交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 3328)

2009 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Bank of Communications Co., Ltd (the "**Bank**") is pleased to announce the unaudited condensed consolidated interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2009 (the "**Reporting Period**"), which have been prepared in accordance with International Accounting Standards 34 — "Interim Financial Reporting" issued by the International Accounting Standards Board. The Board of Directors and its Audit Committee have reviewed and adopted the Interim Results.

1 CORPORATE INFORMATION

1.1 Stock Exchanges on which shares of the Bank are traded:

A share: Shanghai Stock Exchange
H share: The Stock Exchange of Hong Kong Limited

1.2 Stock Name and Stock Code:

A share: Bank of Communications, 601328
H share: BANKCOMM, 3328

1.3 Company Secretary: Zhang Jixiang

Contact address: No. 188 Yin Cheng Zhong Lu, Pudong New District, Shanghai
Telephone: 86-21-58766688
Facsimile: 86-21-58798398
E-mail: investor@bankcomm.com

2 FINANCIAL HIGHLIGHTS

2.1 Major financial data and indicators

The major interim financial data and indicators of the Group for the six months ended 30 June 2009 prepared under International Financial Reporting Standards ("**IFRS**") are as follows:

(in millions of RMB unless otherwise stated)

	As at 30 June 2009	As at 31 December 2008	Increase/ (decrease) (%)
Total assets	**3,298,860**	2,682,947	22.96
Includes: loans and advances to customers	**1,729,218**	1,328,590	30.15
Total liabilities	**3,138,488**	2,532,852	23.91
Includes: due to customers	**2,365,334**	1,865,815	26.77
Shareholders' equity (excluding minority interest)	**159,850**	149,662	6.81
Net asset per share (excluding minority interest, in RMB)	**3.26**	3.05	6.89

	January to June 2009	January to June 2008	Increase/ (decrease) (%)
Net interest income	**29,785**	33,012	(9.78)
Operating profit before tax	**19,869**	20,301	(2.13)
Net profit (excluding minority interest)	**15,555**	15,508	0.30
Diluted earnings per share (in RMB)	**0.32**	0.32	—
Net cash flow from operating activities	**89,092**	40,868	118.00

	As at 30 June 2009 (%)	As at 31 December 2008 (%)	Change (percentage points)
Return on average total assets[1]	**1.04**	1.19	(0.15)
Return on average shareholders' equity[2]	**20.10**	20.10	—
Net interest spread[3]	**2.11**	2.88	(0.77)
Net interest margin[4]	**2.21**	3.02	(0.81)
Cost to income ratio[5]	**34.27**	39.94	(5.67)
Impaired loans ratio[6]	**1.51**	1.92	(0.41)
Provision coverage of impaired loans (including statutory general reserves)[7]	**193.92**	166.10	27.82
Provision coverage of impaired loans[8]	**123.00**	116.83	6.17
Core capital adequacy ratio[9]	**8.81**	9.54	(0.73)
Capital adequacy ratio[9]	**12.57**	13.47	(0.90)

Notes:

1. Calculated by dividing annualized net profit of the Reporting Period by the average of total assets at the beginning and end of the Reporting Period.

2. Calculated by dividing annualized net profit (excluding minority interest) of the Reporting Period by the average of shareholders' equity (excluding minority interest) at the beginning and end of the Reporting Period.

3. Refers to the difference between the average returns (annualized) on the average balance of total interest-earning assets and the average cost (annualized) of the average balance of total interest-bearing liabilities.

4. Refers to the ratio of net interest income (annualized) to average balance of total interest-earning assets.

5. Calculated by dividing other operating expenses by net operating income (which includes net interest income, net fee and commission income, dividend income, gains less losses from trading activities, gains less losses arising from de-recognition of investment securities and other operating income).

6. Calculated by dividing the outstanding balance of impaired loans by the outstanding balance of loans before impairment allowances at the end of the Reporting Period.

7. Calculated by dividing the outstanding balance of impairment allowances including statutory general reserves by the outstanding balance of impaired loans at the end of the Reporting Period.

8. Calculated by dividing the outstanding balance of impairment allowances by the outstanding balance of impaired loans at the end of the Reporting Period.

9. Calculated in accordance with the relevant regulatory practice in China's banking industry.

2.2 Reconciliation of Financial Information between IFRS and CAS

The reconciliation of the Group's net assets as at 30 June 2009 and net profit for the period ended 30 June 2009 from Chinese Accounting Standards ("**CAS**") to IFRS is listed as follows:

(in millions of RMB)

	Net assets		**Net profit**	
	As at 30 June 2009	As at 31 December 2008	**Six months ended 30 June 2009**	Six months ended 30 June 2008
Financial information under CAS	**155,946**	145,642	**15,635**	15,593
Reconciling items:				
1. Revaluation surplus/(deficit) from fixed assets	**6,021**	6,149	**(128)**	(134)
2. Differences arising from the transfer of non-performing loans to China Cinda Asset Management Corporation	**—**	(104)	**104**	101
3. Deferred taxes	**(1,638)**	(1,647)	**10**	(2)
4. Others	**43**	55	**(10)**	9
Financial information under IFRS	**160,372**	150,095	**15,611**	15,567

Analysis of reconciling items:

1. ***Revaluation surplus/(deficit) from fixed assets***

   The Group performed a valuation exercise on its land and buildings in accordance with IFRS. As this was not a statutory valuation, the revaluation gain/(loss) was only recognized in the financial statements prepared in accordance with IFRS but not in the financial statements prepared in accordance with CAS. Hence, there is an accounting difference between IFRS and CAS which will be depreciated in subsequent years.

2. ***Differences arising from the transfer of non-performing loans to China Cinda Asset Management Corporation***

   The Group disposed of its non-performing loans to China Cinda Asset Management Company on 27 June 2004 and received a Bill issued by the People's Bank of China in exchange. Under IFRS, the carrying value of the non-performing loans transferred in excess of the fair value of the Bill received from the People's Bank of China (net of tax), would be offset against capital surplus. However under CAS, the Bill received would be carried at face value and the excess of the carrying value of the non-performing loans transferred would be amortized over the life of the Bill in the income statement and recorded as interest income.

3. ***Deferred taxes***

   Under both CAS and IFRS, the Group will compute its deferred income tax on the temporary differences between the tax bases of its assets and liabilities on its financial statements using the liability method. Hence, all adjustments on differences in accounting standards will give rise to differences in deferred tax.

4. ***Others***

   All other differences are reconciling items that are individually immaterial.

3. DETAILS OF CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

3.1 Details of Changes in Share Capital

As at 30 June 2009, the Bank had a total of 392,126 shareholders with 344,700 shareholders holding A shares and 47,426 shareholders holding H shares.

		1 January 2009		Increase/decrease during the Reporting Period					30 June 2009	
		Number of shares	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
1.	**Shares subject to restriction on sales**									
(1)	State-owned shares	**9,974,982,648**	**20.36**	—	—	—	—	—	**9,974,982,648**	**20.36**
(2)	Shares held by state-owned entities	—	—	—	—	—	—	—	—	—
(3)	Shares held by other domestic investors									
	Comprising:									
	Shares held by domestic legal persons	—	—	—	—	—	—	—	—	—
	Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
(4)	Shares held by foreign investors									
	Comprising:									
	Shares held by foreign legal persons	—	—	—	—	—	—	—	—	—
	Shares held by foreign natural persons	—	—	—	—	—	—	—	—	—
2.	**Shares not subject to restriction on sales**									
(1)	RMB-denominated ordinary shares	**15,954,932,919**	**32.57**	—	—	—	—	—	**15,954,932,919**	**32.57**
(2)	Domestically listed foreign shares									
(3)	Overseas listed foreign shares	**23,064,468,136**	**47.07**	—	—	—	—	—	**23,064,468,136**	**47.07**
(4)	Others									
3.	**Total**	**48,994,383,703**	**100.00**						**48,994,383,703**	**100.00**

3.2 Particulars of Shareholdings of the Top 10 Shareholders Subject to Restriction on Sales as at 30 June 2009 (according to the Bank's register of shareholders maintained at its share registrar)

Name of shareholder	Number of shares subject to restriction on sales	Date on which shares become tradable	Number of tradable shares	Restrictions
Ministry of Finance of the People's Republic of China	9,974,982,648	16 May 2010	9,974,982,648	Commitment

3.3 Particulars of Shareholdings of the Top 10 Shareholders and Top 10 Shareholders not Subject to Restriction on Sales (according to the Bank's register of shareholders maintained at its share registrar)

(1) Shareholdings of the Top 10 shareholders

No.	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of shares subject to restrictions on sales	Number of pledged or frozen shares[1]
1	Ministry of Finance of the People's Republic of China	State	26.48	12,974,982,648	9,974,982,648	Nil
2	HKSCC Nominees Limited[2]	Foreign-owned	21.91	10,735,626,222	—	—
3	The Hongkong and Shanghai Banking Corporation Limited[3]	Foreign-owned	18.60	9,115,002,580	—	Nil
4	Capital Airports Holding (Group) Company	State-owned	2.01	985,447,500	—	—
5	State Grid Asset Management Company Limited	State-owned	0.92	451,445,193	—	—
6	Shanghai Tobacco (Group) Corp.	State-owned	0.77	378,328,046	—	—
7	Yunnan Hongta Group Co. Ltd.	State-owned	0.71	346,787,979	—	—
8	Sinopec Finance Company Limited	Domestic legal person	0.62	304,320,800	—	—
9	Huaneng Capital Services Corporation Ltd.	State-owned	0.55	268,501,276	—	—
10	Daqing Petroleum Administration Bureau	State-owned	0.48	233,151,118	—	—

Notes:

1. Unless otherwise stated, the Bank is not aware of any circumstances where shares held by the above shareholders have been frozen or pledged, or of the existence of any connected relationship between the above shareholders.

2. This represents the aggregate number of H shares held by HKSCC Nominees Limited as the nominees for all institutional and individual investors that maintain an account with it as at 30 June 2009. According to the information provided by the National Council for Social Security Fund, National Council for Social Security Fund held 5,555,555,556 H shares of the Bank as at 30 June 2009, representing 11.34% of the total issued share capital of the Bank and all these shares are held through HKSCC Nominees Limited (similarly hereinafter).

3. According to the Bank's register of shareholders kept by Computershare Hong Kong Investor Services Limited, The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") held 9,115,002,580 H shares of the Bank as at 30 June 2009. In addition, according to the disclosure of interests forms filed with The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") by HSBC Holdings plc, HSBC beneficially held 9,312,013,580 H shares of the Bank, and, through its subsidiaries, indirectly held 69,470,681 H shares as at 30 June 2009. In aggregate, HSBC held 9,381,484,261 H shares of the Bank, representing 19.15% of the total issued share capital of the Bank (similarly hereinafter).

(2) Top 10 shareholders not subject to restriction on sales

No.	Name of shareholder	Number of shares held	Shareholding percentage (%)	Type of share
1	HKSCC Nominees Limited	10,735,626,222	21.91	H share
2	The Hongkong and Shanghai Banking Corporation Limited	9,115,002,580	18.60	H share
3	Ministry of Finance of the People's Republic of China	3,000,000,000	6.12	H share
4	Capital Airports Holding (Group) Company	985,447,500	2.01	A share
5	State Grid Asset Management Company Limited	451,445,193	0.92	A share
6	Shanghai Tobacco (Group) Corp.	378,328,046	0.77	A share
7	Yunnan Hongta Group Co. Ltd.	346,787,979	0.71	A share
8	Sinopec Finance Company Limited	304,320,800	0.62	A share
9	Huaneng Capital Services Corporation Ltd.	268,501,276	0.55	A share
10	Daqing Petroleum Administration Bureau	233,151,118	0.48	A share

Connected relations or concerted actions among the above shareholders: The Bank is not aware of any connected relations among the above shareholders or whether they are parties acting in concert.

3.4 Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance

As at 30 June 2009, the substantial shareholders and other persons (other than the directors, supervisors and chief executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to section 336 of the Hong Kong Securities and Futures Ordinance (the "**SFO**") are as follows:

Name of substantial shareholder	Capacity	Number of A shares	Nature of interest[1]	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	9,974,982,648	Long position	38.47	20.36

Name of substantial shareholder	Capacity	Number of H shares	Nature of interest[1]	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	5,555,555,556	Long position	24.09	11.34
Ministry of Finance of the People's Republic of China	Beneficial owner	3,000,000,000	Long position	13.01	6.12
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner	9,312,013,580	Long position	40.37	19.01
	Interest of controlled corporations[2]	69,470,681	Long position	0.30	0.14
	Total:	9,381,484,261		40.67	19.15
HSBC Finance (Netherlands)	Interest of controlled corporations[3]	9,381,484,261	Long position	40.67	19.15
HSBC Bank plc	Interest of controlled corporations[4]	309,481	Long position	0.0013	0.0006
HSBC Holdings plc	Interest of controlled corporations[5]	9,381,793,742	Long position	40.67	19.15

Notes:

1. Long positions held other than through equity derivatives.

2. HSBC holds 62.14% interest in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to be interested in the H shares which are held by Hang Seng Bank Limited.

   Hang Seng Bank Limited is deemed to be interested in the 69,470,681 H shares held by its wholly-owned subsidiaries. Such 69,470,681 H shares represent the aggregate of 7,139,564 H shares indirectly held by Hang Seng Bank (Bahamas) Limited, 61,532,838 H shares directly held by Hang Seng Bank Trustee International Limited and 798,279 H shares directly held by Hang Seng Bank (Trustee) Limited.

   Hang Seng Bank (Bahamas) Limited is deemed to be interested in the 7,139,564 H shares held by its wholly-owned subsidiary, Hang Seng Bank Trustee (Bahamas) Limited.

3. HSBC is wholly-owned by HSBC Asia Holdings BV. HSBC Asia Holdings BV is in turn wholly-owned by HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is in turn wholly-owned by HSBC Holdings BV. HSBC Holdings BV is in turn wholly-owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK), HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 9,381,484,261 H shares in which HSBC has an interest.

4. HSBC Financial Products (France) holds 309,481 H shares. HSBC France owns an equity interest of 58.25% in HSBC Financial Products (France), while the remaining 41.75% equity interest is held by HSBC Securities (France) SA, a wholly-owned subsidiary of HSBC France. HSBC France is in turn wholly-owned by HSBC Bank plc. Pursuant to the SFO, each of HSBC Securities (France) SA, HSBC France and HSBC Bank plc is deemed to be interested in the 309,481 H shares held by HSBC Financial Products (France).

5. HSBC Finance (Netherlands) and HSBC Bank plc are wholly-owned by HSBC Holdings plc. Pursuant to Notes 2, 3, and 4 and the SFO, HSBC Holdings plc is deemed to be interested in the 9,381,484,261 H shares in which HSBC has an interest and the 309,481 H shares in which HSBC Bank plc has an interest.

Except as disclosed above, no person or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2009.

4 PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the year	Type of share	Change in shareholding during the Reporting Period	Number of shares held at the end of the Reporting Period	Reasons for changes in shareholding
Yang Dongping	Chief Risk Management Officer	75,000	A share	0	75,000	—

There have been no changes in the shareholdings of directors, supervisors and senior management of the Bank during the Reporting Period. Save as disclosed in section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management" above, as at 30 June 2009, none of the Bank's directors, supervisors and chief executive had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register pursuant to section 352 of the SFO, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), to be notified to the Bank and the Hong Kong Stock Exchange.

4.2 Changes in Directors, Supervisors and Senior Management

There have been no changes in directors, supervisors and senior management of the Bank during the Reporting Period.

5 MANAGEMENT DISCUSSION AND ANALYSIS

Since the beginning of the year, China has adopted active fiscal policies and moderately loose monetary policies to stimulate domestic demand and promote stable and rapid economic development in order to cope with the global financial crisis. The economy performed positively during the first half of the year as total GDP reached RMB14 trillion, an increase of 7.1% as compared to the corresponding period in prior year. This acceleration was also 1.0 percentage point faster compared to the first quarter. The Group was able to maintain stable development for all its business lines and consequently achieved favourable operating results through accelerated restructuring and innovation. This was also the result of the Group's continued close monitoring of the macro-economic and financial situation and its implementation of the government's strategic policies.

(1) OPERATION OVERVIEW

The Group's total assets increased by 22.96% from the beginning of the year to RMB3,298.860 billion as at the end of the Reporting Period. Net profit increased by 0.30% as compared to the corresponding period in prior year to RMB15.555 billion for the six months ended 30 June 2009. Return on average total assets (annualized) and return on average shareholders' equity (annualized) were 1.04% and 20.10%, respectively.

(2) BUSINESS REVIEW

Sustained improvement in value and rapid growth across business lines

In view of the severe challenges brought about by the global financial crisis and economic downturn, the Group proactively reinforced its operational management to respond effectively to the complicated international and domestic operating environment and to achieve rapid growth for its various business lines. The Group's total assets increased by 22.96% from the beginning of the year to RMB3,298.860 billion as at the end of the Reporting Period. Customer loans (before provision, similarly hereinafter unless otherwise stated) increased by 30.15% from the beginning of the year to RMB1,729.218 billion. Customer deposits increased by 26.77% from the beginning of the year to RMB2,365.334 billion.

Concurrent with the rapid development of its business, the Group's wealth management business became increasingly prominent with continuous increase in number of quality customers. This was characterized by the significant increases in "Win to Fortune" customers as well as the size of cash deposits as compared to the beginning of the year. The industries covered by the "Win to Fortune Supply Chain" also expanded to include mechanical engineering, port logistics, pharmaceutical, and chemical fertilisers. The rapid growth of medium to high net worth customers and size of assets under management was also maintained for wealth management products such as "BOCOM Fortune" and "OTO Fortune". Moreover, the Group witnessed in-depth developments and reach in its private banking services, which coverage has been extended to 10 provincial cities. It also introduced new and innovative private equity products, wealth management products with leased assets as underlying assets, and asset management products domestically. As at the end of the Reporting Period, the number of private banking customers and size of assets under management have increased by 26.12% and 28.33%, respectively, as compared to the beginning of the year.

The Group's corporate image and brand name was continually enhanced as it benefited from its excellent operating results and growth of customer base. It made its debut into Fortune Global 500 and a No. 143 overall ranking with No. 31 in the banking industry in Forbes Global 2000. In addition, it was awarded the "2009 Rising Star Cash Management Bank" in China by The Asset Magazine.

Active implementation of macro-control policies and adjustment of credit strategy

The Group strengthened its operational management and control and moderately increased its loans disbursements while keeping risks within acceptable levels in support of the country's investment promotion policy. It also amended its industry orientation credit guidelines in accordance with the national restructuring and revitalization plan. In addition, the Bank established project loan authorization and increased its credit support for the nation's critical investment projects and key industries' enhancement and upgrading projects. Various loans increased by 30.15% or RMB400.628 billion since the beginning of the year to RMB1,729.218 billion. Of this, loans to basic infrastructure construction-related industries such as transportation, electricity, public utilities, construction and energy increased by RMB132.721 billion in aggregate and accounted for 54.93% of total increment in corporate loans.

The Group strongly supported the development of small-and-medium enterprises and a Small Enterprises Credit Department was established at the Head Office. Pilot Small Enterprises Loan Service Centres were also established at six provincial branches (including Jiangsu Province and Zhejiang Province). Specialized small enterprises service organizations has effectively cover the small enterprise credit business of domestic branches. At the same time, the Bank also optimized the functions for its "BOCOM PROMOTION" product and improved its business evaluation and approval process to enhance its small enterprise financial services brand. During the Reporting Period, new small enterprise loans increased by 82.63% from the beginning of the year to RMB12.675 billion.

Initial success from structural adjustments resulting in increased interest income from the last quarter

The Group continued to place emphasis on the readjustment of business structure to grow interest income during the Reporting Period. With regard to assets, loan disbursements continued to lean towards high return assets whilst discounted bills continued to reduce gradually. At the end of the Reporting Period, the proportion of discounted bills decreased by 1.01 percentage points as compared to the first quarter and the proportion of medium- and long-term domestic RMB loans to general loans increased by 6.64 percentage points as compared to the beginning of the year and increased by 4.1 percentage points since the end of the first quarter. In terms of liabilities, growth in fixed deposits slowed down and the increase for the quarter is significantly less than that of the first quarter. In terms of treasury business, the Bank further expanded its funds operation and the Bank continued to be at the forefront in terms of volume and market position in inter-bank transactions. Return on investment in RMB-denominated bonds dropped by only 8 basis points as compared to the corresponding period in prior year to 4.01% in spite of significant decline in market interest rates.

The Group was able to maintain the stability of its interest spreads comparing to the last quarter as it benefited from the enhancement in its business structure. As at the end of the Reporting Period, net interest spread and net interest margin decreased by only 4 and 5 basis points to 2.11% and 2.21%, respectively, as compared to the first quarter. In particular, the Group's net interest income for the second quarter began to increase as compared to the last quarter and net interest income for the second quarter increased by 4.23% as compared to the first quarter to RMB15.201 billion. This represented the first quarter of increase in net interest income after consecutive declines in the two preceding quarters since the fourth quarter of 2008 and signalled an upturn in the Bank's net interest income.

Rapid development of fee-based businesses to strengthen market position

The Group was able to adjust its operating strategy on a timely manner and increase its expansion in fee-based businesses despite increasingly severe competition. Cumulative realized net fee and commission income for the first half of the year increased by 17.69% as compared to the corresponding period in prior year to RMB5.476 billion. This accounted for 14.76% of net operating income, an increase of 2.45 percentage points as compared to the corresponding period in prior year, representing a further increase in contribution to operating income.

The Group accelerated the diversification of its fee-based business during the Reporting Period. There were strong growth trends for all key business lines to further enhance its market competitiveness. The Group's realized revenue from investment banking business almost doubled as compared to the corresponding period in prior year to RMB1.064 billion. The Group continued to remain at the forefront of the bond underwriting market as it was the principal underwriter for 27 bonds with underwriting amount totalling RMB128.4 billion. These include bonds issued by State Grid Corporation of China, Zhongjing Gold Corporation Limited and Shanghai Electric Group. Income from agency insurance business increased by 145.74% as compared to the corresponding period in 2008 to RMB0.317 billion. The proportion of regular premium-type and protection-type insurance businesses increased significantly when compared to the corresponding period in prior year. Market ranking for sales of "De Li Bao" wealth management product came first in terms of the number of types of products offered and third in terms of absolute amount. Realized income from bank card business increased by 52.61% as compared to the corresponding period in prior year to RMB1.845 billion. The total number of new bank cards issued was 5.35 million and customers' card spending for the first half of the year increased by 65.73% as compared to the corresponding period in prior year to RMB147.5 billion.

Continuous strengthening of synergies to show the Group's operating advantages

The Group's operating advantage becomes more significant as it continues to push ahead with its strategy of international expansion and comprehensive operation. During the Reporting Period, the application for establishment of representative office in Sydney was successfully approved and the Bank is also actively pursuing applications to establish branches in Ho Chi Minh City and San Francisco. Individual subsidiaries also reinforced their business linkages with the Group in various areas to achieve further synergy within the Group, thereby resulting in relatively rapid development of the business of the Group's subsidiaries. The joint initiatives between the subsidiaries cover areas such as joint marketing, project referrals, separately managed accounts and investment advisory services. Bank of Communications Schroder Fund Management Co., Ltd also made its debut into the top ten domestic fund management companies while the industry ranking and market position of Bank of Communications Financial Leasing Co., Ltd continued to improve as its total assets and leased assets' outstanding balance both exceeded RMB10 billion.

Net profit contributed to the Group by overseas branches and subsidiaries during the Reporting Period were RMB0.757 billion and RMB0.221 billion, respectively, the proportion of which to the total profit attributable to shareholders of the Bank increased by 1.92 and 0.29 percentage points, respectively, as compared to the corresponding period in prior year. Contributions to the Group further increased.

Continued improvement of operating efficiency to achieve operating effectiveness

The Group's operating efficiency and operational effectiveness were enhanced as it actively promoted cost-cutting and efficiency improvement measures in order to deal with the decline in revenue growth due to the financial crisis. During the Reporting Period, the Group managed to control its costs effectively, thereby resulting in a decrease in the cost-to-income ratio by 1.51 percentage points as compared to the corresponding period in prior year to 34.27%. Net profit increased slightly as compared to the corresponding period in prior year to RMB15.555 billion. Return on average assets (annualized) and return on average shareholders' equity (annualized) remained high at 1.04% and 20.10%, respectively.

Sustained improvement of risk management to reinforce capital strength

During the Reporting Period, the Group adhered to its prudent risk management approach, strengthened risk prevention over key areas and embarked on the improvement of its credit administration standards. The Group reinforced credit limit monitoring within branches and reduced exposures to key risk areas. To further enhance its risk management, the Group also actively promoted the application of internal evaluation results in operational management, including credit approval, post-lending supervision, risk reporting, loan pricing, design of risk bias indicators and customer value management. As at 30 June 2009, the quality of the Group's assets was maintained while its ability to resist risks was further strengthened. Its impaired loans ratio decreased by 0.41 percentage point from the beginning of the year to 1.51% and provision coverage of impaired loans increased by 6.17 percentage points from the beginning of the year to 123.00%. The provision coverage of impaired loans (including statutory general reserves after tax) was 193.92%, representing an increase of 27.82 percentage points from the beginning of the year.

The Group actively optimized its capital management mechanism. It formulated a medium to long term capital planning framework during the Reporting Period to define its medium to long term capital adequacy targets, capital supplement plan and capital utilization plan. Due to the rapid growth of the Group's business, its capital adequacy ratio and core capital adequacy ratio declined slightly at the end of the Reporting Period from the beginning of the year although they were still maintained at relatively high levels of 12.57% and 8.81%, respectively. At the same time, the Group took advantage of the favorable opportunity offered by low market interest rates to carry out capital replenishment measure by successfully issuing RMB25 billion worth of subordinated debt in early July 2009. These bonds qualified as inclusion for supplementary capital, thereby further enhancing the Group's capital adequacy level.

Active adherence to national strategy and enhance service capabilities

The Group capitalized on the valuable opportunity offered by the Shanghai "financial and shipping center" development to accelerate its product and service innovation. It was amongst the first to receive approval to provide commercial cross-border RMB settlement services. It was also the first to process a commercial cross-border RMB settlement transaction globally as well as the first to offer this service at all pilot locations. In addition, the Group put forward ten major development initiatives to support the Shanghai "financial and shipping center" project. It also established a shipping finance department at its Head Office to strengthen the development and scope of its shipping services.

As the Shanghai World Expo's global partner, the Group provided customized financial services plans for the World Expo's organizers, partners, sponsors and overseas participants whilst it actively participated in the sale of World Expo admission tickets and licensed products. Furthermore, the Shanghai World Expo provided an opportunity for the Group to improve its service capabilities due to the enhancement of infrastructure projects in information technology and channel construction. The Group completed the upgrading of the entire Bank's main server system during the Reporting Period with business processing capabilities improving by 25%. It also successfully completed disaster recovery exercises at pilot branches for further integration of the Head Office and branches' disaster recovery systems. The drive towards continued innovation in e-banking products and service models enabled e-banking business diversion to increase by 7.68 percentage points from the beginning of the year to 47.68%. There were also improvements in distribution capabilities via e-channels which helped to improve service efficiency while reducing costs.

(3) FINANCIAL REVIEW

1. *Income Statement Analysis*

(1) Operating profit before tax

During the Reporting Period, the Group achieved operating profit before tax of RMB19.869 billion, a decrease of RMB0.432 billion as compared to the corresponding period in prior year. This was mainly due to the tightening of interest spreads which resulted in the decline in net interest income from the corresponding period in prior year.

The table below shows certain items of the Group's operating profit before tax for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2009	2008
Net interest income	**29,785**	33,012
Net fee and commission income	**5,476**	4,653
Other non-interest income	**1,834**	142
Impairment allowances	**(4,515)**	(3,977)
Operating profit before tax	**19,869**	20,301

(2) Net interest income

During the Reporting Period, the Group earned net interest income of RMB29.785 billion, a decrease of RMB3.227 billion or 9.78% as compared to the corresponding period in prior year. Net interest income continued to be the major component of the Group's operating income, accounting for 80.29% of net operating income.

The table below shows the average daily balances, associated interest income and expenses, and average yield (annualized) on or average cost (annualized) of the Group's interest-earning assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2009			For the six months ended 30 June 2008		
	Average balance[1]	**Interest income/ (expenses)**	**Average yield/(cost) ratio**	Average balance[1]	Interest income/ (expenses)	Average yield/(cost) ratio
ASSETS						
Cash and balances with central banks	**330,282**	**2,636**	**1.60%**	274,558	2,306	1.68%
Due from other banks and financial institutions	**322,312**	**3,023**	**1.88%**	170,155	3,705	4.35%
Loans and advances to customers	**1,474,411**	**38,713**	**5.25%**	1,104,797	39,541	7.16%
Of which:						
Corporate loans	**1,096,135**	**30,742**	**5.61%**	911,884	32,635	7.16%
Individual loans	**200,198**	**6,010**	**6.00%**	167,638	6,103	7.28%
Discounted bills	**178,078**	**1,961**	**2.20%**	25,275	803	6.35%
Investment securities	**626,303**	**11,292**	**3.61%**	537,975	10,556	3.92%
Total interest-earning assets	**2,701,453[4]**	**55,237[4]**	**4.09%**	2,057,744[4]	55,067[4]	5.35%
Total non-interest earning assets	**137,844**			141,777		
TOTAL ASSETS	**2,839,297[4]**			2,199,521[4]		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Due to customers	**2,011,286**	**17,838**	**1.77%**	1,598,747	17,351	2.17%
Of which:						
Corporate deposits	**1,315,447**	**10,948**	**1.66%**	1,080,330	11,138	2.06%
Individual deposits	**695,839**	**6,890**	**1.98%**	518,417	6,213	2.40%
Due to other banks and financial institutions	**566,787**	**7,060**	**2.49%**	329,262	4,882	2.97%
Debts issued and others	**44,132**	**981**	**4.45%**	42,327	863	4.08%
Total interest-bearing liabilities	**2,570,350[4]**	**25,452[4]**	**1.98%**	1,940,595[4]	22,055[4]	2.27%
Shareholders' equity and non-interest bearing liabilities	**268,947**			258,926		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,839,297[4]**			2,199,521[4]		
Net interest income		**29,785**			33,012	
Net interest spread[2]			**2.11%[4]**			3.08%[4]
Net interest margin[3]			**2.21%[4]**			3.21%[4]
Net interest spread[2]			**2.18%[5]**			3.17%[5]
Net interest margin[3]			**2.28%[5]**			3.30%[5]

Notes:

1. Average daily balance calculated under CAS and adjusted in accordance with IFRS.

2. This ratio represents the difference between the average yield on the average balance of total interest-earning assets and the average cost of average balance of total interest-bearing liabilities.

3. This ratio represents the ratio of net interest income to average balance of total interest-earning assets.

4. This eliminates the impact of wealth management products.

5. This eliminates the impact of wealth management products and taking into account the tax exemption on the interest income from investments in Government bonds.

During the Reporting Period, the Group's net interest spread and net interest margin were 2.11% and 2.21%, respectively, a decrease of 97 and 100 basis points, respectively, as compared to the corresponding period in prior year and a decrease of 4 and 5 basis points, respectively, as compared to the first quarter. The main reasons for the decrease in net interest spread and net interest margin were as follows:

(1) The 191 basis points decrease in average return on loans as compared to the corresponding period in prior year was due to the significant period-on-period decrease in benchmark interest rates.

(2) As a result of the trend towards term deposits, deposit interest rates declined in a relatively slow rate. Average interest on deposits was 1.77%, a decrease of 40 basis points as compared to the corresponding period in prior year. This represents a smaller decline as compared to the decline in return on loans.

The table below shows the effects of changes in balances and interest rates on the Group's interest income and interest expense. Changes in balances and interest rates during the periods indicated are calculated based on the changes in average daily balance and the changes in interest rates of interest-earning assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between January to June 2009 and January to June 2008 Increase/(decrease) due to		
	Volume	**Interest rate**	**Net increase/ (decrease)**
Interest-earning Assets			
Cash and balances with central banks	468	(138)	330
Due from other banks and financial institutions	3,309	(3,991)	(682)
Loans and advances to customers	13,232	(14,060)	(828)
Investment securities	1,731	(995)	736
Changes in interest rates	18,740	(19,184)	(444)
Interest-bearing Liabilities			
Due to customers	4,476	(3,989)	487
Due to other banks and financial institutions	3,527	(1,349)	2,178
Debt issued and others	37	81	118
Changes in interest expenses	8,040	(5,257)	2,783
Changes in net interest income	10,700	(13,927)	(3,227)

During the Reporting Period, the Group's net interest income decreased by RMB3.227 billion as compared to the corresponding period in prior year. Of this, changes in the average daily balance of assets and liabilities caused net interest income to increase by RMB10.700 billion while changes in average returns and average costs caused net interest income to decrease by RMB13.927 billion.

i. Interest income

During the Reporting Period, the Group's interest income decreased by RMB0.444 billion or 0.79% as compared to the corresponding period in prior year to RMB55.664 billion.

a. Interest income from customer loans

Interest income from customer loans forms the largest component of the Group's interest income. During the Reporting Period, interest income from customer loans decreased by RMB0.828 billion or 2.09% as compared to the corresponding period in prior year to RMB38.713 billion. As a result of the interest rate reduction in 2008, returns on customer loans decreased significantly, thus offsetting the increase in interest income brought by the growth in loan balances. Average returns on corporate loans, individual loans and discounted bills decreased by 155, 128 and 415 basis points, respectively, as compared to the corresponding period in prior year.

b. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB0.736 billion or 6.97% as compared to the corresponding period in prior year to RMB11.292 billion. The Group's return on investment securities was maintained at a healthy level of 3.61%, representing a decrease of 31 basis points as compared to the corresponding period in the previous year. Overall, the Group managed to take advantage of investment opportunities to increase the scope of its investment operations and optimize its investment structure.

c. Interest income from cash and balances with central banks

Cash and balances with central banks include the statutory reserve deposits and deposits in excess of the statutory reserve. During the Reporting Period, interest income from cash and balances held with central banks increased by RMB0.330 billion as compared to the corresponding period in prior year to RMB2.636 billion. This was mainly due to increase in statutory reserve deposits resulting from the growth in customer deposits which caused average balances held with central banks to increase by RMB55.724 billion or 20.30% as compared to the corresponding period in prior year.

d. Interest income from due from other banks and financial institutions

Interest income from due from other banks and financial institutions decreased by RMB0.682 billion as compared to the corresponding period in prior year to RMB3.023

billion. This was mainly due to the effects of the decline in interest rates of currency market which caused average return on balances with banks and other financial institutions to decline by 247 basis points to 1.88% as compared to the corresponding period in prior year.

ii. Interest expense

During the Reporting Period, the Group's interest expense increased by RMB2.783 billion or 12.05% to RMB25.879 billion as compared to the corresponding period in prior year. This was mainly due to the increase in the average balances of customer deposits and amounts due to other banks and financial institutions.

a. Interest expense on customer deposits

Deposits are the Group's main source of funding. During the Reporting Period, interest expense on deposits increased by RMB0.487 billion or 2.81% as compared to the corresponding period in prior year to RMB17.838 billion, accounting for 68.93% of total interest expenses. The increase in interest expense on deposits was mainly due to the increase in average balances. In addition, the residual effect of the reduction in interest rates has also caused average costs to decrease from 2.17% in the corresponding period in prior year to 1.77%.

b. Interest expense on balances from other banks and financial institutions

During the Reporting Period, interest expense on balances from other banks and financial institutions increased by RMB2.178 billion or 44.61% as compared to the corresponding period in prior year to RMB7.060 billion. This was mainly due to the 72.14% increase in average balances as compared to the corresponding period in prior year. In addition, the effects of the decline in interest rates of domestic currency market also caused average costs of balances from other banks and financial institutions to decrease by 48 basis points as compared to the corresponding period in prior year.

c. Interest expense on debts issued and others

During the Reporting Period, interest expense on debts issued and others increased by RMB0.118 billion to RMB0.981 billion and average cost increased from 4.08% to 4.45% as compared to the corresponding period in prior year. This was mainly due to the re-pricing of the coupon rate (at interest re-pricing date) for subordinated debt issued by the Group in June to July 2004. The coupon rate is linked to the one-year lump-sum deposit and withdrawal time deposit rate and such rate has increased during the Reporting Period as compared to the corresponding period in prior year.

(3) Net fee and commission income

Net fee and commission income is a major component of the Group's net operating income. During the Reporting Period, the Group's net fee and commission income was RMB5.476 billion, representing an increase of RMB0.823 billion or 17.69% as compared to the corresponding period in prior year. This accounted for 14.76% of net operating income, representing an increase of 2.45 percentage points as compared to the corresponding period in prior year.

The table below shows the major components of the Group's net fee and commission income for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2009	2008
Settlement and agent service commission income	**1,372**	1,033
Bank card annual fee and commission income	**1,845**	1,209
Guarantee and commitment commission income	**610**	599
Custodian commission income	**333**	359
Fund sales commission income	**373**	671
Fund management commission income	**306**	335
Financial consultancy commission income	**843**	374
Other commission income	**555**	620
Total fee and commission income	**6,237**	5,200
Less: Fee and commission expenses	**(761)**	(547)
Net fee and commission income	**5,476**	4,653

Settlement and agent service fee commission increased by RMB0.339 billion or 32.82% as compared to the corresponding period in prior year to RMB1.372 billion. Of this, insurance agency commission income increased by 145.74% to RMB0.317 billion.

Bank card annual fee and commission income increased by RMB0.636 billion or 52.61% as compared to the corresponding period in prior year to RMB1.845 billion. This was mainly due to the significant increase in the number of cards issued as well as increase in customer spending and amount of transactions via automated facilities.

Guarantee and commitment commission income increased by RMB0.011 billion or 1.84% as compared to the corresponding period in prior year to RMB0.610 billion. This was mainly due to the business growth in non-financing guarantees and loan commitments.

Custodian commission income decreased by RMB0.026 billion as compared to the corresponding period in prior year to RMB0.333 billion. This was mainly due to reduction in the amount of assets placed under custody.

Fund sales and management commission income decreased by RMB0.327 billion as compared to the corresponding period in prior year to RMB0.679 billion. This was mainly due to a decrease in the volume of fund sales as compared to the corresponding period in prior year.

Financial consultancy commission income increased by RMB0.469 billion or 125.40% as compared to the corresponding period in prior year to RMB0.843 billion. This was mainly due to the revenue growth in businesses including investment and financing advisory services.

(4) Other operating expenses

The Group continued to strengthen its costs control. During the Reporting Period, other operating expenses of the Group amounted to RMB12.711 billion, representing a decrease of RMB0.818 billion or 6.05% as compared to the corresponding period in prior year. Cost-to-income ratio also decreased by 1.51 percentage points as compared to the corresponding period in prior year and 5.67 percentage points as compared to the whole of the prior year to 34.27%. Costs control was satisfactorily managed.

(5) Impairment losses on loans and advances

During the Reporting Period, the Group's impairment losses on loans and advances increased from RMB3.977 billion for the corresponding period in 2008 to RMB4.515 billion, representing an increase of 13.53%. The credit cost ratio (annualized) also decreased by 0.12 percentage point as compared to the corresponding period in prior year to 0.52%.

(6) Income tax

During the Reporting Period, the Group's income tax expense was RMB4.258 billion, representing a decrease of RMB0.476 billion or 10.05% from the corresponding period in prior year. The effective tax rate was 21.43%, which was lower than the statutory tax rate of 25%, mainly due to the fact that the Group's interest income from Chinese Government bonds is exempted from income tax pursuant to the relevant tax provisions.

The table below shows the Group's current tax and deferred tax for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2009	2008
Current Tax	**4,034**	3,749
Deferred Tax	**224**	985

2. *Analysis on Major Balance Sheet Items*

(1) Assets

As at 30 June 2009, the Group's total assets was RMB3,298.860 billion, representing an increase of RMB615.913 billion or 22.96% from the beginning of the year. The Group's assets consist of four principal components, namely loans and advances to customers, investment securities, cash and balances with central banks and due from other banks and financial institutions, accounting for 51.45%, 23.59%, 12.41% and 10.24% of the Group's total assets, respectively. All ratios are computed using the net figures of the respective asset class.

The table below shows the outstanding balances of the principal components of the Group's total assets as at the dates indicated:

(in millions of RMB)

	30 June 2009	31 December 2008
Loans and advances to customers		
Corporate loans[Note]	**1,295,428**	1,053,799
Individual loans[Note]	**246,212**	205,058
Discounted bills[Note]	**187,578**	69,733
Total loans and advances to customers before impairment allowances	**1,729,218**	1,328,590
Impairment losses on loans and advances	**(32,013)**	(29,814)
Loans and advances to customers	**1,697,205**	1,298,776
Investment securities	**778,229**	623,071
Cash and balances with central banks	**409,312**	362,180
Due from other banks and financial institutions	**337,816**	331,511

Note: Corporate loans, individual loans and discounted bills represent amounts before impairment allowances.

i. Customer Loans

During the first half of 2009, the Group managed to cope with the unfavorable conditions arising from the economic downturn and continued to support the nation's investment-promotion policy by increasing its loan disbursements while keeping its risks within acceptable levels. As at 30 June 2009, the Group's total outstanding loans and advances to customers was RMB1,729.218 billion, representing an increase of RMB400.628 billion or 30.15% from the beginning of the year.

Loan concentration by industries

The Group conscientiously implemented the national macro-economic policy and expanded its credit support to areas such as major infrastructural projects, rural infrastructure and livelihood projects, industrial restructuring, small-and-medium enterprises, agricultural, disaster reconstruction and energy conservation and emission reduction as part of its overall efforts to optimize credit structure.

The table below shows the distribution of the Group's loans and advances to customers by industry as of the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2009		31 December 2008	
	Outstanding balance	**Proportion (%)**	Outstanding balance	Proportion (%)
Manufacturing				
— Petroleum and chemical	**64,511**	**3.73**	60,331	4.54
— Electronics	**23,687**	**1.37**	23,680	1.78
— Steel making and processing	**35,471**	**2.05**	33,766	2.54
— Machinery	**74,734**	**4.32**	67,141	5.05
— Textile	**22,994**	**1.33**	22,102	1.66
— Others	**127,241**	**7.36**	114,481	8.63
Transportation	**202,065**	**11.69**	148,935	11.21
Electricity	**114,239**	**6.61**	105,541	7.94
Wholesale and retail	**126,909**	**7.33**	108,559	8.17
Commercial services	**67,510**	**3.90**	49,990	3.76
Real estate	**117,917**	**6.82**	88,568	6.67
Utilities	**146,211**	**8.46**	92,207	6.94
Construction	**62,567**	**3.62**	52,261	3.93
Energy and mining	**26,862**	**1.55**	20,279	1.53
Recreation and entertainment	**21,447**	**1.24**	20,560	1.55
Accommodation and catering	**13,014**	**0.75**	13,977	1.05
IT and communications service	**7,711**	**0.45**	8,200	0.62
Financial institutions	**19,896**	**1.15**	10,164	0.77
Others	**20,442**	**1.18**	13,057	0.98
Total corporate loans	**1,295,428**	**74.91**	1,053,799	79.32
Mortgage loans	**147,990**	**8.56**	124,555	9.37
Medium-term and long-term working capital loans	**26,319**	**1.52**	23,873	1.80
Short-term working capital loans	**21,227**	**1.23**	16,883	1.27
Car loans	**4,539**	**0.26**	4,271	0.32
Credit card advances	**24,527**	**1.42**	20,453	1.54
Others	**21,610**	**1.25**	15,023	1.13
Total individual loans	**246,212**	**14.24**	205,058	15.43
Discounted bills	**187,578**	**10.85**	69,733	5.25
Gross amount of loans and advances to customers before impairment allowances	**1,729,218**	**100.00**	1,328,590	100.00

As at 30 June 2009, the Group's loans to corporate entities amounted to RMB1,295.428 billion, representing an increase of RMB241.629 billion or 22.93% from the beginning of the year. New loans were mainly concentrated in key areas in compliance with the nation's policies and in line with the Bank's plan for the development of key industries such as transportation, electricity and public utilities. In terms of the distribution of the loan outstanding balances, loans were mainly concentrated in the manufacturing, transportation, public utilities and wholesale and retail industries, which accounted for 63.59% of total corporate loans.

As at 30 June 2009, loans to individuals amounted to RMB246.212 billion, representing an increase of RMB41.154 billion or 20.07% from the beginning of the year. The proportion of loans to individuals decreased by 1.19 percentage points from the beginning of the year due to the significant increase in the outstanding balance of customer loans. Notwithstanding the decrease in the proportion, the market share of individual housing loans and individual consumer loans increased as compared to the beginning of the year.

Borrowers concentration

The table below shows the loan balances of the top 10 single borrowers of the Group as at the date indicated:

(in millions of RMB unless otherwise stated)

		As at 30 June 2009	
	Type of industry	**Outstanding loan balance**	**Percentage of total loans and advance (%)**
Customer A	Wholesale and Retail	6,400	0.37
Customer B	Transportation	5,100	0.29
Customer C	Wholesale and Retail	4,986	0.29
Customer D	Commercial services	4,500	0.26
Customer E	Transportation	4,499	0.26
Customer F	Transportation	4,398	0.26
Customer G	Transportation	4,020	0.23
Customer H	Transportation	4,000	0.23
Customer I	Construction	3,568	0.21
Customer J	Construction	3,500	0.20
Total of Top 10 customers		44,971	2.60

Loan concentration by geographical locations

The Group's loans and advances to customers are mainly concentrated in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at 30 June 2009, new loans and advances to customers in these three regions were RMB249.068 billion, accounting for 62.17% of the increment in total loans and advances to customers. The balance of loans and advances for these three regions increased by 34.06%, 21.39% and 28.16%, respectively, as compared to the beginning of the year.

Customer structure

The Group further optimized its customer structure. Corporate customers of the Group's domestic branches are classified using a 10-class credit rating system. As at the end of the Reporting Period and as compared to the beginning of the year, loans outstanding to class 1 to class 5 high quality customers accounted for 84.71% of the total outstanding loan balance, representing an increase of 4.21 percentage points while loans outstanding to class 6 to class 7 customers accounted for 5.44% of the total outstanding loan balance, representing a decrease of 8.18 percentage points, and loans outstanding to class 8 to class 10 high risk customers accounted for 1.56%, representing a decrease of 0.56 percentage point.

Loan quality

During the first half of 2009, the Group intensified its efforts in credit restructuring by integration of high risk areas arising from economic operations, sustained risk investigations and monitoring, clearly defining management's areas of focus and strengthening its early risk warning system. It also further increased its efforts over the management and collection of non-performing loans through measures such as cash collection, bad debt write-offs and collateralization. As at 30 June 2009, the Group improved the quality of its loans and the impaired loans ratio was 1.51%, representing a decrease of 0.41 percentage point from the beginning of the year.

The table below shows certain information of the Group's individually identified impaired loans and loans overdue by more than 90 days as at the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2009	31 December 2008
Individually identified impaired loans	**26,026**	25,520
Loans overdue by more than 90 days	**21,097**	20,979
Percentage of impaired loans to gross amount of loans and advances to customers	**1.51%**	1.92%

As at 30 June 2009, impairment losses on loans and advances were RMB32.013 billion, representing an increase of RMB2.199 billion from the beginning of the year. The Group continued to enhance its ability to combat risks as reflected by the provision coverage of impaired loans of 123.00%, an increase of 6.17 percentage points from the beginning of the year. The provision coverage of impaired loans (including statutory general reserves after tax) was 193.92%, representing an increase of 27.82 percentage points from the beginning of the year.

ii. Investment securities

As at 30 June 2009, the Group's outstanding balance of investment securities (after impairment allowances) amounted to RMB778.229 billion, representing an increase of RMB155.158 billion or 24.90% from the beginning of the year.

— *By holding purposes*

The table below shows the distribution of the Group's investment in securities by holding purposes as of the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Investments at fair value through profit or loss	**39,335**	**5.05**	22,280	3.58
Loans and receivables	**82,318**	**10.58**	90,903	14.59
Available-for-sale investments	**166,392**	**21.38**	142,010	22.79
Held-to-maturity investments	**490,184**	**62.99**	367,878	59.04
Total	**778,229**	**100.00**	623,071	100.00

Held-to-maturity investments increased by RMB122.306 billion or 33.25% from the beginning of the year and accounted for 78.83% of the increment in total investment securities. Available-for-sale investments increased by RMB24.382 billion or 17.17%.

— *By type of issuers*

The table below shows the distribution of the Group's investment in securities by type of issuers as of the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2009		31 December 2008	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Central government and central banks	**336,417**	**43.23**	294,356	47.24
Public sector entities	**12,964**	**1.67**	8,764	1.41
Banks and other financial institutions	**263,931**	**33.91**	225,966	36.27
Corporate entities	**164,917**	**21.19**	93,985	15.08
Total	**778,229**	**100.00**	623,071	100.00

(2) Liabilities

As at 30 June 2009, the Group's total liabilities reached RMB3,138.488 billion, an increase of RMB605.636 billion or 23.91% from the beginning of the year. Of this, customer deposits increased by RMB499.519 billion and accounted for 75.37% of total liabilities, an increase of 1.71 percentage points from the beginning of the year. Due to other banks and financial institutions increased by RMB89.898 billion as compared to the beginning of the year and accounted for 21.01% of total liabilities, a decrease of 1.47 percentage points from the beginning of the year.

Customer deposits

Customer deposits are the main source of funds for the Group. As at 30 June 2009, the Group's customer deposits balances amounted to RMB2,365.334 billion, an increase of RMB499.519 billion or 26.77% from the beginning of the year. The Group has a sound and diverse deposit structure. In terms of customer portfolio, corporate deposits accounted for 65.94% of total deposits, an increase of 2.69 percentage points from the beginning of the year. Individual deposits accounted for 33.81% of total deposits, a decrease of 2.40 percentage points from the beginning of the year. With regard to the maturity of deposits, current deposits accounted for 46.28% of total deposits, a decrease of 2.09 percentage points from the beginning of the year while time deposits accounted for 53.47% of total deposits, an increase of 2.38 percentage points from the beginning of the year.

The table below shows the Group's corporate and individual deposits as of the dates indicated:

(in millions of RMB)

	30 June 2009	31 December 2008
Corporate deposits	**1,559,783**	1,180,207
Of which:		
Corporate current deposits	**804,626**	655,101
Corporate time deposits	**755,157**	525,106
Individual deposits	**799,690**	675,564
Of which:		
Individual current deposits	**290,146**	247,428
Individual time deposits	**509,544**	428,136

3. *Segment Analysis*

(1) Operating results by geographical segments

The table below shows the net profit and total revenue from each of the Group's geographical segment for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June			
	2009		2008	
	Net profit	**Total revenue[1]**	Net profit	Total revenue[1]
Northern China[2]	**2,469**	**12,661**	2,371	11,158
North Eastern China[3]	**324**	**3,386**	672	3,717
Eastern China[4]	**4,905**	**23,189**	5,923	23,792
Central and Southern China[5]	**1,688**	**11,153**	2,891	11,814
Western China[6]	**1,106**	**4,477**	684	4,707
Overseas[7]	**829**	**2,378**	499	3,222
Head Office	**4,290**	**16,296**	2,527	13,627
Eliminations	**—**	**(9,805)**	—	(10,587)
Total[8]	**15,611**	**63,735**	15,567	61,450

Notes:

1. Includes interest income, fee and commission income, dividend income, gains less losses from trading activities, gains less losses arising from the de-recognition of investment securities and other operating income.

2. Includes Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and the Inner Mongolia Autonomous Region. (similarly hereinafter)

3. Includes Liaoning Province, Jilin Province and Heilongjiang Province. (similarly hereinafter)

4. Includes Shanghai Municipality (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province. (similarly hereinafter)

5. Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Guangxi Autonomous Region and Hainan Province. (similarly hereinafter)

6. Includes Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region. (similarly hereinafter)

7. Includes overseas subsidiaries and branches in Hong Kong, New York, Singapore, Tokyo, Seoul, Macau and Frankfurt. (similarly hereinafter)

8. Includes minority interests.

(2) Deposits and loans and advances by geographical segments

The table below shows the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	As at 30 June 2009		As at 31 December 2008	
	Deposit balance	**Loans and advances balance**	Deposit balance	Loans and advances balance
Northern China	**457,413**	**322,409**	353,576	257,720
North Eastern China	**176,092**	**80,265**	152,496	73,961
Eastern China	**914,385**	**708,185**	712,409	530,674
Central and Southern China	**485,193**	**338,461**	384,419	252,763
Western China	**220,634**	**152,905**	174,069	111,579
Overseas	**108,501**	**92,258**	86,930	73,844
Head Office	**3,116**	**34,735**	1,916	28,049
Total	**2,365,334**	**1,729,218**	1,865,815	1,328,590

(3) Operating results by business segments

The Group's business is mainly divided into four business segments: corporate banking, retail banking, treasury operation and other businesses. The corporate banking segment is the primary source of profit for the Group. Net interest income from corporate banking accounted for 75.34% of the Group's total net interest income.

The table below shows the amount of the net interest income from each of the Group's business segments for the period indicated:

(in millions of RMB)

	For the six months ended 30 June 2009				
	Corporate banking	**Retail banking**	**Treasury operation**	**Other businesses**	**Total**
External net interest income/(expense)	19,434	(411)	10,740	22	29,785
Internal net interest income/(expense)	3,007	7,452	(10,459)	—	—
Net interest income	22,441	7,041	281	22	29,785

(4) RISK MANAGEMENT

During the first half of 2009, in response to the changes in the external economic and financial situations and the progress on the implementation of the internal comprehensive risk management, the Group revised its three-year comprehensive risk management plan in order to optimize and refine its targets, specific requirements and operational mechanism. During the Reporting Period, in accordance with the requirements of the revised plan, the Group steadily continued to promote the development of its comprehensive risk management framework, optimize its loan structure and strengthen its credit administration management. At the same time, the Group also optimized its market risk management mechanism and strengthened its operational risk management in order to achieve improvement in the quality of the Group's overall risk management.

1. Risk management framework

The Bank's Board of Directors is the Group's highest risk management decision-making body and bear ultimate responsibility for the Group's risk management. It is responsible for approving the overall risk bias and risk strategy, determining the risk tolerance level and safeguarding the resources required for risk management. The Board has set up a Risk Management Committee under the Board to monitor the Group's risk profile.

The Bank's senior management formulates and executes the appropriate risk management policy, management procedures and control framework in accordance with the risk management strategy approved by the Board of Directors. A risk management committee together with the credit, market and operational risk management sub-committees have been established under the senior management, which are responsible for periodic risk assessments and validation of management effectiveness.

The Bank's Chief Risk Officer is responsible for representing senior management in the implementation of comprehensive risk management. He is responsible for implementing the risk management strategy, formulating and developing the risk management mechanism as well as providing overall management and coordination for the Group's four major risk areas. He is also charged with organizing the implementation of various risk management tools and processes.

The Group established a comprehensive risk management framework with the Head Office Risk Management Department acting as the "major fulcrum" to assume the overall risk management function whereas the specialized risk management departments or positions within the Head Office's various business departments and risk management departments within all domestic and overseas branches and subsidiaries will assume the actual risk management functions of all types of risk for different lines of business of the Group as well as regional and subordinate institutions. A risk management base has been formed through clearly defined divisions of labor, development of a dual reporting line mechanism and the 4-tier defense line formed by business operations, line management, risk management and internal audit departments.

2. *Credit risk management*

The Group's credit risk arises mainly from corporate loans, retail loans, treasury operations, transactions with other financial institutions and international operations.

The Group's credit risk management comprises several functional departments including corporate banking, credit administration, credit approval, risk management, asset custody, retail finance management and credit card departments. These departments collectively provide standardized management of the corporate loan business flow and the retail loan business and credit card business, including credit checks and reporting, credit investigation and approvals, disbursements and post-lending monitoring as well as non-performing loan management.

(1) Classification of risks and methods

The Group has adopted a multi-prong approach towards the classification of loans to corporate customers to facilitate the identification of specific impairment losses on each loan on an individual basis. This includes using the Group's asset risk management system on a daily basis, adopting the tri-level risk filtering method and the cash flow discounting method. Specific action plans are individually developed for impaired loans and specialists are assigned to handle their recovery. The impairment loss will then be computed based on the estimated loss amount. The Group adopts a comprehensive assessment of the credit quality, financial status and repayment ability of non-impaired loans to corporate customers and further classifies them into classes 1–10 for management purposes. Different strategies are adopted across the various classes: classes 1–5 customers of good credit standing, classes 6–7 customers with average credit standing and classes 8–10 customers with poor credit standing.

The Group classified its loans to retail customers based on age and type of guarantee for further management. Periodic visits are used to strengthen the management of retail customers who have been prompt in their repayments while customers with relatively higher potential of delinquency are added to a watch list for specific monitoring. Different recovery methods are utilized for delinquent retail customers depending on how long repayments are in default. Defaults beyond a stipulated period are classified as impaired and an appropriate impairment provision will be made.

(2) Risk management and control policies

During the Reporting Period, the Group comprehensively revamped and optimized its credit risk management foundation while responding positively to the challenges posed by the domestic and foreign macro-economic environment.

i. Corporate loan credit risk management

   During the Reporting Period, the Group closely incorporated the national macro-economic policies into its operations to further broaden its control by centralizing credit approval process. It provided additional guidance on policy changes in relation to credit business and differentiated regional credit policies. The Group also continued with the effective implementation of the "Green Credit" project and actively supported national key focus projects and the funding needs of small-and-medium enterprises and agricultural-related enterprises. Support to industries such as transportation, petrochemical, power generation and machinery were also further enhanced. The Group accelerated the scaling down of its loans to high energy consumption, high pollution, high resource consumption and excess capacity industries. This helped to optimize its customer and loan structure in order to achieve a stable balance in its loan asset distribution.

During the Reporting Period, the Group steadily promoted the application of its internal grading model in the credit evaluation and post-lending credit management process. This helped to fully utilize the model's effectiveness in areas such as risk measurement and customer evaluation.

The Group activated its credit administration management targets evaluation program during the Reporting Period. This helped to promote the formalization, standardization and refinement of its post-lending credit administration work, thereby strengthening its post-lending credit management. The refinement of the classification of credit administration, strict control over non-performing loans, and development of risk analysis and exclusion for high risk areas such as conglomerates, Taiwanese-funded enterprises, export enterprises, guaranty companies, rural financing and highly leveraged investments. This analysis has helped the Group to understand and control potential credit risks. Familiarity with the use of monitoring and control tools such as risk filtering, watch-lists, migration analysis and early risk warning system has helped to further enhance the real-time risk monitoring and control mechanism.

The Group has utilized a variety of measures in its management of its non-performing loans. These include debt collection, loan restructuring, sale of pledged assets, recourse to guarantors, legal proceedings and arbitration as well as write-off as permitted under the regulatory guidelines. During the Reporting Period, the Group continued to expand the scope of the direct and consolidated management of non-performing loans by the Head Office, with significant progress in its recovery and management of major accounts. In particular, it intensified its efforts to safeguard the credit assets involved in the non-compliance case in ex-Guangzhou Branch, so that the credit risk can be effectively controlled and sufficient allowance is made accordingly.

ii. Retail loan credit risk management

The Group has implemented branch-level centralized management of retail loans based on their characteristics. This includes centralizing risk assessment, credit assessment and application and intermediary processing. During the Reporting Period, the Group adhered closely to the national macro-economic policy and market developments to reasonably control the extension of retail loans. It also strictly controlled the types of businesses, customers and products over which its retail loans were granted.

During the Reporting Period, the Group completed the promotion of the internal grading system for the retail business for the entire Bank. It achieved favorable results via on-the-spot guidance and support to individual branches in accordance with its "centralized training, on-the-spot guidance, communications of problems and prompt feedback" implementation model.

During the Reporting Period, the Group strengthened its advanced risk identification and early warning ability by the use of early risk warning and stress testing tools. The development of an emergency crisis management mechanism also enabled it to timely resolve unexpected credit risks. The implementation of credit management system for small enterprises and the optimization of retail credit management system have strengthened the systematic management of retail credit risk, thereby maintaining the quality of its retail credit assets. In addition, this has centralized the collection process of the Bank through the use of electronic reminders for overdue loans to retail customers.

The Group's independent credit card centre is responsible for the operational management of its credit card business. The Group has utilized a variety of measures and tools to evaluate and control the credit risk arising from its credit card business. These measures include formulating an independent risk policy, business process and credit approval process for its credit card business, utilizing the customer credit risk cycle analysis and product-mix management strategy and adopting credit and wealth management tools such as customer grading, ageing analysis and time series analysis.

iii. Treasury business credit risk management

The Group's loans to other financial institutions under its treasury operation are centrally assessed and approved by the Head Office, which also manages the relevant counter-party limits. Credit risk arising from the treasury operation are managed by a variety of measures such as stringent selection of counterparties, timely monitoring of risks, integrated review of internal and external credit evaluation information. Other measures include credit approval by categories and regular reviews of the credit limit management system to revise counter-party limits. The successful simultaneous launch of the financial institution credit management system effectively helps to promote the Group's monitoring and control over external investment risk and loans to other financial institutions.

(3) Asset quality and movement

As at 30 June 2009, the distribution of the Group's outstanding loans based on the five categories loan classification principles are as follows:

(in millions of RMB unless otherwise stated)

	As at 30 June 2009		As at 31 December 2008		
Categories	**Outstanding Balance**	**Proportion (%)**	Outstanding Balance	Proportion (%)	**Increase or decrease (%)**
Standard	**1,646,545**	**95.22**	1,248,988	94.00	**1.22**
Special mention	**56,647**	**3.27**	54,142	4.08	**(0.81)**
Total standard loan balance	**1,703,192**	**98.49**	1,303,130	98.08	**0.41**
Sub-standard	**13,927**	**0.81**	12,087	0.91	**(0.10)**
Doubtful	**9,933**	**0.57**	11,086	0.84	**(0.27)**
Impaired	**2,166**	**0.13**	2,287	0.17	**(0.04)**
Total non-performing loan balance	**26,026**	**1.51**	25,460	1.92	**(0.41)**
Total	**1,729,218**	**100.00**	1,328,590	100.00	**—**

Note: Calculated in accordance with the relevant regulatory practice prevailing in China's banking industry.

The percentage movement of the Bank's loans for the six months ended 30 June 2009 is as follows:

Loan movement percentage (%)	**First half of 2009**	2008	2007
Percentage movement of standard loans	**1.48**	2.32	1.72
Percentage movement of special-mention loans	**13.26**	21.72	13.67
Percentage movement of sub-standard loans	**13.88**	43.86	23.71
Percentage movement of doubtful loans	**4.10**	9.04	5.44

Note: Calculated in accordance with the "Notice in relation to Off-site Monitoring Indicators and Computation Formula" issued by the China Banking Regulatory Commission.

3. *Liquidity risk management*

During the Reporting Period, the Group was able to maintain a favorable liquidity position due to the country's favorable macro-economic conditions, stable statutory reserve ratio and moderately loose monetary policy as these factors have helped to guarantee the relative abundance and liquidity of funding in the market.

During the Reporting Period, based on forecasted liquidity needs, the Group formulated a corresponding liquidity management plan which periodically analyses macro-economic trends, central bank foreign exchange policy and money market movements. The entire Bank's liquidity is actively managed through the following measures: (1) maintaining stability of assets and liability while increasing the proportion of core deposits to liabilities; (2) establishing fixed participation quotas and limits while monitoring and managing the entire Bank's liquidity position; (3) centralized management and utilization of the entire Bank's liquid assets by the Head Office; (4) maintaining a suitable proportion of central bank reserves, overnight deposits and highly liquid debt investments while actively participating in open market, foreign exchange market and debt securities market operations to guarantee excellent market financing capabilities; and (5) reasonable matching of the maturity profiles of assets and mitigating liquidity risk through multiple maturity profiles.

During the Reporting Period, the Group paid close attention to volatility in market liquidity and the IPO market and prepared contingency plans in advance to respond to liquidity fluctuations. It also continued to pay close attention to the developments in the international market as well as the government's foreign exchange policy while maintaining excellent business relationships with other financial institutions to ensure liquidity in foreign currencies. Additionally, the Group also paid great attention to the effect of the growth in its restructured debt securities portfolio on the overall liquidity reserve structure while taking into consideration the bank-wide non-loan capital deployment strategy to maintain its overall liquidity.

As at 30 June 2009, the relevant indicators reflecting the Group's liquidity are as follows:

Major monitoring indicators (%)		**As at 30 June 2009**	As at 31 December 2008
Liquidity ratio	RMB and foreign currenies	**35.71**	39.72
Loans to deposits ratio	RMB	**66.87**	64.85
	Foreign currencies	**71.49**	70.44

Note: Calculated in accordance with the relevant regulatory practice prevailing in China's banking industry.

Please refer to Note 12 — Liquidity Risk to "7. Financial Report" for maturity profile and term matching of the Group's assets and liabilities as at 30 June 2009.

4. *Market risk management*

The Group's market risk includes interest rate risk, foreign exchange risk and other price risk.

The Group manages its market risk centrally and the major functional departments for managing market risk are the Asset Liability Management Department, the Financial Markets Department and the Risk Management Department.

During the Reporting Period, the Group devoted its efforts in enhancing the mechanism and basic framework of its market risk management system in order to improve the quality of market risk management. It also developed a hierarchical market risk management structure which coordinates the division of work between the various desks so as to further define its market risk classification, assessment, monitoring, control and reporting process. The Group also standardized and formalized its management of market risk limits, financial instruments classification and risk arising from wealth management products. In carrying out periodic measurement of its capital involving market risk, the Group ensured that sufficient provisions have been made for the market risks undertaken.

(1) Interest rate risk management

The Group implements limit management on interest rate risk of its trading books by setting trading limits, stop-loss limits, exposure limits and sensitivity limits, and systematically monitors such limits. In practice, the Group manages interest rate risks on the trading books through the introduction of parameters such as duration, convexity and basis point value, combined with an analysis of the market environment and position distribution of the Group. Moreover, the Group progressively strengthened the portfolio operation of its trading book, as well as appropriately use financial derivative instruments to control and hedge the interest rate risk of the trading book.

The Group has preliminarily developed a comprehensive banking book interest rate risk monitoring system to monitor interest rate risks of the banking books. By regularly monitoring the gap in the repricing periods of interest rate sensitive assets and liabilities through measures such as gap analysis and taking the initiative to adjust the proportion of floating rate and fixed rate assets, the banking book's exposure to interest rate risk was effectively managed.

(2) Foreign exchange risk management

Based on its risk bias and quality of its operations, the Group has continued to enhance its trading system and information management system to manage and control the Bank's exchange rate risk through measures such as restricting and minimizing the exposure to exchange rate risk by establishing and controlling the relevant limits as permissible under the Bank's policies, strengthening the matching of the currency structure of assets and liabilities by actively adjusting the structure of foreign currency denominated assets, and diverting and hedging against exchange rate risk by suitably utilizing financial derivative instruments.

(3) Other price risk management

Other price risk arises mainly from the equity investments and other commodity price-linked derivative instruments held by the Group. Equity investments held by the Group arise mainly due to historical reasons and from the process of exercising claims on mortgaged assets. The Group does not consider price risk to be significant.

(4) Risk sensitivity analysis

During the Reporting Period, the Group actively promoted the use of Value-at-Risk Model (VaR) to monitor and measure its market risk arising from a portion of its transaction accounts. Currently, sensitivity analysis remains as the Group's primary tool for evaluating and measuring market risk arising from its trading and banking books.

i. Interest rate risk and sensitivity analysis

The Group's asset liability re-pricing date or maturity date (whichever is earlier) as at 30 June 2009 is as follows:

(in millions of RMB)

	Non-interest bearing	Within one month	One to three months	Three months to one year	One to five years	More than five years	Total
Total assets	76,442	1,236,335	422,126	1,035,009	351,791	177,157	3,298,860
Total liabilities	(76,229)	(1,797,178)	(365,813)	(629,569)	(251,823)	(17,876)	(3,138,488)
Net exposure	213	(560,843)	56,313	405,440	99,968	159,281	160,372

The table below shows the impact of a 100 basis point movement in interest rate levels on the Group's net interest income arising from interest-earning assets and interest-bearing liabilities held as at the end of the periods indicated in the next financial year and their effect on the Group's equity as reported:

(in millions of RMB)

	Net interest income		**Equity**	
	For the 12 months ending 30 June 2010	**For the year ending 31 December 2009**	**As at 30 June 2009**	As at 31 December 2008
Increase of interest rates by 100 basis points	**5,431**	**5,175**	**(2,688)**	(1,971)
Decrease of interest rates by 100 basis points	**(5,431)**	**(5,175)**	**2,841**	2,088

ii. Foreign exchange risk and sensitivity analysis

The Group's foreign exchange exposure as at 30 June 2009 is as follows:

(in millions of RMB)

	RMB	**USD converted to RMB**	**HKD converted to RMB**	**Others currencies converted to RMB**	**Total**
Total assets	3,013,824	175,709	77,500	31,827	3,298,860
Total liabilities	(2,879,252)	(152,839)	(79,218)	(27,179)	(3,138,488)
Net exposure	134,572	22,870	(1,718)	4,648	160,372

The table below shows the impact of a 5% movement in RMB against the USD, HKD and other foreign currencies on the Group's net profit and equity:

(in millions of RMB)

	Net profit/(loss)		**Equity**	
	For the six months ended 30 June 2009	For the year ended 31 December 2008	**For the six months ended 30 June 2009**	For the year ended 31 December 2008
RMB appreciate by 5%	**(707)**	(903)	**(394)**	(196)
RMB depreciate by 5%	**707**	903	**394**	196

5. *Operational risk management*

During the Reporting Period, the Group strengthened the centralized management of its operational risk and unveiled its operational risk management plan. It has formulated and commenced an operational risk management system project implementation plan which involved process streamlining and pilot testing with key focus on the implementation of management over operational risk arising from areas such as accounting and settlement, information technology and anti-fraud. The Group achieved stable and secured operations for various lines of its business during the Reporting Period and did not experience any significant operational risk issues or incidents during the Reporting Period.

By closely adhering to its core goal of "Secured operations, efficient operations and quality service", the Group strengthened management over its treasury, cash, cash box and automated facilities while enhancing its fund remittance process during the Reporting Period. It also strengthened its system development and innovation of risk management tools in addition to optimising and re-designing its accounting risk monitoring system in order to facilitate a detailed and refined management of accounting risk.

During the Reporting Period, the Group was able to continue to enhance its information system risk management capabilities by clearly defining its management requirements and key control areas while simultaneously optimizing its institutional framework and technical standards. It has initiated the bank-wide streamlining of its information system and information assets so as to lay a solid foundation consistent with its plan to safeguard the World Expo.

The Group actively promoted anti-fraud management during the Reporting Period by devoting substantial resources to the prevention of fraud. It established an anti-fraud leadership team and working group as well as a 2-tier (Head Office and branches) anti-fraud process. In addition, it completed the pilot tests for the first phase of the anti-fraud management system. It is actively promoting the development of the second phase as well as establishing a formal whistle-blowing channel.

6. Anti-money laundering management

The Group has undertaken initial steps to develop an anti-money laundering operational framework across the entire Bank. This framework uses institutional establishment as its foundation, internal control system as its core and system platforms as its security. This has helped the in-depth development of the Group's anti-money laundering efforts.

During the Reporting Period, the Group actively forged ahead with system establishment and training on performing checks to further strengthen the monitoring and control over cross border transactions and formalized the operational management of the anti-money laundering blacklist, thereby effectively guarding against money laundering risk. Furthermore, there had also been breakthroughs in the Group's system development. The customer risk classification system and off-site anti-money laundering monitoring system enhancement project has become operational throughout the Bank and there has been continued devotion to the optimization of the functionalities of the large and suspicious transactions reporting system.

(5) INTERNAL CONTROL

During the Reporting Period, the Group continued to develop its internal control infrastructure development project according to the requirements of the "Basic Internal Control Specifications for Enterprises". It formulated and implemented various control measures targeted specifically at the effects of changes in international and domestic economic trends to ensure that such measures are realized on a sustainable basis.

1. *Continued enhancement of the comprehensive risk management framework and implementation of New Basel Capital Accord.* The promulgation of the "Bank of Communications 2009–2010 Comprehensive Risk Management Plan" clearly defined the short-term overall risk management strategy and identified the major types of risks covered. The Plan also includes a relatively complete risk bias indicator system for the entire Bank. Three additional credit, market and operational risk management sub-committees, which evaluate specific credit, market and operational risks on a quarterly basis, are also established under the senior management's risk management committee. These sub-committees perform a complete evaluation of the risks arising from foreign branches and subsidiaries. The Plan clarified the division of responsibilities for market risk management

and revamped the market risk management system. Furthermore, the Group standardized the wealth management business management framework for the entire Bank while analyzing and evaluating the risk arising from its wealth management products quarterly. Various initiatives under New Basel Capital Accord were implemented in an orderly fashion and some of these initiatives have already achieved certain milestones. These include the corporate internal rating system reaching optimization and in-depth application phase, the retail business internal rating system successfully going online in batches at individual branches and the asset liability management system development project becoming operational. At the same time, the second phase of the asset liability management system development project has commenced and the collateral management system has also gone online.

2. *Strengthening internal control over the assets business*. With regard to the corporate credit business, the Group continued to reduce its exposure to high risk corporate customers through close monitoring of macro-economic trends and policy changes and adjustments to its loan policy. Other controls include the identification and timely response to potential and unexpected credit risks arising from its customers and projects, the management of its loans business through adherence to authorized limits imposed on branches and sub-branches and reliance on regional credit approval centres. The Group also designed a credit management "tool box" consisting of three major ideas–"Industry and customer support, product service and risk management" and 12 "tool kits". The Group also clearly delineated its risk characteristics and made suggestions as to the corresponding mitigation methods and measures to its branches and sub-branches. Activities to meet credit administration management targets were actively initiated and promoted throughout the Bank which encompasses on-site investigations and random examinations of credit administration management quality for grass-root organizations. In relation to retail credit business, specialized centres for small enterprises were established in economically advanced regions to improve the level of professionalism of the small enterprise credit business to improve the level of professionalism of the small enterprise credit business. A 2-tier parameter management system for the Head Office and branches was established to formulate parameters for loan management and production system in order to achieve customized management for retail business of different branches. In terms of credit card business, the Group conducted periodic investigations and implemented measures to crack down on encashment transactions. It also re-evaluated the credit risk for cardholders with longer credit period, adopted more stringent limits policy for high-risk customers and sent early payment reminders.

3. *Strengthen management at all organizational levels*. The Group restructured the internal planning departments of domestic branches and sub-branches by formulating a management plan for them which clearly defined their strategy and management procedures. This strengthened management over the provincial branches. In conjunction with the renaming of provincial branches, the Bank also formulated similar management guidelines for the provincial branches which clearly defined provincial level management strategies and requirements. A risk management plan was tailored for the overseas branches with customized guidelines to evaluate the sufficiency of existing risk management procedures. In addition, the Group formulated business authorization management guidelines and subsidiary classification guidance for its subsidiaries to clearly define the management

framework and plan applicable to the different subsidiaries to streamline the reporting structure of its subsidiaries and management responsibilities of the Group's various lines of business over the subsidiaries.

4. *Enhancing business processes integration*. The Group further integrated both its business operations as well as accounting procedures. Furthermore, the successful full-scale implementation of the pilot centralized processing model for commercial paper and letter of credit businesses resulted in an integrated front office operating platform. The Group also improved front office efficiency via integration of its front office processing systems with the "Integrated counter system" which simplified data entry and facilitated teller operations. The Group also conducted pilot tests of the third-party accounting model and proposed amendments to operating procedures for its provincial branches. Other improvements include the enhancement of its accounting process and promotion of the "cash box swapping" management model which simplifies the teller cash box handover procedure and reduces the time required for teller reconciliations. It also conducted pilot implementation of the centralized cash clearance method at selected locations to standardize such procedures. Additionally, the Group continuously enhanced and optimized the electronic signature anti-counterfeit system and electronic reconciliation systems to improve e-service quality.

5. *Comprehensive investigation and exclusion of underlying risks*. The Group continued to conduct credit risk investigations of its watch-list corporate customers and new loans issued to their related entities. It also continued to monitor loans to real estate, steel, construction materials, motor vehicles and ship-building industries as well as Taiwanese-funded enterprises, export enterprises, private enterprises and guaranteed loans. In addition, it conducted risk investigation and analysis for areas such as selected risk indicators, mortgaged assets and entrusted loans. These risk indicators include rural financing, highly leveraged investments, misconduct of senior management, unreasonable foreign investments, the revoking of toll rights for secondary roads. Such analysis helped to clearly define significant management control areas. Bank-wide risk analysis have been conducted twice during the Reporting Period to deal specifically with underlying risks arising from the economic downturn. Furthermore, business areas prone to external and internal fraud have been streamlined and control areas relating to key risks have been strengthened. Management also undertook effective measures to supervise and monitor unusual behaviour by internal and external parties with increased focus on areas prone to fraud to safeguard against operational and ethical risks.

6. *Promoting the "Internal Control Specifications for Enterprises" Standards*. The Group has initiated efforts to conform to standards set out in the "Internal Control Specifications for Enterprises" since the third quarter of last year in accordance with the requirements of the aforementioned standards. It has designed a "full participation, implementation by level, bi-latitude, four steps" working plan and developed a full set of standards assessment tools. As at the end of the Reporting Period, self assessments have begun for more than 30 business lines and the Bank will enter into a deficiency rectification and standards assessment phase during the second half of the year.

(6) STRATEGIC PARTNERSHIP WITH HSBC

The Bank continued to forge ahead with its strategic partnership with HSBC steadily. Consequently both parties achieved remarkable levels of cooperation in various key strategic areas. Fostering this relationship has resulted in several mutually beneficial win-win situations for both parties. Areas of cooperation include technical exchange, credit cards, international business and corporate business.

— *Exchange of expertise*. HSBC has sent a total of 21 experts to the Bank, as at the end of June 2009, who are stationed in 12 departments including, the Credit Management Department, Audit Department, Risk Management Department, Budget and Finance Department and the Enterprise Culture Department to provide operational guidance. Experts from HSBC also actively participated in a majority of the Bank's 15 key strategic development projects. These include the development of "process-based bank", internal evaluation, comprehensive risk management and data concentration.

— *Staff training*. In accordance with the senior management capabilities training plan, the HSBC Group's training centre in London, England, has conducted five senior management leadership capability development training sessions since 2006. These sessions have been attended by 62 members of the Group's senior management, including department chiefs of Head Office, presidents of branches and person-in-charge of subsidiaries; such training has helped to raise the strategic thinking and leadership capabilities of the Group's key personnel. HSBC also organized 30 lesson-based sessions lasting 56.5 days for 2,077 staff members of the Bank's core business.

— *Employee exchanges*. As at the end of June 2009, the Bank's Budget and Finance Department, Corporate Banking Department, Asset Custody Department, Operations Department, Training Centre and other Departments have sent 79 staff members of the Bank's core business to HSBC Hong Kong on internship programs to experience, first hand, the advanced management experience and operating model, which HSBC possesses as a leading first class international commercial bank.

— In accordance with the principles of bilateral exchanges, the Bank also assisted HSBC in organizing 32 specialized training sessions for 386 staff members from HSBC's domestic branches. It also sent 2 experts to provide technical advice and support as well as to share the Group's experience in the Chinese market.

— In terms of credit card business, the jointly managed credit card centre achieved favorable progress in business development. Accumulated card spending from January to June 2009 was RMB69.03 billion, an increase of RMB30.53 billion or 79.3% as compared to the corresponding period in prior year. The Group ranked among the best in terms of the indicators such as credit card expenditure and accounts receivable (on per card basis) as compared to its peers within the industry. The Group maintained relatively favorable levels for all quality indicators and income indicators as compared to its peers in the industry.

— Both parties have fully utilized their complementary advantage in the RMB treasury business. During the Reporting Period, the Group provided HSBC with RMB placements totalling 10 billion and purchased treasury bonds amounting to RMB0.47 billion in aggregate from HSBC.

— In the international business domain, cooperation between the various business lines has operated seamlessly. The areas of cooperation are mainly in foreign exchange transactions, fast remittances, letters of credit notification, trade finance, foreign exchange settlement, Hong Kong regional businesses and overseas branches money market businesses. During the Reporting Period, there have been more than 600 foreign exchange transactions exceeding USD10 billion and more than 11,000 fast remittances totalling more than USD1 billion between the two banks. Through its collaboration with HSBC, the Group was able to move a step ahead of its competitors in the cross border RMB settlement domain by relying on its wide domestic network and leveraging on HSBC's expertise in the international banking and trade finance businesses to complete the first cross-border RMB trade settlement deal in China.

— In the corporate business domain, both parties have actively explored the feasibility of cooperation in the rural financing business in addition to the joint provision of financing services to well-known multi-national corporations and the "Green Credit" project. Owning to the steady progress in the phase two integration of the main servers of both banks and the successful implementation of its third party account holder inquiry capabilities, the inquiry service has been made available to customers on a trial basis.

In view of its confidence in the future development of the Bank and the development of the bilateral cooperation between the parties, HSBC has expressed its intention to retain shareholdings in the Bank for long term. The long term strategic partnership and cross-holding relationship between both Banks remain strong. Looking ahead, both parties will continue to proceed with their mutually beneficial strategic collaboration through more in-depth technical cooperation and exchanges and by exploring new areas of business cooperation.

(7) PROSPECTS FOR THE SECOND HALF OF 2009

Second half of 2009 should see the domestic economy experience a period of stability before a full recovery is achieved. However, there remain many uncertain factors which may impede the recovery. The Group will actively adapt to macro-economic changes while remaining steadfast in its commitment to achieve comprehensive and coordinated developments in scale, quality and returns. Firstly, leveraging on the strategic opportunities offered by the Shanghai World Expo and the development of Shanghai as China's "financial and shipping center", the Group will promote the accelerated development of key areas and businesses in order to further optimize its business structure. Secondly, the Group will intensify its efforts in realignment of its asset-liability structure by actively expanding sources of low-cost funds, improving efficiency of capital deployment, reducing borrowing costs, increasing return on assets and enlarging the interest spreads. Thirdly, it will continue to devote significant efforts to develop its fee-based business and enhance its revenue structure to raise the contribution of fee-based business income. Fourthly, it will continue to strengthen risk management and internal controls to ensure operational security. Fifthly, it plans to reinforce its institutional, products and service innovation to promote the establishment of "process-based bank" and accelerate innovation for key areas and products. Lastly, there would be continued cost-cutting efforts to strengthen cost control, thereby raising operating efficiency.

6 SIGNIFICANT EVENTS

6.1 Profit distribution

(1) 2008 Final Dividend

The Bank's "2008 Final Profit Distribution Plan" was approved at the 2008 Annual General Meeting held on 8 May 2009. Based on 48.994 billion shares of the Bank in issue as at 31 December 2008, a final cash dividend of RMB0.10 per share (pre-tax) was distributed, totaling RMB4.899 billion.

(2) 2009 Interim Dividend

At the Sixteenth Meeting of the Fifth session of the Board of Directors on 19 August 2009, the 2009 Interim Profit Distribution Plan was considered and approved in accordance with the Bank's Articles of Association. Under the plan, based on 48.994 billion shares of the Bank in issue as at 30 June 2009, a cash dividend of RMB0.10 per share (2008 Interim: RMB0.10 per share) (pre-tax) was declared, totaling RMB4.899 billion (2008 Interim: RMB4.899 billion). The dividend will be paid on or about 16 October 2009 to shareholders whose names appear on the register of members of the Bank on 18 September 2009.

For holders of H shares, cheques will be despatched to holders of H shares who are entitled to receive such dividend by ordinary post at the holders' risk on around 16 October 2009 by the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. Dividends on H shares will be paid in Hong Kong dollars and the relevant exchange rate for conversion of RMB to Hong Kong dollars will be based on the average currency rates prevailing five trading days (being 12 to 14 August 2009 and 17 to 18 August 2009) before the date of dividend declaration as announced by the People's Bank of China (RMB0.88174 = HK$1.00).

To determine the list of holders of H shares who are eligible to receive interim dividends for the period ended 30 June 2009, the register of members of H Shares will be closed from Sunday, 13 September 2009 to Friday, 18 September 2009 (both days inclusive). In order to qualify for the dividend, holders of H shares of the Bank who have not registered the transfer documents are required to deposit the transfer document together with the relevant share certificates at the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m., on Friday, 11 September 2009.

In addition, pursuant to the "Enterprise Income Tax Law of the People's Republic of China" and the "Detailed Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China", implemented on 1 January 2008, non-resident enterprise shareholders shall pay enterprise income tax on its income derived from sources within China and the applicable tax rate is 10%. In respect of all shareholders whose names appear in the register of the Bank's H shareholders as at 18 September 2009 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organizations that are all considered as non-resident enterprise shareholders), the Bank is required to distribute interim dividends after withholding enterprise income tax of 10%.

Investors should carefully consider the contents above. If anyone would like to change the holders in the shareholders register, please enquire about the relevant procedures with the nominees or trustees. The Bank has no obligation and will not be responsible for confirming the identities of the shareholders. The Bank will withhold and pay enterprise income tax strictly in compliance with the laws. The Bank will not accept any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

6.2 Investment in other companies

1. Holding of shares and securities issued by other listed companies

(in RMB, unless otherwise stated)

No.	Stock code	Simplified stock name	Number of shares held at the end of the Reporting Period (share)	Initial investment cost	Book value at the end of the Reporting Period	Book value at the beginning of the Reporting Period	Percentage of total investment in securities as at the end of the Reporting Period (%)	Gain/(loss) during the Reporting Period	Accounting items
1	600068	Gezhouba	34,153,000	140,315,551.00	415,300,480.00	301,912,520.00	0.05	—	Available-for-sale securities
2	03377	Sino-Ocean Land	20,245,500	138,863,720.57	158,288,974.40	62,489,355.39	0.02	—	Available-for-sale securities
3	00388	HKEX	775,000	2,283,555.01	82,453,199.20	48,427,810.29	0.01	1,632,597.66	Available-for-sale securities
4	000979	ST Keyuan	10,960,000	12,494,400.00	81,432,800.00	52,060,000.00	0.01	—	Available-for-sale securities
5	600642	Shennenggufen	5,000,000	9,333,333.33	49,300,000.00	29,950,000.00	0.01	500,000.00	Available-for-sale securities
6	600643	Aijiangufen	3,710,148	7,000,000.00	48,120,619.56	20,851,031.76	0.01	—	Available-for-sale securities
7	600774	Hanshangjituan	7,023,877	8,400,000.00	41,721,829.38	21,212,108.54	0.01	—	Available-for-sale securities
8	601727	Shanghaidianqi	3,879,600	1,615,980.00	40,425,432.00	22,424,088.00	0.01	217,257.60	Available-for-sale securities
9	000001	Shenfazhan	1,772,700	3,239,841.66	38,680,314.00	16,769,742.00	—	45,710.16	Available-for-sale securities
10	00658	Zhongguogaosuchuandong	2,800,000	34,759,889.09	38,106,921.54	N/A	—	—	Available-for-sale securities
		Others		274,376,297.77	272,746,479.58	112,927,339.32	0.03	414,598,478.57	Financial assets held for trading/ Available-for-sale securities
		Total		632,682,568.43	1,266,577,049.66	689,023,995.30	0.16	416,994,043.99	

Notes:

1. The table above sets out equity investments in other listed companies recorded as available-for-sale securities and financial assets held for trading in the Group's consolidated financial statements, listed in descending order of book value at the end of the Reporting Period.

2. Percentage of total investment in securities as at the end of the Reporting Period represents the proportion of the book value of the stated investment in securities as at the end of the Reporting Period to the Group's total investment in various securities.

3. Gain/(loss) during the Reporting Period refers to dividend income, gains or losses arising from disposal and changes in fair value.

2. *Holding of shares issued by unlisted financial institutions*

(in RMB, unless otherwise stated)

No.	Name of institution	Initial investment cost	Number of shares held (share)	Shareholding percentage (%)	Book value at the end of the Reporting Period	Gain/(loss) during the Reporting Period	Change in owners' equity during the Reporting Period	Accounting items	Source of shares
1	Jiangsu Changshu Rural Commercial Bank Co., Ltd.	380,000,000.00	57,560,225	10.00	380,000,000.00	13,670,553.44	—	Available-for-sale securities	Acquisition
2	China Union Pay Co., Ltd.	146,250,000.00	112,500,000	3.90	146,250,000.00	3,825,000.00	—	Available-for-sale securities	Acquisition
	Total	526,250,000.00	170,060,225		526,250,000.00	17,495,553.44	—		

Notes:

1. The table is based on the consolidated financial statements.

2. Gain/(loss) during the Reporting Period refers to dividend income from the stated securities investment.

3. Change in owners' equity during the Reporting Period refers to changes in fair value recognized directly in owners' equity.

6.3 Audit Committee

The Bank has established an Audit Committee in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The main responsibilities of the Audit Committee is to review the Bank's internal and external audits, examine and approve financial reports and oversee the implementation of the Bank's internal control policies and the efficiency and compliance of the Bank's internal control. The Audit Committee comprised Dr. Li Ka-cheung, Eric (Independent Non-Executive Director), Mr. Qian Hongyi (Non-Executive Director), Mr. Yang Fenglin (Non-Executive Director), Mr. Gu Mingchao (Independent Non-Executive Director) and Mr. Chen Qingtai (Independent Non-Executive Director). Dr. Li Ka-cheung, Eric serves as Chairman of the Audit Committee. The Audit Committee reviewed the Bank's accounting policies and practices together with senior management and discusses issues relating to internal control and financial reporting, including the review of the Interim Results.

6.4 Purchase, Sale or Redemption of the Bank's shares

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

6.5 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. The Bank made specific enquiries of all its directors and supervisors and each of them confirmed that they had complied with the required standards of the Model Code during the Reporting Period.

6.6 Compliance with the Hong Kong Stock Exchange's Corporate Governance Practices

The Group endeavoured to establish a high standard of corporate governance. The Group believes that effective corporate governance is crucial to maximising value for shareholders. In order to maintain a high standard of corporate governance, the Bank established a responsible, professional and accountable Board of Directors, Board of Supervisors and experienced senior management. The members of the Bank's Board of Directors and Board of Supervisors, except employee representative supervisors, are elected by the shareholders at the shareholders' general meeting. The Bank has established five special committees under the Board of Directors, including the Strategy Committee, the Audit Committee, the Risk Management Committee, the Personnel and Compensation Committee and the Social Responsibility Committee. None of the Bank's directors is aware of any information that would reasonably indicate that the Bank had not, for any time during the period ended 30 June 2009, been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

7 FINANCIAL REPORT

7.1 *UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*

(All amounts expressed in millions of RMB unless otherwise stated)

	Three months ended 30 June		**Six months ended 30 June**	
	2009	2008	**2009**	2008
Interest income	**27,922**	28,888	**55,664**	56,108
Interest expense	**(12,721)**	(12,340)	**(25,879)**	(23,096)
Net interest income	**15,201**	16,548	**29,785**	33,012
Fee and commission income	**3,500**	2,858	**6,237**	5,200
Fee and commission expense	**(438)**	(262)	**(761)**	(547)
Net fee and commission income	**3,062**	2,596	**5,476**	4,653
Dividend income	**23**	20	**40**	21
Gains less losses arising from trading activities	**416**	353	**905**	(416)
Gains less losses arising from de-recognition of investment securities	**207**	34	**531**	391
Other operating income	**198**	114	**358**	146
Impairment losses	**(2,562)**	(2,204)	**(4,515)**	(3,977)
Other operating expenses	**(6,792)**	(7,415)	**(12,711)**	(13,529)
Operating profit before tax	**9,753**	10,046	**19,869**	20,301
Income tax	**(2,099)**	(2,393)	**(4,258)**	(4,734)
Net profit for the period	**7,654**	7,653	**15,611**	15,567
Other comprehensive income				
Available-for-sale ("AFS") securities				
Changes in fair value taken to equity	**450**	(523)	**8**	(1,032)
Changes in fair value transferred to net profit	**(125)**	17	**(510)**	(231)
Translation difference on foreign operations	**116**	(230)	**67**	(482)
Other comprehensive income/(losses) for the period	**441**	(736)	**(435)**	(1,745)
Total comprehensive income for the period (after tax)	**8,095**	6,917	**15,176**	13,822
Net profit attributable to:				
Shareholders of the Bank	**7,620**	7,615	**15,555**	15,508
Minority interest	**34**	38	**56**	59
Total comprehensive income attribute to:				
Shareholders of the Bank	**8,039**	6,894	**15,087**	13,797
Minority Interest	**56**	23	**89**	25
Basic and diluted earnings per share For profit attributable to the shareholders of the Bank (in RMB)	**0.16**	0.16	**0.32**	0.32

7.2 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of RMB)

	30 June 2009	31 December 2008
ASSETS		
Cash and balances with central banks	**409,312**	362,180
Due from other banks and financial institutions	**337,816**	331,511
Financial assets held for trading	**42,109**	26,936
Loans and advances to customers	**1,697,205**	1,298,776
Investment securities — loans and receivables	**82,318**	90,903
Investment securities — available-for-sale ("AFS")	**166,392**	142,010
Investment securities — held-to-maturity ("HTM")	**490,184**	367,878
Property and equipment	**35,258**	35,279
Deferred tax assets	**2,691**	2,693
Other assets	**35,575**	24,781
Total assets	**3,298,860**	2,682,947
LIABILITIES		
Due to other banks and financial institutions	**659,351**	569,453
Financial liabilities held for trading	**8,649**	10,013
Due to customers	**2,365,334**	1,865,815
Other liabilities	**60,631**	43,199
Current taxes	**4,245**	4,165
Deferred tax liabilities	**278**	207
Subordinated term debt	**40,000**	40,000
Total liabilities	**3,138,488**	2,532,852
EQUITY		
Capital and reserves attributable to the Bank's shareholders		
Share capital	**48,994**	48,994
Capital surplus	**43,100**	43,100
Other reserves	**48,582**	33,443
Retained earnings	**19,174**	24,125
	159,850	149,662
Minority Interest	**522**	433
Total equity	**160,372**	150,095
Total equity and liabilities	**3,298,860**	2,682,947

7.3 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of RMB)

	Share capital	Capital surplus	Other reserves: Statutory reserve	Other reserves: Discretionary reserve	Other reserves: Statutory general reserve	Other reserves: Revaluation reserve for AFS	Other reserves: Revaluation reserve for properties	Other reserves: Translation reserve on foreign operations	Retained earning	Minority interest	Total
Balance at 1 January 2008	48,994	43,100	2,170	576	10,636	1,551	6,105	(616)	20,387	418	133,321
Dividend	—	—	—	—	—	—	—	—	(7,349)	—	(7,349)
Transfer to reserve	—	—	1,993	8,511	1,938	—	—	—	(12,442)	—	—
Total comprehensive income for the period	—	—	—	—	—	(1,229)	—	(482)	15,508	25	13,822
Realization of revaluation reserve upon disposals	—	—	—	—	—	—	(18)	—	18	—	—
Balance at 30 June 2008	48,994	43,100	4,163	9,087	12,574	322	6,087	(1,098)	16,122	443	139,794
Balance at 1 January 2009	48,994	43,100	4,163	9,087	12,574	2,741	6,090	(1,212)	24,125	433	150,095
Dividend	—	—	—	—	—	—	—	—	(4,899)	—	(4,899)
Transfer to reserve	—	—	2,830	6,900	5,882	—	—	—	(15,612)	—	—
Total comprehensive income for the period	—	—	—	—	—	(535)	—	67	15,555	89	15,176
Realization of revaluation reserve upon disposals	—	—	—	—	—	—	(5)	—	5	—	—
Balance at 30 June 2009	**48,994**	**43,100**	**6,993**	**15,987**	**18,456**	**2,206**	**6,085**	**(1,145)**	**19,174**	**522**	**160,372**

7.4 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of RMB)

	Six months ended 30 June	
	2009	2008
Cash flows from operating activities:		
Net profit before taxation:	**19,869**	20,301
Adjustments for:		
Impairment of loans and advances to customers	**4,217**	3,707
Write-back of impairment of due from banks and financial institutions	**(3)**	(16)
Charge/(Reversal of) impairment of other receivables	**6**	(71)
(Reversal of)/charge impairment of investment securities	**(118)**	178
Depreciation of property and equipment	**1,587**	1,436
Amortization of staff housing deferred expense	**11**	9
Amortization of land use rights	**16**	2
Amortization of intangible assets	**115**	113
Interest income from investment securities	**(11,292)**	(10,556)
Gains less losses arising from de-recognition of investment securities	**(531)**	(391)
Gains on disposal of property and equipment	**(4)**	(18)
Decrease/(Increase) in the fair value of investment property	**1**	—
Accrued interest expense on term debt	**941**	778
	14,815	15,472
Net increase in mandatory reserve deposits	**(61,180)**	(61,662)
Net increase in due from other banks and financial institutions	**(36,726)**	(67,969)
Net increase in financial assets held for trading	**(15,173)**	(12,884)
Net increase in loans and advances to customers	**(402,646)**	(138,797)
Net increase in other assets	**(10,391)**	(5,465)
Net increase in due to other banks and financial institutions	**89,898**	54,599
Net (decrease)/increase in financial liabilities held for trading	**(1,364)**	942
Net increase in due to customers	**499,519**	255,514
Net increase in other liabilities	**16,331**	5,121
Net (decrease)/increase in business tax payable	**(37)**	69
Income tax paid	**(3,954)**	(4,072)
Net cash from operating activities	**89,092**	40,868
Cash flows from investing activities:		
Purchase of investment securities	**(403,778)**	(164,487)
Disposal or redemption of investment securities	**265,675**	124,782
Interest received from investment securities	**10,806**	9,008
Acquisition of intangible assets	**(74)**	(24)
Purchase of land use rights	**—**	(130)
Disposal of land use rights	**4**	—
Purchase of property and equipment	**(1,658)**	(1,879)
Disposal of property and equipment	**100**	359
Net cash used in investing activities	**(128,925)**	(32,371)

(in millions of RMB)

	Six months ended 30 June	
	2009	2008
Cash flows from financing activities:		
Interest paid on debt	**(1,045)**	(1,577)
Dividends paid	**(3,657)**	(8,454)
Net cash (used in)/from financing activities	**(4,702)**	(10,031)
Effect of exchange rate changes on cash and cash equivalents	**63**	(529)
Net decrease in cash and cash equivalents	**(44,472)**	(2,063)
Cash and cash equivalents at the beginning of the period	**225,732**	96,064
Cash and cash equivalents at the end of the period	**181,260**	94,001
Major non-cash transactions	**—**	—
Supplementary Information		
Interest received	**54,498**	55,417
Interest paid`	**(23,022)**	(17,567)

7.5 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(1) Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

This unaudited condensed consolidated interim financial information of the Bank and its subsidiaries (collectively "the Group") should be read in conjunction with the 2008 annual financial statements.

On 1 January 2009, the Group adopted the following amendments and interpretations:

- IAS 1 (Revised) — Presentation of Financial Statements
- IAS 19 (Amendment) — Employee Benefits
- IAS 23 (Revised) — Borrowing Costs
- IAS 28 (Amendment) — Investments in Associates
- IAS 32 (Amendment) — Financial Instruments: Presentation and IAS 1 (Amendment) — Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation

- IAS 36 (Amendment) — Impairment of Assets
- IAS 38 (Amendment) — Intangible Assets
- IFRS 2 (Amendment) — Share-based Payment
- IFRS 7 (Amendment) — Financial Instruments: Disclosure
- IFRS 8, Operating Segments
- IFRIC 13 — Customer Loyalty Programmes Statement
- IFRIC 16 — Hedges of a net investment in a foreign operation

The amendments and interpretations were not expected to have a material effect on the Group's operating results or financial position. Except for the above amendments and interpretations, the accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008.

(2) Net interest income

(in millions of RMB)

	Three months ended 30 June		**Six months ended 30 June**	
	2009	2008	**2009**	2008
Interest income				
Balances with central banks	**1,325**	1,216	**2,636**	2,306
Due from other banks and financial institutions	**1,256**	1,978	**3,023**	3,705
Loans and advances to customers	**19,735**	20,153	**38,713**	39,541
Investment securities	**5,606**	5,541	**11,292**	10,556
	27,922	28,888	**55,664**	56,108
Interest expense				
Due to other banks and financial institutions	**(3,705)**	(2,994)	**(8,001)**	(5,660)
Due to customers	**(9,016)**	(9,346)	**(17,878)**	(17,436)
	(12,721)	(12,340)	**(25,879)**	(23,096)
Net interest income	**15,201**	16,548	**29,785**	33,012

	Six months ended 30 June	
	2009	2008
Interest income on listed investments	**2,499**	2,394
Interest income on unlisted investments	**8,793**	8,162
Interest income accrued on loans and advances to customers individually identified with impairment	**312**	295

(3) Fee and commission income

(in millions of RMB)

	Six months ended 30 June	
	2009	2008
Settlement and agent service commission income	**1,372**	1,033
Bank card annual fee and commission income	**1,845**	1,209
Guarantee and commitment commission income	**610**	599
Custodian commission income	**333**	359
Funds sales commission income	**373**	671
Funds management commission income	**306**	335
Financial consulting income	**843**	374
Others	**555**	620
	6,237	5,200
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value	**66**	42
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**333**	359

(4) Impairment losses

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	**2009**	2008
Due from other banks and financial institutions and securities purchased under resale agreements	**(1)**	(14)	**(3)**	(16)
Loans and advances to customers				
— Collectively assessed provision	**1,848**	1,108	**2,888**	1,956
— Individually assessed provision	**722**	1,111	**1,641**	2,046
	2,570	2,219	**4,529**	4,002
Less: recovery of loans previously written off	**(7)**	(1)	**(11)**	(9)
	2,562	2,204	**4,515**	3,977

(5) Impairment of investment securities

(in millions of RMB)

	Six months ended 30 June	
	2009	2008
Held-to-maturity	**(5)**	—
Available-for-sale	**(113)**	178
Net charge of impairment losses	**(118)**	178

(6) Income tax expense

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	**2009**	2008
Current tax				
— Mainland China income tax	**2,742**	2,235	**3,887**	3,610
— Hong Kong profits tax	**83**	32	**139**	135
— Overseas taxation	**7**	2	**8**	4
	2,832	2,269	**4,034**	3,749
Deferred tax	**(733)**	124	**224**	985
	2,099	2,393	**4,258**	4,734

The provision for income tax in Mainland China is calculated based on the statutory rate of 25% of the assessable income of the Bank and each of the subsidiaries established in Mainland China.

Profits earned by the Hong Kong branch or subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2008: 16.5%), on the estimated assessable profit for the six months ended 30 June 2009. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates during the six months ended 30 June 2009.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group at 25%. The reconciliation is as follows:

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	**2009**	2008
Profit before tax	**9,753**	10,046	**19,869**	20,301
Tax calculated at a tax rate of 25%	**2,438**	2,511	**4,967**	5,075
Effect of different tax rates in other countries	**(19)**	48	**35**	71
Tax credit arising from income not subject to tax[(1)]	**(347)**	(390)	**(816)**	(681)
Tax effect of expenses that are not deductible for tax purposes[(2)]	**27**	224	**72**	270
Impact of change of tax rate	**—**	—	**—**	(1)
Income tax expense	**2,099**	2,393	**4,258**	4,734

note 1:

The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

note 2:

The expenses that are not tax deductible mainly represent a portion of expenses, such as entertainment expenses etc, which are over the tax deduction limits as determined by PRC tax regulations.

(7) Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

(all amounts expressed in millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2009	2008
Profit attributable to shareholders of the Bank	**15,555**	15,508
Weighted average number of ordinary shares in issue	**48,994**	48,994
Basic and diluted earnings per share (expressed in RMB per share)	**0.32**	0.32

(8) Derivative financial instruments

The fair value of derivatives the Group held is listed as below:

(in millions of RMB)

	Contract/ notional Amount	**Fair values**	
		Assets	**Liabilities**
As at 30 June 2009			
Foreign exchange contracts	201,402	949	(1,417)
Interest rate contracts	111,562	1,825	(1,973)
Total derivatives	312,964	2,774	(3,390)

	Contract/ notional Amount	Fair values Assets	Liabilities
			(in millions of RMB)
As at 31 December 2008			
Foreign exchange contracts	167,252	1,995	(2,780)
Interest rate contracts	119,649	2,661	(2,895)
Total derivatives	286,901	4,656	(5,675)

The tables above provide a detailed breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at period end. These instruments, comprising foreign exchange and interest rate derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Group undertakes its transactions in foreign exchange and interest rate contracts with other financial institutions and customers. Management has established limits of these contracts by counterparties, industry sectors and countries. Actual credit exposures and limits are regularly monitored and controlled by management.

Credit risk weighted amounts

(in millions of RMB)

	30 June 2009	31 December 2008
Derivatives		
— Foreign exchange contracts	**805**	938
— Interest rate contracts	**572**	625
	1,377	1,563

The credit risk weighted amounts are the amounts calculated with reference to the guidelines issued by the China Banking Regulatory Commission ("CBRC") and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity characteristics of each type of contract.

Replacement costs

	(in millions of RMB)	
	30 June 2009	31 December 2008
Derivatives		
— Foreign exchange contracts	**949**	1,995
— Interest rate contracts	**1,825**	2,661
	2,774	4,656

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market.

Notional amounts of derivative financial instruments by original currency

	(in millions of RMB)	
	30 June 2009	31 December 2008
RMB	**166,266**	158,670
US Dollars	**116,613**	97,090
HK Dollars	**14,146**	16,039
Others	**15,939**	15,102
Total	**312,964**	286,901

(9) Dividends

	(in millions of RMB)	
	Six months ended 30 June	
	2009	2008
Paid in the period	**3,657**	8,454

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up prior year's cumulative losses, if any;

(ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under PRC accounting regulations;

(iii) Allocations to statutory general reserve;

(iv) Allocations to the discretionary revenue reserve fund if approved by the Bank's Annual General Meeting. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, the distributable profit is deemed to be the lesser of (i) the distributable profit determined in accordance with PRC GAAP and (ii) the distributable profit determined in accordance with IFRS.

The dividends are recognized in the statement of financial position upon approval by the shareholders at the Annual General Meeting. At 31 December 2008, the aggregate amount of distributable profit was RMB23,334 million (after interim profit distribution of RMB0.10 per share), being the distributable profit determined in accordance with IFRS (2007: IFRS). On 18 March 2009, the directors proposed a cash dividend of RMB0.10 per share (2007: RMB0.15), amounting to RMB4,899 million (2007: RMB7,349 million), which was approved by shareholders at the Annual General Meeting on 8 May 2009.

In addition, in accordance with the Articles of Association for the Bank, the Board of Directors was authorized to approve the profit appropriation plan within 40% of the distributable profit in the half year. At 19 August 2009, the Board of Directors approved a cash dividend of RMB0.10 per share, amounting to RMB4,899 million.

(10) Financial guarantees and credit related commitments, other commitments and contingent liabilities

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group commits to extend to customers:

(in millions of RMB)

	30 June 2009	31 December 2008
Guarantees	**163,193**	154,918
Letters of credit	**29,820**	25,637
Acceptances	**275,182**	193,826
Other commitments with an original maturity of		
— Under 1 year	**111,303**	95,564
— 1 year and over	**12,957**	6,937
	592,455	476,882

Capital expenditure commitments

(in millions of RMB)

	30 June 2009	31 December 2008
Capital expenditure commitments for buildings	**302**	357

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases in respect of buildings are as follows:

(in millions of RMB)

	30 June 2009	31 December 2008
Not later than 1 year	**995**	1,014
Later than 1 year and not later than 5 years	**2,356**	2,454
Later than 5 years	**956**	972
	4,307	4,440

Commitments on security underwriting and bond acceptance

(in millions of RMB)

	30 June 2009	31 December 2008
Outstanding balance on security underwriting	**30,150**	6,700
Outstanding balance on bond acceptance (1)	**22,244**	20,345

Note:

1: The Bank is entrusted by the Ministry of Finance ("MOF") to underwrite certain Certificates of Treasury Bond. The investors of Certificates of Treasury Bond have a right to redeem the bonds at par any time prior to maturity and the Bank is committed to redeem those bonds. The redemption price is the principal value of the Certificates of Treasury Bond plus unpaid interest.

The original maturities of these bonds vary from 1 to 5 years.

The MOF will not provide funding for the early redemption of these Certificates of Treasury Bond on a back-to-back basis but will pay interest through maturity and repay the principal at maturity.

Legal proceedings

A number of legal proceedings are initiated by third parties against the Group as defendant. The total outstanding claims at end of the period/year are as follows:

(in millions of RMB)

	30 June 2009	31 December 2008
Outstanding claims	**1,268**	1,298
Provision for losses	**324**	336

(11)Segmental information

The Bank's senior management team as represented by the governor reviewed the Bank's operation by the particular economic areas in which the Bank's branches and subsidiaries providing products or services. The Bank's operating segments are decided upon location of the assets, as the Bank's branches mainly serve local customers with only a few customers from other regions.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and the investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments. The operating segments are:

(i) Northern China — Including the following provinces: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia;

(ii) North Eastern China — Including the following provinces: Liaoning, Jilin, Heilongjiang;

(iii) Eastern China — Including the following provinces: Shanghai (excluding head office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;

(iv) Central & Southern China — Including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi, Hainan;

(v) Western China — Including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang;

(vi) Head office;

(vii) Overseas — Including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt and Macao.

(in millions of RMB)

Six months ended 30 June 2009	Head Office	Northern China	North-eastern China	Eastern China	Central & Southern China	Western China	Overseas	Eliminations	Group Total
External income	15,099	10,382	2,566	20,379	9,196	3,798	2,315	—	63,735
Inter-segment income	1,197	2,279	820	2,810	1,957	679	63	(9,805)	—
Total segment income	16,296	12,661	3,386	23,189	11,153	4,477	2,378	(9,805)	63,735
Net profit	4,290	2,469	324	4,905	1,688	1,106	829	—	15,611

(in millions of RMB)

Six months ended 30 June 2008	Head Office	Northern China	North-eastern China	Eastern China	Central & Southern China	Western China	Overseas	Eliminations	Group Total
External income	11,942	9,623	2,953	20,296	9,624	3,940	3,072	—	61,450
Inter-segment income	1,685	1,535	764	3,496	2,190	767	150	(10,587)	—
Total segment income	13,627	11,158	3,717	23,792	11,814	4,707	3,222	(10,587)	61,450
Net profit	2,527	2,371	672	5,923	2,891	684	499	—	15,567

(12) Liquidity risk

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

(in millions of RMB)

As at 30 June 2009	Repayable on demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Over due	Total
Assets								
Cash and balances with central banks	409,312	—	—	—	—	—	—	409,312
Due from other banks and financial institutions	31,208	135,814	99,360	71,421	—	—	13	337,816
Financial assets held for trading	142	1,321	3,729	5,697	24,569	6,651	—	42,109
Loans and advances to customers	115	156,347	231,965	584,937	449,747	258,232	15,862	1,697,205
Investment securities								
— loans and receivables	—	5,370	11,135	43,003	21,846	964	—	82,318
— available-for-sale	—	15,015	29,822	30,606	70,877	20,072	—	166,392
— held-to-maturity	—	10,401	12,332	49,477	265,198	152,776	—	490,184
Other assets, including deferred tax assets	7,162	6,352	3,536	8,464	10,612	37,382	16	73,524
Total assets	447,939	330,620	391,879	793,605	842,849	476,077	15,891	3,298,860
Liabilities								
Due to other banks and financial institutions	(281,343)	(78,384)	(51,215)	(117,974)	(126,339)	(4,096)	—	(659,351)
Financial liabilities held for trading	—	(1,795)	(1,437)	(2,512)	(1,667)	(1,238)	—	(8,649)
Due to customers	(1,101,054)	(329,538)	(310,852)	(509,884)	(114,006)	—	—	(2,365,334)
Other liabilities, including deferred tax liabilities	(31,310)	(14,337)	(23,420)	(4,711)	(13,001)	(18,375)	—	(105,154)
Total liabilities	(1,413,707)	(424,054)	(386,924)	(635,081)	(255,013)	(23,709)	—	(3,138,488)
Net liquidity gap	(965,768)	(93,434)	4,955	158,524	587,836	452,368	15,891	160,372

(in millions of RMB)

As at 31 December 2008	Repayable on demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Over due	Total
Assets								
Cash and balances with central banks	362,180	—	—	—	—	—	—	362,180
Due from other banks and financial institutions	80,614	176,620	38,937	34,827	500	—	13	331,511
Financial assets held for trading	—	1,614	2,332	10,515	9,170	3,305	—	26,936
Loans and advances to customers	797	88,802	145,404	554,908	305,592	187,485	15,788	1,298,776
Investment securities								
— loans and receivables	—	625	9,659	34,542	45,116	961	—	90,903
— available-for-sale	—	4,306	15,536	43,165	59,204	19,799	—	142,010
— held-to-maturity	—	2,054	4,551	36,244	191,948	133,081	—	367,878
Other assets, including deferred tax assets	9,541	11,929	316	1,167	3,575	35,986	239	62,753
Total assets	453,132	285,950	216,735	715,368	615,105	380,617	16,040	2,682,947
Liabilities								
Due to other banks and financial institutions	(244,719)	(53,225)	(43,131)	(100,875)	(117,437)	(10,066)	—	(569,453)
Financial liabilities held for trading	—	(931)	(558)	(4,529)	(2,708)	(1,287)	—	(10,013)
Due to customers	(919,140)	(234,148)	(206,153)	(406,242)	(99,629)	(503)	—	(1,865,815)
Other liabilities, including deferred tax liabilities	(17,166)	(1,400)	(19,313)	(18,270)	(13,020)	(18,402)	—	(87,571)
Total liabilities	(1,181,025)	(289,704)	(269,155)	(529,916)	(232,794)	(30,258)	—	(2,532,852)
Net liquidity gap	(727,893)	(3,754)	(52,420)	185,452	382,311	350,359	16,040	150,095

8 PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is simultaneously published on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Bank at www.bankcomm.com. This results announcement is an extract from the 2009 Interim Report prepared in accordance with IFRS, which will also be published on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Bank at www.bankcomm.com and available for viewing by shareholders and investors. The 2009 Interim Report prepared in accordance with CAS will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors who wish to understand the Interim Results in details should read the full Interim Report. The Bank's Interim Report prepared in accordance with IFRS is expected to be despatched to its holders of H shares in early September 2009.

By order of the Board
Bank of Communications Co., Ltd.
Hu Huaibang
Chairman of the Board

Shanghai, the PRC
19 August 2009

As at the date of this announcement, the directors of the Bank are Mr. Hu Huaibang, Mr. Li Jun, Mr. Peng Chun, Mr. Qian Wenhui, Mr. Zhang Jixiang, Mr. Hu Huating*, Mr. Qian Hongyi*, Mr. Wong Tung Shun, Peter*, Ms. Laura M. Cha*, Mr. Ji Guoqiang*, Mr. Lei Jun*, Mr. Yang Fenglin*, Mr. Xie Qingjian#, Mr. Ian Ramsay Wilson#, Mr. Thomas Joseph Manning#, Mr. Chen Qingtai#, Dr. Li Ka-cheung, Eric# and Mr. Gu Mingchao#.*

* *Non-executive directors*
\# *Independent non-executive directors*