exercised rigorous control over the granting of loans to the real estate industry. At the same time, under the complicated and ever-changing domestic and international economic and financial conditions, the Group also adopted a more refined approach when categorizing the manufacturing industries and enhanced its management efforts, and conducted an augmented risk supervision over those industries that were of excessive production capacity (whether actual or potential) or more vulnerable to the macro-economic control, with a view to controlling the industry risks effectively. As of 30 June 2010, the total loans for the top five industries in terms of corporate loans granted by the Group accounted for 68.44% of its aggregate corporate loans. Judging from the increment structure, the three industries showing the highest growth in loans during the reporting period were manufacturing, wholesale and retail, and water conservation, environment and public utilities management. The loans to these three industries increased by RMB39.955 billion, RMB30.130 billion and RMB15.638 billion respectively compared with the end of the previous year.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	250,401	26.19	210,446	25.58
Transportation, warehousing and postal services	115,345	12.06	102,557	12.47
Production and supply of electricity, gas and water	82,387	8.62	85,106	10.34
Wholesale and retail	116,002	12.13	85,872	10.44
Real estate	60,498	6.33	46,312	5.63
Water, environment and public utilities management	90,242	9.44	74,604	9.07
Leasing and commercial services	47,149	4.93	49,900	6.07
Construction	43,803	4.58	34,554	4.20
Public and social organizations	56,039	5.86	49,560	6.02
Finance	7,051	0.74	6,551	0.80
Other customers	87,218	9.12	77,173	9.38
Total corporate loans	956,135	100.00	822,635	100.00

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	242,855	27.06	204,706	26.46
Transportation, warehousing and postal services	112,343	12.52	99,823	12.91
Production and supply of electricity, gas and water	82,121	9.15	84,819	10.96
Wholesale and retail	107,884	12.02	82,159	10.62
Real estate	50,283	5.60	37,320	4.82
Water, environment and public utilities management	90,242	10.05	74,604	9.64
Leasing and commercial services	47,049	5.24	49,800	6.44
Construction	43,611	4.86	34,381	4.45
Public and social organizations	56,039	6.24	49,560	6.41
Finance	2,665	0.30	2,583	0.33
Other customers	62,410	6.96	53,802	6.96
Total corporate loans	897,502	100.00	773,557	100.00

Breakdown of Loans by Types of Guarantee

In order to respond to the uncertain macro-economic changes proactively, the Group continued to adhere to its customer strategy of ‘quality industries, quality enterprises, mainstream markets and mainstream customers’, increased its credit support to quality customers during the first half of 2010. Besides, the Group focused on mitigating and eliminating risks by obtaining collaterals, leading to a higher proportion of collateral loans.

The Group

Unit: RMB million

Types of Guarantee	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	403,185	33.80	293,974	27.59
Guaranteed loans	230,663	19.34	233,099	21.87
Collateral loans	402,592	33.75	335,343	31.47
Pledged loans	110,267	9.24	108,459	10.18
Subtotal	1,146,707	96.13	970,875	91.11
Discounted bills	46,131	3.87	94,774	8.89
Total	1,192,838	100.00	1,065,649	100.00

The Bank

Unit: RMB million

Types of Guarantee	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	387,664	34.71	283,394	28.33
Guaranteed loans	210,985	18.89	216,312	21.62
Collateral loans	367,262	32.88	301,493	30.14
Pledged loans	106,811	9.56	105,995	10.59
Subtotal	1,072,722	96.04	907,194	90.68
Discounted bills	44,174	3.96	93,280	9.32
Total	1,116,896	100.00	1,000,474	100.00

Concentration of Borrowers of Corporate Loans

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

The Group

Major regulatory indicators	Regulatory Standards	30 June 2010	31 December 2009	31 December 2008
Percentage of loans to the largest single customer (%)	≤10	4.43	5.06	2.92
Percentage of loans to the top 10 customers (%)	≤50	28.68	34.70	21.93

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

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

(3) Because the figure for the net capital as of the end of 2009 was restated, the figures for year 2009 in the above table were restated.

Unit: RMB million

		30 June 2010		
	Industry	Amount	Percentage in total loans (%)	Percentage in regulated capital (%)
Borrower A	Public and social organizations	6,596	0.55	4.43
Borrower B	Wholesale and retail	6,576	0.55	4.42
Borrower C	Public and social organizations	6,000	0.50	4.03
Borrower D	Production and supply of electricity, gas and water	4,974	0.42	3.35
Borrower E	Transportation, warehousing and postal services	4,441	0.37	2.99
Borrower F	Production and supply of electricity, gas and water	2,940	0.25	1.98
Borrower G	Public and social organizations	2,873	0.24	1.93
Borrower H	Other clients	2,830	0.24	1.90
Borrower I	Public and social organizations	2,733	0.23	1.84
Borrower J	Transportation, warehousing and postal services	2,694	0.23	1.81
Total		42,657	3.58	28.68

With its key efforts being centered on boosting domestic demands, the Group adhered to the customer strategy of ‘quality industries, quality enterprises, mainstream markets and mainstream customers’, and moderately enhanced its support for large-scale quality infrastructure construction projects and quality large sized customers. The Group’s balance of loans for its top ten corporate loan borrowers totaled RMB42.657 billion, accounting for 3.58% of its total balance of loans.

Loan Quality Analysis

The section below will focus on analysis of the quality of the Bank’s loans.

Five-category Loan Classification

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

In the first half of 2010, the Bank continued to enhance its centralized management system over the risk classification and constantly improve the credit assets risk classification system credit assets. While insisting on the principle of core standard of ‘Loan recovery safety’, the Bank employed different risk management measures for different classes of loans after taking into full consideration of various factors that may influence the quality of credit assets.

The procedures for the classification and recognition of credit risks implemented by the Bank are as follows: the business departments carry out post-lending inspections, and propose the preliminary suggestions on classification and recognition based on the inspection results, and the suggestions then go through the stages of initial recognition by the credit management departments of the branches, examination and approval by the risk officers of the branches, and final recognition by the Head Office. The Bank conducts dynamic classification adjustment on loans with material changes in risk conditions.

In the first half of 2010, the Bank continued to collaborate with external audit agency and completed the sample collection and inspection on credit quality and risk classification (with the focus on the loans to the government financing platform), such that the authenticity and accuracy of the loan classification were further enhanced.

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,175,087	98.51	1,047,265	98.28
Special mention	8,046	0.68	8,227	0.77
Sub-standard	2,941	0.25	3,235	0.30
Doubtful	5,189	0.43	5,201	0.49
Loss	1,575	0.13	1,721	0.16
Total loans	<u>1,192,838</u>	<u>100.00</u>	<u>1,065,649</u>	<u>100.00</u>
Performing loans	1,183,133	99.19	1,055,492	99.05
Non-performing loans	9,705	0.81	10,157	0.95

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

As of 30 June 2010, both the balance of NPLs and the NPL ratio of the Group decreased from that of the end of the previous year. The balance of NPLs of the Group recognized in accordance with regulatory classification standards stood at RMB9.705 billion, down by RMB452 million compared with the end of the previous year, while the NPL ratio of the Group stood at 0.81%, down by 0.14 percentage point compared with the end of the previous year.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Normal	1,101,534	98.62	983,978	98.35
Special mention	6,876	0.62	7,487	0.75
Sub-standard	2,041	0.18	2,484	0.25
Doubtful	4,888	0.44	4,869	0.49
Loss	1,557	0.14	1,656	0.16
Total loans	1,116,896	100.00	1,000,474	100.00
Performing loans	1,108,410	99.24	991,465	99.10
Non-performing loans	8,486	0.76	9,009	0.90

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

Under the complicated economic and financial conditions during the first half of 2010, the Bank, with the prerequisite of ensuring the stability of loan quality, achieved a steady growth of 11.64% in its credit scale through conducting structural adjustments and implementing a more rigorous loan supervision and post-lending management systems. As of 30 June 2010, normal loans increased by RMB117.556 billion or 11.95% compared with the end of the previous year, with an increase in the proportion of normal loans in the total loans to 98.62%. Special-mentioned loans decreased by RMB611 million compared with the end of the previous year, with its proportion in the total loans dropped by 0.13%. This was mainly due to the Bank's accelerated withdrawal from loans with potential risks, which further mitigated the potential credit risks. The NPL ratio stood at 0.76%, representing a 0.14 percentage point decrease compared with the beginning of this year and reaching the best historical level; the balance of NPLs was RMB8.486 billion, representing a decrease of RMB523 million compared with the beginning of this year and indicating the Bank's good risk control capability.

In the first half of 2010, the Bank dealt with NPLs mainly through such customary means as loan collection and writes-off, absorbing a total of RMB1.134 billion of NPLs.

Migration of Loans

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

The Bank

	30 June 2010	31 December 2009	31 December 2008
Migration ratio of normal loans (%)	0.29	0.53	1.42
Migration ratio of special mention loans (%)	5.00	6.71	6.94
Migration ratio of sub-standard loans (%)	21.76	18.16	39.03
Migration ratio of doubtful loans (%)	4.71	5.35	19.28
Migration ratio of performing loans to NPLs (%)	0.07	0.32	0.36

In the first half of 2010, the migration ratio of the Bank's performing loans to NPLs decreased significantly compared with the end of 2009. This was mainly due to the Bank's enhancement in credit restructuring, implementation of withdrawal mechanism, enhancement in loan collection management, mitigation of risks at earlier stage in the first half of 2010, thereby effectively controlled the continual deterioration of credit risks and reducing the possibility of downward migration. The NPLs newly increased in the first half of 2010 decreased greatly compared with the same period of the previous year.

Loans Overdue

The Group

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,180,953	99.00	1,054,844	98.99
Loans overdue ⁽¹⁾ :				
1-90 days	4,433	0.37	2,844	0.26
91-180 days	510	0.04	598	0.06
181 days or above	6,942	0.59	7,363	0.69
Sub-total	11,885	1.00	10,805	1.01
Total loans	1,192,838	100.00	1,065,649	100.00
Loans overdue for				
91 days or above	7,452	0.63	7,961	0.75
Restructured loans ⁽²⁾	3,591	0.30	4,146	0.39

Note:

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

(2) Restructured loans refer to the loans overdue or impaired but the terms of which (e.g. amount and term) have been re-arranged.

The Bank

Unit: RMB million

	30 June 2010		31 December 2009	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	1,106,606	99.08	990,875	99.04
Loans overdue ⁽¹⁾ :				
1–90 days	3,208	0.29	2,140	0.21
91–180 days	428	0.03	577	0.06
181 days or above	6,654	0.60	6,882	0.69
Sub-total	10,290	0.92	9,599	0.96
Total loans	1,116,896	100.00	1,000,474	100.00
Loans overdue for				
91 days or above	7,082	0.63	7,459	0.75
Restructured loans ⁽²⁾	2,895	0.26	3,577	0.36

Note:

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

⁽²⁾ Restructured loans refer to the loans overdue or impaired but the terms of which (e.g. amount and term) have been re-arranged.

In the first half of 2010, the Bank firmly implemented the risk mitigation strategy of “early identifying, early reacting and early mitigating”, enhanced its monitoring on overdue principal and interest of loans by means of management system and performed monthly supervisions and reports regarding the principal and interest overdue of the various branches, urging them to accelerate the collection loans overdue. Such methods yielded satisfactory results. As of 30 June 2010, both the balance of loans overdue and its proportion in the total loans decreased compared with those as of 30 June 2009, among which the balance of loans overdue for 1 to 90 days decreased by RMB851 million as compared with that as of the end of June 2009, and the balance of loans overdue for 91 days or above decreased by RMB2.045 billion as compared with that as of the end of June 2009.

Breakdown of Non-performing Loans by Types of Customer

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Corporate loans	8,750	90.16	0.92	9,000	88.61	1.09
Personal loans	955	9.84	0.50	1,119	11.02	0.75
Discounted bills	—	—	—	38	0.37	0.04
Total NPLs	9,705	100.00	0.81	10,157	100.00	0.95

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Corporate loans	7,540	88.85	0.84	7,904	87.73	1.02
Personal loans	946	11.15	0.54	1,067	11.84	0.80
Discounted bills	—	—	—	38	0.42	0.04
Total NPLs	8,486	100.00	0.76	9,009	100.00	0.90

As of 30 June 2010, with the prerequisite of ensuring a stable quality of credit assets, the Bank's credit scale of corporate loans expanded steadily. The balance of non-performing corporate loans reduced by RMB364 million and the NPL ratio decreased by 0.18%. The balance of non-performing personal loans reduced by RMB121 million and the NPL ratio decreased by 0.26 percentage point.

Breakdown of Non-performing Loans by Geographical Locations

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Bohai Rim ⁽¹⁾	2,946	30.36	0.90	3,237	31.87	1.10
Yangtze River Delta	2,180	22.46	0.70	2,264	22.29	0.80
Pearl River Delta and West of Taiwan Straits	1,463	15.07	0.89	1,331	13.10	0.92
Central region	446	4.60	0.30	703	6.93	0.53
Western region	701	7.22	0.55	715	7.04	0.63
Northeastern region	822	8.47	2.02	833	8.20	2.38
Overseas	1,147	11.82	1.59	1,074	10.57	1.76
Total NPLs	9,705	100.00	0.81	10,157	100.00	0.95

Note: (1) Including the headquarters.

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Bohai Rim ⁽¹⁾	2,946	34.72	0.91	3,237	35.93	1.10
Yangtze River Delta	2,155	25.39	0.69	2,237	24.83	0.79
Pearl River Delta and West of Taiwan Straits	1,416	16.69	0.86	1,284	14.25	0.89
Central region	446	5.25	0.30	703	7.80	0.53
Western region	701	8.26	0.55	715	7.94	0.63
Northeastern region	822	9.69	2.02	833	9.25	2.38
Total NPLs	8,486	100.00	0.76	9,009	100.00	0.90

Note: (1) Including the headquarters.

The overall quality of the Bank's loans remained steady, in particular, the quality of loans to the Pearl River Delta and West Strait, where more export-oriented and private enterprises concentrated, has not been seriously affected by the macro economic environment. The NPL balance in these regions slightly increased by RMB132 million compared with the end of the previous year. At the same time, the NPL ratio of these regions was only 0.86%, a decrease of 0.03 percentage point compared with the end of the previous year. Both the NPL balance and NPL ratio in the Bohai Rim, Central region, the Yangtze River Delta and Northeastern region decreased compared with the end of the previous year, which indicates the capability of the Bank's credit management to effectively respond to the complicated economic and financial environment.

Breakdown of Corporate Non-performing Loans by Sector

The Group

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Manufacturing	3,803	43.46	1.52	3,952	43.91	1.88
Transportation, warehousing and postal services	100	1.14	0.09	100	1.11	0.10
Production and supply of electricity, gas and water	329	3.76	0.40	347	3.86	0.41
Wholesale and retail	1,155	13.20	1.00	1,275	14.17	1.48
Real estate	1,228	14.03	2.03	1,114	12.38	2.41
Water, environment and public utilities management	42	0.48	0.05	43	0.48	0.06
Leasing and commercial services	189	2.16	0.40	345	3.83	0.69
Construction	69	0.79	0.16	164	1.82	0.47
Public and social organizations	—	0.00	0.00	—	0.00	0.00
Finance	137	1.57	1.94	138	1.53	2.11
Other customers	1,698	19.41	1.95	1,522	16.91	1.97
Total corporate NPLs	8,750	100.00	0.92	9,000	100.00	1.09

The Bank

Unit: RMB million

	30 June 2010			31 December 2009		
	Balance	Proportion (%)	NPL Ratio (%)	Balance	Proportion (%)	NPL Ratio (%)
Manufacturing	3,543	46.99	1.46	3,866	48.91	1.89
Transportation, warehousing and postal services	100	1.33	0.09	100	1.27	0.10
Production and supply of electricity, gas and water	319	4.23	0.39	337	4.26	0.40
Wholesale and retail	1,113	14.76	1.03	1,195	15.12	1.46
Real estate	1,173	15.55	2.33	1,024	12.96	2.74
Water, environment and public utilities management	42	0.56	0.05	43	0.54	0.06
Leasing and commercial services	189	2.51	0.40	345	4.36	0.69
Construction	69	0.91	0.16	164	2.07	0.48
Public and social organizations	—	0.00	0.00	—	0.00	0.00
Finance	137	1.82	5.14	138	1.75	5.34
Other customers	855	11.34	1.37	692	8.76	1.29
Total corporate NPLs	7,540	100.00	0.84	7,904	100.00	1.02

The Bank, while strictly embodying the credit policy of “quality industries, quality enterprises, mainstream markets and mainstream customers”, has put greater efforts to adjust the credit structure. The quality of loans for various industries remained steady. The quality of loans in manufacturing, leasing and commercial services, construction, and wholesale and retail industries etc. remained good, and both the NPL balance and NPL ratio decreased. The NPL balance for the real estate industry showed a slight increase compared with the end of the previous year while the NPL ratio decreased by 0.41 percentage point.

Analysis on Provision for Loan Impairment

The Group timely set aside adequate provision for loan impairment with the principle of prudence and conformity to reality. The provision for loan impairment consisted of two parts, namely the provision evaluated based on single item and that evaluated based on portfolios.

The Group

Unit: RMB million

	As of 30 June 2010	As of 31 December 2009
Beginning balance	15,170	14,000
Accruals during the year ⁽¹⁾	1,671	2,446
Reversal of impairment allowances ⁽²⁾	(74)	(126)
Transfer out ⁽³⁾	—	(2)
Write-offs	(304)	(1,326)
Recoveries of loans written off in previous year	28	178
Ending balance	<u>16,491</u>	<u>15,170</u>

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

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

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

As of 30 June 2010, the Group's balance of provision for loan impairment increased from RMB15.170 billion as of the end of the previous year to RMB16.491 billion, an increase of RMB1.321 billion from the beginning of 2010, of which the provision for loan impairment accrued during the first half of this year was RMB1.671 billion. This was mainly due to the issuance of new loans. As of 30 June 2010, the ratio of the balance of the Group's provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 169.92% and 1.38%, respectively.

Unit: RMB million

	As of 30 June 2010	As of 31 December 2009
Beginning balance	14,620	13,572
Accruals during of the year ⁽¹⁾	1,622	1,955
Reversal of impairment allowances ⁽²⁾	(73)	(125)
Transfer out ⁽³⁾	—	—
Write-offs	(257)	(884)
Recoveries of loans written off in previous year	22	102
Ending balance	15,934	14,620

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

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

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

As of 30 June 2010, the Bank's balance of provision for loan impairment increased by RMB1.314 billion from the end of the previous year to RMB15.934 billion, of which the provision for loan impairment accrued during the first half of this year was RMB1.622 billion. The ratio of the balance of the provision for loan impairment to the balance of NPLs, i.e. provision coverage ratio, and the ratio of the balance of provision for loan impairment to total loans were 187.77% and 1.43% respectively, and the provision coverage ratio increased by 25.49 percentage points compared with the end of the previous year. The increase in the provision for loan impairment was mainly driven by the increase in credit loan scale. At the same time, the balance of NPLs remained relatively low, resulting in the increase in provision coverage ratio compared with the beginning of the year, and the Bank's risk offsetting capability was further enhanced.

Market Risk

The market risks of the Bank mainly arose from the adverse fluctuations of market rates including interest rates and exchange rates. The Bank established a market risk management system covering the identification, measurement, monitoring, and control of market risks and manages market risks through access approval and quota management, so as to control the potential loss associated with market risks within an acceptable level.

Interest Rate Risk

Interest Rate Risk Management

The interest rate risk of the Bank mainly arose from the impact of the mismatching of the repricing or maturity of interest rates of assets and liabilities on revenue, and from the impact of the changes of market interest rates on the fair value of financial instruments. Through financial derivatives transactions such as swap and forward transactions, the Bank maintained effective control over the interest rate risk of the balance sheet and the investment portfolios of the capital market business of the Bank.

The Bank mainly assessed the interest rate risk of the balance sheet through gap analysis. Based on the current gap status, the Bank adjusted the repricing frequency and set the maturity and levels of corporate deposits, so as to reduce the mismatch of the repricing or maturity.

The Bank resorted to methods like duration analysis and sensitivity analysis to measure and control the interest rate risk of the financial instruments of the treasury and capital market business, and set various risk limits, including interest rate sensitivity, duration, and exposure.

Analysis of Interest Rate Risk

In the first half of 2010, the financial market remained generally stable, and the market interest rate of RMB climbed steadily before dropping slightly, and then rose rapidly and drastically. In January and February 2010, with adequate overall liquidity in the market, and due to the long holiday of the Spring Festival, the market interest rate went up steadily; in March and April 2010, the market liquidity remained sufficient, and the market interest rate dipped slightly; since May, however, with the gradual display of the effects of a series of tightening monetary policies implemented by the regulatory authority, including those on controlling the credit scale, raising the deposit reserve ratio, and reissuing 3-year-term central bank bills, market liquidity has tightened and the interest rate on the currency market rose quickly and substantially.

Taking into consideration the influence of the interest rate changes on the Bank's income, and in light of the credit scale regulation and market liquidity fluctuation, the Bank timely adopted the "Price for Volume" strategy, by which the Bank, on the basis of effectively controlling the risk arising from the mismatch of the assets and liabilities, tightened interest rate assessment and strengthened the management of interest rate repricing in order to raise the interest rate level of its credit assets and maximize its benefits. As of the end of the reporting period, the interest rate gaps of the Bank were as follows:

The Group

Unit: RMB million

	Non-interest bearing	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
Total Assets	33,153	1,243,387	536,795	92,796	34,037
Total Liabilities	32,394	1,373,684	343,293	30,179	46,396
Asset-liability gap	759	(130,297)	193,502	62,617	(12,359)

The Bank

Unit: RMB million

	Non-interest bearing	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
Total Assets	35,362	1,143,691	520,399	89,743	34,358
Total Liabilities	27,060	1,281,698	333,575	28,538	43,110
Asset-liability gap	8,302	(138,007)	186,824	61,205	(8,752)

Exchange Rate Risk

Exchange Rate Risk Management

The exchange rate risk of the Bank mainly arises from the currency mismatch of on and off-balance assets and liabilities and the currency positions mismatch resulting from foreign exchange trading. The Bank minimizes its foreign exchange exposure through reasonable arrangement of the currency types and maturities of capital sourcing and application. As to the structural foreign exchange positions that are inevitable to the operations, such as capital and profit in foreign currency, the Bank improves its utilization of foreign currency capital through active management and thus realizes value preservation and increment for such capital. As to the exposures resulting from foreign exchange trading operations, the Bank manages the exchange rate risk arising from foreign exchange trading through setting risk exposures and loss-stopping limits.

Analysis of Exchange Rate Risk

The exchange rate risk of the Bank is mainly subject to fluctuations of RMB exchange rate against USD. This exchange rate had remained basically stable before the Central Bank announced the restart of the foreign exchange rate reform on June 19, 2010; after the reform was restarted, RMB appreciated slightly. In the first half of 2010, RMB appreciated against USD by approximately 0.66%. In the future, as the Central Bank further pushes forward the foreign exchange rate reform and practices regulated floating exchange rate, the exchange rate of RMB against USD is expected to experience greater fluctuations, and most probably in both directions. However, in the second half of 2010, due to the combined influences of various domestic and international factors including the domestic economy and the European debt crisis, there will be only limited room for RMB appreciation and the one-way hike will be hardly possible.

The Bank intently monitored the impact of RMB exchange rate changes on its foreign exchange transactions, continuously enhanced its implementation of various foreign exchange management measures, exercised rational control of its foreign exchange exposures and positions, and controlled the exchange rate risk within an acceptable level. As of the end of the reporting period, the foreign exchange exposures of the Bank were as follows:

The Group

Unit: RMB million

Items	USD	HKD	Others	Total
Net positions on balance sheet	43,454	556	(10,567)	33,443
Net positions off balance sheet	<u>(43,798)</u>	<u>11,484</u>	<u>10,931</u>	<u>(21,383)</u>
Total	<u><u>(344)</u></u>	<u><u>12,040</u></u>	<u><u>364</u></u>	<u><u>12,060</u></u>

The Bank

Unit: RMB million

Items	USD	HKD	Others	Total
Net positions on balance sheet	27,530	(4,886)	(3,077)	19,567
Net positions off balance sheet	<u>(27,822)</u>	<u>2,940</u>	<u>3,384</u>	<u>(21,498)</u>
Total	<u><u>(292)</u></u>	<u><u>(1,946)</u></u>	<u><u>307</u></u>	<u><u>(1,931)</u></u>

Liquidity Risk

Liquidity risk refers to the risk with which the Bank could not obtain capital at reasonable cost to fulfil the needs of customer to withdraw matured liabilities the growth of assets business. The liquidity risk of the Bank mainly results from the maturity mismatch and structural mismatch of assets and liabilities, customers' early and centralized drawing, provision of capital for loans, trading and investment, and other operating activities.

Liquidity Risk Management

The objective of the liquidity risk management of the Bank is to observe the established targets for assets and liabilities management and guidelines for liquidity risk management, maintain appropriate liquidity, ensure the payment capability of the Bank, and fulfill the needs of business development. The liquidity risk management of the Bank adopts the pattern of centralized management featuring integrated management and multiple-level responsibility. The treasurer of the headquarters is in charge of liquidity risk management throughout the Bank, providing branches with working capital through internal fund coordination, resolving capital shortage and making full use of surplus capital through instruments such as money market, open market operation, and inter-bank discount. The treasurers of branches shall follow instructions of the headquarters, and are responsible for liquidity risk management under their jurisdiction and within the scope of their authority.

Liquidity Risk Analysis

In the first half of 2010, PBOC continued to implement moderately loosened monetary policy, and with regard to the new situations, it also emphasized on enhancing the target-orientation and flexibility of the monetary policy. It increased the statutory deposit reserve rate for three times and resumed the issuance of 3-year-term Central Bank notes. In addition, according to the current market situation, PBOC also put base currency into the market through open market operations. In the first half of the year, the market liquidity is loose in general with two monetary fluctuations taking place before the Spring Festival and during the period from late May to mid-June. As the major market participants, the main commercial banks adjusted their reaction measures and adopted liquidity management measures, the market liquidity returned stable and maintained a moderately loose trend.

In the first half of 2010, the liquidity risk management level of the Bank continued to enhance. The Bank continued to improve and fulfill the three-tier liquidity provision system and early-warning system. The Bank kept a dynamic management on liquid assets, reasonably arranged asset instruments and maturity structure and made full use of open market and money market. The Bank continued to conduct scenario analysis and stress test and improve contingent plan for liquidity management and adjusted liquidity portfolio dynamically so that the capability of liquidity risk prevention was improved steadily.

In the first half of 2010, although the Bank experienced intermittent fluctuations in liquidity, the risks were put under effective control and all businesses were operated in a smooth and orderly manner. The Bank actively implemented and fulfilled macro policies. The credit issuance and bond investment process was consistent with the annual development plan of the Bank. In the

meantime, through proper allocation of diverse products like placements, repurchases, deposits with other banks and non-bank financial institutions and inter-bank discounts, we promoted the coordinated development of the assets and liabilities and improved the growth of profit of the Bank.

The Bank continued to identify, measure and monitor liquidity gap through maturity gap analysis. As of the end of the reporting period, the liquidity gap for payable on demand recorded negative, while liquidity gaps for the other terms of maturity were positive. The Bank's demand deposit and time deposit payable on demand took up a large proportion in the Bank's deposits, which resulted in a negative gap for the above term of maturity. The liquidity gap of the Bank is set out as follows:

The Group

Unit: RMB Million

Payable on Demand	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	No Time Limit	Total
<u>(861,136)</u>	<u>26,394</u>	<u>216,915</u>	<u>339,809</u>	<u>196,924</u>	<u>195,316</u>	<u>114,222</u>

The Bank

Unit: RMB Million

Payable on Demand	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	No Time Limit	Total
<u>(841,874)</u>	<u>54,833</u>	<u>203,684</u>	<u>312,116</u>	<u>181,581</u>	<u>199,232</u>	<u>109,572</u>

Internal Control and Operational Risk

Internal Control

In accordance with the provisions of relevant laws and regulations and based on its asset structure, operating patterns and business features, the Bank has established a governance structure mainly comprising Shareholders' General Meeting, Board of Directors, Board of Supervisors, and Senior Management as well as an internal control system involving all staffs. The Board of Directors is responsible for formulating the basic systems of internal control and supervise their implementation; at the administration level, the Risk Management Committee and the Audit and Related Party Transaction Control Committee under the Board of Directors perform relevant duties of internal control; at the operation level, the Internal Audit Department evaluates the effectiveness of the internal control system.

During the reporting period, with the intense care and support from the Board of Directors and the Senior Management, in accordance with *The Basic Standards for Enterprise Internal Control* and its accompanying implementation guidelines, the Bank engaged an internationally

well-recognized accounting firm as consulting firm and aggressively promoted the infrastructure construction for internal control. On the basis of overall examination of the internal system, standardized recording of operation management process, identifying risky loopholes and key points for control, the Bank formulated measures for rectifying the internal control deficiencies discovered, and conducted evaluation on the internal control mechanism and its implementation throughout the Bank. The Bank issued and distributed a guideline document for internal control – *China CITIC Bank Internal Control Manual* as well as *The Guidance on the Internal Control and Compliance Work of CITIC Bank*, which established the current objectives and requirements of the internal control and compliance work of the whole bank, clarified the duties and tasks of the 3-layered internal control departments of the head office and the branches, and effectively boosted the routine internal control of the Bank. Through bank-wide motion and all-employee participation, and by continuously improving the internal control framework, the Bank has laid a foundation for establishing an ever-improving internal control mechanism featuring dynamic management.

Internal Audit

The internal audit of the Bank performs the duties of supervising and evaluating the adequacy and effectiveness of the risk management and internal control throughout the Bank, and reports to the Board of Directors, Board of Supervisors and Senior Management at the same time; the Audit and Related Party Transaction Control Committee and the Board of Supervisors steer the internal audit work of the Bank. The internal audit of the Bank is oriented toward risk management, emphasizes on innovation of auditing methods, and seeks substantial increase of the value of auditing.

- The Bank organized on-site auditing on businesses such as government financing platform lending, retail credit, wealth management and internet banking; analyzed and examined the loopholes of relevant operation processes and made proposals for improvement. Thus, the Bank effectively improved the internal control and standardized the business operations.
- The Bank attaches great importance to the prevention and control of risky cases. It launched the “Year of Internal Control and Case Prevention System Implementation” activities throughout the Bank, laying a solid foundation for the case prevention of the Bank in terms of system and employee capacity. The Bank has formulated *The Guideline for Case Prevention Work in the year of 2010*, which prioritizes the enhancement of process management and calls for the full play of the roles of the business lines in facilitating the full implementation of various systems; in the meantime, the Bank has instituted a systemized risk inspection mechanism, and, taking deposit rolling inspection as the breakthrough point, has inspected a total of 482 branch outlets, which covered 77% of all the branch outlets of the Bank.
- The Bank aggressively pursued the rectification work, and implemented all the regulatory opinions of CBRC and its local bureaus. The Bank organized a bank-wide follow-up checking of the rectification of the problems discovered in the internal and external inspections in 2009, and the rectification rate reached 99.3%.

- The Bank stepped up the configuration of inspection resources, established the mechanism whereby the Internal Audit Committee coordinates the inspection items and arrangement of the whole bank, started building a platform for the bank-wide management system of the inspection items, and realized IT management of the launching of inspection projects, distributing of inspection resources, and the inspection progresses; it popularized and applied the off-site audit information system throughout the Bank, perfected the audit models, enhanced the research and development and development of off-site auditing, conducted monitoring of off-site auditing, and strove for effective use of the auditing resources of the Bank and a higher auditing efficiency.

Compliance Management

By establishing and perfecting the framework and process for compliance risk management, the Bank has stepped up its effort in compliance management.

- Following the principle of “centralized management and hierarchal responsibilities”, the Bank has fully promoted the implementation of the compliance risk management work at the head office and the branches.
- The Bank has issued *The Management Measures for Compliance Review of China CITIC Bank Corporation Limited*, which requires the Bank to intensify the compliance review of the internal control system design, establish a mechanism for compliance review responsibility definition, and standardize the compliance review processes for new products, new operations and systems.
- The Bank has built an information system for compliance risk management. After the trial run of the modular functions of the system in simulated environments and some of the branches, the system has now entered the stage of popularization throughout the Bank, providing an IT foundation for compliance risk management.
- The Bank closely monitors the economic situation and the changes of external laws and regulations, and conducts compliance review of any of the new operations and new products of the Bank, so as to prevent non-compliance risks.
- The Bank has held various forms of compliance trainings, stepped up the construction of a compliance culture, publicized the concept of compliance creating value, advocated the professional ethics and values of honesty and integrity, and fostered an effective and interactive compliance culture.

Operational Risk

The Bank has fully implemented the *Guidelines of Operational Risk Management for Commercial Banks*, strengthened its operational risk management, actively perfected its policies and systems for operational risk management, conducted exchanges with peers, explored an operational risk management system suitable for the Bank itself, launched the consulting and development projects of operational risk management under the New Basel Capital Accord, accelerated the construction for operational risk management system, researched and analyzed the management

and measurement of operational risk of capital management, and filed periodic reports on its operational risk management status.

During the reporting period, the Bank experienced no major operational risk events, internally or externally.

Anti-Money Laundering

In the first half of 2010, according to the related provisions of the *Anti-Money Laundering Law*, the Bank earnestly fulfilled its anti-money laundering obligations, and the main measures adopted by the Bank in this regard were as follows:

- Continued to optimize the anti-money laundering system, complied with the requirements of regulatory authorities on filling in the anti-money laundering sheets, periodically assessed the functions of the anti-money laundering system, and increased its stability and efficiency.
- Seriously followed the requirements of regulatory authorities to grade clients according to their exposure to money laundering risks. Strictly in accordance with *The Administrative Measures for Grading Client Risk*, the Bank assigned the customers to different risk levels in view of client characteristics and account nature and taking into consideration of relevant factors such as geographical location, business type, industry, and whether the client is a foreign political figure; at the same time, timely adjusted their risk levels based on continuous monitoring.
- Enhanced anti-money laundering training for the employees. Through various ways, the head office and the branches held training sessions on the anti-money laundering internal control system, the client identification system, and the relevant regulations issued by the regulatory authorities, which have further strengthened the employees' awareness of and their skills for fighting against money laundering.
- Earnestly implemented the monitoring, judging, recording, analyzing and reporting systems for anti-money laundering management. With the anti-money laundering system, the Bank reported to the regulatory authority on any large-amount and suspicious payment transaction, and closely monitored the flow and use of the funds of the transactions suspected as money-laundering and terrorism financing.

Investment

On April 27, 2007, through IPO, the Bank issued 2.302 billion A shares at the offer price of RMB5.80 per share, and issued 5.618 billion H shares at the offer price of HK\$5.86 per share. After exchange rate adjustment, the offer prices for A shares and H shares were the same. The Bank raised a total of approximately RMB44.836 billion from the issuance of both A and H shares (after deducting the listing expenses). As of the end of the reporting period the Bank had applied all of the funds raised to replenish its capital and raise its capital adequacy ratio and risk resistance capability in accordance with approvals from CBRC and CSRC. The Bank did not have any material investment with non-raised capital.

5. OUTLOOK

As of the end of the reporting period, the fulfillment of business operation plan made at the beginning of the year is as follows:

- The planned increase of deposits from customers was about RMB230 billion. The fulfillment was RMB272.6 billion, accounting for 118.52% of the full-year plan for 2010;
- The planned increase of loans was about RMB210 billion. The fulfillment was RMB116.4 billion, accounting for 55.43% of the full-year plan for 2010.

The continuous recovery in the global economy and the strong rebound of the Chinese economy have created favourable conditions for the swift development of the banking industry. However, the future economic situation is going to be more complicated with the intensification of the European sovereign debt crisis and the slowdown in the domestic economies of European countries. In the second half of 2010, the Bank will increase its effort on the research and forecast of macro-economic and financial situation, further adhere to the guiding principles of “adjusting structure, enhancing management and promoting development” and focus on work in the following areas. Firstly, the Bank will accelerate its structure adjustments. In respect of its structure of assets and liabilities, the Bank will accelerate the sales and marketing of its liability business and enhance the restructuring and cost control thereof. For the structures of credit and customers, the Bank will accelerate the structure adjustments for its asset business and uplift its credit pricing level, capital use efficiency and overall contribution from customers. For the income structure, the Bank will continue to increase its non-interest income aggressively and to foster the core competitiveness of the products of its intermediary businesses. Secondly, the Bank shall further accelerate the strengthening of its management ability. We shall perfect the FTP price formation mechanism, strengthen capital management and interest rate pricing management, steadily further the implementation and application of management accounting system, and improve sophisticated management. We will also optimize credit structure, enhance the credit risk early-warning and post-lending management, launch projects of operational risk management under the New Basel Capital Accord and raise the internal risk control level. The collection of client information and market segmentation shall be enhanced, while the mechanism of co-management of clients by client managers and product managers shall also be consolidated to increase the client relationship management level. The Bank shall encourage a more active and dominant participation of business lines in resources allocation to increase the efficiency of business lines management. The construction of systems and the management and training of human resources shall be strengthened; meanwhile, the Bank shall endeavour to bring the advantages of strategic development and synergy effect into full play, and make the fundamental management more rational. Thirdly, the Bank will further accelerate the pace of development. The Bank will strictly implement the overall credit scale and progression plan which was determined at the beginning of the year. We will ensure the achievement of targets for our capital adequacy ratio, loan-to-deposit ratio and credit extension, etc. We shall strengthen the systematic marketing to our strategic customers and the development of the medium-to-high end retail customers. We shall provide thorough and in-depth services to customers in the key industries, enhance the capacity of our retail system, and further develop our professional marketing system. While maintaining our professionalism and strengths in the areas such as international business, treasury and capital, investment banking, industry financing, cash management and auto financing, we will achieve breakthroughs in areas such as in SME and interbank financing and perfect the establishment of our product system. While consolidating the market shares in its traditional leading businesses, the Bank will increase its efforts on new businesses so as to ensure that we shall outperform in the industry.

III.SIGNIFICANT EVENTS

The Bank's Profit Distribution and Implementation of the Plan for Conversion of Capital Reserve into Share Capital and the Plan of New Stock Issuance during the Reporting Period

Upon approval by the 2009 annual general meeting held on 23 June 2010, the Bank paid the A-share holders listed in the register as of 21 July 2010 and H-share holders listed in the register as of 22 May 2010 in cash the dividend accrued during the period from 1 January 2009 to 31 December 2009. The dividend is RMB0.0880 (pre-tax) per share and RMB3.435 billion in total. No interim dividend was declared and paid and no plan for conversion of capital reserve into share capital or new stock issuance was formulated by the Bank as of the end of the reporting period.

Purchase, Sale or Redemption of the Shares of the Bank

Save as disclosed herein, no shares of the Bank were purchased, sold or redeemed by the Bank or any of its subsidiaries during the reporting period.

Material Acquisition, Disposal or Assets Restructuring

Save and except as disclosed in this report, the Bank did not have material acquisition, disposal or restructuring of assets during the reporting period.

Material Contracts and Their Performance

During the reporting period, except for those have been disclosed herein, the Bank did not have material assets business with other companies to hold in trust, contract or lease their assets, and did not entrust other companies to hold in trust, contract or lease its assets.

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

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

Fund Occupation by Major Shareholders

No fund of the Bank is occupied by major shareholders.

Significant Related Party Transactions

The Bank enters into related party transactions with related parties in the ordinary and usual course of business based on normal commercial terms. The terms are no more favorable to the related parties than those available to non-related parties for the same transactions.

Related Party Transactions of Credit Extension

As of the end of the reporting period, the loan balance extended by the Bank to related parties was RMB4.045 billion, all of which are loans to CITIC Group and its subsidiaries. The Bank did not issue any loans to BBVA and its subsidiaries. The loans granted to related parties are normal loans and would not have material impact on the normal operation of the Bank in terms of their transaction amount, structure and quality.

As of the end of the reporting period, there was no capital exchange and appropriation occurred which violated the provisions of Zheng Jian Fa [2003] No. 56 and Zheng Jian Fa [2005] No. 120. The loans between the Bank and its largest shareholder and companies controlled by the largest shareholder had no adverse impact on the operation results and financial condition of the Bank.

Continuing Related Party Transactions that do not Involve Credit Extension

The Bank conducts transactions with related parties in the ordinary and usual course of business. In 2008, the Bank entered into continuing related party transaction framework agreements with CITIC Group and its associates, which set out the principles for the parties to conducting continuing related party transactions and the respective annual caps for the three years from 2008 to 2010. In 2009, the Bank entered into an interbank transaction master agreement with BBVA for the purpose of governing the interbank continuing connected transactions between the Bank, BBVA and its associates. During the first half of 2010, the Bank continued to conduct relevant transactions with CITIC Group and its associates and with BBVA and its associates, the details of which are as follows:

Third-Party Escrow Service

The annual cap for the transactions under the Third-Party Escrow Service Framework Agreement for 2010 is RMB85 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Investment Product Agency Sales Service

The annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement for 2010 is RMB98 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Asset Custody Service

The annual cap for the transactions under the Asset Custody Service Framework Agreement for 2010 is RMB43 million. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Loan Asset Transfer

The annual cap for the transactions under the Loan Asset Transfer Framework Agreement for 2010 is RMB415 billion. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Wealth Management Service

The annual cap for the transactions under the Wealth Management Service Framework Agreement for 2010 is RMB2.65 billion. As of the end of the reporting period, the actual amount incurred does not exceed the annual cap for this year.

Inter-bank Transactions

The annual cap for realized profit, realized loss, unrealized profit or unrealized loss (as the case may be) generated under the Inter-bank Transactions Master Agreement for 2010 is RMB480 million, and that for fair value of derivative financial instruments was RMB450 million. As of the end of the reporting period, the realized profit and loss, unrealized profit and loss incurred from the interbank transactions, and fair value of derivative financial instruments entered into between the Bank and BBVA does not exceed their respective annual caps for this year.

Material Litigation and Arbitration

The Bank has been involved in several lawsuits during its daily operation. Most of these lawsuits were sought by the Bank to enforce loan repayment. In addition, there are also lawsuits regarding disputes with clients. As of 30 June 2010, the Bank was involved in 67 lawsuits with a disputed amount exceeding RMB30 million (either as plaintiff or defendant), with the total disputed amount of RMB3.971 billion; there are 60 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendant with the total dispute amount of RMB421 million. The Bank is of the view that such lawsuits would not have any material impact on our operating results and financial condition.

Securities Investment

The following table sets out the investment of the Group in the stocks and securities of other listed companies as of the end of the reporting period:

Unit: RMB

No.	Stock code	Abbreviation	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	15,795,000.00	—	8,275,010.91	—	8,146,189.74	128,821.17	Financial assets available for sale	Purchase with cash
2	V	Visa Inc.	7,509,605.39	—	24,513,855.60	—	30,438,932.12	(5,925,076.52)	Financial assets available for sale	Acquired for free/bonus shares
3	MA	Mastercard International	201,629.69	—	1,026,743.39	—	1,325,120.90	(298,377.51)	Financial assets available for sale	Bonus shares
Total			23,506,235.08		33,815,609.90		39,910,242.76	(6,094,632.86)	—	—

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

Unit: RMB

Name of object company	Initial investment amount	Shares held (shares)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in owner's equity during the reporting period	Accounting item	Source of investment
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	—	—	Financial assets available for sale	Purchase with cash
SWIFT	161,127.66	22	—	135,212.60	—	—	Financial assets available for sale	Bonus shares
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,493,419.90	—	—	Financial assets available for sale	Bonus shares
Electronic payment Services Company (HK) Ltd.	14,263,759.80	2	—	14,131,897.18	—	—	Financial assets available for sale	Bonus shares
Total	88,960,234.79	—	—	132,510,529.68	—	—	—	—

Note: Apart from the equity investment set out in the above table, CIFL, a subsidiary of the Bank, also held RMB private equity fund with a net value of RMB341 million as of the end of the reporting period.

Investigation, Punishment and Remedial Actions of the Bank, Board of Directors, Directors, Senior Management, Shareholders and Actual Controllers

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

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

The shareholders made no new undertaking during the reporting period, and the undertakings within the reporting period are the same as those disclosed in 2009 annual report. The Bank is not aware any shareholders with shareholding of 5% or above in the Bank breached any undertaking they made.

Interests and Short Positions of Directors, Supervisors and Senior Managements in the Shares, Underlying Shares and Debenture of the Bank

As of the end of the reporting period, the interests and short positions of the directors, supervisors and senior managements of the Bank in the shares, underlying shares or debentures of the Bank and any associated corporation (within the meaning of associated corporation in Part XV of the Securities and Futures Ordinance ("SFO")) which are recorded in the register kept by the Bank

pursuant to section 352 of the SFO or any interests and short positions which are required to be notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Annex 10 to the Listing Rules are as follows:

Name of directors	Name of the relevant corporation	Nature of interests	Type/number of shares	Proportion to the issued and outstanding share capital of the same class in the relevant corporation	Period during which the options may be exercised (YY/MM/DD)
Kong Dan	CITIC Resources Holdings	Personal interests	20,000,000 options ^(L)	0.33%	2008/3/7-2012/3/6
Chang Zhenming	CITIC Pacific	Personal interests	500,000 options ^(L)	0.01%	2007/10/16-2012/10/15
			600,000 options ^(L)	0.02%	2009/11/19-2014/11/18
Dou Jianzhong	CIAM Group	Personal interests	1,250,000 options ^(L)	0.56%	2010/9/9-2012/9/8
			1,250,000 options ^(L)		2011/9/9-2014/9/8
Chan Hui Dor Lam Doreen	China CITIC Bank	Personal interests	2,974,689 H-Share ^(L)	0.02%	–
Zhang Jijing	CITIC Resources Holdings	Personal interests	10,000,000 options ^(L)	0.17%	2006/6/2-2013/6/1
		Family interests	28,000 H-Share		–
	CITIC Pacific	Personal interests	500,000 options ^(L)	0.01%	2009/11/19-2014/11/18

(L) means long position.

Save as disclosed above, no directors, supervisors and senior management has any other interests and short positions in the shares, underlying shares or debentures of the Bank or any associated corporation as of the end of the reporting period.

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

The Bank is committed to maintain high-level corporate governance practices. In the first half of 2010, the Bank has observed provisions contained in Annex 14 to the Listing Rules-Code on Corporate Governance Practices, and complied with most of its proposed best practice.

Securities Transactions by Directors, Supervisors and Senior Managements

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

Having made specific inquiry to all directors and supervisors, the Bank confirmed that, in the first half of 2010, all the directors and supervisors observed the rules on securities transactions by directors and supervisors as stipulated in above Model Code.

Notes on Amendments to Business Plan

Save as disclosed herein, the Bank didn't modify its business plan during the reporting period.

Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank have jointly reviewed the accounting policies and practices adopted by the Bank, discussed issues related to internal control and financial reporting, as well as reviewed the interim report of the Bank. In the financial statements of the Bank, relevant amendments to IFRS 1 are early adopted in this interim financial report of the Bank. We used the results of revaluation conducted by China Enterprise Appraisal Company Limited on 31 December 2005 for our reorganization as the deemed cost of the relevant assets, and changed the measurement of the properties and buildings from revaluation model to cost model, so as to eliminate the difference between financial reports prepared in accordance with the IFRS and the PRC GAAP and in the meantime to improve the comparability among the financial statements of the Bank and those of other listed banks.

Publication of Results Announcement and Interim Report

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (www.bank.ecitic.com) and the Hong Kong Stock Exchange (www.hkex.com.hk). The 2010 Interim Report of the Bank containing all the information required by the Listing Rules will be published on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Bank (www.bank.ecitic.com) in due course. In the event of any discrepancies in interpretations between the English version and Chinese version, the Chinese version shall prevail. The Bank also prepared the interim report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (www.bank.ecitic.com) and SSE (www.sse.com.cn).

IV. FINANCIAL REPORT

1. Auditor's Opinion

KPMG, the Group's external auditors, have reviewed the interim financial report of the Group. Nothing has come to the auditors' attention that causes them to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

2. Unaudited Consolidated Interim Financial Information

Change in Accounting Policies

In the financial statements of the Bank, relevant amendments to IFRS 1 are early adopted in this interim financial report of the Bank. The Bank used the results of revaluation conducted by China Enterprise Appraisal Company Limited on 31 December 2005 for our reorganization as the deemed cost of the relevant assets, changed the measurement of the properties and buildings from revaluation model to cost model and restated the prior year comparative figures, so as to eliminate the difference between financial reports prepared in accordance with the IFRS and the PRC GAAP and in the meantime to improve the comparability among the financial statements of the Bank and those of other listed banks.

Consolidated statement of comprehensive income

For the six months ended 30 June 2010

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited/ Restated
Interest income	33,488	26,150
Interest expense	(11,125)	(10,424)
Net interest income	22,363	15,726
Fee and commission income	2,801	2,160
Fee and commission expense	(272)	(220)
Net fee and commission income	2,529	1,940
Net trading gain	430	509
Net gain/(loss) from investment securities	71	(37)
Net hedging loss	(1)	(2)
Other operating income	175	167
Operating income	25,567	18,303
Operating expense	(9,483)	(7,077)
Operating Profit before impairment	16,084	11,226
Impairment losses on		
– Loans and advances to customers	(1,671)	(1,371)
– Others	(153)	(88)
Total impairment losses	(1,824)	(1,459)
Revaluation gain on investment properties	11	18
Share of profits of associates	10	75
Profit before tax	14,281	9,860
Income tax	(3,442)	(2,379)
Net profit (note (i))	10,839	7,481

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited/ Restated
Net profit (<i>Note (i)</i>)	10,839	7,481
Other comprehensive income for the period		
Available-for-sale financial assets		
– Changes in fair value	(12)	42
– (Losses)/gains on disposal transferred to profit or loss	(48)	103
Income tax relating to available-for-sale financial assets	–	(21)
Other comprehensive income for available-for-sale financial assets, net of tax	(60)	124
Exchange difference on translating foreign Operations	(131)	(26)
Other comprehensive income of associates	1	14
Other comprehensive (loss)/income, net of tax	(190)	112
Total comprehensive income	10,649	7,593
Net profit attributable to:		
Shareholders of the Bank	10,685	7,351
Non-controlling interests	154	130
	10,839	7,481
Total comprehensive income attribute to:		
Shareholders of the Bank	10,588	7,431
Non-controlling interests	61	162
	10,649	7,593
Basic and diluted earnings per share (RMB)	0.27	0.19

Note:

- (i): The Group undertook a business combination under common control on 23 October 2009. Net profit earned by the acquiree in the period from 1 January 2009 to 30 June 2009 amounted to RMB433 million.

Consolidated statement of financial position

As at 30 June 2010

(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2010 Unaudited	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Assets			
Cash and balances with central bank	249,963	224,003	207,357
Deposits with banks and non-bank financial institutions	45,129	26,319	40,227
Placements with banks and non-bank financial institutions	55,916	55,489	28,380
Trading financial assets	6,613	4,449	8,769
Positive fair value of derivatives	3,749	3,182	6,625
Financial assets held under resale agreements	143,032	185,203	57,698
Interest receivable	4,771	4,135	4,432
Loans and advances to customers	1,176,347	1,050,479	716,386
Available-for-sale financial assets	120,576	94,345	103,555
Held-to-maturity investments	114,578	107,466	104,810
Investments in associates	2,126	2,140	2,183
Fixed assets	10,201	10,321	9,419
Investment properties	167	161	131
Goodwill	879	887	889
Intangible assets	182	165	118
Deferred tax assets	1,691	2,095	2,175
Other assets	4,248	4,192	26,101
Total assets	1,940,168	1,775,031	1,319,255
Liabilities			
Deposits from banks and non-bank financial institutions	122,321	275,049	108,720
Placements from banks and non-bank financial institutions	5,021	4,553	1,607
Trading financial liabilities	5,080	2,755	3,078
Negative fair value of derivatives	3,621	3,628	6,801
Financial assets sold under repurchase agreements	4,348	4,100	957
Deposits from customers	1,629,302	1,341,927	1,027,325
Accrued staff costs	5,725	6,987	5,313
Taxes payable	1,137	1,004	3,809
Interest payable	7,592	6,538	6,811
Provisions	40	50	50
Debts securities issued	34,553	18,422	20,375
Other liabilities	7,206	3,010	5,350
Total liabilities	1,825,946	1,668,023	1,190,196

	30 June 2010 Unaudited	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Equity			
Share capital	39,033	39,033	39,033
Share premium and other reserve	31,556	31,555	58,860
Investment revaluation reserve	(243)	(236)	(354)
Surplus reserve	3,535	3,535	2,161
General reserve	12,562	12,562	7,746
Retained earnings	24,971	17,721	12,916
Exchange difference	(1,463)	(1,372)	(1,311)
Total equity attributable to shareholders of the Bank	109,951	102,798	119,051
Non-controlling interests	4,271	4,210	10,008
Total equity	114,222	107,008	129,059
Total liabilities and equity	1,940,168	1,775,031	1,319,255

Approved and authorised for issue by the board of directors on 11 August 2010.

Kong Dan
Chairman

Chen Xiaoxian
President

Cao Guoqiang
*Vice President in charge of finance
function*

Wang Kang
*General Manager of planning and financial
department*

Statement of financial position

As at 30 June 2010

(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2010 Unaudited	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Assets			
Cash and balances with central bank	249,392	223,529	206,936
Deposits with banks and non-bank financial institutions	36,795	20,898	31,298
Placements with banks and non-bank financial institutions	35,896	42,892	19,900
Trading financial assets	5,994	3,383	7,755
Positive fair value of derivatives	2,245	2,166	5,357
Financial assets held under resale agreements	143,100	185,271	57,767
Interest receivable	4,379	3,748	3,943
Loans and advances to customers	1,100,962	985,854	650,942
Available-for-sale financial assets	105,112	76,342	85,023
Held-to-maturity investments	114,840	107,715	105,044
Investment in subsidiaries	9,884	9,884	87
Fixed assets	9,434	9,563	8,621
Intangible assets	182	165	118
Deferred tax assets	1,556	1,995	2,065
Other assets	3,782	3,744	3,006
Total assets	1,823,553	1,677,149	1,187,862
Liabilities			
Deposits from banks and non-bank financial institutions	122,498	275,124	108,605
Placements from banks and non-bank financial institutions	4,365	2,236	963
Trading financial liabilities	5,080	2,755	2,639
Negative fair value of derivatives	2,273	2,652	5,579
Financial assets sold under repurchase agreements	4,348	4,100	957
Deposits from customers	1,531,625	1,259,064	943,342
Accrued staff costs	5,534	6,812	5,168
Taxes payable	1,035	981	3,791
Interest payable	7,357	6,269	6,427
Provisions	40	50	50
Debt securities issued	23,402	12,000	12,000
Other liabilities	6,424	2,483	2,969
Total liabilities	1,713,981	1,574,526	1,092,490

	30 June 2010 Unaudited	31 December 2009 Audited/ Restated	1 January 2009 Audited/ Restated
Equity			
Share capital	39,033	39,033	39,033
Share premium and other reserve	33,706	33,706	36,916
Investment revaluation reserve	77	(23)	(72)
Surplus reserve	3,535	3,535	2,161
General reserve	12,526	12,526	7,716
Retained earnings	20,695	13,846	9,618
	<u> </u>	<u> </u>	<u> </u>
Total equity	<u>109,572</u>	<u>102,623</u>	<u>95,372</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and equity	<u>1,823,553</u>	<u>1,677,149</u>	<u>1,187,862</u>

Approved and authorised for issue by the board of directors on 11 August 2010.

Kong Dan
Chairman

Chen Xiaoxian
President

Cao Guoqiang
*Vice President in charge of finance
function*

Wang Kang
*General Manager of planning and financial
department*

Consolidated statement of changes in equity
For the six months ended 30 June 2010 – unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Share capital	Share premium	Other reserve	Properties Revaluation Reserve	Investment Revaluation Reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non- controlling interests	Total Equity
As at 1 January 2010 (before restatement)	39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253
Change in accounting policy	—	391	33	(1,451)	—	—	—	(218)	—	—	(1,245)
As at 1 January 2010 (restated)	39,033	31,301	254	—	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008
Movements during the period											
(I) Comprehensive income	—	—	1	—	(7)	—	—	10,685	(91)	61	10,649
(II) Profit appropriations											
1. Appropriations to shareholders	—	—	—	—	—	—	—	(3,435)	—	—	(3,435)
As at 30 June 2010	<u>39,033</u>	<u>31,301</u>	<u>255</u>	<u>—</u>	<u>(243)</u>	<u>3,535</u>	<u>12,562</u>	<u>24,971</u>	<u>(1,463)</u>	<u>4,271</u>	<u>114,222</u>
As at 1 January 2009 (before restatement)	39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374
Change in accounting policy	—	391	33	(520)	—	—	—	(219)	—	—	(315)
As at 1 January 2009 (restated)	39,033	56,256	2,604	—	(354)	2,161	7,746	12,916	(1,311)	10,008	129,059
Movements during the period											
(I) Comprehensive income	—	—	13	—	85	—	—	7,351	(18)	162	7,593
(II) Prior to business combination under common control, the acquired subsidiary											
1. reduced capital and made appropriation to its original shareholders	—	(13,002)	(2,331)	—	—	—	—	—	—	(6,473)	(21,806)
2. issued shares to its original shareholders	—	1,054	—	—	—	—	—	—	—	445	1,499
(III) Profit appropriations											
1. Appropriations to shareholders	—	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 30 June 2009 (restated)	<u>39,033</u>	<u>44,308</u>	<u>286</u>	<u>—</u>	<u>(269)</u>	<u>2,161</u>	<u>7,746</u>	<u>16,937</u>	<u>(1,329)</u>	<u>4,142</u>	<u>113,015</u>
As at 1 January 2009 (before restatement)	39,033	55,865	2,571	520	(354)	2,161	7,746	13,135	(1,311)	10,008	129,374
Change in accounting policy	—	391	33	(520)	—	—	—	(219)	—	—	(315)
As at 1 January 2009 (restated)	39,033	56,256	2,604	—	(354)	2,161	7,746	12,916	(1,311)	10,008	129,059
Movements during the period											
(I) Comprehensive income	—	—	(19)	—	118	—	—	14,325	(61)	230	14,593
(II) Prior to business combination under common control, the acquired subsidiary											
1. reduced capital and made appropriation to its original shareholders	—	(13,002)	(2,331)	—	—	—	—	—	—	(6,473)	(21,806)
2. issued shares to its original shareholders	—	1,054	—	—	—	—	—	—	—	445	1,499
(III) Consideration paid for business combination under common control	—	(13,007)	—	—	—	—	—	—	—	—	(13,007)
(IV) Profit appropriations											
1. Appropriations to surplus reserve	—	—	—	—	—	1,374	—	(1,374)	—	—	—
2. Appropriations to general reserve	—	—	—	—	—	—	4,816	(4,816)	—	—	—
3. Appropriations to shareholders	—	—	—	—	—	—	—	(3,330)	—	—	(3,330)
As at 31 December 2009 (restated)	<u>39,033</u>	<u>31,301</u>	<u>254</u>	<u>—</u>	<u>(236)</u>	<u>3,535</u>	<u>12,562</u>	<u>17,721</u>	<u>(1,372)</u>	<u>4,210</u>	<u>107,008</u>

Consolidated cash flow statement
For the six months ended 30 June 2010 — unaudited
(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited/ Restated
Operating activities		
Profit before tax	14,281	9,860
Adjustments for:		
— Revaluation gain on investments and derivatives	(524)	(99)
— Investment gains	(78)	(158)
— Net loss/(gain) on disposal of fixed assets	1	(34)
— Unrealised foreign exchange losses	77	4
— Impairment losses	1,824	1,459
— Depreciation and amortisation	577	545
— Interest expense on subordinated debts/bonds issued	422	367
— Dividend income from equity investment	(3)	(3)
	16,577	11,941
Changes in operating assets and liabilities:		
Increase in balances with central bank	(42,970)	(21,026)
Increase in deposits with banks and non-bank financial institutions	(15,355)	(820)
Decrease/(increase) in placements with banks and non-bank financial institutions	1,959	(559)
(Increase)/decrease in trading financial assets	(2,053)	119
Decrease in financial assets held under resale agreements	42,168	26,912
Increase in loans and advances to customers	(128,469)	(321,629)
Decrease in deposits from banks and non-bank financial institutions	(152,568)	(34,096)
Increase in placements from banks and non-bank financial institutions	464	5,380
Increase/(decrease) in trading financial liabilities	2,716	(604)
Increase in financial assets sold under repurchase agreements	263	12,140
Increase in deposits from customers	289,082	225,679
Income tax paid	(2,514)	(4,014)
Decrease/(increase) in other operating assets	804	(3,572)
Increase/(decrease) in other operating liabilities	1,425	(5,896)
Net cash flows from/(used in) operating activities	11,529	(110,045)

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited/ Restated
Investing activities		
Proceeds from disposal and redemption of investments	157,515	109,244
Proceeds from disposal of fixed assets, land use rights, and other assets	6	63
Cash received from equity investment income	56	6
Payments on acquisition of investments	(195,127)	(108,716)
Payments on acquisition of fixed assets, land use rights and other assets	(594)	(596)
Net cash flows (used in)/from investing activities	(38,144)	1
Financing activities		
Cash received from bond issuance	19,897	—
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid	—	1,499
Interest paid on debt securities issued	(502)	(708)
Cash paid for debt securities	(5,098)	—
Net cash flows from financing activities	14,297	791
Net decrease in cash and cash equivalents	(12,318)	(109,253)
Cash and cash equivalents as at 1 January	167,248	183,950
Effect of exchange rate changes on cash and cash equivalents	(221)	(25)
Cash and cash equivalents as at 30 June	154,709	74,672
Cash flows from operating activities include:		
Interest received	33,477	26,240
Interest paid, excluding interest expense on subordinated debts/bonds issued	10,822	9,947

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meanings:

BBVA	Banco Bilbao Vizcaya Argentaria, S.A.
Group	China CITIC Bank Corporation Limited and its subsidiaries
Bank/China CITIC Bank/CITIC Bank	China CITIC Bank Corporation Limited
GIL	Gloryshare Investments Limited
Company Law	Company Law of the People's Republic of China
Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
State Council	State Council of the People's Republic of China
SASAC	State-owned Assets Supervision Administration Commission of the State Council
China AMC	China Asset Management Co., Ltd.
NSSF	National Council for Social Security Fund
SSE	Shanghai Stock Exchange
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Central Bank	The People's Bank of China
MOF	Ministry of Finance of the People's Republic of China
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Bank International	CITIC Bank International Limited
CITIC Group	CITIC Group
China Securities	China Securities Co., Ltd.
CITIC Kingtong Securities	CITIC Kingtong Securities Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Securities	CITIC Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited

CITIC Capital
CITIC Resources Holdings

CITIC Capital Holdings Limited
CITIC Resources Holdings Limited

By order of the Board of Directors
China CITIC Bank Corporation Limited
KONG Dan
Chairman

Beijing, the PRC
11 August 2010

As at the date of this announcement, the executive director of the Bank is Dr. Chen Xiaoxian; the non-executive directors are Mr. Kong Dan, Mr. Chang Zhenming, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Zhang Jijing, Ms. Chan Hui Dor Lam Doreen, Mr. Guo Ketong, Mr. José Andrés Barreiro Hernandez and Mr. Ángel Cano Fernández; and the independent non-executive directors are Dr. Bai Chong-En, Dr. Ai Hongde, Dr. Xie Rong, Mr. Wang Xiangfei and Mr. Li Zheping.