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中国建设银行

China Construction Bank

中國建設銀行股份有限公司

China Construction Bank Corporation

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

(Stock Code: 939)

Interim Results Announcement For the Six Months Ended 30 June 2009

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2009, prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“Listing Rules of Hong Kong Stock Exchange”) and International Accounting Standard 34 “Interim Financial Reporting”. The interim results have been reviewed by the audit committee and external auditors of the Bank.

SUMMARY OF INTERIM RESULTS 2009

| <i>(Expressed in millions of RMB unless otherwise stated)</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Change (%) |
|---|--|-------------------------------------|-------------------|
| Current period | | | |
| Operating income | 131,465 | 135,736 | (3.15) |
| Profit before tax | 72,469 | 75,655 | (4.21) |
| Net profit | 55,841 | 58,692 | (4.86) |
| Net profit attributable to shareholders of the Bank | 55,806 | 58,667 | (4.88) |
| Per share (In RMB) | | | |
| Basic and diluted earnings per share | 0.24 | 0.25 | (4.00) |
| Profitability indicators (%) | | | Change +/- |
| Annualised return on average assets ¹ | 1.34 | 1.72 | (0.38) |
| Annualised return on average equity | 22.54 | 26.36 | (3.82) |
| Net interest spread | 2.34 | 3.16 | (0.82) |
| Net interest margin | 2.46 | 3.29 | (0.83) |
| Net fee and commission income to operating income | 17.82 | 14.86 | 2.96 |
| Cost-to-income ratio | 35.13 | 34.03 | 1.10 |
| Loan-to-deposit ratio | 59.47 | 61.19 | (1.72) |

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then multiplying two.

| <i>(Expressed in millions of RMB unless otherwise stated)</i> | 30 June 2009 | 31 December 2008 | Change (%) |
|---|-------------------------|---------------------|-------------------|
| At period-end | | | |
| Net loans and advances to customers | 4,409,152 | 3,683,575 | 19.70 |
| Total assets | 9,110,171 | 7,555,452 | 20.58 |
| Deposits from customers | 7,610,022 | 6,375,915 | 19.36 |
| Total liabilities | 8,603,637 | 7,087,890 | 21.39 |
| Total equity attributable to shareholders of the Bank | 504,776 | 465,966 | 8.33 |
| Issued and paid-in capital | 233,689 | 233,689 | — |
| Per share (In RMB) | | | |
| Net assets per share | 2.17 | 2.00 | 8.50 |
| Capital adequacy indicators (%) | | | Change +/- |
| Core capital adequacy ratio ¹ | 9.30 | 10.17 | (0.87) |
| Capital adequacy ratio ¹ | 11.97 | 12.16 | (0.19) |
| Total equity to total assets | 5.56 | 6.19 | (0.63) |
| Asset quality indicators (%) | | | |
| Non-performing loan ratio | 1.71 | 2.21 | (0.50) |
| Allowances to non-performing loans | 150.51 | 131.58 | 18.93 |
| Allowances to total loans | 2.57 | 2.91 | (0.34) |

1. Calculated in accordance with the guidelines issued by the China Banking Regulatory Commission (“CBRC”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2009 | 2008 |
| Interest income | 168,435 | 172,193 |
| Interest expense | (65,967) | (61,113) |
| Net interest income | 102,468 | 111,080 |
| Fee and commission income | 24,391 | 20,926 |
| Fee and commission expense | (969) | (758) |
| Net fee and commission income | 23,422 | 20,168 |
| Net trading gain | 1,293 | 1,292 |
| Dividend income | 54 | 75 |
| Net gain arising from investment securities | 3,458 | 1,646 |
| Other operating income, net | 770 | 1,475 |
| Operating income | 131,465 | 135,736 |
| Operating expenses | (46,185) | (46,193) |
| | 85,280 | 89,543 |
| Impairment losses on: | | |
| — Loans and advances to customers | (10,274) | (11,458) |
| — Others | (2,545) | (2,448) |
| Impairment losses | (12,819) | (13,906) |
| Share of profits less losses of associates and jointly controlled entities | 8 | 18 |
| Profit before tax | 72,469 | 75,655 |
| Income tax | (16,628) | (16,963) |
| Net profit | 55,841 | 58,692 |

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| Other comprehensive income: | | |
| Available-for-sale financial assets | | |
| Gains/(losses) arising during the period | 2,036 | (14,623) |
| Reclassification adjustments for net losses included in profit or loss | <u>1,225</u> | <u>2,196</u> |
| | 3,261 | (12,427) |
| Exchange difference on translating foreign operations | <u>120</u> | <u>(1,089)</u> |
| Total other comprehensive income | 3,381 | (13,516) |
| Income tax relating to components of other comprehensive income | <u>(815)</u> | <u>3,092</u> |
| Other comprehensive income for the period, net of tax | <u>2,566</u> | <u>(10,424)</u> |
| Total comprehensive income for the period | <u>58,407</u> | <u>48,268</u> |
| Net profit attributable to: | | |
| Equity shareholders of the Bank | 55,806 | 58,667 |
| Minority interests | <u>35</u> | <u>25</u> |
| | <u>55,841</u> | <u>58,692</u> |
| Total comprehensive income attributable to: | | |
| Equity shareholders of the Bank | 58,370 | 48,243 |
| Minority interests | <u>37</u> | <u>25</u> |
| | <u>58,407</u> | <u>48,268</u> |
| Basic and diluted earnings per share (<i>in RMB</i>) | <u>0.24</u> | <u>0.25</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

(Expressed in millions of Renminbi, unless otherwise stated)

| | 30 June 2009 | 31 December 2008 |
|---|-------------------------|-------------------------|
| Assets: | | |
| Cash and deposits with central banks | 1,262,352 | 1,247,450 |
| Deposits with banks and non-bank financial institutions | 68,524 | 33,096 |
| Precious metals | 6,166 | 5,160 |
| Placements with banks and non-bank financial institutions | 19,439 | 16,836 |
| Trading financial assets | 37,938 | 50,309 |
| Positive fair value of derivatives | 11,030 | 21,299 |
| Financial assets held under resale agreements | 868,452 | 208,548 |
| Interest receivable | 39,778 | 38,317 |
| Loans and advances to customers | 4,409,152 | 3,683,575 |
| Available-for-sale financial assets | 572,165 | 550,838 |
| Held-to-maturity investments | 1,217,773 | 1,041,783 |
| Debt securities classified as receivables | 486,186 | 551,818 |
| Interests in associates and jointly controlled entities | 1,751 | 1,728 |
| Fixed assets | 63,701 | 63,957 |
| Long-term lease prepayment | 16,999 | 17,295 |
| Intangible assets | 1,127 | 1,253 |
| Goodwill | 1,529 | 1,527 |
| Deferred tax assets | 10,784 | 7,855 |
| Other assets | 15,325 | 12,808 |
| Total assets | <u>9,110,171</u> | <u>7,555,452</u> |

| | 30 June 2009 | 31 December 2008 |
|---|-------------------------|---------------------|
| Liabilities: | | |
| Borrowings from central banks | 6 | 6 |
| Deposits from banks and non-bank financial institutions | 699,068 | 447,464 |
| Placements from banks and non-bank financial institutions | 24,966 | 43,108 |
| Trading financial liabilities | 100 | 3,975 |
| Negative fair value of derivatives | 10,430 | 18,565 |
| Financial assets sold under repurchase agreements | 482 | 864 |
| Deposits from customers | 7,610,022 | 6,375,915 |
| Accrued staff costs | 24,695 | 25,153 |
| Taxes payable | 20,390 | 35,538 |
| Interest payable | 66,062 | 59,695 |
| Provisions | 1,580 | 1,806 |
| Debt securities issued | 96,635 | 53,810 |
| Deferred tax liabilities | — | 5 |
| Other liabilities | 49,201 | 21,986 |
| Total liabilities | 8,603,637 | 7,087,890 |
| Equity: | | |
| Share capital | 233,689 | 233,689 |
| Capital reserve | 90,241 | 90,241 |
| Investment revaluation reserve | 13,600 | 11,156 |
| Surplus reserve | 26,922 | 26,922 |
| General reserve | 46,658 | 46,628 |
| Retained earnings | 95,809 | 59,593 |
| Exchange reserve | (2,143) | (2,263) |
| Total equity attributable to equity shareholders of the Bank | 504,776 | 465,966 |
| Minority interests | 1,758 | 1,596 |
| Total equity | 506,534 | 467,562 |
| Total liabilities and equity | 9,110,171 | 7,555,452 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

(Expressed in millions of Renminbi, unless otherwise stated)

| | Attributable to equity shareholders of the Bank | | | | | | | | Total equity |
|---|---|-----------------|--------------------------------|-----------------|-----------------|-------------------|------------------|--------------------|--------------|
| | Share capital | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Retained earnings | Exchange reserve | Minority interests | |
| As at 1 January 2009 | 233,689 | 90,241 | 11,156 | 26,922 | 46,628 | 59,593 | (2,263) | 1,596 | 467,562 |
| Movements during the period | — | — | 2,444 | — | 30 | 36,216 | 120 | 162 | 38,972 |
| (1) Total comprehensive income for the period | — | — | 2,444 | — | — | 55,806 | 120 | 37 | 58,407 |
| (2) Changes in share capital | — | — | — | — | — | — | — | 143 | 143 |
| i Disposal of shares of a subsidiary to minority interests | — | — | — | — | — | — | — | 23 | 23 |
| ii Minority interests of new subsidiaries | — | — | — | — | — | — | — | 120 | 120 |
| (3) Profit distribution | — | — | — | — | 30 | (19,590) | — | (18) | (19,578) |
| i Appropriation to general reserve | — | — | — | — | 30 | (30) | — | — | — |
| ii Appropriation to equity shareholders | — | — | — | — | — | (19,560) | — | (18) | (19,578) |
| As at 30 June 2009 | 233,689 | 90,241 | 13,600 | 26,922 | 46,658 | 95,809 | (2,143) | 1,758 | 506,534 |
| As at 1 January 2008 | 233,689 | 90,241 | 16,408 | 17,845 | 31,548 | 32,164 | (918) | 1,304 | 422,281 |
| Movements during the period | — | — | (9,335) | — | 15,025 | 28,452 | (1,089) | 64 | 33,117 |
| (1) Total comprehensive income for the period | — | — | (9,335) | — | — | 58,667 | (1,089) | 25 | 48,268 |
| (2) Changes in share capital | — | — | — | — | — | — | — | 62 | 62 |
| i Capital injection by minority interests | — | — | — | — | — | — | — | 62 | 62 |
| (3) Profit distribution | — | — | — | — | 15,025 | (30,215) | — | (23) | (15,213) |
| i Appropriation to general reserve | — | — | — | — | 15,025 | (15,025) | — | — | — |
| ii Appropriation to equity shareholders | — | — | — | — | — | (15,190) | — | (23) | (15,213) |
| As at 30 June 2008 | 233,689 | 90,241 | 7,073 | 17,845 | 46,573 | 60,616 | (2,007) | 1,368 | 455,398 |
| As at 1 January 2008 | 233,689 | 90,241 | 16,408 | 17,845 | 31,548 | 32,164 | (918) | 1,304 | 422,281 |
| Movements during the year | — | — | (5,252) | 9,077 | 15,080 | 27,429 | (1,345) | 292 | 45,281 |
| (1) Total comprehensive income for the year | — | — | (5,252) | — | — | 92,599 | (1,345) | 41 | 86,043 |
| (2) Changes in share capital | — | — | — | — | — | — | — | 274 | 274 |
| i Capital injection by minority interests | — | — | — | — | — | — | — | 212 | 212 |
| ii Disposal of shares of a subsidiary to minority interests | — | — | — | — | — | — | — | 38 | 38 |
| iii Minority interests of a new subsidiary | — | — | — | — | — | — | — | 24 | 24 |
| (3) Profit distribution | — | — | — | 9,077 | 15,080 | (65,170) | — | (23) | (41,036) |
| i Appropriation to surplus reserve | — | — | — | 9,077 | — | (9,077) | — | — | — |
| ii Appropriation to general reserve | — | — | — | — | 15,080 | (15,080) | — | — | — |
| iii Appropriation to equity shareholders | — | — | — | — | — | (41,013) | — | (23) | (41,036) |
| As at 31 December 2008 | 233,689 | 90,241 | 11,156 | 26,922 | 46,628 | 59,593 | (2,263) | 1,596 | 467,562 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | <u>2009</u> | <u>2008</u> |
| <i>Cash flows from operating activities</i> | | |
| Profit before tax | 72,469 | 75,655 |
| <i>Adjustments for:</i> | | |
| — Dividend income | (54) | (75) |
| — Revaluation gain on trading and derivatives financial instruments | (518) | (335) |
| — Net gain on disposal of investment securities | (3,458) | (1,646) |
| — Net gain on disposal of fixed assets and other long-term assets | (44) | (84) |
| — Unwinding of discount | (707) | (802) |
| — Share of profit less losses of associates and jointly controlled entities | (8) | (18) |
| — Unrealised foreign exchange (gain)/loss | (1,947) | 3,469 |
| — Depreciation and amortisation | 5,327 | 4,487 |
| — Impairment losses | 12,819 | 13,906 |
| — Interest expense on bonds issued | 1,486 | 1,005 |
| | <u>85,365</u> | <u>95,562</u> |
| <i>Changes in operating assets:</i> | | |
| Net increase in deposits with central banks and with banks and non-bank financial institutions | (187,690) | (226,640) |
| Net decrease/(increase) in placements with banks and non-bank financial institutions | 515 | (19,566) |
| Net increase in loans and advances to customers | (735,473) | (288,957) |
| Net (increase)/decrease in financial assets held under resale agreements | (659,904) | 68,179 |
| Decrease/(increase) in other operating assets | 3,765 | (62,707) |
| | <u>(1,578,787)</u> | <u>(529,691)</u> |

Six months ended 30 June
2009 2008

Changes in operating liabilities:

| | | |
|--|------------------|-----------------|
| Net (decrease)/increase in placements from banks and non-bank financial institutions | (18,181) | 48,645 |
| Net increase in deposits from customers and from banks and non-bank financial institutions | 1,485,405 | 426,254 |
| Net decrease in financial assets sold under repurchase agreements | (383) | (62,226) |
| Net increase in certificates of deposit issued | 2,868 | 2,828 |
| Income tax paid | (34,699) | (28,318) |
| Increase in other operating liabilities | 10,307 | 21,829 |
| | <u>1,445,317</u> | <u>409,012</u> |
| Net cash used in operating activities | <u>(48,105)</u> | <u>(25,117)</u> |

Cash flows from investing activities

| | | |
|---|------------------|-----------------|
| Proceeds from disposal and redemption of investments | 474,231 | 475,349 |
| Dividend received | 54 | 75 |
| Proceeds from disposal of shares of subsidiaries | 23 | — |
| Proceeds from acquisition of subsidiaries | 120 | — |
| Proceeds from capital contribution by minority interests | — | 62 |
| Proceeds from disposal of fixed assets and other long-term assets | 332 | 410 |
| Payments on acquisition of investments | (595,365) | (481,849) |
| Payments on acquisition of associates and jointly controlled entities | (12) | (415) |
| Payments on acquisition of fixed assets and other long-term assets | (4,760) | (4,473) |
| Net cash used in investing activities | <u>(125,377)</u> | <u>(10,841)</u> |

Cash flows from financing activities

| | | |
|---|---------------|--------------|
| Proceeds from bonds issued | 39,931 | — |
| Dividend paid | (641) | (23) |
| Interest paid on bonds issued | (104) | (158) |
| Net cash from/(used in) financing activities | <u>39,186</u> | <u>(181)</u> |

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | <u>2009</u> | <u>2008</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>37</u> | <u>(1,095)</u> |
| Net decrease in cash and cash equivalents | (134,259) | (37,234) |
| Cash and cash equivalents as at 1 January | <u>355,811</u> | <u>180,508</u> |
| Cash and cash equivalents as at 30 June | <u><u>221,552</u></u> | <u><u>143,274</u></u> |
| Cash flows from operating activities include: | | |
| Interest received | <u>161,793</u> | <u>157,631</u> |
| Interest paid, excluding interest expense on bonds issued | <u><u>(59,587)</u></u> | <u><u>(48,482)</u></u> |

Notes:

- 1 There are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2008.
- 2 Unless otherwise stated, the financial figures are expressed in millions of RMB.
- 3 For the purpose of this results announcement, the Mainland China excludes the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC, and Taiwan.
- 4 **Net gain arising from investment securities**

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | <u>2009</u> | <u>2008</u> |
| Net gain on sale of available-for-sale financial assets | 888 | 1,013 |
| Net revaluation gain reclassified from other comprehensive income on disposal | 966 | 316 |
| Net gain on sale of held-to-maturity investments | <u>1,604</u> | <u>317</u> |
| Total | <u><u>3,458</u></u> | <u><u>1,646</u></u> |

5 Operating expenses

| | Six months ended 30 June | |
|--|---------------------------------|----------------------|
| | <u>2009</u> | <u>2008</u> |
| Staff costs | | |
| — Salaries, bonuses, allowances and subsidies | 14,747 | 15,592 |
| — Defined contribution retirement schemes | 2,340 | 2,091 |
| — Other social insurance and welfare | 2,673 | 2,632 |
| — Housing funds | 1,353 | 1,220 |
| — Union running costs and employee education costs | 512 | 539 |
| — Compensation to employees for termination of employment relationship | <u>8</u> | <u>19</u> |
| | <u><u>21,633</u></u> | <u><u>22,093</u></u> |
| Premises and equipment expenses | | |
| — Depreciation charges | 4,390 | 3,986 |
| — Rent and property management expenses | 1,954 | 1,718 |
| — Maintenance | 508 | 599 |
| — Utilities | 633 | 596 |
| — Others | <u>363</u> | <u>326</u> |
| | <u><u>7,848</u></u> | <u><u>7,225</u></u> |
| Amortisation expenses | 937 | 501 |
| Business tax and surcharges | 8,036 | 7,717 |
| Audit fees | 68 | 82 |
| Other general and administrative expenses | <u>7,663</u> | <u>8,575</u> |
| Total | <u><u>46,185</u></u> | <u><u>46,193</u></u> |

6 Income tax

(1) Income tax

| | Six months ended 30 June | |
|---|--------------------------|----------------------|
| | <u>2009</u> | <u>2008</u> |
| Current tax | | |
| — Mainland China | 16,957 | 17,215 |
| — Hong Kong | 175 | 155 |
| — Other countries and regions | <u>21</u> | <u>14</u> |
| | ----- 17,153 | ----- 17,384 |
| Adjustments for prior years | 3,224 | (296) |
| Deferred tax recognised in current period | <u>(3,749)</u> | <u>(125)</u> |
| Total | <u><u>16,628</u></u> | <u><u>16,963</u></u> |

(2) Reconciliation between income tax and accounting profit

| | Six months ended 30 June | |
|---|--------------------------|----------------------|
| | <u>2009</u> | <u>2008</u> |
| Profit before tax | <u><u>72,469</u></u> | <u><u>75,655</u></u> |
| Income tax calculated at statutory tax rate | ----- 18,117 | ----- 18,914 |
| Non-deductible expenses | | |
| — Impairment losses and bad debt write-off | 55 | 5 |
| — Others | <u>104</u> | <u>161</u> |
| | ----- 159 | ----- 166 |
| Non-taxable income | | |
| — Interest income from PRC government bonds | (1,725) | (1,593) |
| — Others | <u>(41)</u> | <u>(228)</u> |
| | ----- (1,766) | ----- (1,821) |
| Total | 16,510 | 17,259 |
| Adjustments on income tax for prior years which affect profit or loss | <u>118</u> | <u>(296)</u> |
| Income tax | <u><u>16,628</u></u> | <u><u>16,963</u></u> |

7 Earnings per share

Basic earnings per share for the six months ended 30 June 2009 and 2008 have been computed by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares that were in issue during the periods. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | <u>2009</u> | <u>2008</u> |
| Net profit attributable to shareholders of the Bank | 55,806 | 58,667 |
| Weighted average number of shares (<i>in million shares</i>) | 233,689 | 233,689 |
| Basic and diluted earnings per share attributable to shareholders of the Bank (<i>RMB</i>) | 0.24 | 0.25 |

8 Derivatives

| | 30 June 2009 | | | 31 December 2008 | | |
|-----------------------------|-------------------------|---------------|--------------------|------------------|---------------|---------------|
| | <u>Notional amounts</u> | <u>Assets</u> | <u>Liabilities</u> | Notional amounts | Assets | Liabilities |
| Interest rate contracts | 180,227 | 4,694 | 4,877 | 183,695 | 9,016 | 9,451 |
| Exchange rate contracts | 448,158 | 5,731 | 5,553 | 489,431 | 11,758 | 9,114 |
| Precious metal contracts | — | — | — | 510 | 10 | — |
| Equity instrument contracts | 821 | 605 | — | 806 | 515 | — |
| Total | <u>629,206</u> | <u>11,030</u> | <u>10,430</u> | <u>674,442</u> | <u>21,299</u> | <u>18,565</u> |

9 Deposits from customers

| | <u>30 June 2009</u> | <u>31 December 2008</u> |
|---|---------------------|-------------------------|
| Demand deposits | | |
| — Corporate customers | 2,626,831 | 2,233,187 |
| — Personal customers | <u>1,304,692</u> | <u>1,137,114</u> |
| | <u>3,931,523</u> | <u>3,370,301</u> |
| Time deposits (including call deposits) | | |
| — Corporate customers | 1,495,243 | 1,152,126 |
| — Personal customers | <u>2,183,256</u> | <u>1,853,488</u> |
| | <u>3,678,499</u> | <u>3,005,614</u> |
| Total | <u>7,610,022</u> | <u>6,375,915</u> |

10 Profit distribution

In the Annual General Meeting held on 11 June 2009, the shareholders approved the profit distribution for the six months from 1 July 2008 to 31 December 2008. The Bank appropriated final dividend in an aggregate amount of RMB19,560 million for the six months from 1 July 2008 to 31 December 2008.

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts and credit card limits. The Group also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

| | 30 June 2009 | 31 December 2008 |
|---|-------------------------|---------------------|
| Loan commitments | | |
| — with an original maturity under one year | 74,221 | 47,941 |
| — with an original maturity of one year or over | 346,149 | 259,904 |
| Credit card commitments | 211,722 | 174,714 |
| | 632,092 | 482,559 |
| Bank acceptances | 411,035 | 219,603 |
| Financing guarantees | 143,722 | 182,518 |
| Non-financing guarantees | 390,124 | 362,668 |
| Sight letters of credit | 43,191 | 36,386 |
| Usance letters of credit | 49,882 | 35,110 |
| Others | 25,999 | 31,636 |
| Total | 1,696,045 | 1,350,480 |

(2) Credit risk-weighted amount

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

| | 30 June 2009 | 31 December 2008 |
|---|-------------------------|---------------------|
| Credit risk-weighted amount of contingent liabilities and commitments | 766,540 | 660,982 |

(3) *Operating lease commitments*

The Group leases certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals. At the balance sheet date, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

| | 30 June 2009 | 31 December 2008 |
|---|-------------------------|---------------------|
| Within one year | 2,157 | 2,458 |
| After one year but within two years | 1,821 | 2,018 |
| After two years but within three years | 1,514 | 1,571 |
| After three years but within five years | 2,000 | 2,150 |
| After five years | 1,316 | 1,345 |
| Total | 8,808 | 9,542 |

(4) *Capital commitments*

At the balance sheet date, the Group had capital commitments as follows:

| | 30 June 2009 | 31 December 2008 |
|-----------------------------------|-------------------------|---------------------|
| Contracted for | 6,593 | 6,333 |
| Authorised but not contracted for | 3,373 | 558 |
| Total | 9,966 | 6,891 |

(5) *Underwriting obligations*

At the balance sheet date, the unexpired underwriting commitments were as follows:

| | 30 June 2009 | 31 December 2008 |
|--------------------------|-------------------------|---------------------|
| Underwriting obligations | 13 | — |

(6) *Redemption obligations*

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the People's Bank of China ("PBC"). The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the balance sheet date:

| | 30 June 2009 | 31 December 2008 |
|------------------------|-------------------------|---------------------|
| Redemption obligations | 68,067 | 62,677 |

(7) Outstanding litigation and disputes

As at 30 June 2009, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,550 million (as at 31 December 2008: RMB2,781 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group has assessed and made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities.

12 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul and New York, and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;
- the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

Six months ended 30 June 2009

| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | North Eastern | Head Office | Overseas | Total |
|--|------------------------|----------------------|------------------|------------------|------------------|------------------|------------------|----------------|-----------------------|
| External net interest income | 15,569 | 7,476 | 8,493 | 9,788 | 12,286 | 2,598 | 44,992 | 1,266 | 102,468 |
| Internal net interest income/ (expense) | 5,588 | 6,273 | 8,513 | 6,748 | 5,026 | 3,693 | (35,775) | (66) | — |
| Net interest income | 21,157 | 13,749 | 17,006 | 16,536 | 17,312 | 6,291 | 9,217 | 1,200 | 102,468 |
| Net fee and commission income | 5,966 | 4,285 | 3,709 | 3,829 | 3,242 | 1,219 | 981 | 191 | 23,422 |
| Net trading gain/(loss) | 34 | 84 | 32 | 18 | 50 | 23 | (33) | 1,085 | 1,293 |
| Dividend income | — | — | 5 | 25 | 4 | — | 4 | 16 | 54 |
| Net gain/(loss) arising from investment securities | — | — | 1 | 313 | 348 | 114 | 2,696 | (14) | 3,458 |
| Other operating income/ (loss), net | 195 | 50 | 137 | 99 | 257 | 51 | (139) | 120 | 770 |
| Operating income | 27,352 | 18,168 | 20,890 | 20,820 | 21,213 | 7,698 | 12,726 | 2,598 | 131,465 |
| Operating expenses | (8,959) | (6,472) | (7,429) | (8,234) | (8,092) | (3,443) | (2,606) | (950) | (46,185) |
| Impairment losses | (3,784) | (1,860) | (1,091) | (2,034) | (1,330) | (394) | (1,818) | (508) | (12,819) |
| Share of profits less losses of associates and jointly controlled entities | — | — | — | — | — | — | — | 8 | 8 |
| Profit before tax | 14,609 | 9,836 | 12,370 | 10,552 | 11,791 | 3,861 | 8,302 | 1,148 | 72,469 |
| Capital expenditure | 725 | 449 | 946 | 795 | 778 | 468 | 393 | 53 | 4,607 |
| Depreciation and amortisation | 909 | 660 | 782 | 924 | 815 | 389 | 807 | 41 | 5,327 |
| 30 June 2009 | | | | | | | | | |
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | North Eastern | Head Office | Overseas | Total |
| Segment assets | 1,793,466 | 1,448,273 | 1,653,496 | 1,419,904 | 1,391,998 | 602,605 | 4,298,343 | 118,528 | 12,726,613 |
| Interests in associates and jointly controlled entities | — | — | — | — | — | — | — | 1,751 | 1,751 |
| | <u>1,793,466</u> | <u>1,448,273</u> | <u>1,653,496</u> | <u>1,419,904</u> | <u>1,391,998</u> | <u>602,605</u> | <u>4,298,343</u> | <u>120,279</u> | <u>12,728,364</u> |
| Deferred tax assets Elimination | | | | | | | | | 10,784 (3,628,977) |
| Total assets | | | | | | | | | <u>9,110,171</u> |
| Segment liabilities | <u>1,784,525</u> | <u>1,442,125</u> | <u>1,646,947</u> | <u>1,413,685</u> | <u>1,385,334</u> | <u>600,427</u> | <u>3,844,287</u> | <u>115,284</u> | 12,232,614 |
| Deferred tax liabilities Elimination | | | | | | | | | — (3,628,977) |
| Total liabilities | | | | | | | | | <u>8,603,637</u> |
| Off-balance sheet credit commitments | <u>478,867</u> | <u>257,285</u> | <u>382,127</u> | <u>236,764</u> | <u>202,769</u> | <u>107,780</u> | <u>13,037</u> | <u>17,416</u> | <u>1,696,045</u> |

Six months ended 30 June 2008

| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | North Eastern | Head Office | Overseas | Total |
|--|------------------------|----------------------|-----------|---------|---------|------------------|-------------|----------|----------|
| External net interest income | 18,535 | 8,320 | 10,233 | 10,842 | 11,812 | 2,943 | 47,106 | 1,289 | 111,080 |
| Internal net interest income/ (expense) | 2,453 | 5,198 | 5,750 | 4,408 | 3,161 | 2,804 | (23,627) | (147) | — |
| Net interest income | 20,988 | 13,518 | 15,983 | 15,250 | 14,973 | 5,747 | 23,479 | 1,142 | 111,080 |
| Net fee and commission income | 4,952 | 3,334 | 3,424 | 3,122 | 2,818 | 1,189 | 1,186 | 143 | 20,168 |
| Net trading gain | 218 | 210 | 138 | 26 | 31 | 45 | 185 | 439 | 1,292 |
| Dividend income | — | — | 1 | 21 | 2 | — | 38 | 13 | 75 |
| Net gain arising from investment securities | — | 22 | 409 | 308 | 19 | — | 755 | 133 | 1,646 |
| Other operating income, net | 69 | 55 | 61 | 157 | 161 | 48 | 425 | 499 | 1,475 |
| Operating income | 26,227 | 17,139 | 20,016 | 18,884 | 18,004 | 7,029 | 26,068 | 2,369 | 135,736 |
| Operating expenses | (8,858) | (6,285) | (7,437) | (7,998) | (7,646) | (3,352) | (4,015) | (602) | (46,193) |
| Impairment losses | (1,529) | (696) | (1,687) | (2,517) | (4,180) | (658) | (2,563) | (76) | (13,906) |
| Share of profits less losses of associates and jointly controlled entities | — | — | — | — | — | — | — | 18 | 18 |
| Profit before tax | 15,840 | 10,158 | 10,892 | 8,369 | 6,178 | 3,019 | 19,490 | 1,709 | 75,655 |
| Capital expenditure | 869 | 313 | 544 | 713 | 762 | 427 | 607 | 238 | 4,473 |
| Depreciation and amortisation | 828 | 572 | 698 | 780 | 679 | 328 | 571 | 31 | 4,487 |

31 December 2008

| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | North Eastern | Head Office | Overseas | Total |
|--|------------------------|----------------------|-----------|-----------|-----------|------------------|-------------|----------|-------------|
| Segment assets | 1,468,824 | 1,074,866 | 1,369,934 | 1,157,174 | 1,170,334 | 507,337 | 3,523,723 | 119,865 | 10,392,057 |
| Interests in associates and jointly controlled entities | — | — | — | — | — | — | — | 1,728 | 1,728 |
| | 1,468,824 | 1,074,866 | 1,369,934 | 1,157,174 | 1,170,334 | 507,337 | 3,523,723 | 121,593 | 10,393,785 |
| Deferred tax assets | | | | | | | | | 7,855 |
| Elimination | | | | | | | | | (2,846,188) |
| Total assets | | | | | | | | | 7,555,452 |
| Segment liabilities | 1,466,440 | 1,074,054 | 1,367,662 | 1,158,073 | 1,173,707 | 507,936 | 3,064,993 | 121,208 | 9,934,073 |
| Deferred tax liabilities | | | | | | | | | 5 |
| Elimination | | | | | | | | | (2,846,188) |
| Total liabilities | | | | | | | | | 7,087,890 |
| Off-balance sheet credit commitments | 386,800 | 193,746 | 284,558 | 172,079 | 186,488 | 89,428 | 15,936 | 21,445 | 1,350,480 |

(2) ***Business segments***

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

Treasury business

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

Others

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

| | Six months ended 30 June 2009 | | | | |
|--|-------------------------------|-----------------------------|------------------------------|----------------|------------------|
| | <u>Corporate banking</u> | <u>Personal banking</u> | <u>Treasury business</u> | <u>Others</u> | <u>Total</u> |
| External net interest income/(expense) | 74,067 | (15,182) | 42,222 | 1,361 | 102,468 |
| Internal net interest (expense)/income | (12,649) | 45,472 | (32,508) | (315) | — |
| Net interest income | 61,418 | 30,290 | 9,714 | 1,046 | 102,468 |
| Net fee and commission income | 9,988 | 7,849 | 5,283 | 302 | 23,422 |
| Net trading (loss)/gain | (152) | 41 | 306 | 1,098 | 1,293 |
| Dividend income | — | — | — | 54 | 54 |
| Net gain arising from investment securities | — | — | 2,680 | 778 | 3,458 |
| Other operating income/(loss), net | 236 | 49 | (134) | 619 | 770 |
| Operating income | 71,490 | 38,229 | 17,849 | 3,897 | 131,465 |
| Operating expenses | (19,428) | (23,332) | (1,642) | (1,783) | (46,185) |
| Impairment losses | (8,474) | (1,749) | (2,123) | (473) | (12,819) |
| Share of profits less losses of associates and jointly controlled entities | — | — | — | 8 | 8 |
| Profit before tax | 43,588 | 13,148 | 14,084 | 1,649 | 72,469 |
| Capital expenditure | 1,426 | 2,930 | 200 | 51 | 4,607 |
| Depreciation and amortisation | 1,649 | 3,388 | 231 | 59 | 5,327 |
| | 30 June 2009 | | | | |
| | <u>Corporate banking</u> | <u>Personal banking</u> | <u>Treasury business</u> | <u>Others</u> | <u>Total</u> |
| Segment assets | 3,855,870 | 965,459 | 4,162,256 | 168,902 | 9,152,487 |
| Interests in associates and jointly controlled entities | — | — | — | 1,751 | 1,751 |
| | 3,855,870 | 965,459 | 4,162,256 | 170,653 | 9,154,238 |
| Deferred tax assets | | | | | 10,784 |
| Elimination | | | | | (54,851) |
| Total assets | | | | | 9,110,171 |
| Segment liabilities | 4,430,827 | 3,928,296 | 100,876 | 198,489 | 8,658,488 |
| Deferred tax liabilities | | | | | — |
| Elimination | | | | | (54,851) |
| Total liabilities | | | | | 8,603,637 |
| Off-balance sheet credit commitments | 1,474,993 | 221,052 | — | — | 1,696,045 |

| | Six months ended 30 June 2008 | | | | |
|--|-------------------------------|---------------------|----------------------|----------------|-------------------------|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| External net interest income/(expense) | 71,185 | (6,352) | 45,012 | 1,235 | 111,080 |
| Internal net interest (expense)/income | (9,801) | 34,739 | (24,151) | (787) | — |
| Net interest income | 61,384 | 28,387 | 20,861 | 448 | 111,080 |
| Net fee and commission income | 7,864 | 8,062 | 3,880 | 362 | 20,168 |
| Net trading gain | 9 | 63 | 836 | 384 | 1,292 |
| Dividend income | — | — | — | 75 | 75 |
| Net gain arising from investment securities | — | — | 758 | 888 | 1,646 |
| Other operating income, net | 98 | — | 253 | 1,124 | 1,475 |
| Operating income | 69,355 | 36,512 | 26,588 | 3,281 | 135,736 |
| Operating expenses | (19,875) | (22,754) | (1,786) | (1,778) | (46,193) |
| Impairment losses | (9,364) | (2,107) | (2,269) | (166) | (13,906) |
| Share of profits less losses of associates and jointly controlled entities | — | — | — | 18 | 18 |
| Profit before tax | 40,116 | 11,651 | 22,533 | 1,355 | 75,655 |
| Capital expenditure | 1,498 | 2,694 | 230 | 51 | 4,473 |
| Depreciation and amortisation | 1,503 | 2,702 | 231 | 51 | 4,487 |
| | 31 December 2008 | | | | |
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| Segment assets | 3,214,610 | 863,351 | 3,358,278 | 142,347 | 7,578,586 |
| Interests in associates and jointly controlled entities | — | — | — | 1,728 | 1,728 |
| | <u>3,214,610</u> | <u>863,351</u> | <u>3,358,278</u> | <u>144,075</u> | <u>7,580,314</u> |
| Deferred tax assets | | | | | 7,855 |
| Elimination | | | | | (32,717) |
| Total assets | | | | | <u><u>7,555,452</u></u> |
| Segment liabilities | <u>3,431,049</u> | <u>3,426,013</u> | <u>70,789</u> | <u>192,751</u> | 7,120,602 |
| Deferred tax liabilities | | | | | 5 |
| Elimination | | | | | (32,717) |
| Total liabilities | | | | | <u><u>7,087,890</u></u> |
| Off-balance sheet credit commitments | <u>1,168,055</u> | <u>182,425</u> | <u>—</u> | <u>—</u> | <u>1,350,480</u> |

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(a) Liquidity ratios

| | 30 June 2009 | Average for the six months ended 30 June 2009 | 31 December 2008 | Average for the year ended 31 December 2008 |
|---|-------------------------|--|---------------------|--|
| RMB current assets to RMB current liabilities | <u>47.43%</u> | <u>50.08%</u> | <u>52.74%</u> | <u>47.45%</u> |
| Foreign currency current assets to foreign currency current liabilities | <u>92.36%</u> | <u>101.10%</u> | <u>109.84%</u> | <u>111.27%</u> |

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

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

(b) Currency concentrations

| | 30 June 2009 | | | |
|---------------------------|----------------------------|----------------------------|-------------------------------|---------------|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 260,289 | 88,590 | 45,334 | 394,213 |
| Spot liabilities | (189,589) | (82,302) | (39,798) | (311,689) |
| Forward purchases | 172,878 | 17,759 | 51,894 | 242,531 |
| Forward sales | (241,060) | (8,854) | (57,836) | (307,750) |
| Net long/(short) position | <u>2,518</u> | <u>15,193</u> | <u>(406)</u> | <u>17,305</u> |
| Net structural position | <u>19</u> | <u>110</u> | <u>153</u> | <u>282</u> |
| | 31 December 2008 | | | |
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 267,877 | 82,948 | 43,113 | 393,938 |
| Spot liabilities | (172,382) | (72,158) | (35,691) | (280,231) |
| Forward purchases | 160,471 | 12,764 | 76,185 | 249,420 |
| Forward sales | (259,483) | (5,877) | (82,006) | (347,366) |
| Net (short)/long position | <u>(3,517)</u> | <u>17,677</u> | <u>1,601</u> | <u>15,761</u> |
| Net structural position | <u>—</u> | <u>169</u> | <u>136</u> | <u>305</u> |

(c) Cross-border claims

| | 30 June 2009 | | | |
|--|--|---------------------------------------|----------------|----------------|
| | <u>Banks and non-bank financial institutions</u> | <u>Public sector entities</u> | <u>Others</u> | <u>Total</u> |
| Asia Pacific excluding Mainland China | 16,764 | 1,977 | 54,845 | 73,586 |
| — of which attributed to Hong Kong | 4,969 | 909 | 35,864 | 41,742 |
| Europe | 8,649 | — | 8,214 | 16,863 |
| North and South America | 69,101 | 6,155 | 20,434 | 95,690 |
| | <u>94,514</u> | <u>8,132</u> | <u>83,493</u> | <u>186,139</u> |
| | 31 December 2008 | | | |
| | <u>Banks and non-bank financial institutions</u> | <u>Public sector entities</u> | <u>Others</u> | <u>Total</u> |
| Asia Pacific excluding Mainland China | 16,029 | 2,665 | 59,694 | 78,388 |
| — of which attributed to Hong Kong | 11,459 | 1,358 | 37,296 | 50,113 |
| Europe | 17,859 | 59 | 8,997 | 26,915 |
| North and South America | 61,840 | 10,092 | 31,840 | 103,772 |
| | <u>95,728</u> | <u>12,816</u> | <u>100,531</u> | <u>209,075</u> |

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

| | 30 June 2009 | 31 December 2008 |
|---------------------|-------------------------|----------------------|
| Yangtze River Delta | 13,410 | 7,353 |
| Pearl River Delta | 8,769 | 7,604 |
| Bohai Rim | 14,430 | 15,063 |
| Central | 11,483 | 11,192 |
| Western | 8,344 | 10,495 |
| Northeastern | 5,406 | 5,390 |
| Head office | 1,453 | 1,569 |
| Overseas | 582 | 374 |
| Total | <u>63,877</u> | <u>59,040</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

To address the global financial crisis and possible economic slowdown, the Chinese government has been implementing proactive fiscal policies and moderately loose monetary policies since the third quarter of 2008. China's GDP for the first half of 2009 reached RMB13.99 trillion, representing an increase of 7.1% over the same period last year.

China's financial market performed in a sound manner on the whole in the first half of 2009. Money supply and credit grew rapidly over the end of last year. The outstanding broad money M2 rose by 28.5% to RMB56.9 trillion, and the outstanding narrow money M1 rose by 24.8% to RMB19.3 trillion. Loans in RMB made by financial institutions during the period increased by RMB7.4 trillion, RMB4.9 trillion higher than the increase during the same period last year. Transactions were active in both the money market and bond market, the stock market staged smart rebound, and the foreign currency market remained stable.

The Group kept abreast of changes in China's general economic conditions, and maintained stable operating results in line with the government's macroeconomic adjustment policies.

INCOME STATEMENT ANALYSIS

For the first half of 2009, the Group achieved profit before tax of RMB72,469 million, down by RMB3,186 million, or 4.21%, over the same period last year. Net profit was RMB55,841 million, down by RMB2,851 million, or 4.86%, over the same period last year. The decreases were mainly due to the net interest income, which decreased by RMB8,612 million, or 7.75%, over the same period last year as net interest margin narrowed substantially as a result of the PBC's asymmetric interest rate cuts and the declining market interest rates.

Net Interest Income

In the first half of 2009, the Group's net interest income was RMB102,468 million, a decrease of RMB8,612 million, or 7.75 %, over the same period last year.

The following table shows the Group's average balances of assets and liabilities, related interest income or expense, and average annualised yields or costs during the respective periods.

| <i>(In millions of RMB, except percentages)</i> | Six months ended 30 June 2009 | | | Six months ended 30 June 2008 | | |
|--|-------------------------------|--------------------------------|--|-------------------------------|--------------------------------|--|
| | Average balance | Interest income/ expense | Average annualised yield/cost (%) | Average balance | Interest income/ expense | Average annualised yield/cost (%) |
| Assets | | | | | | |
| Gross loans and advances to customers | 4,238,619 | 120,501 | 5.69 | 3,414,782 | 120,638 | 7.07 |
| Debt securities investments ¹ | 2,151,336 | 35,283 | 3.28 | 2,178,212 | 39,247 | 3.60 |
| Deposits with central banks | 1,240,204 | 8,961 | 1.45 | 916,846 | 8,296 | 1.81 |
| Deposits and placements with banks and non-bank financial institutions | 56,345 | 353 | 1.25 | 100,765 | 1,515 | 3.01 |
| Financial assets held under resale agreements | 646,265 | 3,337 | 1.03 | 138,522 | 2,497 | 3.61 |
| Total interest-earning assets | 8,332,769 | 168,435 | 4.04 | 6,749,127 | 172,193 | 5.10 |
| Total allowances for impairment losses | (114,037) | | | (98,287) | | |
| Non-interest-earning assets | 219,350 | | | 218,398 | | |
| Total assets | <u>8,438,082</u> | <u>168,435</u> | | <u>6,869,238</u> | <u>172,193</u> | |
| Liabilities | | | | | | |
| Deposits from customers | 7,064,940 | 58,302 | 1.65 | 5,501,072 | 53,491 | 1.94 |
| Deposits and placements from banks and non-bank financial institutions | 614,978 | 5,957 | 1.94 | 699,981 | 5,849 | 1.67 |
| Financial assets sold under repurchase agreements | 797 | 8 | 2.01 | 27,067 | 396 | 2.93 |
| Debt securities issued | 82,833 | 1,675 | 4.04 | 50,301 | 1,186 | 4.72 |
| Other interest-bearing liabilities | 1,344 | 25 | 3.72 | 10,100 | 191 | 3.78 |
| Total interest-bearing liabilities | 7,764,892 | 65,967 | 1.70 | 6,288,521 | 61,113 | 1.94 |
| Non-interest-bearing liabilities | 150,601 | | | 144,363 | | |
| Total liabilities | <u>7,915,493</u> | <u>65,967</u> | | <u>6,432,884</u> | <u>61,113</u> | |
| Net interest income | | <u>102,468</u> | | | <u>111,080</u> | |
| Net interest spread | | | 2.34 | | | 3.16 |
| Net interest margin | | | 2.46 | | | 3.29 |

1. These include investments in trading debt securities and investment debt securities. Investment debt securities refer to debt securities in available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.

As a result of the cuts in benchmark deposit and lending rates by the PBC, the preferential interest rates for residential mortgage loans, and the falling market interest rates, the yields of loans and advances to customers, debt securities investments, and financial assets held under resale agreements and other interest-earning assets all dropped sharply over the same period last year. Meanwhile, the Group increased debt securities and bills held under resale agreements, resulting in an increase of 5.70 percentage points in the proportion of the average balance of financial assets held under resale agreements with relatively low yields in total interest-earning assets. The average yield of total interest-earning assets thus dropped by 106 basis points from the same period last year to 4.04%.

As the cuts in benchmark lending rates by the PBC were larger than those in benchmark deposit rates, and the repricing of deposits often lagged behind that of lending, the decrease in the Group's average costs of deposits was lower than that in the Group's average yields of lending. Meanwhile, as a result of the volatile capital market since 2008, the proportion of time deposits in total deposits rose again, with the proportion of average balance of time deposits in that of total interest-bearing liabilities up 6.42 percentage points compared to the same period last year. The average cost of the interest-bearing liabilities thus decreased by 24 basis points to 1.70% over the same period last year.

As the decrease in the average yields of the interest-earning assets was higher than that in the average costs of the interest-bearing liabilities, net interest spread dropped by 82 basis points to 2.34%. As the net interest income decreased by 7.75% against 23.46% increase in the average balance of interest-earning assets, net interest margin narrowed by 83 basis points to 2.46% compared to the same period last year.

On the whole, the Group's net interest margin is under downward pressure but with the gradual economic recovery, the bottoming out of market rates and the shrinking time lag between repricing of deposits and lending, decrease in net interest margin had slowed down notably. The Group's net interest margin for the first half of 2009 was 2.46%, down 12 basis points, or 4.65% compared to that for the first quarter, while the margin for the first quarter of 2009 narrowed by 66 basis points, or 20.37% compared to the year of 2008.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2009 versus the same period last year.

| <i>(In millions of RMB)</i> | Volume factor¹ | Interest rate factor¹ | Change in interest income/expense |
|---|--------------------------------------|---|--|
| Assets | | | |
| Gross loans and advances to customers | 25,963 | (26,100) | (137) |
| Debt securities investments | (479) | (3,485) | (3,964) |
| Deposits with central banks | 2,551 | (1,886) | 665 |
| Deposits and placements with banks and non-bank financial institutions | (500) | (662) | (1,162) |
| Financial assets held under resale agreements | 3,686 | (2,846) | 840 |
| Change in interest income | 31,221 | (34,979) | (3,758) |
| Liabilities | | | |
| Deposits from customers | 13,705 | (8,894) | 4,811 |
| Deposits and placements from banks and non-bank financial institutions | (759) | 867 | 108 |
| Financial assets sold under repurchase agreements | (293) | (95) | (388) |
| Debt securities issued | 691 | (202) | 489 |
| Other interest-bearing liabilities | (212) | 46 | (166) |
| Change in interest expense | 13,132 | (8,278) | 4,854 |
| Change in net interest income | 18,089 | (26,701) | (8,612) |

1. Change caused by both average balances and average interest rates has been allocated to volume factor and interest rate factor based on the weights of change caused by these two factors separately.

Net interest income decreased by RMB8,612 million compared to the same period last year. Of these, the change in average balances of assets and liabilities brought about an increase of net interest income of RMB18,089 million, and the change in average yields or average costs resulted in a decrease of net interest income of RMB26,701 million.

Interest income

The Group's interest income in the first half of 2009 was RMB168,435 million, a decrease of RMB3,758 million, or 2.18 %, compared to the same period last year.

Interest income from loans and advances to customers

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

| <i>(In millions of RMB, except percentages)</i> | Six months ended 30 June 2009 | | | Six months ended 30 June 2008 | | |
|---|--------------------------------------|----------------------------|---|-------------------------------|--------------------|------------------------------------|
| | Average balance | Interest income | Average annualised yield (%) | Average balance | Interest income | Average annualised yield (%) |
| Corporate loans | 3,014,169 | 93,751 | 6.22 | 2,449,333 | 88,131 | 7.20 |
| Short-term loans maturing within 1 year | 951,759 | 27,832 | 5.85 | 848,023 | 29,807 | 7.03 |
| Medium to long-term loans | 2,062,410 | 65,919 | 6.39 | 1,601,310 | 58,324 | 7.28 |
| Personal loans | 870,588 | 22,618 | 5.20 | 743,171 | 26,105 | 7.03 |
| Discounted bills | 235,291 | 2,689 | 2.29 | 111,608 | 3,928 | 7.04 |
| Overseas operations | 118,571 | 1,443 | 2.43 | 110,670 | 2,474 | 4.47 |
| Gross loans and advances to customers | <u>4,238,619</u> | <u>120,501</u> | 5.69 | <u>3,414,782</u> | <u>120,638</u> | 7.07 |

Interest income from loans and advances to customers dropped by RMB137 million to RMB120,501 million over the same period last year, mainly due to the significant decline in the average yield of loans and advances to customers, though partly offset by the growth in the average balance. Due to the cuts in benchmark lending rates by the PBC, the discount on interest rates for residential mortgage loans and ample market liquidity, the average yields of corporate loans, personal loans, and discounted bills dropped by 98 basis points, 183 basis points, and 475 basis points respectively over the same period last year. The average yield of short-term corporate loans maturing within 1 year decreased by 118 basis points to 5.85%, while that of medium to long-term loans slid by 89 basis points to 6.39%.

Interest income from debt securities investments

Interest income from debt securities investments was RMB35,283 million, down by RMB3,964 million, or 10.10%, over the same period last year, mainly because the yield of debt securities investment portfolio dropped by 32 basis points to 3.28% as a result of the falling market interest rates. In this amount, interest income from investment debt securities was RMB34,534 million, down by 11.17%.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB8,961 million, an increase of RMB665 million, or 8.02%, over the same period of 2008. This was mainly because the average balance of deposits with central banks grew by 35.27% over the same period last year in line with the substantial increase in deposits from customers.

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

Interest income from deposits and placements with banks and non-bank financial institutions decreased by RMB1,162 million to RMB353 million. This was mainly because the continued decline of money market rates drove the average yield of deposits and placements with banks and non-bank financial institutions down by 176 basis points to 1.25%.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements rose by RMB840 million, or 33.64%, to RMB3,337 million compared to the same period last year. This was mainly because the Group increased bonds and bills held under resale agreements to raise short-term fund utilisation efficiency, and the average balance rose by 366.54% over the same period last year.

Interest expense

In the first half of 2009, the Group's interest expense was RMB65,967 million, an increase of RMB4,854 million, or 7.94%, over the same period last year.

Interest expense on deposits from customers

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

| <i>(In millions of RMB, except percentages)</i> | Six months ended 30 June 2009 | | | Six months ended 30 June 2008 | | |
|---|-------------------------------|---------------------|-----------------------------------|-------------------------------|---------------------|-----------------------------------|
| | Average balance | Interest expense | Average annualised cost (%) | Average balance | Interest expense | Average annualised cost (%) |
| Corporate deposits | 3,670,100 | 25,001 | 1.36 | 2,948,322 | 25,198 | 1.71 |
| Demand deposits | 2,337,890 | 7,147 | 0.61 | 2,037,719 | 10,234 | 1.00 |
| Time deposits | 1,332,210 | 17,854 | 2.68 | 910,603 | 14,964 | 3.29 |
| Personal deposits | 3,319,601 | 32,407 | 1.95 | 2,483,475 | 27,464 | 2.21 |
| Demand deposits | 1,239,425 | 2,261 | 0.36 | 1,034,052 | 3,708 | 0.72 |
| Time deposits | 2,080,176 | 30,146 | 2.90 | 1,449,423 | 23,756 | 3.28 |
| Overseas operations | 75,239 | 894 | 2.38 | 69,275 | 829 | 2.39 |
| Total deposits from customers | 7,064,940 | 58,302 | 1.65 | 5,501,072 | 53,491 | 1.94 |

Interest expense on deposits from customers was RMB58,302 million, an increase of RMB4,811 million, or 8.99%, over the same period last year, mainly because of the substantial increase in the average balance of deposits from customers over that in the same period last year. Affected by the cuts in benchmark deposit rates by the PBC, the average cost of deposits from customers dropped by 29 basis points to 1.65% compared to the same period last year.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB5,957 million, an increase of RMB108 million, or 1.85%, over the same period of 2008, largely because the average cost rose by 27 basis points to 1.94% as a result of fast growth of time deposits from banks and non-bank financial institutions.

Net Fee and Commission Income

| <i>(In millions of RMB)</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|--|--|
| Fee and commission income | 24,391 | 20,926 |
| Consultancy and advisory fees | 6,262 | 3,562 |
| Agency service fees | 4,359 | 6,190 |
| Bank card fees | 4,280 | 3,258 |
| Commission on trust and fiduciary activities | 3,257 | 2,603 |
| Settlement and clearing fees | 2,931 | 2,238 |
| Guarantee and credit commitment fees | 1,473 | 1,727 |
| Others | 1,829 | 1,348 |
| Fee and commission expenses | (969) | (758) |
| Net fee and commission income | 23,422 | 20,168 |

The Group realised net fee and commission income of RMB23,422 million, an increase of RMB3,254 million, or 16.13%, over the same period last year. The ratio of net fee and commission income to operating income rose by 2.96 percentage points over the same period last year to 17.82%.

Consultancy and advisory fees increased by RMB2,700 million, or 75.80%, to RMB6,262 million over the same period last year. Of these, project cost advisory fees increased by 157.14% to RMB2,088 million as the Bank leveraged its project cost advisory service, which enjoyed brand and market advantages, to grasp the opportunities brought by the government's economic stimulus package.

Fees for agency services decreased by RMB1,831 million to RMB4,359 million over the same period last year, mainly because fees from customer-driven foreign currency transactions and fund agency service dropped significantly amid the global financial crisis and the volatile domestic capital market.

Bank card fees grew by RMB1,022 million, or 31.37%, to RMB4,280 million, largely due to the continued steady rise in the number of issued bank cards, consumer spending and transactions through self-service facilities, as the Group increased its marketing efforts and resources invested.

Commission on trust and fiduciary business rose by RMB654 million, or 25.12%, to RMB3,257 million. In this amount, the “Safe Deal” service generated fees of RMB736 million, a rise of 210.55% over the same period last year, as a result of business process optimisation, improvement of business efficiency and product innovation.

Settlement and clearing fees rose by RMB693 million, or 30.97%, to RMB2,931 million, thanks to the rapid growth of the corporate RMB settlement service, which generated fees of RMB1,295 million with an increase of 99.54%, as a result of improved marketing and services.

Net Gain on Investment Securities

In the first half of 2009, the Group realised a net gain on investment securities of RMB3,458 million, an increase of RMB1,812 million, or 110.09%, over the same period last year, mainly because of increased gains from disposals of the available-for-sale financial assets and held-to-maturity investments over the same period last year.

Other Net Operating Income

In the first half of 2009, the Group recorded other net operating income of RMB770 million, including a net foreign exchange loss of RMB38 million, a net gain of RMB44 million on disposal of fixed assets, a net gain of RMB180 million on disposal of repossessed assets, and other income of RMB584 million.

The composition of foreign exchange exposures as at 30 June 2009 and the respective gain and loss for the first half of 2009 are set out below.

| <i>(In millions of RMB)</i> | As at 30 June 2009 | | | Six months ended 30 June 2009 Foreign exchange gain/(loss) |
|---|--|--------------------------|---------------|---|
| | Composition of foreign exchange exposures | | | |
| | On balance sheet | Off-balance sheet | Total | |
| Foreign currency assets and proprietary financial derivatives | 71,520 | (71,520) | — | (60) |
| Others | 11,004 | 6,301 | 17,305 | 22 |
| Net foreign exchange exposure | 82,524 | (65,219) | 17,305 | |
| Net foreign exchange loss | | | | (38) |

1. Foreign exchange exposures are expressed in RMB. Positive and negative figures represent long and short positions respectively.
2. Financial derivatives represent currency derivatives.
3. The net foreign exchange exposures represent the position shown in “Currency Concentrations” of the unaudited supplementary financial information.

Foreign currency assets and proprietary financial derivatives

In the first half of 2009, in order to minimise the market risk associated with foreign currency business, the Group reduced the balance of foreign currency assets and proprietary financial derivatives, with a decline of RMB42,528 million in the exposures of the relevant derivative products over the end of last year. The net loss on foreign currency assets was RMB60 million, after taking into account the effect of the financial derivatives for hedging purposes. This was mainly due to the declining balance of cross-currency interest rate swaps and revaluation loss caused by adverse market movements.

Other net exchange gain

The net gain from customer-driven forex trading and revaluation of the Group’s net foreign exchange exposure was RMB22 million. In this amount, the net gain from customer-driven forex trading was RMB15 million, a slight drop over the same period last year. This was primarily due to the shrinking customer-driven forex transaction volume and forward forex trading balance as a result of the slowdown of China’s imports and exports and inbound foreign direct investment.

Operating Expenses

In the first half of 2009, the Group strengthened its cost controls with improved cost structure, and the total operating expenses decreased slightly to RMB46,185 million over the same period last year.

Staff costs were down by RMB460 million, or 2.08%, to RMB21,633 million. Premises and equipment expenses rose by 8.62%, largely because of higher depreciation and amortisation costs, rentals and property management fees compared to the same period last year, as the Group continued with its branch transformation and expanded related investments. Business tax and surcharges increased by RMB319 million, or 4.13%, in line with higher taxable operating income such as loan interest income and fees and commission income. Other operating expenses dropped by 5.35% over the same period last year, with a sharp decline in both conference fees and office supplies fees.

As the drop in operating income was greater than that in operating expenses, the cost-to-income ratio rose by 1.10 percentage points to 35.13%.

Provisions for Impairment Losses

| <i>(In millions of RMB)</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|---|--|--|
| Loans and advances to customers | 10,274 | 11,458 |
| Investments | 2,214 | 2,492 |
| Available-for-sale financial assets | 1,825 | 2,139 |
| Held-to-maturity investments | 397 | 989 |
| Debt securities classified as receivables | (8) | (636) |
| Fixed assets | — | 21 |
| Others | 331 | (65) |
| Total provisions for impairment losses | <u>12,819</u> | <u>13,906</u> |

In the first half of 2009, the provisions for impairment losses totalled RMB12,819 million, a decrease of RMB1,087 million over the same period last year. In this amount, provisions for impairment losses on loans and advances to customers were RMB10,274 million; those on investments were RMB2,214 million; provisions for impairment losses on other assets were RMB331 million, in which those on repossessed assets were RMB89 million.

Provisions for impairment losses on loans and advances to customers

| <i>(In millions of RMB)</i> | Allowances for loans and advances which are collectively assessed | Six months ended 30 June 2009 | | Total |
|-----------------------------|--|---|--|----------------|
| | | Allowances for impaired loans and advances which are collectively assessed | which are individually assessed | |
| As at 1 January | 54,122 | 5,698 | 50,548 | 110,368 |
| Charge for the period | 8,728 | 17 | 7,700 | 16,445 |
| Release during the period | — | — | (6,171) | (6,171) |
| Unwinding of discount | — | — | (707) | (707) |
| Transfers out | — | (4) | (155) | (159) |
| Write-offs | — | (228) | (3,479) | (3,707) |
| Recoveries | — | 12 | 124 | 136 |
| As at 30 June | <u>62,850</u> | <u>5,495</u> | <u>47,860</u> | <u>116,205</u> |

During the first half of 2009, the provisions for impairment losses on loans and advances to customers dropped by RMB1,184 million. Excluding the provisions for impairment losses of RMB3,486 million as a result of last year's earthquake disaster, the provisions for impairment losses on loans and advances to customers would have increased by RMB2,302 million over the same period last year. As at 30 June 2009, the allowances for impairment losses on loans and advances to customers increased by RMB5,837 million to RMB116,205 million over the end of last year, while the ratio of allowances to non-performing loans (NPLs) was 150.51%, up 18.93 percentage points over the end of 2008.

Provisions for impairment losses on investments

For the first half of 2009, provisions for impairment losses on investments decreased by RMB278 million. In this amount, the provisions for impairment losses on available-for-sale financial assets and those on held-to-maturity debt securities decreased by RMB314 million and RMB592 million respectively over the same period last year. This was mainly because as the US economic recession slowed down its pace and the foreign currency bond market began to bottom out, the Group substantially reduced its holdings of foreign currency debt securities. Release from allowances for impairment losses on debt securities classified as receivables decreased by RMB628 million compared to the same period last year, as a bond issued by a non-bank financial institution had been fully recovered in the first half of 2008.

Income Tax

In the first half of 2009, the Group's income tax dropped by RMB335 million to RMB16,628 million. The Group's effective income tax rate was 22.94%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

FINANCIAL POSITION ANALYSIS

Assets

As at 30 June 2009, the Group's total assets amounted to RMB9,110,171 million, an increase of RMB1,554,719 million, or 20.58%, over the end of 2008. Gross loans and advances to customers grew by RMB731,414 million, or 19.28%, as the Group leveraged on its plenty reserves of high-quality projects and extensive branch and customer resources to increase lending to major customers and key industries while effectively controlling risk, against the backdrop of the government's macroeconomic policies of maintaining economic growth and boosting domestic demand. Investment securities increased by RMB131,685 million, or 6.14%, mainly as a result of the increase in debt securities issued by the government and the PBC in held-to-maturity investments. Financial assets held under resale agreements went up 316.43% over the end of last year to RMB659,904 million, with its proportion in total assets up 6.77 percentage points to 9.53%. It was mainly because the Group increased bonds and bills held under resale agreements.

Loans and advances to customers

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|---------------------------|-------------------|-------------------------------|-------------------|
| | Amount | % of total | Amount | % of total |
| Corporate loans | 3,204,184 | 70.81 | 2,689,784 | 70.90 |
| Short-term loans within 1 year | 953,678 | 21.08 | 855,397 | 22.55 |
| Medium to long-term loans | 2,250,506 | 49.73 | 1,834,387 | 48.35 |
| Personal loans | 948,448 | 20.96 | 821,531 | 21.65 |
| Residential mortgage loans | 714,923 | 15.80 | 603,147 | 15.90 |
| Personal consumer loans | 83,127 | 1.84 | 74,964 | 1.98 |
| Other loans ¹ | 150,398 | 3.32 | 143,420 | 3.77 |
| Discounted bills | 251,726 | 5.56 | 163,161 | 4.30 |
| Overseas operations | 120,999 | 2.67 | 119,467 | 3.15 |
| Gross loans and advances to customers | 4,525,357 | 100.00 | 3,793,943 | 100.00 |

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

As at 30 June 2009, the Group's gross loans and advances to customers amounted to RMB4,525,357 million, an increase of RMB731,414 million, or 19.28%, over the end of 2008. Taking advantage of the government's proactive fiscal policy and moderately loose monetary policy, the Group took initiatives to adjust its credit structure, and well met the needs of its key customers and its strategic products growth.

Corporate loans reached RMB3,204,184 million, an increase of RMB514,400 million, or 19.12%, over the end of 2008. In this amount, infrastructure loans rose by RMB288,424 million to RMB1,476,911 million. The increase in infrastructure loans accounted for 56.07% of corporate loan growth. This was mainly due to the robust demand for infrastructure loans against the backdrop of the government's economic stimulus package. The Group's small business loans grew by RMB60,700 million, or 12.43%, over the end of last year.

Personal loans increased by RMB126,917 million, or 15.45%, to RMB948,448 million, accounting for 20.96% of the gross loans and advances to customers, 0.69 percentage points lower than at the end of last year. In this amount, the residential mortgage loans continued to lead the domestic market, with an increase of RMB111,776 million, or 18.53%; personal consumer loans rose by RMB8,163 million, or 10.89%; other loans rose by RMB6,978 million, or 4.87%, mainly due to the growth of credit card loans and personal business loans.

The balance of discounted bills increased by RMB88,565 million, or 54.28%, over the end of last year to RMB251,726 million, as the Group tried to meet the bill financing needs of high-quality large customers and small to medium-sized corporate customers.

Distribution of loans by type of collateral

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|--------------------------------|-----------------------------|-------------------------|----------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Unsecured loans | 1,233,515 | 27.26 | 947,785 | 24.98 |
| Guaranteed loans | 964,320 | 21.31 | 811,228 | 21.38 |
| Loans secured by tangible assets other than monetary assets | 1,899,318 | 41.97 | 1,650,208 | 43.50 |
| Loans secured by monetary assets | <u>428,204</u> | <u>9.46</u> | <u>384,722</u> | <u>10.14</u> |
| Gross loans and advances to customers | <u><u>4,525,357</u></u> | <u><u>100.00</u></u> | <u><u>3,793,943</u></u> | <u><u>100.00</u></u> |

Distribution of change in loans and advances to customers by industry

The following table sets forth the distribution of change in loans and advances to customers by industries in the reporting period compared to the end of last year.

| <i>(In millions of RMB)</i> | Change | % of total change |
|---|----------------|--------------------------|
| Corporate loans | 514,400 | 70.33 |
| Leasing and commercial services | 128,059 | 17.51 |
| — commercial services | 127,831 | 17.48 |
| Manufacturing | 99,223 | 13.57 |
| Water, environment and public utilities management | 61,622 | 8.43 |
| Transportation, storage and postal services | 60,339 | 8.25 |
| Production and supply of electric power, gas and water | 43,319 | 5.92 |
| Real estate | 26,357 | 3.60 |
| Wholesale and retail trade | 21,226 | 2.90 |
| Education | 12,547 | 1.72 |
| Construction | 9,507 | 1.30 |
| Mining | 6,014 | 0.82 |
| — Exploration of petroleum and natural gas | (9,389) | (1.28) |
| Telecommunications, computer services and software | 5,037 | 0.69 |
| — Telecommunications and other information transmission services | 4,702 | 0.64 |
| Others | 41,150 | 5.62 |
| Personal loans | 126,917 | 17.35 |
| Discounted bills | 88,565 | 12.11 |
| Overseas operations | 1,532 | 0.21 |
| Total | 731,414 | 100.00 |

Investments

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|---------------------------|----------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Held-to-maturity investments | 1,217,773 | 52.62 | 1,041,783 | 47.47 |
| Available-for-sale financial assets | 572,165 | 24.73 | 550,838 | 25.10 |
| Debt securities classified as receivables | 486,186 | 21.01 | 551,818 | 25.14 |
| Trading financial assets | 37,938 | 1.64 | 50,309 | 2.29 |
| Total investments | <u>2,314,062</u> | <u>100.00</u> | <u>2,194,748</u> | <u>100.00</u> |

As at 30 June 2009, total investments increased by RMB119,314 million to RMB2,314,062 million compared to the end of 2008. Held-to-maturity investments increased by RMB175,990 million over the end of 2008, mainly as a result of the increase in debt securities issued by the government and the PBC. Available-for-sale financial assets increased by RMB21,327 million, largely because of increased holdings of bonds issued by governments and state-owned enterprises. Receivables dropped by RMB65,632 million over the end of 2008, mainly because a non-negotiable bill with a face value of RMB63,354 million issued by the PBC specifically to China Construction Bank had been fully repaid in June 2009. Trading financial assets decreased by RMB12,371 million, or 24.59%, over the end of 2008, primarily due to the reduction in debt securities held for trading purposes.

Debt securities investments

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|---------------------------|----------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Debt securities investments in RMB | 2,222,660 | 97.07 | 2,068,230 | 95.04 |
| Debt securities investments in foreign currency | 67,012 | 2.93 | 107,890 | 4.96 |
| Total debt securities investments | <u>2,289,672</u> | <u>100.00</u> | <u>2,176,120</u> | <u>100.00</u> |

Debt securities investments in foreign currency

The Group attached great importance to credit risk control on foreign currency debt securities investments. It downsized investment portfolio and reduced holdings of high-risk debt securities. As at 30 June 2009, the carrying amount of foreign currency debt securities investment portfolio held by the Group was US\$9,811 million (or RMB67,012 million), representing a decrease of US\$5,985 million (or RMB40,878 million) over the end of 2008; the allowances for impairment losses on such securities totalled US\$2,387 million (or RMB16,305 million).

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

| <i>(In millions of US dollars)</i> | Allowances for impairment losses | Carrying amount¹ |
|---|---|--|
| US sub-prime mortgage debts | 275 | 122 |
| First lien debt securities | 193 | 118 |
| Second lien debt securities | 82 | 4 |
| Related residential mortgage collateralised debt obligations (CDO) | 453 | — |
| Total | 728 | 122 |

1. This represents carrying amount after deducting the allowances for impairment losses.

As at 30 June 2009, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US\$122 million (or RMB836 million), accounting for 1.25% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities totalled US\$728 million (or RMB4,973 million).

As at 30 June 2009, the carrying amount of the Alt-A bonds held by the Group was US\$215 million (or RMB1,466 million), accounting for 2.19% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities totalled US\$309 million (or RMB2,112 million).

Given the credit profile and market factors of the above debt securities, the Group had made prudent provisions for impairment losses on them. As the above debt securities represent only a very small proportion of the Group's total assets, market fluctuations for such debt securities will not have a significant effect on the Group's earnings.

The Group fully provided for the debt securities related to Lehman Brothers Holdings Inc of US\$190 million (or RMB1,301 million). The Group will keep a close eye on the development of relevant events, and reduce its holdings of these debt securities at appropriate market time.

As at 30 June 2009, the carrying amount of the securities related to Fannie Mae and Freddie Mac held by the Group was US\$610 million (or RMB4,167 million). Principal repayments and interest due on these debt securities had been received.

Interest receivable

As at 30 June 2009, the Group's interest receivable was RMB39,778 million, an increase of RMB1,461 million, or 3.81%, over the end of 2008. Allowances for impairment losses on interest receivable of RMB1 million had been made in full against interest receivable arising from debt securities investments overdue for more than three years.

Liabilities

As at 30 June 2009, the Group's total liabilities amounted to RMB8,603,637 million, an increase of RMB1,515,747 million, or 21.39%, over the end of 2008. Deposits from customers, which remained the most important source of the Group's funding, grew by RMB1,234,107 million, or 19.36%. Deposits from customers accounted for 88.45% of the total liabilities, a decrease of 1.51 percentage points. Deposits and placements from banks and non-bank financial institutions increased by RMB233,462 million, or 47.59%, with their proportion in total liabilities up 1.50 percentage points to 8.42%. This was mainly because the deposits from securities brokerages and funds rose substantially in line with the warming up of capital market. Financial assets sold under repurchase agreements decreased by RMB382 million over the end of last year, mainly because the repos conducted with banks shrank with the Group's ample liquidity. Debt securities issued increased by RMB42,825 million, mainly because the Bank issued subordinated bonds with a face value of RMB40 billion in the interbank bond market in February 2009.

Deposits from customers

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|---------------------------|-------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Corporate deposits | 4,066,687 | 53.44 | 3,337,046 | 52.33 |
| Demand deposits | 2,620,747 | 34.44 | 2,229,910 | 34.97 |
| Time deposits | 1,445,940 | 19.00 | 1,107,136 | 17.36 |
| Personal deposits | 3,464,878 | 45.53 | 2,967,747 | 46.55 |
| Demand deposits | 1,296,031 | 17.03 | 1,133,449 | 17.78 |
| Time deposits | 2,168,847 | 28.50 | 1,834,298 | 28.77 |
| Overseas operations | 78,457 | 1.03 | 71,122 | 1.12 |
| Total deposits from customers | 7,610,022 | 100.00 | 6,375,915 | 100.00 |

As at 30 June 2009, the Group's deposits from customers grew by RMB1,234,107 million to RMB7,610,022 million, representing an increase of 19.36%. Corporate deposits increased by 21.86%, against the 16.75% increase in personal deposits. The proportion of corporate deposits in total deposits from customers thus increased by 1.11 percentage points to 53.44%, thanks to improved financial conditions of enterprises with the recovery of domestic economy. Domestic time deposits rose by 22.89%, higher than the 16.45% increase in domestic demand deposits. The proportion of domestic time deposits in total deposits from customers thus rose by 1.37 percentage points to 47.50%.

Shareholders' Equity

As at 30 June 2009, the Group's total equity reached RMB506,534 million, an increase of RMB38,972 million compared to the end of 2008. The ratio of total equity to total assets for the Group was 5.56%, a decrease of 0.63 percentage points compared to the end of 2008.

Capital Adequacy Ratio

The Group calculates and discloses its capital adequacy ratio in accordance with the *Administrative Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2009, the Group's capital adequacy ratio and core capital adequacy ratio were 11.97% and 9.30% respectively, declining by 0.19 and 0.87 percentage points respectively, over the end of 2008.

The capital adequacy ratio decreased because the growth rate of risk-weighted assets exceeded that of total capital base after deductions. Due to the growth of on-balance sheet assets and the rapid expansion of off-balance sheet business, risk-weighted assets increased by RMB692,820 million, or 16.51%, compared to the end of 2008. Total capital base after deductions increased by RMB75,074 million, or 14.71%, compared to the end of 2008, in which supplementary capital grew by RMB49,263 million, mainly because the Bank issued subordinated bonds of RMB40 billion in the national interbank bond market in February 2009.

LOAN QUALITY ANALYSIS

Distribution of Loans by the Five-Category Classification

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | |
|---|---------------------------|----------------------|-------------------------------|----------------------|
| | Amount | % of total | Amount | % of total |
| Normal | 4,246,477 | 93.83 | 3,492,961 | 92.07 |
| Special mention | 201,672 | 4.46 | 217,100 | 5.72 |
| Substandard | 27,280 | 0.60 | 35,105 | 0.93 |
| Doubtful | 41,580 | 0.92 | 39,862 | 1.05 |
| Loss | 8,348 | 0.19 | 8,915 | 0.23 |
| Gross loans and advances to customers | <u>4,525,357</u> | <u>100.00</u> | <u>3,793,943</u> | <u>100.00</u> |
| Non-performing loans | 77,208 | | 83,882 | |
| Non-performing loan ratio | | 1.71 | | 2.21 |

In the first half of 2009, the Group stepped up credit structure adjustments, strengthened following-up management on early warning signs, enhanced the level of post-lending management, and improved its risk monitoring and early warning mechanism for lending business. It closely monitored large special-mention loans and NPLs, and strengthened the mitigation of the associated risks. As a result, NPLs fell both in amount and ratio. As at 30 June 2009, the Group's NPLs amounted to RMB77,208 million, a decrease of RMB6,674 million over the end of 2008, while the NPL ratio dropped by 0.50 percentage points to 1.71%. Meanwhile, the proportion of special-mention loans dropped by 1.26 percentage points to 4.46%.

Distribution of Loans and NPLs by Product Type

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | | As at 31 December 2008 | | |
|---|--------------------|---------------|------------------|------------------------|--------|------------------|
| | Loans | NPLs | NPL ratio (%) | Loans | NPLs | NPL ratio (%) |
| Corporate loans | 3,204,184 | 67,918 | 2.12 | 2,689,784 | 74,430 | 2.77 |
| Short-term loans | 953,678 | 35,657 | 3.74 | 855,397 | 37,700 | 4.41 |
| Medium to long-term loans | 2,250,506 | 32,261 | 1.43 | 1,834,387 | 36,730 | 2.00 |
| Personal loans | 948,448 | 8,292 | 0.87 | 821,531 | 8,840 | 1.08 |
| Residential mortgage loans | 714,923 | 4,241 | 0.59 | 603,147 | 4,931 | 0.82 |
| Personal consumer loans | 83,127 | 1,577 | 1.90 | 74,964 | 1,685 | 2.25 |
| Other loans ¹ | 150,398 | 2,474 | 1.64 | 143,420 | 2,224 | 1.55 |
| Discounted bills | 251,726 | — | — | 163,161 | — | — |
| Overseas operations | 120,999 | 998 | 0.82 | 119,467 | 612 | 0.51 |
| Total | 4,525,357 | 77,208 | 1.71 | 3,793,943 | 83,882 | 2.21 |

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

As at 30 June 2009, the NPL ratio for corporate loans dropped by 0.65 percentage points to 2.12% compared to the end of 2008, and that for personal loans decreased by 0.21 percentage points to 0.87%. The NPL ratio for overseas operations rose slightly due to the global financial crisis.

Distribution of Loans and NPLs by Industry

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | | | As at 31 December 2008 | | | |
|--|--------------------|---------------|---------------|---------------------|------------------------|---------------|--------|---------------------|
| | Loans | % of total | NPLs | NPL ratio (%) | Loans | % of total | NPLs | NPL ratio (%) |
| Corporate loans | 3,204,184 | 70.81 | 67,918 | 2.12 | 2,689,784 | 70.90 | 74,430 | 2.77 |
| Manufacturing | 762,573 | 16.85 | 24,049 | 3.15 | 663,350 | 17.48 | 23,793 | 3.59 |
| Production and supply of electric power, gas and water | 495,791 | 10.96 | 5,072 | 1.02 | 452,472 | 11.93 | 6,672 | 1.47 |
| Transportation, storage and postal services | 487,142 | 10.76 | 5,000 | 1.03 | 426,803 | 11.25 | 5,359 | 1.26 |
| Real estate | 355,738 | 7.86 | 12,088 | 3.40 | 329,381 | 8.68 | 15,387 | 4.67 |
| Leasing and commercial services | 263,805 | 5.83 | 1,629 | 0.62 | 135,746 | 3.58 | 3,429 | 2.53 |
| — Commercial services | 262,936 | 5.81 | 1,501 | 0.57 | 135,105 | 3.56 | 3,264 | 2.42 |
| Water, environment and public utilities management | 194,048 | 4.29 | 2,119 | 1.09 | 132,426 | 3.49 | 2,159 | 1.63 |
| Construction | 126,058 | 2.79 | 2,437 | 1.93 | 116,551 | 3.07 | 2,375 | 2.04 |
| Wholesale and retail trade | 123,816 | 2.74 | 8,708 | 7.03 | 102,590 | 2.70 | 7,704 | 7.51 |
| Mining | 96,513 | 2.13 | 431 | 0.45 | 90,499 | 2.39 | 479 | 0.53 |
| — Exploitation of petroleum and natural gas | 8,694 | 0.19 | 63 | 0.72 | 18,083 | 0.48 | 16 | 0.09 |
| Education | 91,417 | 2.02 | 1,123 | 1.23 | 78,870 | 2.08 | 1,179 | 1.49 |
| Telecommunications, computer services and software | 30,980 | 0.68 | 1,185 | 3.83 | 25,943 | 0.68 | 715 | 2.76 |
| — Telecommunications and other information transmission services | 28,300 | 0.63 | 209 | 0.74 | 23,598 | 0.62 | 328 | 1.39 |
| Others | 176,303 | 3.90 | 4,077 | 2.31 | 135,153 | 3.57 | 5,179 | 3.83 |
| Personal loans | 948,448 | 20.96 | 8,292 | 0.87 | 821,531 | 21.65 | 8,840 | 1.08 |
| Discounted bills | 251,726 | 5.56 | — | — | 163,161 | 4.30 | — | — |
| Overseas operations | 120,999 | 2.67 | 998 | 0.82 | 119,467 | 3.15 | 612 | 0.51 |
| Total | 4,525,357 | 100.00 | 77,208 | 1.71 | 3,793,943 | 100.00 | 83,882 | 2.21 |

In the first half of 2009, NPLs for wholesale and retail trade and manufacturing increased as affected by the global economic crisis.

BUSINESS REVIEW

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

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

| <i>(In millions of RMB, except percentages)</i> | Six months ended 30 June 2009 | | Six months ended 30 June 2008 | |
|---|--|-------------------|--|-------------------|
| | Amount | % of total | Amount | % of total |
| Corporate banking | 43,588 | 60.15 | 40,116 | 53.02 |
| Personal banking | 13,148 | 18.14 | 11,651 | 15.40 |
| Treasury business | 14,084 | 19.43 | 22,533 | 29.78 |
| Others and unallocated | 1,649 | 2.28 | 1,355 | 1.80 |
| Profit before tax | 72,469 | 100.00 | 75,655 | 100.00 |

CORPORATE BANKING

As a result of a 27.01% robust growth of net fee and commission income and a 9.50% decrease of provisions for impairment losses, profit before tax from corporate banking increased by 8.65% to RMB43,588 million, accounting for 60.15% of the Group's total profit before tax.

Rapid growth of deposits and loans

Corporate deposits surged by RMB729,641 million, or 21.86%, to RMB4,066,687 million compared to the end of 2008, while corporate loans rose by RMB514,400 million, or 19.12%, to RMB3,204,184 million.

Effective adjustments to credit structure

The Group increased lending to infrastructure, small and medium-sized enterprises, as well as agriculture, rural areas and farmers, and the new corporate loans mainly focused on industries benefiting from the government's investment stimulus packages and priority industries of the Group. The share of the manufacturing loans, which had a higher non-performing loan ratio, dropped by 0.63 percentage points to 16.85% compared to the end of 2008. Loans to industries that are not in line with the government's industrial policies and environmental policies, as well as those with excess capacity, high energy consumption and high pollution reduced by RMB29,431 million.

Fast expansion of small enterprise loan business

Small enterprise loans increased by RMB60,700 million, or 12.43%, over the end of 2008. The Bank set up an SME financial service department, with 104 specialised SME business operation centres based on the “Credit Factory” model. It also strengthened risk management by establishing special rating system and evaluation methods for small enterprises. The Bank improved its brand products such as “Easy Loan” and “Growing Path”, and provided unsecured small-amount loans to small enterprises on a pilot basis.

Significant growth of fee-based business

In the first half of 2009, net fee and commission income from corporate banking grew by 27.01% over the same period of 2008 to RMB9,988 million, accounting for 42.64% of the Bank’s net fee and commission income. Income from the Bank’s traditional advantage products such as project cost advisory service, corporate RMB settlement service, and domestic guarantees made great contributions to the growth. Income from new products such as domestic factoring and syndicated loans surged by 505.98% and 159.69% respectively.

Notable expansion in institutional business

“Minben Tongda”, a financial service product related to people’s livelihood, was launched on a pilot basis and was well received by the community. The Bank had issued a total of 853,600 central budget civil cards, with 348,800 new cards issued in the first half of 2009. It also launched co-branded cards together with domestic social security departments to create a service platform between social security departments, the Bank, and the customers. Fees from “Safe Deal” transaction fund custody service rose by RMB499 million over the same period last year to RMB736 million. The Bank took the lead in domestic market by providing 18,158,200 customers with independent custodial services for securities settlement funds. It became the first domestic commercial bank to provide custodial services for A-share and B-share securities settlement funds simultaneously. The Bank provided fund transfer services for 130 futures companies, and recorded the highest number of contracted customers and the highest transfer volume in the market. The Bank maintained the largest market share in providing loan fund settlement agency services for China Development Bank.

Rapid progress in asset custodial service

In the first half of 2009, assets under custody grew by 23.45% to RMB777,592 million, in which the net value of securities investment funds under custody reached RMB540,341 million, and the net value of other assets under custody was RMB237,251 million. The number of securities investment funds that the Bank won approvals to provide custodial services was highest among its peers. Net value of enterprise annuities under custody achieved notable growth compared to the end of 2008.

Stable development of international business

As part of its ongoing trade finance innovation, the Bank successfully launched new risk-manageable trade finance products such as “Export Drawback Pool Financing” and “International Trade Supply Chain Financing” to help foreign trade enterprises tide over difficulties. International settlement volume was US\$194,744 million, generating an income of RMB984 million.

PERSONAL BANKING

Personal banking achieved profit before tax of RMB13,148 million with an increase of 12.85%, which accounted for 18.14% of the Group’s total profit before tax, 2.74 percentage points higher than for the same period last year. The operating income of personal banking increased by 4.70% to RMB38,229 million, mainly as a result of an increase of RMB1,903 million in net interest income and a decrease of RMB358 million in provisions for impairment losses.

Rapid growth of personal deposits

As a result of vigorous marketing campaigns in peak seasons to attract more funds and customers, personal deposits rose by RMB497,131 million, or 16.75%, to RMB3,464,878 million over the end of 2008. The number of individual customers with financial assets over RMB10 million grew by 44% compared to the end of 2008, while daily average financial assets increased by 46% compared to the same period last year.

Steady growth of personal loans as a leader in residential mortgages

Personal loans reached RMB948,448 million, an increase of RMB126,917 million compared to the end of last year. In this amount, residential mortgages rose by RMB111,776 million to RMB714,923 million, taking the lead among peers both in loan balance and growth. In line with the government’s policy of supporting loans to rural areas, the Bank proactively pushed forward petty loans to farmers in Xinjiang and Heilongjiang on a pilot basis, with loan growth of RMB1,714 million.

Steady progress of entrusted housing finance business

Housing fund deposits grew by RMB6,257 million to RMB379,938 million, including provident housing fund deposits of RMB281,931 million, up RMB539 million over the end of 2008. Provident housing fund loans grew by RMB47,405 million to RMB336,372 million. The Bank ranked first among competitors in terms of shares of provident housing fund deposits and loans.

Rapid expansion of bank card business

The Bank had a total of 299 million debit cards in issuance, an increase of 27,997,700 cards over the end of 2008. Of these, the number of wealth management cards issued surged by 661,400 to 4,331,000. The spending amount via debit cards reached RMB316,776 million, up 49.25% over the same period last year, leading to an increase of 18.47% in the related fee-based income to RMB2,647 million. The number of credit cards issued rose by 3.23 million to 21.94 million; the increase in credit card loans led in peers and good asset quality was maintained.

TREASURY BUSINESS

In the first half of 2009, treasury business generated profit before tax of RMB14,084 million, a decrease of 37.50% over the same period last year. Net interest income dropped by 53.43% as a result of the decline in yields of debt securities investments, which offset the rapid growth of net fee and commission income and net income arising from investment securities.

Financial market business

The Group proactively adjusted its investment portfolio management strategies. In the deployment of RMB funds, it made intensive analysis and quantitative research on securities value, made timely adjustments to asset disposition structure, actively conducted position trading of bonds, increased bond investments, and enhanced its influence upon market pricing. As for the foreign currency investment portfolios, in order to address the adverse impact of the global financial crisis, the Group prudently made impairment provisions for foreign currency bonds, continued to reduce risk exposures, and further downsized foreign currency portfolios.

The Bank's gold business grew rapidly. In personal account gold business, 251.97 tons of gold were traded, 4.7 times the trading volume for the same period last year, while 9.22 tons of gold were traded in physical gold business, up 90% over the same period last year. The Bank actively expanded the new area of gold leasing business, and improved the "Gold Information Channel" of its website to enhance customer service capability. The volume of customer-driven foreign exchange trading and foreign exchange purchases and sales reached US\$98,300 million, while 65 batches of wealth management products were issued in the series of "Profit from Interest", "Harvest", "CCB Fortune", with proceeds of RMB89.9 billion.

Investment banking

By seizing business opportunities arising from industrial adjustments in domestic and overseas markets, the Bank expanded its investment banking business, reaping an income of RMB5,320 million, up 66.09% over the same period last year.

The Bank vigorously promoted long-term financial advisory services, innovative financial advisory services, and financial advisory services for project financing, and mergers and acquisitions, and made a total income of RMB4,040 million, an increase of 56.95% over the same period of 2008.

As for the underwriting of debt financing instruments, the Bank underwrote 11.5 batches of commercial paper with an amount of RMB31,590 million, up 68.03% over the same period last year, and 9.5 batches of medium-term notes with an amount of RMB55,480 million, up 382.39%. Income from debt securities underwriting rose by RMB270 million, or 281.25%, to RMB366 million.

A total of 213 batches of various wealth management products in the series of “Profit from Interest”, “CCB Fortune”, “Qiantu Wealth Management”, “Qianyuan”, “Open-end Asset Portfolio RMB Wealth Management Products”, were designed and issued, with total proceeds of RMB204.5 billion, generating an income of RMB485 million, an increase of RMB261 million, or 116.52%, over the same period last year. The Bank also pioneered the market by launching innovative wealth management products for infrastructure and alternative investments.

ANALYSIS OF GEOGRAPHICAL SEGMENT

Yangtze River Delta, Pearl River Delta, and Bohai Rim are still the Group’s business focuses, altogether accounting for 55.99% of its deposits, 57.06% of its loans, and 50.80% of its profit before tax. As a result of the relative concentration of infrastructure projects, loans in Central and Western regions increased by 21.04% and 20.97% respectively, and these two regions contributed 30.83% of the Group’s profit before tax compared to 19.23% for the same period last year.

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

| <i>(In millions of RMB, except percentages)</i> | Six months ended 30 June 2009 | | Six months ended 30 June 2008 | |
|---|--|----------------------|--|----------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Yangtze River Delta | 14,609 | 20.16 | 15,840 | 20.94 |
| Bohai Rim | 12,370 | 17.07 | 10,892 | 14.39 |
| Central | 10,552 | 14.56 | 8,369 | 11.06 |
| Western | 11,791 | 16.27 | 6,178 | 8.17 |
| Pearl River Delta | 9,836 | 13.57 | 10,158 | 13.43 |
| Northeastern | 3,861 | 5.33 | 3,019 | 3.99 |
| Head office | 8,302 | 11.46 | 19,490 | 25.76 |
| Overseas | 1,148 | 1.58 | 1,709 | 2.26 |
| Profit before tax | <u>72,469</u> | <u>100.00</u> | <u>75,655</u> | <u>100.00</u> |

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | | Change | % of total change |
|---|-------------------------------|----------------------|-----------------------------------|----------------------|-----------------------|------------------------------|
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | | |
| Yangtze River Delta | 1,075,760 | 23.77 | 922,104 | 24.30 | 153,656 | 21.01 |
| Bohai Rim | 822,886 | 18.18 | 691,638 | 18.23 | 131,248 | 17.94 |
| Central | 735,147 | 16.25 | 607,335 | 16.01 | 127,812 | 17.47 |
| Western | 769,270 | 17.00 | 635,905 | 16.76 | 133,365 | 18.23 |
| Pearl River Delta | 683,713 | 15.11 | 544,999 | 14.36 | 138,714 | 18.97 |
| Northeastern | 283,081 | 6.26 | 233,468 | 6.15 | 49,613 | 6.78 |
| Head office | 34,501 | 0.76 | 39,027 | 1.03 | (4,526) | (0.62) |
| Overseas | 120,999 | 2.67 | 119,467 | 3.16 | 1,532 | 0.22 |
| Gross loans and advances to customers | <u>4,525,357</u> | <u>100.00</u> | <u>3,793,943</u> | <u>100.00</u> | <u>731,414</u> | <u>100.00</u> |

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

| <i>(In millions of RMB, except percentages)</i> | As at 30 June 2009 | | As at 31 December 2008 | | Change | % of total change |
|---|-------------------------|----------------------|---------------------------|----------------------|-------------------------|----------------------|
| | Amount | % of total | Amount | % of total | | |
| Yangtze River Delta | 1,625,669 | 21.36 | 1,330,657 | 20.86 | 295,012 | 23.90 |
| Bohai Rim | 1,465,220 | 19.25 | 1,208,697 | 18.96 | 256,523 | 20.79 |
| Central | 1,336,695 | 17.57 | 1,101,653 | 17.28 | 235,042 | 19.04 |
| Western | 1,305,080 | 17.15 | 1,101,507 | 17.28 | 203,573 | 16.50 |
| Pearl River Delta | 1,170,786 | 15.38 | 974,942 | 15.29 | 195,844 | 15.87 |
| Northeastern | 569,830 | 7.49 | 483,733 | 7.59 | 86,097 | 6.98 |
| Head office | 58,284 | 0.77 | 103,604 | 1.62 | (45,320) | (3.67) |
| Overseas | 78,458 | 1.03 | 71,122 | 1.12 | 7,336 | 0.59 |
| Deposits from customers | <u>7,610,022</u> | <u>100.00</u> | <u>6,375,915</u> | <u>100.00</u> | <u>1,234,107</u> | <u>100.00</u> |

PROSPECTS

The Group is facing a string of uncertainties brought about by market conditions: as the extent of the domestic rebound is as yet unknown, the rapid growth of lending may lead to greater pressure on controlling NPLs; fund yields will be a major liquidity management issue as liquidity becomes abundant thanks to the loosening of monetary policy; the central bank's asymmetric interest rate cuts and intensified peer competition may result in weaker pricing power and pressure on net interest spread of banks; volatility in capital market may impede growth in fee-based and liability businesses; while movements in exchange rates and interest rates will also require better risk management and pricing ability.

The Group has found commercial opportunities in the turbulent environment: the government policies aiming at "boosting domestic demand and maintaining growth" are favourable to credit structure adjustments; consumer loans and residential mortgages will grow as consumer spending surges and the housing market settles down; the recovery of the capital market will drive growth in fee-based and other related business, and the development of bond market, in particular, will help improve bond underwriting and debt securities investments. The loosened environment for comprehensive operation provides market chances to develop innovative businesses. In addition, the international banking industry has yet to revive, providing an opportune moment to push forward our overseas strategy.

In addressing the opportunities and challenges under new circumstances, the Group will further analyse the macroeconomic environment to grab the development opportunities. First, the Group will monitor the size and pace of lending, sticking to its credit differentiation policy. Second, the Group will strengthen its customer services and credit product innovation in order to enhance pricing ability, improve deposit structure by taking proactive liabilities strategies to control its funding costs, and explore more channels to use funds in a more efficient way. Third, the Group

will build its brand image for its fee-based business, consolidating its leading edge; continue to exploit its brand advantages in project cost advisory service and other products; and maintain fee and commission income growth by refining incentive mechanisms, and strengthening product innovation and customer expansion. Finally, the Group will strengthen risk management by focusing on pre-lending applicant investigations, loan reviews, and post-lending monitoring, and try to control various risks effectively.

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

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

Corporate Governance

Throughout the six months ended 30 June 2009, the Bank has complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and has complied with most of the recommended best practices therein.

Directors and Supervisors' Securities Transactions

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange in relation to securities transactions by directors and supervisors. Directors and supervisors of the Bank have, during the six months ended 30 June 2009, complied with the provisions of this code of practice.

Audit Committee

The Audit Committee has reviewed the accounting policies and practices the Group adopted, as well as the half-year financial statements of the Group.

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

21 August 2009

As of the date of this announcement, the Bank's executive directors are Mr. Guo Shuqing, Mr. Zhang Jianguo, Ms. Xin Shusen and Mr. Chen Zuofu; non-executive directors are Mr. Wang Yonggang, Mr. Wang Yong, Ms. Wang Shumin, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Ms. Li Xiaoling and Mr. Gregory L. Curl; and independent non-executive directors are Lord Peter Levene, Mr. Song Fengming, Ms. Jenny Shipley, Ms. Elaine La Roche, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.