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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 2010

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 2010, 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 2010

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

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**	**Change (%)**
Current period			
Net interest income	117,799	102,468	14.96
Net fee and commission income	33,642	23,422	43.63
Operating income	153,725	131,465	16.93
Profit before tax	92,194	72,469	27.22
Net profit	70,779	55,841	26.75
Net profit attributable to equity shareholders of the Bank	70,741	55,806	26.76
Per share (In RMB)			
Basic and diluted earnings per share	0.30	0.24	25.00
Profitability indicators (%)			**Change +/(-)**
Annualised return on average assets[1]	1.43	1.34	0.09
Annualised return on average equity	24.00	22.54	1.46
Net interest spread	2.32	2.34	(0.02)
Net interest margin	2.41	2.46	(0.05)
Net fee and commission income to operating income	21.88	17.82	4.06
Cost-to-income ratio	33.64	35.13	(1.49)
Loan-to-deposit ratio	62.26	59.47	2.79

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

(Expressed in millions of RMB unless otherwise stated)	30 June 2010	31 December 2009	Change (%)
At period-end			
Net loans and advances to customers	5,215,973	4,692,947	11.14
Total assets	10,235,981	9,623,355	6.37
Deposits from customers	8,591,701	8,001,323	7.38
Total liabilities	9,655,783	9,064,335	6.53
Total equity attributable to equity shareholders of the Bank	576,326	555,475	3.75
Issued and paid-in capital	233,689	233,689	-
Core capital	530,868	491,452	8.02
Risk-weighted assets	5,631,214	5,197,545	8.34
Per share (In RMB)			
Net assets per share	2.48	2.39	3.77
Capital adequacy indicators (%)			**Change +/(-)**
Core capital adequacy ratio[1]	9.27	9.31	(0.04)
Capital adequacy ratio[1]	11.68	11.70	(0.02)
Total equity to total assets	5.67	5.81	(0.14)
Asset quality indicators (%)			
Non-performing loan ratio	1.22	1.50	(0.28)
Allowances to non-performing loans	204.72	175.77	28.95
Allowances to total loans	2.49	2.63	(0.14)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2010	2009	Variance (%)
Interest income	179,650	168,435	6.66
Interest expense	(61,851)	(65,967)	(6.24)
Net interest income	117,799	102,468	14.96
Fee and commission income	34,674	24,391	42.16
Fee and commission expense	(1,032)	(969)	6.50
Net fee and commission income	33,642	23,422	43.63
Net trading gain	894	1,293	(30.86)
Dividend income	75	54	38.89
Net gain arising from investment securities	455	3,458	(86.84)
Other operating income, net	860	770	11.69
Operating income	153,725	131,465	16.93
Operating expenses	(51,717)	(46,185)	11.98
	102,008	85,280	19.62
Impairment losses on:			
- Loans and advances to customers	(10,119)	(10,274)	(1.51)
- Others	295	(2,545)	(111.59)
Impairment losses	(9,824)	(12,819)	(23.36)
Share of profit of associates and jointly controlled entities	10	8	25.00
Profit before tax	92,194	72,469	27.22
Income tax expense	(21,415)	(16,628)	28.79
Net profit	70,779	55,841	26.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Variance
	2010	2009	(%)
Other comprehensive income:			
(Losses)/gains of available-for-sale financial assets	(2,409)	2,036	(218.32)
Less: Income tax relating to available-for-sale financial assets	576	(508)	(213.39)
Reclassification adjustments	(366)	918	(139.87)
	(2,199)	2,446	(189.90)
Exchange difference on translating foreign operations	(437)	120	(464.17)
Others	6	-	*N/A*
Other comprehensive income for the year, net of tax	(2,630)	2,566	(202.49)
Total comprehensive income for the year	68,149	58,407	16.68
Net profit attributable to:			
Equity shareholders of the Bank	70,741	55,806	26.76
Non-controlling interests	38	35	8.57
	70,779	55,841	26.75
Total comprehensive income attributable to:			
Equity shareholders of the Bank	68,056	58,370	16.59
Non-controlling interests	93	37	151.35
	68,149	58,407	16.68
Basic and diluted earnings per share (in RMB)	0.30	0.24	25.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010	31 December 2009	Variance (%)
Assets:			
Cash and deposits with central banks	1,598,806	1,458,648	9.61
Deposits with banks and non-bank financial institutions	78,348	101,163	(22.55)
Precious metals	10,999	9,229	19.18
Placements with banks and non-bank financial institutions	14,801	22,217	(33.38)
Financial assets at fair value through profit or loss	40,005	18,871	111.99
Positive fair value of derivatives	10,704	9,456	13.20
Financial assets held under resale agreements	257,349	589,606	(56.35)
Interest receivable	42,477	40,345	5.28
Loans and advances to customers	5,215,973	4,692,947	11.14
Available-for-sale financial assets	726,809	651,480	11.56
Held-to-maturity investments	1,653,955	1,408,873	17.40
Debt securities classified as receivables	457,707	499,575	(8.38)
Interests in associates and jointly controlled entities	1,798	1,791	0.39
Fixed assets	73,264	74,693	(1.91)
Land use rights	16,854	17,122	(1.57)
Intangible assets	1,162	1,270	(8.50)
Goodwill	1,574	1,590	(1.01)
Deferred tax assets	10,766	10,790	(0.22)
Other assets	22,630	13,689	65.32
Total assets	10,235,981	9,623,355	6.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2010	31 December 2009	Variance (%)
Liabilities:			
Borrowings from central banks	1,344	6	22,300.00
Deposits from banks and non-bank financial institutions	675,725	774,785	(12.79)
Placements from banks and non-bank financial institutions	87,892	38,120	130.57
Financial liabilities at fair value through profit or loss	10,878	7,992	36.11
Negative fair value of derivatives	9,462	8,575	10.34
Financial assets sold under repurchase agreements	2,000	-	*N/A*
Deposits from customers	8,591,701	8,001,323	7.38
Accrued staff costs	27,534	27,425	0.40
Taxes payable	16,495	25,840	(36.16)
Interest payable	66,420	59,487	11.65
Provisions	1,282	1,344	(4.61)
Debt securities issued	94,717	98,644	(3.98)
Deferred tax liabilities	315	216	45.83
Other liabilities	70,018	20,578	240.26
Total liabilities	9,655,783	9,064,335	6.53
Equity:			
Share capital	233,689	233,689	-
Capital reserve	90,272	90,266	0.01
Investment revaluation reserve	10,909	13,163	(17.12)
Surplus reserve	37,421	37,421	-
General reserve	61,269	46,806	30.90
Retained earnings	145,185	136,112	6.67
Exchange reserve	(2,419)	(1,982)	22.05
Total equity attributable to equity shareholders of the Bank	576,326	555,475	3.75
Non-controlling interests	3,872	3,545	9.22
Total equity	580,198	559,020	3.79
Total liabilities and equity	10,235,981	9,623,355	6.37

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2010	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020
Movements during the period	-	6	(2,254)	-	14,463	9,073	(437)	327	21,178
Net profit	-	-	-	-	-	70,741	-	38	70,779
Other comprehensive income	-	6	(2,254)	-	-	-	(437)	55	(2,630)
Total comprehensive income	-	6	(2,254)	-	-	70,741	(437)	93	68,149
Changes in share capital	-	-	-	-	-	-	-	256	256
Profit distribution	-	-	-	-	14,463	(61,668)	-	(22)	(47,227)
Appropriation to general reserve	-	-	-	-	14,463	(14,463)	-	-	-
Cash dividends to equity shareholders	-	-	-	-	-	(47,205)	-	(22)	(47,227)
As at 30 June 2010	233,689	90,272	10,909	37,421	61,269	145,185	(2,419)	3,872	580,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 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
Net profit	-	-	-	-	-	55,806	-	35	55,841
Other comprehensive income	-	-	2,444	-	-	-	120	2	2,566
Total comprehensive income	-	-	2,444	-	-	55,806	120	37	58,407
Changes in share capital	-	-	-	-	-	-	-	143	143
Profit distribution	-	-	-	-	30	(19,590)	-	(18)	(19,578)
Appropriation to general reserve	-	-	-	-	30	(30)	-	-	-
Cash dividends 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 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the year	-	25	2,007	10,499	178	76,519	281	1,949	91,458
Net profit	-	-	-	-	-	106,756	-	80	106,836
Other comprehensive income	-	25	2,007	-	-	-	281	9	2,322
Total comprehensive income	-	25	2,007	-	-	106,756	281	89	109,158
Changes in share capital	-	-	-	-	-	-	-	1,878	1,878
Profit distribution	-	-	-	10,499	178	(30,237)	-	(18)	(19,578)
Appropriation to surplus reserve	-	-	-	10,499	-	(10,499)	-	-	-
Appropriation to general reserve	-	-	-	-	178	(178)	-	-	-
Cash dividends to equity shareholders	-	-	-	-	-	(19,560)	-	(18)	(19,578)
As at 31 December 2009	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
Cash flows from operating activities		
Profit before tax	92,194	72,469
Adjustments for:		
- Impairment losses	9,824	12,819
- Depreciation and amortisation	5,772	5,327
- Unwinding of discount	(392)	(707)
- Revaluation gain on financial instruments at fair value through profit or loss	(260)	(518)
- Share of profit of associates and jointly controlled entities	(10)	(8)
- Dividend income	(75)	(54)
- Unrealised foreign exchange loss/(gain)	278	(1,947)
- Interest expense on bonds issued	1,653	1,486
- Net gain on disposal of investment securities	(455)	(3,458)
- Net gain on disposal of fixed assets and other long-term assets	(32)	(44)
	108,497	85,365
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	(190,282)	(187,690)
Net (increase)/decrease in placements with banks and non-bank financial institutions	(1,365)	515
Net increase in loans and advances to customers	(535,328)	(735,473)
Net decrease/(increase) in financial assets held under resale agreements	332,251	(659,904)
(Increase)/decrease in other operating assets	(39,324)	3,765
	(434,048)	(1,578,787)
Changes in operating liabilities:		
Net increase in borrowings from central banks	1,338	-
Net increase/(decrease) in placements from banks and non-bank financial institutions	50,024	(18,181)
Net increase in deposits from customers and from banks and non-bank financial institutions	493,247	1,485,405
Net increase/(decrease) in financial assets sold under repurchase agreements	2,000	(383)
Net (decrease)/increase in certificates of deposit issued	(3,846)	2,868
Income tax paid	(29,950)	(34,699)
Increase in other operating liabilities	11,685	10,307
	524,498	1,445,317
Net cash from/(used in) operating activities	198,947	(48,105)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2010	2009
Cash flows from investing activities		
Proceeds from sale and redemption of investments	585,123	474,231
Dividends received	74	54
Proceeds from disposal of fixed assets and other long-term assets	244	332
Cash received from other investing activities	-	143
Purchase of investment securities	(860,581)	(595,365)
Purchase of fixed assets and other long-term assets	(3,792)	(4,760)
Acquisition of associates and jointly controlled entities	(15)	(12)
Net cash used in investing activities	(278,947)	(125,377)
Cash flows from financing activities		
Issue of subordinated bonds	-	39,931
Capital contribution by non-controlling interests	256	-
Dividends paid	(22)	(641)
Interest paid on bonds issued	(1,554)	(104)
Net cash (used in)/from financing activities	(1,320)	39,186
Effect of exchange rate changes on cash and cash equivalents	(207)	37
Net decrease in cash and cash equivalents	(81,527)	(134,259)
Cash and cash equivalents as at 1 Janurary	380,249	355,811
Cash and cash equivalents as at 30 June	298,722	221,552
Cash flows from operating activities include:		
Interest received	171,675	161,793
Interest paid, excluding interest expense on bonds issued	(53,354)	(59,587)

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 2009.

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 ("Macau"), and Taiwan.

4 Net gain arising from investment securities

	Six months ended 30 June	
	2010	2009
Net gain on sale of available-for-sale financial assets	440	1,854
Net gain on sale of held-to-maturity investments	15	1,604
Total	455	3,458

5 Operating expenses

	Six months ended 30 June	
	2010	2009
Staff costs		
- Salaries, bonuses, allowances and subsidies	18,046	15,587
- Defined contribution retirement schemes	2,634	2,340
- Other social insurance and welfare	2,049	1,833
- Housing funds	1,566	1,353
- Union running costs and employee education costs	660	512
- Compensation to employees for termination of employment relationship	11	8
	24,966	21,633
Premises and equipment expenses		
- Depreciation charges	4,810	4,390
- Rent and property management expenses	2,155	1,954
- Maintenance	583	508
- Utilities	699	633
- Others	397	363
	8,644	7,848
Amortisation expenses	962	937
Business tax and surcharges	8,826	8,036
Audit fees	76	68
Other general and administrative expenses	8,243	7,663
Total	51,717	46,185

6 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2010	2009
Current tax	20,420	17,153
- Mainland China	20,225	16,957
- Hong Kong	152	175
- Other countries and regions	43	21
Adjustments for prior years	174	3,224
Deferred tax	821	(3,749)
Total	21,415	16,628

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2010	2009
Profit before tax	92,194	72,469
Income tax calculated at statutory tax rate	23,049	18,117
Non-deductible expenses	389	159
- Staff cost	45	-
- Impairment and bad debt written-off	-	55
- Others	344	104
Non-taxable income	(2,197)	(1,766)
- Interest income from PRC government bonds	(2,146)	(1,725)
- Others	(51)	(41)
Total	21,241	16,510
Adjustments on income tax for prior years which affect profit or loss	174	118
Income tax expense	21,415	16,628

7 Earnings per share ("EPS")

Basic EPS for the six months ended 30 June 2010 and 2009 have been computed by dividing the net profit attributable to equity 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 EPS as there were no potentially dilutive shares outstanding during the six months ended 30 June 2010 and 2009.

	Six months ended 30 June	
	2010	2009
Net profit attributable to equity shareholders of the Bank	70,741	55,806
Weighted average number of shares (in million shares)	233,689	233,689
Basic and diluted EPS attributable to equity shareholders of the Bank (RMB)	0.30	0.24

8 Derivatives

(1) Analysed by type of contract

	As at 30 June 2010			As at 31 December 2009		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	182,363	3,771	4,016	173,170	3,826	4,015
Exchange rate contracts	656,772	6,197	5,429	510,831	4,614	4,531
Precious metal contracts	2,030	12	-	1,244	38	-
Equity instrument contracts	2,396	724	17	1,540	978	29
Total	843,561	10,704	9,462	686,785	9,456	8,575

8 Derivatives (continued)

(2) Analysed by credit risk-weighted amount

	30 June 2010	31 December 2009
Interest rate contracts	3,764	4,030
Exchange rate contracts	8,803	6,277
Precious metal contracts	19	31
Equity instrument contracts	729	736
Total	13,315	11,074

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed under the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics, it included customer driven transactions, which were hedged back to back.

9 Deposits from customers

	30 June 2010	31 December 2009
Demand deposits		
- Corporate customers	3,145,480	2,968,733
- Personal customers	1,575,095	1,445,304
	4,720,575	4,414,037
Time deposits (including call deposits)		
- Corporate customers	1,530,199	1,421,678
- Personal customers	2,340,927	2,165,608
	3,871,126	3,587,286
Total	8,591,701	8,001,323

Deposits from customers include:

	30 June 2010	31 December 2009
Pledged deposits		
- Deposits for acceptance	122,659	118,121
- Deposits for guarantee	28,762	23,984
- Deposits for letter of credit	26,965	19,974
- Others	98,568	72,021
	276,954	234,100
Outward remittance and remittance payables	13,512	19,073

10 Profit distribution

The Bank declared a cash dividend of RMB47,205 million according to the profit distribution plan approved by the Annual General Meeting held on 24 June 2010.

11 Operating segments

The Group presents 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.

The accounting policies adopted for segments are consistent with those adopted by the Group for the preparation of financial statements.

Items presented in operating segements include those either directly attributable to a segment or that can be allocated to a segment on a reasonable basis. Transactions between segments are conducted under normal commercial terms and conditions, and all intra-group balances and transactions are eliminated as part of the consolidation process. The majority transaction between segments is internal fund transfer, the charges and prices of which are determined with reference to market rates. When presenting net interest income of each segement, net interest income and expense arising from internal fund transfer and those earned from third parties are presented as internal and external separately. Segment capital expenditure is the total cost incurred during current period to purchase and construct fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

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

The following areas serviced by tier-1 branches and the subsidiaries are defined in geographical segments of the Group:

Yangtze River Delta : Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou.

Pearl River Delta : Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen.

Bohai Rim : Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao.

Central : Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area.

Western : 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.

Northeastern : Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

11 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Net interest income	21,521	15,145	17,592	17,894	18,968	6,799	18,418	1,462	117,799
- External	16,966	8,961	10,342	11,742	14,055	3,644	50,582	1,507	117,799
- Internal	4,555	6,184	7,250	6,152	4,913	3,155	(32,164)	(45)	-
Net fee and commission income	8,350	6,379	5,268	5,177	4,503	1,886	1,691	388	33,642
Net trading gain/(loss)	155	171	118	20	73	58	494	(195)	894
Dividend income	-	-	-	23	19	-	-	33	75
Net gain arising from investment securities	-	-	-	66	8	-	380	1	455
Other operating income/(loss)	178	99	120	95	174	31	(286)	449	860
Operating income	30,204	21,794	23,098	23,275	23,745	8,774	20,697	2,138	153,725
Operating expenses	(9,797)	(7,353)	(8,277)	(9,374)	(8,989)	(3,905)	(3,053)	(969)	(51,717)
Impairment losses	(3,806)	(1,880)	(767)	(1,618)	(1,584)	(482)	331	(18)	(9,824)
Share of profit of associates and jointly controlled entities	-	-	-	-	-	-	-	10	10
Profit before tax	16,601	12,561	14,054	12,283	13,172	4,387	17,975	1,161	92,194
Other segments information:									
Capital expenditure	627	386	630	558	649	308	502	85	3,745
Depreciation and amortisation	968	690	854	1,034	906	449	821	50	5,772

11 Operating segments (continued)

(1) Geographical segments (continued)

	As at 30 June 2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Segment assets	1,955,558	1,601,845	1,779,116	1,624,240	1,612,605	678,274	4,569,888	253,598	14,075,124
Deferred tax assets									10,766
Elimination									(3,849,909)
Total assets									10,235,981
Segment liabilities	1,945,220	1,594,826	1,770,167	1,616,055	1,605,550	675,695	4,069,532	228,332	13,505,377
Deferred tax liabilities									315
Elimination									(3,849,909)
Total liabilities									9,655,783
Credit commitments	506,045	307,897	471,499	282,511	256,325	127,238	12,001	41,594	2,005,110

11 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Net interest income	21,157	13,749	17,006	16,536	17,312	6,291	9,217	1,200	102,468
- External	15,569	7,476	8,493	9,788	12,286	2,598	44,992	1,266	102,468
- Internal	5,588	6,273	8,513	6,748	5,026	3,693	(35,775)	(66)	-
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)	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 profit 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
Other segments information:									
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

11 Operating segments (continued)

(1) Geographical segments (continued)

	As at 31 December 2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

11 Operating segments (continued)

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

11 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
Net interest income	63,480	33,428	19,419	1,472	117,799
- External	71,418	(3,448)	48,020	1,809	117,799
- Internal	(7,938)	36,876	(28,601)	(337)	-
Net fee and commission income	15,388	11,325	6,342	587	33,642
Net trading (loss)/gain	(2)	179	915	(198)	894
Dividend income	-	-	-	75	75
Net gain arising from investment securities	-	-	339	116	455
Other operating income/(loss)	120	139	(298)	899	860
Operating income	78,986	45,071	26,717	2,951	153,725
Operating expenses	(21,311)	(26,751)	(1,705)	(1,950)	(51,717)
Impairment losses	(8,750)	(1,234)	357	(197)	(9,824)
Share of profit of associates and jointly controlled entities	-	-	-	10	10
Profit before tax	48,925	17,086	25,369	814	92,194
Other segments information:					
Capital expenditure	1,106	2,442	151	46	3,745
Depreciation and amortisation	1,705	3,764	233	70	5,772

11 Operating segments (continued)

(2) Business segments (continued)

	As at 30 June 2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	4,212,837	1,236,850	4,552,102	290,106	10,291,895
Deferred tax assets					10,766
Elimination					(66,680)
Total assets					10,235,981
Segment liabilities	4,926,139	4,324,065	134,113	337,831	9,722,148
Deferred tax liabilities					315
Elimination					(66,680)
Total liabilities					9,655,783
Credit commitments	1,707,286	256,230	-	41,594	2,005,110

11 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
Net interest income	61,418	30,290	9,714	1,046	102,468
- External	74,067	(15,182)	42,222	1,361	102,468
- Internal	(12,649)	45,472	(32,508)	(315)	-
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)	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 profit of associates and jointly controlled entities	-	-	-	8	8
Profit before tax	43,588	13,148	14,084	1,649	72,469
Other segments information:					
Capital expenditure	1,426	2,930	200	51	4,607
Depreciation and amortisation	1,649	3,388	231	59	5,327

11 Operating segments (continued)

(2) Business segments (continued)

	As at 31 December 2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
Segment assets	3,879,101	1,073,608	4,449,759	257,851	9,660,319
Deferred tax assets					10,790
Elimination					(47,754)
Total assets					9,623,355
Segment liabilities	4,723,263	4,002,153	101,545	284,912	9,111,873
Deferred tax liabilities					216
Elimination					(47,754)
Total liabilities					9,064,335
Credit commitments	1,573,849	249,504	-	38,120	1,861,473

12 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. As at the end of reporting period, the contractual amounts of these credit commitments are shown in the table below. The amounts of loan and credit card commitments represent the cash outflows should the contracts be fully drawn upon. Those of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group assesses and makes allowance for any probable losses accordingly. As the facilities may expire without being drawn upon, the contractual amounts set out in the following table do not represent expected future cash outflows.

	30 June 2010	31 December 2009
Loan commitments	620,676	527,627
- with original maturity within 1 year	99,612	84,261
- with original maturity of 1 year or over	521,064	443,366
Credit card commitments	268,233	260,656
	888,909	788,283
Bank acceptances	372,374	339,354
Financing guarantees	159,276	149,750
Non-financing guarantees	433,164	415,342
Sight letters of credit	53,388	47,091
Usance letters of credit	70,996	72,373
Others	27,003	49,280
Total	2,005,110	1,861,473

12 Commitments and contingent liabilities (continued)

(2) Credit risk-weighted amount

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

	30 June 2010	31 December 2009
Credit risk-weighted amount of contingent liabilities and commitments	936,150	898,284

(3) Operating lease commitments

As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment are as follows:

	30 June 2010	31 December 2009
Within one year	2,881	3,012
After one year but within two years	2,327	2,293
After two years but within three years	1,768	1,822
After three years but within five years	1,922	2,319
After five years	1,306	1,767
Total	10,204	11,213

(4) Capital commitments

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

	30 June 2010	31 December 2009
Contracted for	3,106	5,511
Authorised but not contracted for	4,634	1,652
Total	7,740	7,163

12 Commitments and contingent liabilities (continued)

(5) Underwriting obligations

As at 30 June 2010, the unexpired underwriting commitments of the Group were nil (as at 31 December 2009: RMB3,890 million).

(6) Redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2010, were RMB80,333 million (as at 31 December 2009: RMB81,424 million).

(7) Outstanding litigation and disputes

As at 30 June 2010, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,467 million (as at 31 December 2009: RMB2,418 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(a) Liquidity ratios

	30 June 2010	Average for the six months ended 30 June 2010	31 December 2009	Average for the year ended 31 December 2009
RMB current assets to RMB current liabilities	51.36%	50.52%	49.63%	48.20%
Foreign currency current assets to foreign currency current liabilities	54.20%	58.58%	61.86%	95.18%

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

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month 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

	As at 30 June 2010			
	USD	HKD	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	305,191	129,473	51,755	486,419
Spot liabilities	(233,937)	(116,593)	(59,129)	(409,659)
Forward purchases	280,738	21,239	51,768	353,745
Forward sales	(347,702)	(16,630)	(48,596)	(412,928)
Net long/(short) position	4,290	17,489	(4,202)	17,577
Net structural position	24	165	130	319

	As at 31 December 2009			
	USD	HKD	Others	Total
	(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Spot assets	261,575	136,801	35,768	434,144
Spot liabilities	(206,074)	(116,857)	(38,038)	(360,969)
Forward purchases	216,426	22,873	35,663	274,962
Forward sales	(270,310)	(15,499)	(43,191)	(329,000)
Net long/(short) position	1,617	27,318	(9,798)	19,137
Net structural position	67	127	157	351

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include: (i) investments in property and equipment, net of accumulated depreciation; (ii) capital and statutory reserves of overseas branches; and (iii) investments in overseas subsidiaries and related companies.

(c) Cross-border claims

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

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

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

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

	As at 30 June 2010			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	14,587	922	64,161	79,670
- of which attributed to Hong Kong	7,782	98	44,522	52,402
Europe	8,976	-	25,289	34,265
North and South America	35,837	1,570	17,273	54,680
	59,400	2,492	106,723	168,615

	As at 31 December 2009			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	15,236	1,360	72,457	89,053
- of which attributed to Hong Kong	6,263	685	47,916	54,864
Europe	10,160	156	4,829	15,145
North and South America	47,246	2,288	23,462	72,996
	72,642	3,804	100,748	177,194

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

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

	30 June 2010	31 December 2009
Bohai Rim	11,324	12,816
Yangtze River Delta	11,130	12,184
Central	8,434	9,555
Pearl River Delta	6,198	6,979
Western	5,934	6,949
Northeastern	4,026	5,241
Head office	1,623	1,587
Overseas	317	385
Total	48,986	55,696

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

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

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

As at 30 June 2010, the amounts of the above overdue loans and advances that were subject to individual assessment and collective assessment for impairment are RMB42,219million and RMB6,767 million respectively (as at 31 December 2009: RMB47,075 million and RMB8,621 million respectively). The covered portion and uncovered portion of these individually assessed loans and advances were RMB4,823 million and RMB37,396 million respectively (as at 31 December 2009: RMB6,459 million and RMB40,616 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB5,137 million (as at 31 December 2009: RMB6,763 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB36,169 million (as at 31 December 2009: RMB39,358 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The first half of 2010 witnessed signs of recovery in developed economies and robust growth of emerging economies against the backdrop of a gradually warming-up global economy. International capital and bulk commodity markets have generally bottomed out despite adjustments amid market turbulence. China, meanwhile, has sustained rapid economic growth, thanks to the Chinese government's ongoing stimulation of domestic demand. Foreign trade has gradually improved, while investment and consumption spending have continued to expand at a fast pace. During the reporting period, China's overall financial market performed steadily. Amid the European sovereign debt crisis and the Chinese government's macro-control policies in the property sector, the domestic capital and property markets have undergone noticeable adjustments and are experiencing increasing uncertainties about the future market direction.

Comprehensive Income Statement Analysis

In the first half of 2010, the Group reaped profit before tax of RMB92,194 million and net profit of RMB70,779 million, up 27.22% and 26.75%, respectively, over the same period of 2009.

The following were key contributors to the rapid year-on-year growth of profit before tax and net profit. First, we moderately increased the credit supply. The average balance of interest-bearing assets rose by 18.26%, prompting net interest income to surge by RMB15,331 million, or 14.96%. Second, we actively engaged in service and product innovation. Net fee and commission income rose by RMB10,220 million, or 43.63%, as a result of sustained rapid expansion of fee-based business. Third, impairment losses fell by RMB2,995 million, or 23.36%, due to price rally in foreign currency debt securities with the improving market.

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**	**Change (%)**
Net interest income	117,799	102,468	14.96
Net fee and commission income	33,642	23,422	43.63
Other operating income	2,284	5,575	(59.03)
Operating income	153,725	131,465	16.93
Operating expenses	(51,717)	(46,185)	11.98
Impairment losses	(9,824)	(12,819)	(23.36)
Share of profit of associates and jointly controlled entities	10	8	25.00
Profit before tax	92,194	72,469	27.22
Income tax expense	(21,415)	(16,628)	28.79
Net profit	70,779	55,841	26.75
Other comprehensive income for the period, net of tax	(2,630)	2,566	(202.49)
Total comprehensive income for the period	68,149	58,407	16.68

Net Interest Income

In the first half of 2010, the Group's net interest income was RMB117,799 million, an increase of RMB15,331 million, or 14.96%, over the same period of 2009.

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.

	Six months ended 30 June 2010			**Six months ended 30 June 2009**		
(In millions of RMB, except percentages)	**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	5,062,139	126,226	5.03	4,238,619	120,501	5.69
Investment in debt securities[1]	2,750,633	38,219	2.80	2,151,336	35,283	3.28
Deposits with central banks	1,432,538	10,820	1.52	1,240,204	8,961	1.45
Deposits and placements with banks and non-bank financial institutions	119,603	834	1.41	56,345	353	1.25
Financial assets held under resale agreements	489,028	3,551	1.46	646,265	3,337	1.03
Total interest-bearing assets	9,853,941	179,650	3.68	8,332,769	168,435	4.04
Total allowances for impairment losses	(142,703)			(114,037)		
Non-interest-bearing assets	241,834			219,350		
Total assets	9,953,072	179,650		8,438,082	168,435	
Liabilities						
Deposits from customers	8,260,683	52,923	1.29	7,064,940	58,302	1.65
Deposits and placements from banks and non-bank financial institutions	829,681	7,049	1.71	614,978	5,957	1.94
Financial assets sold under repurchase agreements	11,921	137	2.32	797	8	2.01
Debt securities issued	96,068	1,742	3.66	82,833	1,675	4.04
Other interest-bearing liabilities	51	-	3.41	1,344	25	3.72
Total interest-bearing liabilities	9,198,404	61,851	1.36	7,764,892	65,967	1.70
Non-interest-bearing liabilities	175,976			150,601		
Total liabilities	9,374,380	61,851		7,915,493	65,967	
Net interest income		117,799			102,468	
Net interest spread			2.32			2.34
Net interest margin			2.41			2.46

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.

Compared to the same period of 2009, the Group's net interest spread for the first half of 2010 dropped by two basis points to 2.32%, chiefly because the yield of interest-bearing assets decreased more than the cost of interest-bearing liabilities.

The net interest margin was 2.41%, down by five basis points year-on-year, but notably picked up from the first quarter of 2010 by two basis points, largely because of the following: First, structure of interest-bearing assets changed. The proportion of relatively high-yield interest-bearing assets such as loans and debt securities investments grew in contrast to a gradually falling proportion of low-yield ones such as financial assets held under resale agreements. Second, interest rates of newly granted loans went up, and more loans were subject to higher interests rates compared to the benchmark rates as a result of strengthened pricing capabilities. Third, the yields of investment in debt securities, discounted bill and financial assets held under resale agreements rallied steadily, prompted by continued rise in market rates. Fourth, the average maturity of deposits from customers became shorter, in response to expectations for inflation and interest rate hikes.

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 2010 versus the same period last year.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	20,982	(15,257)	5,725
Investment in debt securities	8,624	(5,688)	2,936
Deposits with central banks	1,403	456	1,859
Deposits and placements with banks and non-bank financial institutions	433	48	481
Financial assets held under resale agreements	(940)	1,154	214
Change in interest income	30,502	(19,287)	11,215
Liabilities			
Deposits from customers	8,636	(14,015)	(5,379)
Deposits and placements from banks and non-bank financial institutions	1,854	(762)	1,092
Financial assets sold under repurchase agreements	128	1	129
Debt securities issued	240	(173)	67
Other interest-bearing liabilities	(23)	(2)	(25)
Change in interest expenses	10,835	(14,951)	(4,116)
Change in net interest income	19,667	(4,336)	15,331

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 climbed by RMB15,331 million over the same period of 2009. The movement of average balances of assets and liabilities brought about an increase of RMB19,667 million, while the change in average yields or costs lowered net interest income by RMB4,336 million.

Interest income

The Group's interest income for the first half of 2010 surged by RMB11,215 million, or 6.66%, to RMB179,650 million, compared to the same period of 2009.

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.

	Six months ended 30 June 2010			Six months ended 30 June 2009		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average annualised yield (%)**	**Average balance**	**Interest income**	**Average annualised yield (%)**
Corporate loans	3,534,940	93,140	5.31	3,014,169	93,751	6.22
Short-term loans maturing within 1 year	1,003,066	24,585	4.94	951,759	27,832	5.85
Medium to long-term loans	2,531,874	68,555	5.46	2,062,410	65,919	6.39
Personal loans	1,171,033	28,245	4.82	870,588	22,618	5.20
Discounted bills	211,962	3,143	2.99	235,291	2,689	2.29
Overseas operations	144,204	1,698	2.37	118,571	1,443	2.43
Gross loans and advances to customers	5,062,139	126,226	5.03	4,238,619	120,501	5.69

Interest income from loans and advances to customers jumped by RMB5,725 million, or 4.75%, year-on-year to RMB126,226 million, mainly due to a 19.43% rise in the average balance of loans and advances to customers, partly offset by a fall in the average yield. As a result of repricing of existing loans after the interest rate reductions, the average yields of corporate loans and personal loans dropped by 91 and 38 basis points respectively; while the yield of discounted bills rose by 70 basis points with rising market interest rates.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB2,936 million, or 8.32%, to RMB38,219 million over the same period of 2009, largely because of the increase in average balance of RMB-denominated investments in debt securities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB10,820 million, a year-on-year rise of RMB1,859 million, or 20.75%. This was mainly because the average balance of deposits with central banks rose by 15.51%, as PBC raised statutory deposit reserve rate three times during the reporting period.

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 increased by RMB481 million to RMB834 million over the same period of 2009. This was primarily due to a 112.27% surge in the average balance.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements was RMB3,551 million, up by RMB214 million, or 6.41%, from the same period of 2009. This was chiefly because the average yield of financial assets held under resale agreements rose by 43 basis points to 1.46% as a result of the rising market rates during the reporting period, though partly offset by a fall in their average balance.

Interest expense

In the first half of 2010, the Group's interest expense was RMB61,851 million, a year-on-year decrease of RMB4,116 million, or 6.24%.

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.

	Six months ended 30 June 2010			Six months ended 30 June 2009		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average annualised cost (%)**	**Average balance**	**Interest expense**	**Average annualised cost (%)**
Corporate deposits	4,387,297	24,728	1.14	3,670,100	25,001	1.36
Demand deposits	2,931,086	9,056	0.62	2,337,890	7,147	0.61
Time deposits	1,456,211	15,672	2.15	1,332,210	17,854	2.68
Personal deposits	3,774,457	27,861	1.49	3,319,601	32,407	1.95
Demand deposits	1,491,138	2,727	0.37	1,239,425	2,261	0.36
Time deposits	2,283,319	25,134	2.20	2,080,176	30,146	2.90
Overseas operations	98,929	334	0.68	75,239	894	2.38
Total deposits from customers	8,260,683	52,923	1.29	7,064,940	58,302	1.65

The interest expense on deposits from customers dropped by RMB5,379 million, or 9.23%, to RMB52,923 million compared to the same period of 2009. This was largely due to a fall of 36 basis points to 1.29% in the average cost of deposits, thanks to the repricing of existing time deposits and decreasing proportion of the average balance of time deposits, and was partly offset by the growth of the average balance of deposits.

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

The interest expense on deposits and placements from banks and non-bank financial institutions stood at RMB7,049 million, an increase of RMB1,092 million, or 18.33%, over the same period last year, mainly because of larger average balance of deposits from banks and non-bank financial institutions.

Net Fee and Commission Income

(In millions of RMB)	Six months ended 30 June 2010	Six months ended 30 June 2009	Change (%)
Fee and commission income	34,674	24,391	42.16
Consultancy and advisory fees	7,192	6,262	14.85
Agency service fees	6,257	4,359	43.54
Bank card fees	5,524	4,280	29.07
Commission on trust and fiduciary activities	5,205	3,257	59.81
Settlement and clearing fees	4,924	2,931	68.00
Guarantee and credit commitment fees	1,835	1,473	24.58
Others	3,737	1,829	104.32
Fee and commission expenses	(1,032)	(969)	6.50
Net fee and commission income	33,642	23,422	43.63

The Group realised net fee and commission income of RMB33,642 million, a year-on-year increase of RMB10,220 million, or 43.63%. The ratio of net fee and commission income to operating income rose by 4.06 percentage points to 21.88%.

Consultancy and advisory fees surged by RMB930 million, or 14.85%, to RMB7,192 million over the same period last year. The Group proactively adjusted its business structure by focusing on financial advisory services for wealth management products, M&A and restructuring, to cater for customers' specific needs. Benefiting from the state's expanded infrastructure investments, our cost advisory business grew by leaps and bounds.

Agency service fees climbed by RMB1,898 million, or 43.54%, to RMB6,257 million. This was mainly because the Group proactively promoted insurance and fund agency services and customer-driven foreign exchange trading by improving business processes and incentive mechanisms, leveraging channel strengths, and enhancing personnel's capabilities and risk prevention awareness. Insurance agency services generated fees of RMB2,202 million, a rise of 48.78%.

Bank card fees soared by RMB1,244 million, or 29.07%, to RMB5,524 million. Fees from credit cards went up by 60.36%. This was largely due to the continued steady growth of consumer spending and transactions through self-service facilities following increased marketing efforts and resource investments, optimised customer base and improved card quality.

Commission on trust and fiduciary business jumped by RMB1,948 million, or 59.81%, to RMB5,205 million. Prompted by better business processes, higher efficiency, and enhanced product innovation, income from wealth management business grew by 197.18%.

Settlement and clearing fees increased by RMB1,993 million, or 68.00%, to RMB4,924 million. Fees from corporate RMB settlement and international settlement businesses were up by 87.88% and 61.89%, respectively, resulting from active marketing campaigns, enhanced product innovation, China's foreign trade rebound, and better customer services.

Guarantee and credit commitment fees stood at RMB1,835 million, an increase of RMB362 million. Fees from credit commitment services were RMB850 million, up 30.77%.

Other fees expanded by RMB1,908 million, or 104.32%, to RMB3,737 million. Fees from electronic banking and domestic factoring business reached RMB1,365 million and RMB792 million, up 59.93% and 296.05%, respectively.

Net Gain on Investment Securities

The Group realised a net gain on investment securities of RMB455 million, a decrease of RMB3,003 million, or 86.84%, over the same period last year, mainly due to decreased capital gains on disposal of foreign currency-denominated debt securities with the dwindled disposal volume.

Other Net Operating Income

In the first half of 2010, the Group recorded other net operating income of RMB860 million, including a foreign exchange gain of RMB40 million, a net gain of RMB32 million on disposal of fixed assets, a net gain of RMB29 million on disposal of repossessed assets, and other income of RMB759 million.

Operating Expenses

(In millions of RMB, except percentages)	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
Staff costs	24,966	21,633
Premises and equipment expenses	8,644	7,848
Business tax and surcharges	8,826	8,036
Others	9,281	8,668
Total operating expenses	51,717	46,185
Cost-to-income ratio	33.64%	35.13%

In the first half of 2010, the Group continued to strengthen cost controls and improve cost structures. Total operating expenses stood at RMB51,717 million, up 11.98%. Thanks to enhanced cost-output efficiency, the cost-to-income ratio dropped by 1.49 percentage points to 33.64% over the same period of 2009.

Staff costs rose to RMB24,966 million by RMB3,333 million, or 15.41%, representing a lower increase rate than that in profit before tax and net profit. Premises and equipment expenses increased by RMB796 million, or 10.14%, to RMB8,644 million, mainly due to the continued expansion in outlet investments in recent years, alongside fast growing depreciation costs, rentals and property management fees. Business tax and surcharges were RMB8,826 million, up by RMB790 million, or 9.83%, in line with higher operating income. Other operating expenses increased to RMB9,281 million by RMB613 million, or 7.07%, over the same period of 2009.

Provisions for Impairment Losses

(In millions of RMB)	Six months ended 30 June 2010	Six months ended 30 June 2009
Loans and advances to customers	10,119	10,274
Investments	(222)	2,214
Available-for-sale financial assets	89	1,825
Held-to-maturity investments	(302)	397
Debt securities classified as receivables	(9)	(8)
Others	(73)	331
Total provisions for impairment losses	9,824	12,819

In the first half of 2010, the provisions for impairment losses amounted to RMB9,824 million, down by RMB2,995 million from the same period of 2009. In this amount, the provisions for impairment losses on loans and advances to customers dropped by RMB155 million to RMB10,119 million, primarily due to improved credit asset quality. An amount of RMB222 million was released from allowances for impairment losses on investments, mainly as a result of rising prices of foreign currency debt securities. An amount of RMB73 million was released from allowances for impairment losses on other assets, and RMB11 million was provided for impairment losses on repossessed assets.

Income Tax Expense

In the first half of 2010, the Group's income tax expense reached RMB21,415 million, an increase of RMB4,787 million from the same period of 2009. The Group's effective income tax rate was 23.23%, 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. Income tax expense details are set out in the note "Income Tax Expense" to the financial statements in this report.

Other Comprehensive Income

For the reporting period, the Group recorded a negative value of RMB2,630 million in other comprehensive income, a decrease of RMB5,196 million from the same period of 2009, mainly due to a reduction in the fair value of available-for-sale equity instruments with the downturn of capital market.

Financial Position Statement Analysis

Assets

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

(In millions of RMB, except percentages)	As at 30 June 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Gross loans and advances to customers	5,349,382		4,819,773	
Allowances for impairment losses on loans	(133,409)		(126,826)	
Net loans and advances to customers	5,215,973	50.96	4,692,947	48.77
Investment securities[1]	2,838,471	27.73	2,559,928	26.60
Cash and deposits with central banks	1,598,806	15.62	1,458,648	15.16
Financial assets held under resale agreements	257,349	2.51	589,606	6.13
Deposits and placements with banks and non-bank financial institutions	93,149	0.91	123,380	1.28
Interest receivable	42,477	0.42	40,345	0.42
Financial assets at fair value through profit or loss	40,005	0.39	18,871	0.20
Others[2]	149,751	1.46	139,630	1.44
Total assets	10,235,981	100.00	9,623,355	100.00

1. These comprise available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, intangible assets, goodwill, long-term lease prepayments, deferred tax assets and other assets.

As at 30 June 2010, the Group's total assets stood at RMB10,235,981 million, a rise of RMB612,626 million, or 6.37%, over the end of 2009. In this amount, gross loans and advances to customers grew by RMB529,609 million, or 10.99%, mainly extending to the infrastructure, small business, and residential mortgage sectors. Investment securities rose by RMB278,543 million, largely due to increased holdings of highly liquid PBC bills with relatively high interest rates and non-taxable Chinese government bonds. Cash and deposits with central banks increased by RMB140,158 million, or 9.61%, mainly as a result of consecutive hikes in the statutory deposit reserve rate. Financial assets held under resale agreements dropped by RMB332,257 million, and their proportion to total assets fell by 3.62 percentage points, as the Group reduced fund utilisation in the money market in an attempt to raise fund yields. Deposits and placements with banks and non-bank financial institutions decreased by RMB30,231 million, chiefly due to reduced deposits with banks.

Loans and advances to customers

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Corporate loans	3,737,338	69.87	3,351,315	69.53
Short-term loans	1,072,698	20.05	915,674	19.00
Medium to long-term loans	2,664,640	49.82	2,435,641	50.53
Personal loans	1,247,708	23.32	1,088,459	22.58
Residential mortgage loans	1,002,221	18.74	852,531	17.69
Personal consumer loans	76,410	1.43	78,651	1.63
Other loans[1]	169,077	3.15	157,277	3.26
Discounted bills	194,644	3.64	228,361	4.74
Overseas operations	169,692	3.17	151,638	3.15
Gross loans and advances to customers	5,349,382	100.00	4,819,773	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 2010, the Group's gross loans and advances to customers rose to RMB5,349,382 million by RMB529,609 million, or 10.99% over the end of 2009.

The Group reinforced credit structure adjustment and risk control by studying general directions and development trends of various industries and adopting differentiated strategies, including promoting, securing, controlling, curtailing, and exiting, based on different regions, customers and products. Corporate loans reached RMB3,737,338 million, an increase of RMB386,023 million, or 11.52%, over the end of 2009. Corporate loans accounted for 69.87% of the gross loans and advances to customers, up 0.34 percentage points over the end of 2009. In this amount, infrastructure loans rose by RMB139,123 million, or 9.03%. The loan balance for customers in exiting category decreased by RMB53,000 million over the end of 2009.

The Group tightly controlled new loans to government financing vehicles by fully enforcing the list management system and enhancing credit structure adjustment, with a focus on meeting the funding needs of major construction projects under the government's RMB4 trillion investment programme.

In light of the developments in the property market, the Group took initiatives to check the growth rate of lending to the real estate sector. Loans to property sector only increased by 5.57% from the end of 2009. The new loans principally targeted prime customers with solid financial strengths and high development qualifications in regions where property prices were stable.

Personal loans increased by RMB159,249 million, or 14.63% over the end of 2009, to RMB1,247,708 million, which accounted for 23.32% of the gross loans and advances to customers, up 0.74 percentage points. In this amount, residential mortgage loans, mainly to finance self-occupied home purchases, rose by RMB149,690 million, or 17.56%; and personal consumer loans fell by RMB2,241 million.

Discounted bills declined by RMB33,717 million to RMB194,644 million over the end of 2009, and were mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers climbed by RMB18,054 million, or 11.91% to RMB169,692 million.

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.

(In millions of RMB, except percentages)	**As at 30 June 2010**		**As at 31 December 2009**	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	1,432,594	26.78	1,291,942	26.81
Guaranteed loans	1,133,068	21.18	997,157	20.69
Loans secured by tangible assets other than monetary assets	2,272,258	42.48	2,062,981	42.80
Loans secured by monetary assets	511,462	9.56	467,693	9.70
Gross loans and advances to customers	5,349,382	100.00	4,819,773	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	Six months ended 30 June 2010 Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	which are individually assessed	Total
As at 1 January	75,628	4,838	46,360	126,826
Charge for the period	11,173	70	4,181	15,424
Release during the period	-	(91)	(5,214)	(5,305)
Unwinding of discount	-	-	(392)	(392)
Transfers in/(out)	-	(10)	(150)	(160)
Write-offs	-	(274)	(3,232)	(3,506)
Recoveries	-	30	492	522
As at 30 June	86,801	4,563	42,045	133,409

In 2010, the Group made full provisions for impairment losses by taking into account its own circumstances and fully considering the impact of changing external policies on different industries. As at 30 June 2010, the allowances for impairment losses on loans and advances to customers increased to RMB133,409 million by RMB6,583 million from the end of 2009, while the ratio of allowances to non-performing loans (NPLs) was 204.72%, up 28.95 percentage points over the end of 2009.

Investments

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

(In millions of RMB, except percentages)	As at 30 June 2010 Amount	% of total	As at 31 December 2009 Amount	% of total
Held-to-maturity investments	1,653,955	57.46	1,408,873	54.64
Available-for-sale financial assets	726,809	25.25	651,480	25.26
Debt securities classified as receivables	457,707	15.90	499,575	19.37
Financial assets at fair value through profit or loss	40,005	1.39	18,871	0.73
Total investments	2,878,476	100.00	2,578,799	100.00

As at 30 June 2010, total investments increased to RMB2,878,476 million by RMB299,677 million over the end of 2009. Held-to-maturity investments rose by RMB245,082 million, largely due to increased holdings of PBC bills and PRC government bonds. Available-for-sale financial assets climbed by RMB75,329 million, mainly because the Group held more short-term PBC bills. Debt securities classified as receivables decreased by RMB41,868 million, mainly because certain PBC bills matured during the period. Financial assets at fair value through profit or loss rose by RMB21,134 million, as a result of increased holdings of trading debt securities.

Debt securities investments

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

	As at 30 June 2010		As at 31 December 2009	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Debt securities investments in RMB	2,753,752	97.95	2,492,869	97.77
Debt securities investments in foreign currency	58,391	2.05	56,859	2.23
Total debt securities investments	2,852,143	100.00	2,549,728	100.00

Debt securities investments in foreign currency

As at 30 June 2010, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$8,610 million (or RMB58,391 million).

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

(In millions of US dollars)	**Allowances for impairment losses**	**Carrying amount[1]**
US sub-prime mortgage debts	(259)	106
First lien debt securities	(180)	100
Second lien debt securities	(79)	6
Related residential mortgage collateralised debt obligations (CDO)	(393)	-
Total	(652)	106

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

As at 30 June 2010, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$106 million (or RMB716 million), accounting for 1.23% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$652 million (or RMB4,422 million).

As at 30 June 2010, the carrying amount of the Alt-A bonds held by the Group was US$197 million (or RMB1,337 million), accounting for 2.29% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$265 million (or RMB1,797 million).

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

Interest receivable

As at 30 June 2010, the Group's interest receivable was RMB42,477 million, an increase of RMB2,132 million, or 5.28%. The allowances for impairment losses on interest receivable was RMB1 million, which was made in full against interest receivable arising from debt securities investments overdue for more than three years.

Liabilities

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

(In millions of RMB, except percentages)	As at 30 June 2010 Amount	As at 30 June 2010 % of total	As at 31 December 2009 Amount	As at 31 December 2009 % of total
Deposits from customers	8,591,701	88.98	8,001,323	88.27
Deposits and placements from banks and non-bank financial institutions	763,617	7.91	812,905	8.97
Debt securities issued	94,717	0.98	98,644	1.09
Financial assets sold under repurchase agreements	2,000	0.02	-	-
Others[1]	203,748	2.11	151,463	1.67
Total liabilities	9,655,783	100.00	9,064,335	100.00

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

As at 30 June 2010, the Group's total liabilities were RMB9,655,783 million, an increase of RMB591,448 million, or 6.53%, over the end of last year. Deposits from customers remained the Group's primary source of funding, which grew by RMB590,378 million, or 7.38%. Deposits from customers accounted for 88.98% of the total liabilities, rising by 0.71 percentage points over the end of 2009. Deposits and placements from banks and non-bank financial institutions slid by RMB49,288 million, or 6.06%. This was mainly because deposits from securities and funds firms dropped substantially as market fund fled from the gloomy capital market in the first half of 2010.

Deposits from customers

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

(In millions of RMB, except percentages)	As at 30 June 2010 Amount	As at 30 June 2010 % of total	As at 31 December 2009 Amount	As at 31 December 2009 % of total
Corporate deposits	4,600,951	53.55	4,303,509	53.79
Demand deposits	3,137,269	36.51	2,960,155	37.00
Time deposits	1,463,682	17.04	1,343,354	16.79
Personal deposits	3,888,190	45.26	3,584,727	44.80
Demand deposits	1,565,093	18.21	1,435,348	17.94
Time deposits	2,323,097	27.05	2,149,379	26.86
Overseas operations	102,560	1.19	113,087	1.41
Total deposits from customers	8,591,701	100.00	8,001,323	100.00

As at 30 June 2010, the Group's deposits from customers reached RMB8,591,701 million, an increase of RMB590,378 million, or 7.38% over the end of 2009. Domestic personal deposits went up by RMB303,463 million, or 8.47%, higher than the 6.91% increase of corporate deposits. This led to a rise of 0.46 percentage points in its proportion in total deposits from customers to 45.26%.

Shareholders' Equity

(In millions of RMB)	**As at 30 June 2010**	**As at 31 December 2009**
Share capital	233,689	233,689
Capital reserve	90,272	90,266
Investment revaluation reserve	10,909	13,163
Surplus reserve	37,421	37,421
General reserve	61,269	46,806
Retained earnings	145,185	136,112
Exchange reserve	(2,419)	(1,982)
Equity attributable to equity shareholders of the Bank	576,326	555,475
Non-controlling interests	3,872	3,545
Total equity	580,198	559,020

As at 30 June 2010, the Group's total equity reached RMB580,198 million, an increase of RMB21,178 million compared to the end of 2009. The ratio of total equity to total assets for the Group was 5.67%, a decrease of 0.14 percentage points over the end of 2009.

Capital Adequacy Ratio

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

(In millions of RMB, except percentages)	**As at 30 June 2010**	**As at 31 December 2009**
Core capital adequacy ratio	9.27%	9.31%
Capital adequacy ratio	11.68%	11.70%
Core capital:		
Share capital	233,689	233,689
Capital reserve, investment revaluation reserve and exchange reserve	82,561	82,427
Surplus reserve and general reserve	98,690	84,227
Retained earnings	112,056	87,564
Non-controlling interests	3,872	3,545
	530,868	491,452
Supplementary capital:		
General provision for doubtful debts	53,645	48,463
Positive changes in fair value of financial instruments at fair value through profit or loss	9,580	10,815
Subordinated bonds issued	80,000	80,000
	143,225	139,278
Total capital base before deductions	674,093	630,730
Deductions:		
Goodwill	(1,574)	(1,590)
Unconsolidated equity investments	(12,389)	(8,903)
Others	(2,369)	(12,004)
Net capital	657,761	608,233
Risk-weighted assets	5,631,214	5,197,545

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

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2010, the Group's capital adequacy ratio was 11.68% and the core capital adequacy ratio was 9.27%, down 0.02 and 0.04 percentage points, respectively, over the end of 2009.

The decrease in the capital adequacy ratio was largely because the growth rate of risk-weighted assets exceeded that of net capital. Risk-weighted assets increased by RMB433,669 million, or 8.34% over the end of 2009. Net capital increased by RMB49,528 million, or 8.14% over the end of 2009. Core capital climbed by RMB39,416 million, chiefly due to retained earnings in the first half of 2010. The amount of deduction items fell by RMB6,165 million, primarily as a result of the Group's disposal of other banks' subordinated bonds of RMB9,070 million purchased after 1 July 2009 in the period under review.

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.

(In millions of RMB, except percentages)	**As at 30 June 2010**		**As at 31 December 2009**	
	Amount	**% of total**	**Amount**	**% of total**
Normal	5,074,623	94.86	4,546,843	94.33
Special mention	209,591	3.92	200,774	4.17
Substandard	18,560	0.35	21,812	0.45
Doubtful	36,975	0.69	42,669	0.89
Loss	9,633	0.18	7,675	0.16
Gross loans and advances to customers	5,349,382	100.00	4,819,773	100.00
Non-performing loans	65,168		72,156	
Non-performing loan ratio		1.22		1.50

In response to the complex macro-economic situation in 2010, the Group stepped up adjustments to its credit structure and introduced surveillance mechanisms for key risk areas in accordance with regulatory requirements to actively prevent and mitigate risks. Post-lending management was reinforced with the launch of the "post-lending management year" campaign. The Group also expedited disposal of NPLs. As a result, credit asset quality steadily improved. As at 30 June 2010, the Group's NPLs were RMB65,168 million, a decrease of RMB6,988 million over the end of 2009, while the NPL ratio dropped by 0.28 percentage points to 1.22%. The proportion of special mention loans dropped to 3.92%, down 0.25 percentage points over the end of 2009.

Distribution of Loans and NPLs by Product Type

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

(In millions of RMB, except percentages)	As at 30 June 2010			As at 31 December 2009		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans	3,737,338	50,104	1.34	3,351,315	57,178	1.71
Short-term loans	1,072,698	25,620	2.39	915,674	29,143	3.18
Medium to long-term loans	2,664,640	24,484	0.92	2,435,641	28,035	1.15
Personal loans	1,247,708	7,266	0.58	1,088,459	7,208	0.66
Residential mortgage loans	1,002,221	3,639	0.36	852,531	3,600	0.42
Personal consumer loans	76,410	1,313	1.72	78,651	1,329	1.69
Other loans[1]	169,077	2,314	1.37	157,277	2,279	1.45
Discounted bills	194,644	-	-	228,361	-	-
Overseas operations	169,692	7,798	4.60	151,638	7,770	5.12
Total	5,349,382	65,168	1.22	4,819,773	72,156	1.50

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

As at 30 June 2010, the NPL ratio for corporate loans dropped by 0.37 percentage points to 1.34% compared to the end of last year; that for personal loans decreased by 0.08 percentage points over the end of 2009 to 0.58%. The NPL ratio for overseas operations remained stable as a result of strengthened risk management of overseas business.

Distribution of Loans and NPLs by Industry

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

(In millions of RMB, except percentages)	As at 30 June 2010				As at 31 December 2009			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	3,737,338	69.87	50,104	1.34	3,351,315	69.53	57,178	1.71
Manufacturing	931,077	17.41	19,489	2.09	803,302	16.67	21,413	2.67
Transportation, storage and postal services	593,086	11.09	2,813	0.47	519,078	10.77	3,382	0.65
Production and supply of electric power, gas and water	500,143	9.35	3,486	0.70	486,094	10.09	3,991	0.82
Real estate	378,611	7.08	7,442	1.97	358,651	7.44	9,322	2.60
Leasing and commercial services	349,065	6.53	1,719	0.49	303,380	6.29	1,829	0.60
- Commercial services	344,633	6.44	1,683	0.49	301,502	6.26	1,742	0.58
Water, environment and public utilities management	212,819	3.98	1,449	0.68	206,175	4.28	1,595	0.77
Wholesale and retail trade	188,014	3.51	6,594	3.51	146,693	3.04	7,391	5.04
Construction	134,670	2.52	2,014	1.50	116,379	2.41	2,252	1.94
Mining	122,117	2.28	291	0.24	104,019	2.16	394	0.38
- Exploitation of petroleum and natural gas	7,577	0.14	52	0.69	4,599	0.10	61	1.33
Education	101,823	1.90	873	0.86	93,351	1.94	1,117	1.20
Telecommunications, computer services and software	23,548	0.44	878	3.73	25,249	0.52	1,123	4.45
- Telecommunications and other information transmission services	20,763	0.39	83	0.40	22,450	0.47	189	0.84
Others	202,365	3.78	3,056	1.51	188,944	3.92	3,369	1.78
Personal loans	1,247,708	23.32	7,266	0.58	1,088,459	22.58	7,208	0.66
Discounted bills	194,644	3.64	-	-	228,361	4.74	-	-
Overseas operations	169,692	3.17	7,798	4.60	151,638	3.15	7,770	5.12
Total	5,349,382	100.00	65,168	1.22	4,819,773	100.00	72,156	1.50

In response to the changing external environment in 2010, the Group continued to refine its industry-specific lending and exit criteria, while further upgrading its industry limit management. NPLs and NPL ratios for manufacturing, real estate, and wholesale and retail trade, which used to have higher NPL ratios, continued to decline. Compared to the end of 2009, the NPLs for these industries decreased by RMB1,924 million, RMB1,880 million and RMB797 million, respectively, with their NPL ratios down by 0.58, 0.63 and 1.53 percentage points, respectively.

Business Review

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

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

(In millions of RMB, except percentages)	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	48,925	53.07	43,588	60.15
Personal banking	17,086	18.53	13,148	18.14
Treasury business	25,369	27.52	14,084	19.43
Others and unallocated	814	0.88	1,649	2.28
Profit before tax	92,194	100.00	72,469	100.00

Corporate Banking

The profit before tax from corporate banking for the first half of 2010 increased by 12.24% to RMB48,925 million, accounting for 53.07% of the Group's profit before tax, remaining the Group's primary profit source. Net interest income increased slightly by 3.36% as a result of the increase of the average balance of corporate loans year-on-year. Provisions for impairment losses increased slightly by 3.26%, and operating expenses went up 9.69% over the same period last year, but net fee and commission income made a robust rise of 54.06%, contributing to the steady increase in profit before tax from corporate banking.

As at 30 June 2010, corporate loans were RMB3,737,338 million, up 11.52% over the end of 2009, with credit growth much lower than that in the same period last year. Corporate deposits were RMB4,600,951 million, up 6.91% over the end of 2009. The growth of corporate deposits slowed down as a result of reduced money supply and intensified market competition.

Credit structure adjustments proved effective. CCB implemented multi-pronged credit policies, including promoting, securing, controlling, curtailing, and exiting, for different industries, and rigorously controlled new loans to potentially high-risk areas by setting higher loan eligibility standards and tighter lending amount limits alongside its year-long post-lending management programme. CCB used lists to manage industries with excess capacity, and granted new loans to premium customers and projects only. Both the number of borrowers and loan balance for government financing vehicles decreased, as CCB tight controlled loan extensions by upgrading management policies, conducting thorough self-examinations and rectifications, and implementing all round portfolio management. Real estate developers remained subject to a list management system, resulting in effective controls over lending volume and pace. Loans were mainly granted to customers with credit ratings of AA or above and in economically more developed regions, with improving customer structure.

Small business loans grew rapidly, with steadily improving quality and efficiency. CCB has set up 177 small and medium-sized enterprise operation centres based on the "Credit Factory" model in 150 cities all over the country. In exploring possibilities of cooperation with local governments and enterprises, CCB promoted "Zhubaojin" loan products for small businesses, extending loans of over RMB6 billion cumulatively. CCB developed and designed fixed asset purchase loan products for small business. “E-Daitong” series of loans for internet merchants reached nearly RMB10 billion.

Fee-based business recorded fast growth. Net fee and commission income from corporate banking expanded by 54.06% to RMB15,388 million over the same period of 2009, accounting for 45.74% of the Group’s total net fee and commission income. Traditional products such as corporate banking RMB settlements and cost advisory services made significant income contributions, with RMB settlements income surging by nearly RMB1,603 million, or 87.88%, year-on-year. New products such as domestic factoring continued to grow rapidly, with its income up 296.05%.

- *Institutional business maintained growth momentum.* To proactively support lending to priority livelihood areas such as education and medical care, CCB promoted financial service products under the “Minben Tongda” brand, and the loans rose to RMB212,732 million by 11.72% compared to the end of 2009. CCB outperformed its competitors in both central government authorised payment agency and central budget civil card markets. Central budget civil cards issued reached 1,900,000, 50.93% higher than at the end of 2009. A total of 1,670,000 co-branded social security cards had been issued in conjunction with social security management departments in multiple provinces and cities. Income from insurance agency services jumped by 48.78% to RMB2,202 million, being in the leading position in terms of market share. The “Safe Deal” custodial service for trading funds achieved a fee income of RMB1,142 million, up 55.16%. Independent custodial service “Xincunguan” for securities settlement funds had the largest customer base of 19.84 million users. The Bank had cooperated with nearly 150 futures companies and reported nearly 500,000 contracted customers, ranking first among its peers.

- *Foreign exchange business performed well.* During the reporting period, international settlement volume reached US$310,655 million, up 59.52% year-on-year, generating an income of RMB1,593 million, up 61.89%. Continually engaged in trade finance product innovation, CCB introduced new products such as “Commodity Finance and Hedging Service”, “Insured Banking Trade Finance”, and “Secured Refinancing”. CCB was again honoured as a “China Best Trade Finance Bank” by the US *Global Finance* in recognition of its overall strength and excellent performance in trade finance and foreign exchange business.

- *Asset custodial service achieved sustained growth.* As at 30 June 2010, assets under custody was RMB1,082,643 million, with an increase of 8.69%, generating a cumulative fee income of RMB839 million for the first half of 2010. Securities investment funds under custody continued to maintain growth momentum. The shares of funds under custody increased by 32,787 million, with the largest market share growth. Funds under custody achieved the second highest net value with rising market share. A total of 25 funds under custody were awarded the “Golden Bull Award for Fund Industry in China” in 2009, taking the lead among peers. Custodial services for industrial investments grew remarkably, with custody value of RMB300,105 million, a rise of 183.51%. Enterprise annuities funds under custody reached an unprecedented RMB30 billion, ranking second in the market.

- *Pension business achieved steady growth.* As at 30 June 2010, the number of contracted customers for account management services had increased by 380,000 to 2.3 million compared to the end of 2009, while the assets under trustship increased by RMB2.3 billion over the end of 2009 to RMB11.82 billion. CCB’s collective pension plan for small and medium-sized enterprises gained popularity, and corporate customers for collective pension plan grew by 1,689. CCB made new progress in pension product innovation, with the "Yangyisifang No.1" product gaining market recognition.

Personal Banking

Personal banking achieved profit before tax of RMB17,086 million, an increase of 29.95%, with its contribution to the Group's total profit before tax rising to 18.53%. The good performance of personal banking was due to the following factors: Net interest income increased by 10.36% as a result of the average balance increase of personal loans over the same period last year; Net fee and commission income maintained robust growth, with an increase of 44.29% over the same period last year; asset quality continued to improve and provisions for impairment losses decreased by 29.45% over the same period last year.

By launching marketing campaigns during peak seasons and competition activities for the Shanghai 2010 Expo, CCB offered better services to gain greater access to funds and customers. CCB thus maintained a stable expansion of personal deposits, which provided ample fund sources. As at 30 June 2010, personal deposits was RMB3,888,190 million, 8.47% higher over the end of 2009.

CCB actively supported customers' residential housing needs and gradually expanded personal business loans and rural loans, as a result, personal loan business developed steadily. As at 30 June 2010, personal loans increased by 14.63% to RMB1,247,708 million, accounting for 23.32% of gross loans and advances to customers. In this amount, residential mortgage loans increased by 17.56% to RMB1,002,221 million.

The entrusted housing finance business continued to dominate the market. CCB stepped up cooperation with local housing fund management departments to reinforce and expand its provident housing fund deposit market. Entrusted provident fund loan advances reached a record high. CCB is also proactively engaged in the research and development of new products, and the promotion of co-branded cards, electronic services, entrusted withdrawals, loan repayments, and small amount payments for provident housing funds. As at 30 June 2010, provident housing fund deposits and loans stood at RMB275,822 million and RMB466,780 million, respectively, both occupying the largest market share in the market.

Bank card issuance and spending via bank cards continued to rise. As at 30 June 2010, the Bank issued a total of 281 million debit cards, 29.88 million more than at the end of 2009. Spending via debit cards had jumped by 72.53% to RMB546,542 million, and a fee income of RMB3,336 million was generated, 26.03% higher than in the same period of 2009. The number of credit cards issued totalled 26.38 million, an increase of 2.15 million, with total spending reaching RMB180,266 million, up 43.38% year-on-year, and loan balance reaching RMB38,999 million, up 7.34% over the end of 2009, respectively. CCB strengthened risk controls over customer sources, reinforced monitoring over fraudulent transactions and potential risks related to shop operators, while upgrading monitoring and precautionary measures for credit card encashment. As a result, asset quality remained sound for the credit card business.

Treasury Business

Net interest income from treasure business realised a significant increase of 99.91% as a result of growing assets and stabilising yield. Net fee and commission income maintained fast growth, with an increase of 20.05% over the same period last year. Provisions for impairments losses wrote back as the foreign currency bond market continued to improve. All these factors contributed to a significant increase of 80.13% of profit before tax for treasury business, with its contribution to the Group's total profit before tax rising to 27.52%.

Financial market business

By adopting a prudent and sound investment strategy, the Group continued to enhance its risk management level and investment portfolio management capabilities. In the deployment of RMB funds, the Bank continued to rank first in an overall ranking of book-entry government bond underwriting, and took the lead in the market-making business in the interbank bond market, thus winning the title of "Best Market Maker". For the deployment of foreign currency funds, it proactively managed its liquidity and safeguarded the security of funds; reduced risky positions at opportune time to optimise the portfolio structure of foreign-currency denominated bonds.

The market share of the account gold business rose significantly while physical gold business also made strong growth. In the first half of 2010, a total of 510.62 tonnes of gold were traded, representing an increase of 9% year-on-year, generating an income of RMB289 million, up 51% year-on-year for the Bank. The market share of the account gold business jumped ten percentage points to 40%. Physical gold business surged, with the sales volume in the first half of 2010 being 114% of that in the full year 2009.

Foreign exchange purchases and sales and foreign exchange trading grew steadily. The volume of customer-driven foreign exchange purchases and sales and foreign exchange trading reached US$143,700 million, up 46% year-on-year, generating an income of RMB1,476 million, up 39% year-on-year. In this amount, the trading of forward foreign exchange purchases and sales soared, generating an income of RMB391 million, up 83% year-on-year. The trading volume of customer-driven derivative products reached US$2,094 million, generating an income of RMB43.63 million. "Good Harvest" series of bonds wealth management products were well-received by the market, with its monthly money raising volume growing steadily.

Investment banking

The investment banking business generated an income of RMB7,234 million, up 35.98% year-on-year.

In financial advisory services, CCB reaped an income of RMB4,175 million. Of the services, income from the thriving new financial advisory business reached 199.05% year-on-year to RMB1,364 million, accounting for 32.67% of total financial advisory income. Income from the M&A and restructuring business reached RMB355 million, more than eight times the income of the same period last year. As a pioneer in the market, CCB launched M&A financing wealth management products with beneficiary rights attached, allowing wealth management customers to share excess M&A gains from finance customers, and offering new instruments for M&A business.

The debt financing instrument underwriting business developed soundly. Its income climbed by 36.07% year-on-year to RMB498 million. The bond underwriting amount increased by 24.63% year-on-year to RMB108,512 million, ranking second in the market. Of these, the underwriting amount for 20.5 batches of short-term commercial paper surged by 154.62% to RMB80,435 million, ranking first among its peers.

The wealth management business expanded substantially, with a number of innovative products and businesses being rolled out into the market. CCB launched "Qianyuan - Rixinyueyi" branded open-ended, RMB-denominated asset portfolio wealth management products for high net worth and legal person customers. These high-yielding and liquid products attracted many investors. CCB continued to promote “Qianyuan - SME Trust Loans Collective Wealth Management Products”, six batches of which raised a total of RMB720 million to support the development of SMEs in Suzhou, Shandong and Jilin.

The industrial investment fund business progressed steadily. CCB’s medical care fund has accumulated investment totalling RMB648 million, and the channels for overseas investment was opened. By thoroughly exploring resources in the aviation sector and related industries, CCB completed the initial fundraising of the aviation fund. CCB has successfully raised funds for its environmental protection fund and set up a fund management company for Wanjiang industry transfer fund.

Analysis of Geographical Segments

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

(In millions of RMB, except percentages)	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	16,601	18.01	14,609	20.16
Pearl River Delta	12,561	13.62	9,836	13.57
Bohai Rim	14,054	15.24	12,370	17.07
Central	12,283	13.32	10,552	14.56
Western	13,172	14.29	11,791	16.27
Northeastern	4,387	4.76	3,861	5.33
Head office	17,975	19.50	8,302	11.46
Overseas	1,161	1.26	1,148	1.58
Profit before tax	92,194	100.00	72,469	100.00

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

(In millions of RMB, except percentages)	As at 30 June 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	1,259,058	23.54	1,136,447	23.58
Pearl River Delta	829,624	15.51	728,639	15.12
Bohai Rim	945,334	17.67	859,885	17.84
Central	865,613	16.18	782,763	16.24
Western	907,022	16.96	819,337	17.00
Northeastern	329,416	6.16	299,385	6.21
Head office	43,623	0.82	41,679	0.86
Overseas	169,692	3.16	151,638	3.15
Gross loans and advances to customers	5,349,382	100.00	4,819,773	100.00

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

(In millions of RMB, except percentages)	As at 30 June 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	1,778,343	20.70	1,655,361	20.69
Pearl River Delta	1,360,724	15.84	1,256,578	15.71
Bohai Rim	1,574,863	18.33	1,486,628	18.58
Central	1,539,017	17.91	1,402,718	17.53
Western	1,536,128	17.88	1,420,149	17.75
Northeastern	650,540	7.57	600,838	7.51
Head office	49,526	0.58	65,964	0.82
Overseas	102,560	1.19	113,087	1.41
Deposits from customers	8,591,701	100.00	8,001,323	100.00

Prospects

In the second half of 2010, the complexity and uncertainty in global economy will continue to affect China's economic development. While the external environment is far from optimistic, overall the Chinese economy will keep recovery on the right track. Consumption, investment and exports will push economy growth together with enhanced coordination. Though the economy is changing in line with macroeconomic controls, the tasks are still tough for managing inflation expectation, maintaining stable and reasonably rapid economic growth, adjusting economic structure and changing economic development pattern.

For current situations, the operations of the Group will certainly witness both opportunities and challenges. On the one hand, the change in China's development patterns and adjustment in economic structure will facilitate adjustments in CCB's credit structure. The environment for comprehensive operations will loosen, providing excellent opportunities for nurturing new types of businesses. The progress in the liberalisation of interest rate and exchange rate provide larger room for financial innovations. Pricing capabilities will be enhanced with increased effective credit demand. On the other hand, given the tight market liquidity and volatile capital market, deposit expansion will be more difficult. And the pressures from regulation monitoring and peer competition set higher demand for management capabilities.

To achieve optimal earnings for our shareholders and make due contribution to society, the Group will consider both current operations and long-term development, reinforce fundamental management with tighter risk management and internal controls, reasonably control loan growth, vigorously promote innovations in products and services, and proactively implement various initiatives.

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

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

- *Adjustment of several items of the delegation of authorities by the shareholders' meeting to the board of directors.* During the reporting period, the Bank adjusted the delegation of authorities by the shareholders' meeting of the Bank to the board of directors in line with its corporate governance practices, regarding matters such as equity investment, fixed assets purchases, and donations, and amended such procedural documents as the *Rules of Procedure for the Shareholders' Meeting*, the *Rules of Procedure for the Board of Directors* and the *Power of Attorney by the Board of Directors to the President* accordingly.

- *Election of directors and supervisors.* The term of some of the Bank's directors and supervisors expired on 24 June 2010. The 2009 annual general meeting of the Bank held a new election of members of the board of directors and the board of supervisors. The composition of the Bank's independent directors and external supervisors meets the requirements of the Bank's Articles of Association and applicable regulatory provisions for professionalism and independence.

- *Adjustment of the composition of committees under the board of directors and those under the board of supervisors.* During the reporting period, the Bank, considering the features of the committees and specialisation of relevant directors and supervisors, adjusted the composition of committees under the board of directors and those under the board of supervisors pursuant to the applicable provisions of the Articles of Association of the Bank.

Throughout the six months ended 30 June 2010, 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 2010, complied with the provisions of this code of practice.

Audit Committee

The Group's 2010 half-year financial statements prepared under the PRC GAAP has been reviewed by KPMG Huazhen and the Group's 2010 half-year financial statements prepared under the IFRS has been reviewed by KPMG.

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

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Zhang Jianguo

Vice chairman, executive director and president

20 August 2010

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