



始于1908



交通銀行
BANK OF COMMUNICATIONS

百年知交 相融相通

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

Stock Code: 3328



INTERIM REPORT 2008



YOUR DREAM
OUR COMMITMENT





CONTENTS

| | | |
|-----|---|-----|
| 1. | Financial Highlights | 2 |
| 2. | Corporate Information | 4 |
| 3. | Management Discussion and Analysis | 5 |
| 4. | Changes in Share Capital and Shareholdings of Substantial Shareholders | 30 |
| 5. | Directors, Supervisors, Senior Management and Staff | 36 |
| 6. | Corporate Governance | 40 |
| 7. | Corporate Social Responsibilities | 43 |
| 8. | Significant Events | 46 |
| 9. | Independent Auditors' Report | 50 |
| 10. | Condensed Consolidated Interim Financial Information | 52 |
| 11. | Notes to the Condensed Consolidated Interim Financial Information | 57 |
| 12. | Supplementary Unaudited Financial Information | 116 |
| 13. | Reconciliation of differences between CAS and IFRS Financial Information | 125 |
| 14. | List of Branches | 127 |

Financial Highlights

The major financial data and indicators of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2008 (the “Period”) prepared under International Financial Reporting Standards (“IFRS”) are as follows:

(in millions of RMB unless otherwise stated)

| | As at 30 June 2008 | As at 31 December 2007 | Increase/ (decrease) (%) |
|--|-----------------------------------|------------------------------|--------------------------------|
| Total assets | 2,430,859 | 2,110,444 | 15.18 |
| Includes: loans and advances to customers ¹ | 1,217,878 | 1,082,788 | 12.48 |
| Total liabilities | 2,291,065 | 1,977,123 | 15.88 |
| Includes: due to customers ¹ | 1,811,113 | 1,555,599 | 16.43 |
| Shareholders' equity (eliminate the minority interest) | 139,351 | 132,903 | 4.85 |
| Net asset per share (eliminate the minority interest, in RMB) | 2.84 | 2.71 | 4.80 |
| | January to June 2008 | January to June 2007 | Increase/ (decrease) (%) |
| Net interest income | 33,097 | 23,536 | 40.62 |
| Operating profit before tax | 20,301 | 14,155 | 43.42 |
| Net profit (eliminate the minority interest) | 15,508 | 8,558 | 81.21 |
| Diluted earnings per share (in RMB) | 0.32 | 0.18 | 77.78 |
| Net cash flow from operating activities | 49,801 | (5,456) | – |

| | As at 30 June 2008 (%) | As at 31 December 2007 (%) | Change (percentage points) |
|--|---|-------------------------------------|----------------------------------|
| Return on average total assets ² | 1.37 | 1.06 | 0.31 |
| Return on average equity ³ | 22.78 | 18.16 | 4.62 |
| Cost to income ratio ⁴ | 35.78 | 40.29 | (4.51) |
| Impaired loans ratio ⁵ | 1.83 | 2.05 | (0.22) |
| Provision coverage of impaired loans ^{1, 6} | 107.65 | 95.63 | 12.02 |
| Capital adequacy ratio ⁷ | 14.06 | 14.44 | (0.38) |

Notes:

1. The comparative data (including the outstanding balances of loans and advances to customers before impairment allowances, impairment allowances and due to customers) are reclassified to conform with the requirements on financial information disclosure for the Period. (similarly hereinafter)
2. Calculated by dividing annualised net profit (eliminate the minority interest) by the average of total assets at the beginning and at the end of the Period.
3. Calculated by dividing annualised net profit (eliminate the minority interest) by the average equity (eliminate the minority interest) at the beginning and at the end of the Period.
4. 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 the de-recognition of investment securities and other operating income).
5. Calculated by dividing the balance of impaired loans by the balance of loans before impairment allowances at the end of the Period.
6. Calculated by dividing the balance for impairment allowances by the balance of impaired loans at the end of the Period.
7. Calculated in accordance with the relevant regulatory practice in China's banking industry.

Corporate Information

LEGAL NAME

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

LEGAL REPRESENTATIVE

JIANG Chaoliang

COMPANY SECRETARY

ZHANG Jixiang

AUTHORISED REPRESENTATIVES

PENG Chun
ZHANG Jixiang

COMPANY ADDRESS AND CONTACT INFORMATION FOR INVESTORS

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PLACE OF BUSINESS IN HONG KONG

20 Pedder Street, Central, Hong Kong

SELECTED NEWSPAPERS AND WEBSITES FOR INFORMATION DISCLOSURE

H shares: HKExnews website of the Hong Kong
Stock Exchange
www.hkexnews.hk

A shares: China Securities Journal,
Shanghai Securities News,
Securities Times,
Shanghai Stock Exchange
website www.sse.com.cn

PLACES WHERE THE INTERIM REPORT CAN BE OBTAINED

The Head Office of the Bank and principal business
locations

AUDITORS

PricewaterhouseCoopers
Deloitte Touche Tohmatsu CPA Ltd.

HONG KONG LEGAL ADVISER

Linklaters

CHINA LEGAL ADVISER

King & Wood PRC Lawyers

A SHARES SPONSORS

China Galaxy Securities Company Limited
CITIC Securities Company Limited
Haitong Securities Company Limited

SHARE REGISTRARS

H shares: Computershare Hong Kong Investor
Services Limited
Rooms 1712-16, 17th Floor,
Hopewell Center, 183 Queen's Road East,
Hong Kong

A shares: China Securities Depository and
Clearing Corporation Limited,
Shanghai Branch
3/F, China Insurance Building,
No.166 Lujiazui Dong Road,
Pudong New District, Shanghai, PRC

LISTING INFORMATION

H shares: The Stock Exchange of Hong Kong Limited
Stock Name: BANKCOMM
Stock Code: 3328

A shares: Shanghai Stock Exchange
Stock Name: Bank of Communications
Stock Code: 601328

Management Discussion and Analysis

China sustained rapid economic growth and social development despite the turbulent domestic and international economic environment in the first half of 2008. The central government has implemented efficient strategies in relation to strengthening and optimizing macro-economic control and the active promotion of restructuring of the economy, resulting in a stable and rapid development of the economy. In response to the rapidly changing market and macro-economic environment, the Group comprehensively implemented its “Best Wealth Management Bank” strategy to display its key business products and businesses, as well as strengthened its development of new markets and business, thereby maintaining favourable development and growth in various businesses of the Group.

(1) OPERATION OVERVIEW

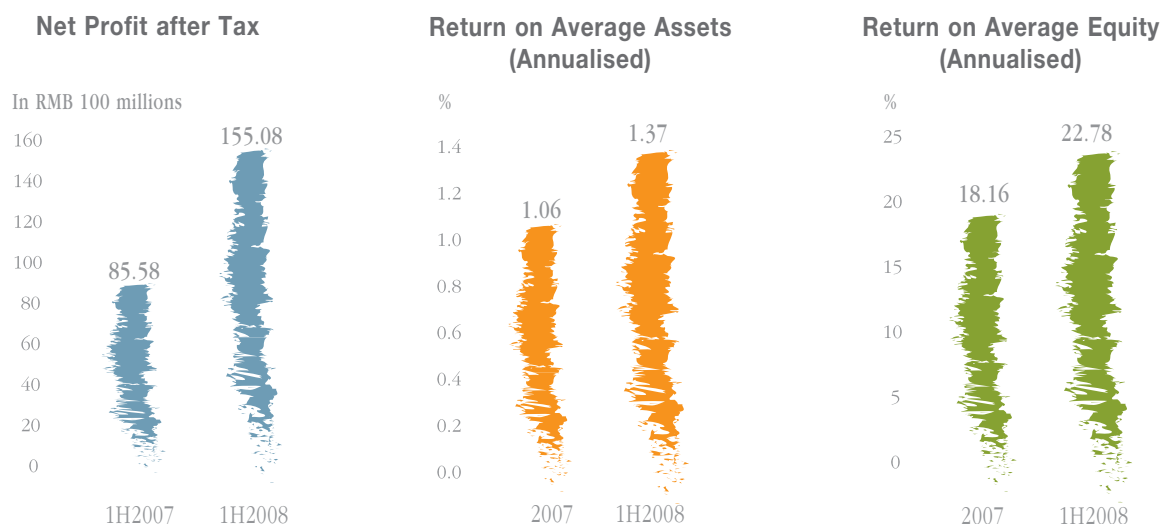
The Group's total assets increased by 15.18% from the beginning of the year to RMB2,430.859 billion as at the end of the Period. Net profit also increased by 81.21% when compared to the same period in the previous year to RMB15.508 billion for the six months ended 30 June 2008, while net interest spread and net interest margin were 3.08% and 3.22%, respectively. The Group's impaired loans ratio was 1.83%, while its capital adequacy ratio and core capital adequacy ratio were maintained at relatively high levels of 14.06% and 9.98%, respectively.

(2) BUSINESS REVIEW

Rapid growth in assets base and significant improvement in profitability

The asset base of the Group grew rapidly during the Period. Total assets increased by RMB320.415 billion or 15.18% from the beginning of this year. Loans and advances to customers (before impairment allowances, and unless otherwise stated, similarly hereinafter) increased RMB137.807 billion or 12.48% from the beginning of the year to RMB1,242.297 billion, of which, domestic RMB-denominated loans increased by 10.37% or RMB98.687 billion. Customer deposits also increased by 16.43% or RMB255.514 billion from the beginning of the year to RMB1,811.113 billion.

Rapid and coordinated development of various businesses contributed to strong growth in the profitability of the Group such that realised net profit after tax for the Period increased by 81.21% to RMB15.508 billion when compared to the same period in the previous year. Annualised return on average total assets and return on average shareholders' equity also increased by 0.31 percentage point and 4.62 percentage points, respectively when compared to 2007, to 1.37% and 22.78%, respectively.



Management Discussion and Analysis (Continued)

Increase in efficiency in capital utilisation and improvement in net interest margin

There has been an improvement in the efficiency in capital utilisation by the Group during the Period. In terms of loans and advances, while controlling the overall growth in the amount of loans, the Group also focussed on optimising the adjustment of the loan structure and strongly promoted the development of “Green Credit” projects and expanded its support to the coal, electricity, gasoline and transportation industries, as well as its support to energy conservation projects and small-and-medium enterprises. In addition, there has been an increase in the proportion of high-yielding loans, and the return on loans and advances to customers increased by 83 basis points to 7.16% when compared to 2007. The Group’s treasury business is experiencing major restructuring as part of the Group’s efforts to adapt to market competition and strategic restructuring. The establishment of the Financial Markets Division enabled the Group to integrate the management of its domestic and foreign currency operations and continuously strengthen its treasury operations and the adjustment of its investment structure. In the first half of 2008, the Bank strengthened its position as an active bank in the market and the volume of RMB and foreign exchange transactions increased by 79.7% and 77.2%, respectively. The optimisation of the Group’s investment in securities portfolio led to an increase in return on investment in securities by 62 basis points when compared to 2007, to 3.92%.

As a result of the steady expansion of the scale of its businesses and improvements in the efficiency in capital utilisation, the Group’s net interest income increased significantly. This was also accompanied by continuous growth in the net interest margin. During the Period, net interest income increased by 40.62% when compared to the same period in the previous year to RMB33.097 billion, while net interest spread and net interest margin increased by 29 and 36 basis points, respectively, when compared to 2007, to 3.08% and 3.22%, respectively.

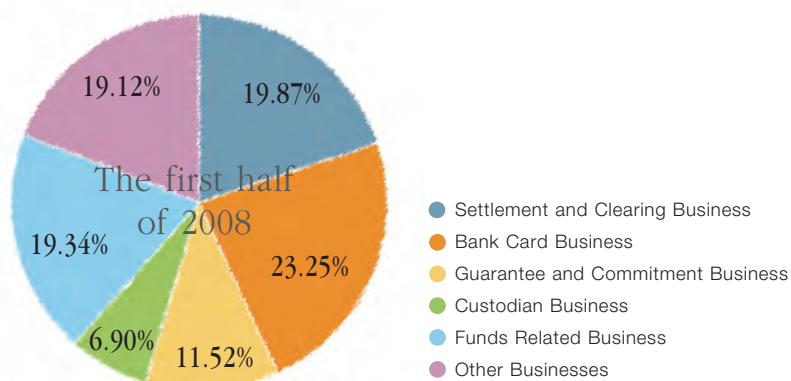
Active diversification of income sources and increased contribution from fee-based businesses

The Group was able to overcome the adverse effects from the volatility of the capital markets by actively developing technically-intensive and highly value-adding fee-based services such as custodian services, consultancy services and insurance agency services, thereby diversifying its income source. At the end of the Period, custodian commission income increased by 99.44% when compared to the same period in the previous year to RMB0.359 billion, while investment banking related fee income such as consultancy fees increased by 1.83 times to RMB0.554 billion. Insurance agency services and RMB-denominated “De Li Bao” products also experienced significant breakthroughs and increased by 9.53 and 3.30 times, respectively, when compared to the same period in 2007.

The Group’s traditional businesses such as settlement and agent services and bank card services, which have relatively lower correlations with the capital market, also experienced considerable development during the Period. Settlement and agent service commission income and bank card annual fee increased by 85.13% and 32.57%, respectively, when compared to the same period in 2007, to RMB1.033 billion and RMB1.209 billion, respectively, during the Period. The basic functionality of bank card business was fully exploited during the Period by the introduction of a wide range of uniquely packaged cards such as co-branded cards, platinum credit cards, centennial celebration collectible cards, Pacific-World Expo Gold cards, which promoted the Group’s value-added services and further increasing the competitiveness of the Group’s card business. As at the end of the Period, the total number of debit cards and quasi credit cards issued was 55.01 million cards and the total consumer spending exceeded RMB50 billion in the first half of 2008. The total number of credit cards issued to date reached 7.70 million cards and the total consumer spending was RMB38.5 billion in the first half of 2008.

Contribution from fee-based businesses to the Group’s income was further enhanced due to the active expansion and development into new markets and accelerated development of traditional businesses. During the Period, net fee and commission income have increased by 50.05% when compared to the same period in 2007, to RMB4.653 billion. Proportion of net fee and commission income to net operating profit increased by 0.97 percentage point when compared to the same period in 2007, to 12.31%.

Fee and Commission Income Structure



Management Discussion and Analysis (Continued)

In-depth promotion of the Wealth Management business and steady strengthening of customer base

The Group invested substantial amounts of resources to develop its operations as a “Wealth Management Bank”. It also devoted considerable efforts into areas such as branding, channel development, product innovation and team building in order to develop “Wealth Management” as the Group’s differentiating factor and competitive advantage.

In terms of brand development, the Group introduced its own brand of private banking products, which built on the foundation of its “OTO Fortune” and “BOCOM Fortune” wealth management products. These wealth management products have been rolled out through its Beijing Branch, Guangzhou Branch and three other branches on a pilot basis. In terms of channel development, the Group established 32 new “OTO” network locations, and at the same time, actively promoted the trial run of the application of the wealth management platform and express wealth management services center. The wealth management platform became operational at 96 network locations domestically and the conversion of ten network locations into express wealth management services center located at seven different branches was completed, thereby advocated the transformation from operations-focused model to a retail-servicing focused model for its network locations. In terms of product development, the Group adapted to the market changes with its timely introduction of investment products such as low-risk, fixed income products, and agency services on tangibles such as gold and gold futures trading services. In addition, it also introduced the customised “Supreme No. 1” investment product for its first batch of private banking customers. In terms of team building, the Group emphasised on employees training in strategic businesses such as funds, insurance, wealth management products and private banking in response to its business development needs. As at the end of the Period, there are 1,167 employees with Associate Financial Planner (AFP), Certified Financial Planner (CFP) or Executive Financial Planner (EFP) professional qualifications.

There were further improvements in the Group’s customer structure and customer quality as a result of the Group’s continuous refinement of its wealth management banking strategy. At the end of the Period, the number and proportion of upper or mid-tier individual customers increased by 10.09% from the beginning of the year, and 2.39 percentage points, respectively. Upper or mid-tier personal customers have become the key driving force of the wealth management business as 97.75% of the Group’s new assets under management were derived from upper or mid-tier individual customers.

Healthy development of overseas branches and subsidiaries and the emergence of synergies

The Group continuously expanded the scope and coverage of its businesses by implementing its comprehensive globalisation strategy. Overseas branches achieved rapid growth in the scale of their operations despite the increasingly severe adverse influences arising from the sub-prime crisis and liquidity crunch. Total assets and loans of overseas branches increased by 23.45% and 57.04%, respectively, from the beginning of the year to US\$22.052 billion and US\$13.870 billion, respectively, at the end of the Period. The Singapore Branch successfully maintained steady business growth by actively developing new risk-participation trade finance products. The Seoul Branch also reported rapid revenue growth by taking advantage of market opportunities to participate in interest rate and currency swaps. The two newly established Frankfurt and Macau Branches were able to quickly bring their business development on course and successfully define their market position while actively developing new markets.

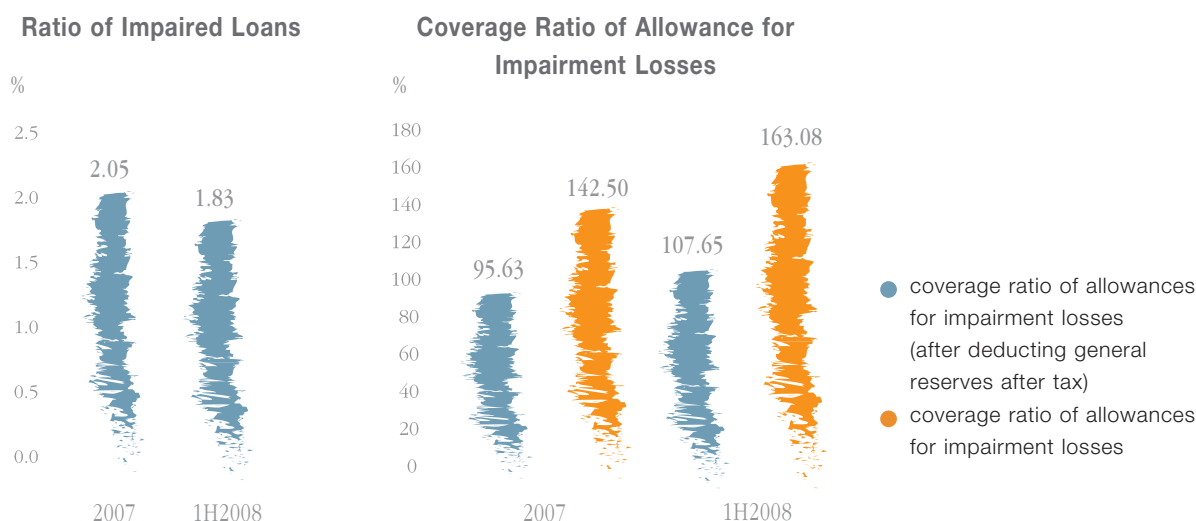
The Group's subsidiaries reported healthy growth during the Period. Bank of Communications Schroder Fund Management Co., Ltd successfully issued the largest bond fund in the spot market despite bearish market sentiments, issued a total of six funds including, amongst others, currency market funds, balanced funds, equity funds and bond funds and climbed five positions up the rankings for scale of assets management and increased its market share by 0.44 percentage point. Bank of Communications International Trust Co., Ltd achieved excellent results by launching 16 series of the "Win To Fortune" wealth management product in collaboration with its parent company. Bank of Communications Financial Leasing Co., Ltd. also took advantage of the Group's competitive advantage for the promotion of its leasing operations and successfully entered into 23 leveraged lease arrangements. In addition, preparatory work on the Da Yi Rural Bank proceeded steadily as the Group intensified its strategic cooperation with the Jiangsu Changshu Rural Commercial Bank Co., Ltd..

Managing negative influences and continuous strengthening of risk management

The Group's newly implemented comprehensive "Three-year Risk Management Plan" was instrumental in its efforts to effectively achieve long-term control over risk management and to overcome the adverse influences on the quality of assets arising from diverse factors such as the 12 May Wenchuan earthquake and the slowdown in macro-economic growth. The Group's technical capabilities over risk management were enhanced by the introduction of internal grading results into the credit approval and credit administration processes. The quality of assets were further strengthened through the implementation of comprehensive credit risk and return analyses and the further enhancement

Management Discussion and Analysis (Continued)

in the recovery process of unhealthy assets. The impaired loans ratio decreased from 2.05% from the beginning of the year to 1.83% at the end of the Period, representing a decrease of 0.22 percentage points. The coverage ratio of allowances for impairment losses and coverage ratio of allowances for impairment losses (after deducting general reserves after tax) also increased by 20.58 percentage points and 12.02 percentage points, respectively, from the beginning of the year to 163.08% and 107.65%, respectively, at the end of the Period.



At the same time, the Group has not been significantly affected by the sub-prime mortgage crisis involving “Freddie Mac” (Federal Home Loan Mortgage Corporation) and “Fannie Mae” (Federal National Mortgage Association) in the United States and it was able to maintain the quality of its investment in securities portfolio. This was largely attributable from the active and timely disposal of relevant investments in the relevant bonds as part of the Group’s strict adherence to its cautious investment approach.

Effective cost control and continuous improvement in operating efficiency

By accelerating the development of the process-oriented bank, promoting the centralisation of its back office support processes, and strengthening the transformation of its agreement process, leading to the continuous improvement in business process and the successful control of its operating costs. During the Period, operating costs of the Group increased by 33.82% when compared to the same period in the previous year to RMB13.529 billion, which was considerably lower than the increase in net operating income. Operating income declined by 1.2 percentage points when compared to the same period in 2007 to 35.78%. At the same time, there was significant improvement in operating efficiency as the Group’s average net profit per person and average net profit per network location increased by 60.34% and 80.20%, respectively, when compared to the same period in 2007 to RMB216,300 and RMB5.7996 million, respectively.

Actively discharging its corporate social responsibility and significant improvement in its market image

In its pursuit of higher levels of business development and profitability, the Group also constantly kept in mind its corporate social responsibility. The Group actively participated and supported rescue and reconstruction efforts after the snow storm and the earthquake disasters by donating up to RMB71.58 million in cash and supplies, of which RMB38.58 million came from staff donations and received high praise from both the government and the general public. In view of the limited availability of credit facilities, the Group also gave priority support to disaster prevention and disaster relief related credit requests, disbursing up to RMB13.35 billion in earthquake prevention, disaster relief and reconstruction related loans, thereby fulfilling its corporate social responsibilities.

The Group's market image and reputation was given a huge boost during the Period as it was honoured with awards such as "China's Best Bank for Private Wealth Management" from *Euromoney*, "China's Best Local Financing Bank for Small and Medium Enterprises" from *Global Finance* and *Standard & Poor* also upgraded the Bank's long-term foreign exchange credit rating to "BBB+".

(3) FINANCIAL REVIEW

1. Operating profit before tax

The Group's operating profit before tax for the period ended 30 June 2008 reached RMB20.301 billion, representing an increase of 43.42% or RMB6.146 billion over the same period in the previous year. Operating profit before tax was derived mainly from net interest income and net fee and commission income.

The table below shows the significant items which make up the Group's operating profit before tax for the periods indicated:

| | <i>(in millions of RMB)</i> | |
|---|---|---------|
| | For the six months ended 30 June | |
| | 2008 | 2007 |
| Net interest income | 33,097 | 23,536 |
| Net fee and commission income | 4,653 | 3,101 |
| Impairment losses on loans and advances | (3,977) | (3,077) |
| Operating profit before tax | 20,301 | 14,155 |

Management Discussion and Analysis (Continued)

2. Net interest income

Net interest income grew by RMB9.561 billion or 40.62% when compared to the same period in the previous year to RMB33.097 billion for the period ended 30 June 2008.

The table below shows the major components of the Group's interest income, interest expense, net interest margin and net interest spread for the periods indicated:

(in millions of RMB, unless otherwise stated)

| | January to June 2008 | January to December 2007 |
|--|-------------------------------------|--------------------------------|
| Interest income | | |
| Balances with central banks | 2,306 | 3,438 |
| Due from other banks and financial institutions | 3,705 | 5,971 |
| Loans and advances to customers | 39,541 | 65,417 |
| Investment securities | 10,556 | 15,493 |
| Total interest income | 56,108 | 90,319 |
| Interest expense | | |
| Due to other banks and financial institutions | (5,660) | (10,182) |
| Due to customers | (17,351) | (25,993) |
| Total interest expense | (23,011) | (36,175) |
| Net interest income | 33,097 | 54,144 |
| Net interest spread¹ | 3.08%³ | 2.79% ³ |
| Net interest margin² | 3.22%³ | 2.86% ³ |
| Net interest spread¹ | 3.17%⁴ | 2.86% ⁴ |
| Net interest margin² | 3.30%⁴ | 2.93% ⁴ |

Notes:

1. This ratio represents the difference between the average yield on total average interest-earning assets and the average cost of total average interest-bearing liabilities of the Group.
2. This ratio represents the net interest income to total average interest-earning assets.
3. Annualised ratio, after eliminating the impact of wealth management products.
4. Annualised ratio, after eliminating the impact of wealth management products and taking into account the tax exemption on the interest income from investments in Government bonds.

The Group's net interest spread and net interest margin increased significantly by 29 and 36 basis points over that in the full year of 2007, to 3.08% and 3.22%, respectively. These were mainly due to the continuous structural increase in interests by the People's Bank of China (PBOC) in 2007, continued optimisation of the asset-liability structure of the Group and the further enhancement of the term settling of loans and efficiency in capital utilisation. The Group's average returns on loans and advances to customers increased by 83 basis points over 2007 to 7.16%, while returns from investment in securities increased by 62 basis points over 2007 to 3.92%.

The table below shows the average daily balance and interest rates of the Group's interest-earning assets and interest-bearing liabilities for the periods indicated:

(in millions of RMB unless otherwise stated)

| | For the six months ended 30 June 2008 | | | For the financial year ended 31 December 2007 | | |
|---|---------------------------------------|----------------------------|---|---|----------------------------|---|
| | Average balances ¹ | Interest income/(expenses) | Average yield (cost) ratio ³ | Average balances ¹ | Interest income/(expenses) | Average yield (cost) ratio ³ |
| ASSETS | | | | | | |
| Cash and balances with central Bank | 274,558 | 2,306 | 1.68% | 230,754 | 3,438 | 1.49% |
| Due from other banks and financial institutions | 170,155 | 3,705 | 4.35% | 170,501 | 5,971 | 3.50% |
| Loans and advances to customers | 1,104,797 | 39,541 | 7.16% | 1,033,547 | 65,417 | 6.33% |
| – Loans to corporate entities | 911,884 | 32,635 | 7.16% | 833,761 | 53,171 | 6.38% |
| – Loans to individuals | 167,638 | 6,103 | 7.28% | 143,856 | 9,046 | 6.29% |
| – Discounted bills | 25,275 | 803 | 6.35% | 55,930 | 3,200 | 5.72% |
| Investment in securities and others | 537,975 | 10,556 | 3.92% | 468,799 | 15,493 | 3.30% |
| Interest-earning assets | 2,057,744 ² | 55,067 ² | 5.35% | 1,890,040 ² | 89,658 ² | 4.74% |
| Non-interest earning assets | 141,777 | | | 89,867 | | |
| TOTAL ASSETS | 2,199,521² | | | 1,979,907² | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Due to customers | 1,598,747 | 17,351 | 2.17% | 1,503,688 | 25,993 | 1.73% |
| – Corporate deposits | 1,080,330 | 11,138 | 2.06% | 999,427 | 16,382 | 1.64% |
| – Individual deposits | 518,417 | 6,213 | 2.40% | 504,261 | 9,611 | 1.91% |
| Due to other banks and financial institutions | 329,262 | 4,882 | 2.97% | 297,787 | 8,690 | 2.92% |
| Subordinated term debts | 37,000 | 778 | 4.21% | 32,445 | 1,492 | 4.60% |
| Interest-bearing liabilities | 1,935,268 ² | 21,970 ² | 2.27% | 1,820,359 ² | 35,514 ² | 1.95% |
| Shareholders' equity and non-interest bearing liabilities | 264,253 | | | 159,548 | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,199,521² | | | 1,979,907² | | |

Notes:

- Daily average balance calculated in accordance with CAS and adjusted in accordance with IFRS.
- Eliminating the impact of wealth management products.
- Annualised ratios.

Management Discussion and Analysis (Continued)

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 rate during the periods indicated are calculated based on the changes in average balances and changes in interest rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB)

| | January to June 2008 vs. January to December 2007 increase/(decrease) due to | | | 2007 vs. 2006 increase/(decrease) due to | | |
|--|--|------------------|-----------------------------|---|------------------|-----------------------------|
| | Volume | Interest rate | Net increase/ (decrease) | Volume | Interest rate | Net increase/ (decrease) |
| | | | | | | |
| Interest-earning assets | | | | | | |
| Cash and balances with central banks | 653 | 521 | 1,174 | 1,212 | 130 | 1,342 |
| Due from other banks and financial institutions | (12) | 1,451 | 1,439 | 970 | 138 | 1,108 |
| Loans and advances to customers | 4,510 | 9,155 | 13,665 | 12,267 | 6,551 | 18,818 |
| Investment in securities and others | 2,283 | 3,336 | 5,619 | 3,645 | 863 | 4,508 |
| Changes in interest income | 7,434 | 14,463 | 21,897 | 18,094 | 7,682 | 25,776 |
| Interest-bearing liabilities | | | | | | |
| Due to customers | 1,645 | 7,064 | 8,709 | 3,953 | 2,725 | 6,678 |
| Due to other banks and financial institutions | 919 | 155 | 1,074 | 4,439 | (600) | 3,839 |
| Subordinated term debts | 210 | (146) | 64 | 978 | (60) | 918 |
| Changes in interest expense | 2,774 | 7,073 | 9,847 | 9,370 | 2,065 | 11,435 |

3. Net fee and commission income

Despite the downward pressure on the growth in revenues for commercial banks due to the slowdown in economic growth and changes in the capital markets, the Group was able to overcome adverse market sentiments and strengthen its fee-based businesses. The Group's net fee and commission income for the six months ended 30 June 2008 increased by RMB1.552 billion or 50.05% over the same period in the previous year to RMB4.653 billion.

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

(in millions of RMB)

**For the six months
ended 30 June**

| | 2008 | 2007 |
|--|--------------|--------------|
| Settlement and agent service commission income | 1,033 | 558 |
| Bank card annual fee and commission income | 1,209 | 912 |
| Guarantee and commitment commission income | 599 | 188 |
| Custodian commission income | 359 | 180 |
| Funds sales commission income | 671 | 1,017 |
| Funds management commission income | 335 | 248 |
| Other commission income | 994 | 535 |
| Total fee and commission income | 5,200 | 3,638 |

4. Other operating expenses

For the six months ended 30 June 2008, the Group's other operating expenses increased by RMB3.419 billion or 33.82% when compared to the same period in the previous year to RMB13.529 billion. The Group continued to strengthen its cost-control efforts and successfully reduced its expense-to-income ratio by 4.51 percentage points from 40.29% in 2007 to 35.78% for the Period, which reflected a successful implementation of its cost-control policies.

5. Impairment losses on loans and advances

The Group's impairment losses on loans and advances consists of allowance for loans (less recovery of loans previously written off), due from other banks and financial institutions, as well as investment in securities acquired under resale agreements.

Impairment losses on loans and advances increased to RMB3.977 billion during the Period from RMB3.077 billion for the same period in the previous year and annualised credit cost increased by 0.06 percentage point over the previous year to an annualised ratio of 0.64% for the Period.

Management Discussion and Analysis (Continued)

6. Income tax expense

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

(in millions of RMB)

**For the six months period
ended 30 June**

| | 2008 | 2007 |
|--------------|--------------|-------|
| Current tax | 3,749 | 3,844 |
| Deferred tax | 985 | 1,690 |

The "PRC Enterprise Income Tax Law" became effective on 1 January 2008 and the income tax rate applicable for the Bank and its subsidiaries in China was adjusted to 25%.

The income of the Group's Hong Kong Branch and subsidiaries is subject to Hong Kong income tax calculated based on the estimated taxable income. For the six months ended 30 June 2008, the Hong Kong income tax rate was 16.5%. Income tax expense of the Group's other overseas branches shall be calculated based on the estimated taxable income and the income tax rates prevailing in their countries of operation for the six months ended 30 June 2008.

(4) ASSETS

The Group's total assets as at 30 June 2008 increased by RMB320.415 billion or 15.18% from the beginning of the year to RMB2,430.859 billion. The Group's assets consist of four principal components: loans and advances to customers (after impairment allowances), investment in securities, cash and balances with central bank and due from other banks and financial institutions, accounting for 50.10%, 24.04%, 13.03% and 9.39% of the Group's total assets, respectively.

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

| | As at 30 June 2008 | As at 31 December 2007 |
|---|-----------------------------------|------------------------------|
| <i>(in millions of RMB)</i> | | |
| Loans and advances to customers | | |
| Loans to corporate entities ^{Note} | 1,007,097 | 900,536 |
| Loans to individuals ^{Note} | 191,763 | 172,474 |
| Discounted bills ^{Note} | 43,437 | 31,480 |
| Total loans and advances to customers before impairment allowances | 1,242,297 | 1,104,490 |
| Impairment allowances on loans and advances | (24,419) | (21,702) |
| Loans and advances to customers | 1,217,878 | 1,082,788 |
| Investment in securities | 584,383 | 546,096 |
| Cash and balances with central banks | 316,748 | 261,433 |
| Due from other banks and financial institutions | 228,379 | 156,110 |

Note: Loans to corporate entities, loans to individuals and discounted bills represent amounts before impairment allowances.

1. Loans business

The Group managed to maintain stable growth in its loan business as a result of its tighter control over loan approvals and reasonable allocation of loans under the macro-economic control environment in the PRC. The Group's loans and advances to customers increased by RMB137.807 billion or 12.48% from the beginning of the year to RMB1,242.297 billion as at 30 June 2008. Its loans-to-deposits ratio decreased by 2.41 percentage points from the beginning of the year to 68.59% as at 30 June 2008.

(i) Loan concentration by industries

The Group vigorously promoted the "Green Credit" projects, continued to reduce the concentration of target controlled industries such as steel, textile and real estate, as well as high pollution, high energy consumption and high-value real estate industries in its loan portfolio, and to optimise its internal structure. The Group also actively explored and acted on opportunities on energy conservation so as to increase the business opportunities in demand-related industries and areas.

Management Discussion and Analysis (Continued)

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

(in millions of RMB unless otherwise stated)

| | As at 30 June 2008 | | As at 31 December 2007 | |
|--|-----------------------------|------------|-----------------------------|------------|
| | Outstanding loan balance | Proportion | Outstanding loan balance | Proportion |
| Loans to corporate entities | | | | |
| Manufacturing | | | | |
| – Petroleum and chemical | 53,839 | 4.33% | 50,245 | 4.55% |
| – Electronics | 31,532 | 2.54% | 30,823 | 2.79% |
| – Steel | 30,640 | 2.47% | 29,345 | 2.65% |
| – Machinery | 44,166 | 3.56% | 38,725 | 3.51% |
| – Textile | 24,133 | 1.94% | 24,170 | 2.19% |
| – Other manufacturing | 134,019 | 10.79% | 123,860 | 11.21% |
| Transportation | 134,265 | 10.81% | 120,484 | 10.91% |
| Trading | 128,267 | 10.32% | 98,172 | 8.89% |
| Services | 116,865 | 9.41% | 99,617 | 9.02% |
| Real Estate | 79,313 | 6.38% | 78,080 | 7.07% |
| Utilities | 100,650 | 8.10% | 85,457 | 7.74% |
| Construction | 51,426 | 4.14% | 48,805 | 4.42% |
| Education & scientific research | 26,696 | 2.15% | 26,993 | 2.44% |
| Post and telecommunications | 10,696 | 0.86% | 11,078 | 1.00% |
| Agriculture | 2,460 | 0.20% | 2,609 | 0.24% |
| Non-banking financial institutions | 12,607 | 1.01% | 13,792 | 1.25% |
| Others | 25,523 | 2.06% | 18,281 | 1.65% |
| Total loans to corporate entities | 1,007,097 | 81.07% | 900,536 | 81.53% |
| Mortgage loans | 121,645 | 9.79% | 112,941 | 10.23% |
| Medium-term and long-term working capital loans | 23,153 | 1.86% | 22,709 | 2.05% |
| Short-term working capital loans | 13,907 | 1.12% | 11,333 | 1.03% |
| Car loans | 4,462 | 0.36% | 4,534 | 0.41% |
| Credit card advances | 13,569 | 1.09% | 7,929 | 0.72% |
| Others | 15,027 | 1.21% | 13,028 | 1.18% |
| Total loans to individuals | 191,763 | 15.43% | 172,474 | 15.62% |
| Discounted bills | 43,437 | 3.50% | 31,480 | 2.85% |
| Total amount of loans and advances to customers before impairment allowances | 1,242,297 | 100.00% | 1,104,490 | 100.00% |

(ii) Borrowers concentration

Under the prevailing PRC banking regulations, the total outstanding credit exposure to a single group customer must not exceed 15% of the net regulatory capital of a bank whereas the total outstanding loans to a single borrower shall not exceed 10% of the net regulatory capital of a bank. The Group currently complies with these regulatory requirements.

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

(in millions of RMB unless otherwise stated)

| | | As at 30 June 2008 | |
|----------------------------|------------------------------|-------------------------------------|---|
| Type of industry | | Outstanding loan balance | Percentage of total loans and advances |
| Customer A | Construction | 5,281 | 0.42% |
| Customer B | Transportation and warehouse | 4,121 | 0.33% |
| Customer C | Wholesaling | 3,530 | 0.28% |
| Customer D | Manufacturing | 3,361 | 0.27% |
| Customer E | Manufacturing | 3,056 | 0.25% |
| Customer F | Transportation and warehouse | 3,000 | 0.24% |
| Customer G | Transportation and warehouse | 2,760 | 0.22% |
| Customer H | Manufacturing | 2,740 | 0.22% |
| Customer I | Services | 2,572 | 0.21% |
| Customer J | Transportation and warehouse | 2,300 | 0.19% |
| Total of top ten customers | | 32,721 | 2.63% |

(iii) 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. Loans and advances to customers in these three regions accounted for 65.16% of the Group's total loan and advances to customers outstanding as at 30 June 2008.

(iv) Loan quality

The Group has managed to maintain a high quality loan portfolio by implementing its new comprehensive "Three-year Risk Management Plan" as the main tool to take effective control over its risk management on a long-term basis. The impaired loan ratio has decreased by 0.22 percentage point from the beginning of the year to 1.83% as at 30 June 2008. The provision coverage of impaired loans increased by 20.58 percentage points from the beginning of the year to 163.08%. The coverage ratio would have increased by 12.02 percentage points from the beginning of the year to 107.65% after deducting general reserves after tax.

Management Discussion and Analysis (Continued)

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)

| | As at 30 June 2008 | As at 31 December 2007 |
|--|-----------------------------------|------------------------------|
| Individually identified impaired loans | 22,684 | 22,694 |
| Loans overdue by more than 90 days | 20,684 | 19,708 |
| Percentage of impaired loans to total loans and advances to customers | 1.83% | 2.05% |

(v) *Borrowers' structure*

The Group has managed to further optimise its borrowers' structure. As at 30 June 2008, corporate customers of the Group's domestic institutions were classified based on the 10-class rating system. Compared to the beginning of the year, loans to class 1 to class 5 high quality customers amounted to 77.58% of the total outstanding loan balance, representing an increase of 3.21 percentage points, while loans to class 6 to class 7 customers amounted to 18.08% of the total outstanding loan balance, representing a decrease of 1.48 percentage points, and loans to class 8 to class 10 high risk customers amounted to 2.12%, representing a decrease of 0.21 percentage points.

2. Treasury operation

The Group established a Financial Markets Division during the Period, which realised the integration of the management of domestic and foreign currency operations in order to further strengthen the centralisation of its treasury operations, thereby resulting in significant increase in the efficiency in capital utilisation as well as income derived from its treasury business. For the six months ended 30 June 2008, the Group's average balance of investment in securities increased by RMB69.176 billion or 14.76% from 2007 to RMB537.975 billion. Return from investment in securities increased by 62 basis points from 2007 to 3.92%, which effectively improved the profitability of the Group's assets.

(5) LIABILITIES

The Group's total liabilities as at 30 June 2008 increased by RMB313.942 billion or 15.88% from the beginning of the year to RMB2,291.065 billion. The amount due to customers represented 79.05% of the Group's total liabilities and consisted mainly corporate deposits and individual deposits. The Group has a favourable deposit structure, which contributed to a stable source of funding for the Group. During the Period, corporate deposits increased by 19.42% and individual deposits increased by 12.04%, accounting for 65.94% and 33.50% of total deposits, respectively.

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

| | As at 30 June 2008 | <i>(in millions of RMB)</i> As at 31 December 2007 |
|--------------------------------|-----------------------------------|---|
| Corporate deposits, of which: | 1,194,290 | 1,000,040 |
| – Corporate current deposits | 663,502 | 699,289 |
| – Corporate savings deposits | 7,683 | 7,785 |
| – Corporate time deposits | 523,105 | 292,966 |
| Individual deposits, of which: | 606,637 | 541,446 |
| – Individual current deposits | 227,060 | 227,796 |
| – Individual savings deposits | 14,642 | 14,295 |
| – Individual time deposits | 364,935 | 299,355 |

Management Discussion and Analysis (Continued)

(6) GEOGRAPHICAL SEGMENT ANALYSIS

1. Operating results by geographical segments

A geographical segment refers to a specific economic environment under which the Group operates and which gives rise to risks and returns that are different from other economic environments in which the Group operates.

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

(in millions of RMB)

| | Six months ended 30 June | | | |
|---|---------------------------------|--------------------------------------|----------------------|-------------------------------|
| | 2008 | | 2007 | |
| | Net profit/(loss) | Total revenue¹ | Net profit/(loss) | Total revenue ¹ |
| Northern China ² | 2,371 | 11,158 | 1,491 | 7,267 |
| North Eastern China ³ | 672 | 3,717 | 156 | 2,772 |
| Eastern China ⁴ | 5,923 | 23,792 | 2,417 | 16,430 |
| Central and Southern China ⁵ | 2,891 | 11,814 | 2,177 | 8,122 |
| Western China ⁶ | 684 | 4,707 | 1,015 | 3,745 |
| Overseas ⁷ | 499 | 3,137 | 781 | 4,203 |
| Head Office | 2,527 | 13,627 | 619 | 7,480 |
| Eliminations | - | (10,587) | (35) | (5,856) |
| Total⁸ | 15,567 | 61,365 | 8,621 | 44,163 |

Notes:

- 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.
- Includes Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and the Inner Mongolia Autonomous Region.
- Includes Liaoning Province, Jilin Province and Heilongjiang Province.
- Includes Shanghai Municipality (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province.
- Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Guangxi Autonomous Region and Hainan Province.
- 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.
- Includes overseas subsidiaries and branches in Hong Kong, New York, Singapore, Tokyo, Seoul, Macau and Frankfurt.
- Includes minority interests.

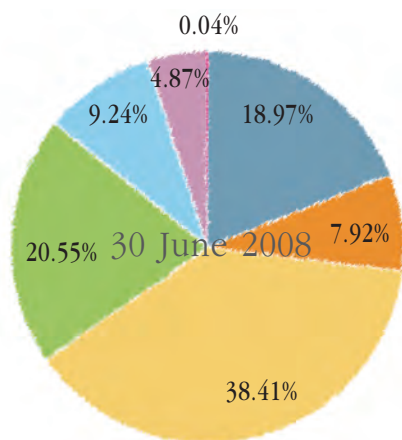
2. Deposits and loans and advances balances by geographical segments

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

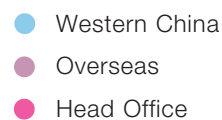
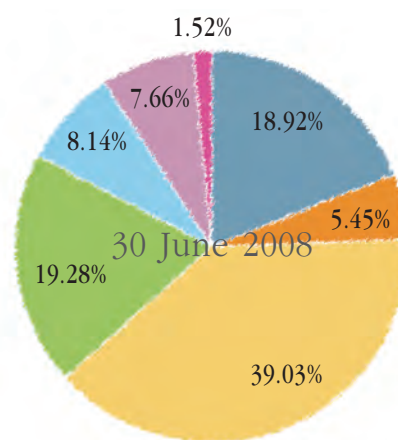
(in millions of RMB)

| | As at 30 June 2008 | | As at 31 December 2007 | |
|----------------------------|-----------------------|----------------------------------|---------------------------|----------------------------------|
| | Deposits balance | Loans and advances balance | Deposits balance | Loans and advances balance |
| Northern China | 343,650 | 235,102 | 270,655 | 209,844 |
| North Eastern China | 143,363 | 67,712 | 132,207 | 64,102 |
| Eastern China | 695,651 | 484,900 | 605,658 | 440,670 |
| Central and Southern China | 372,161 | 239,562 | 324,907 | 222,589 |
| Western China | 167,297 | 101,057 | 150,311 | 93,660 |
| Overseas | 88,239 | 95,139 | 71,225 | 64,515 |
| Head Office | 752 | 18,825 | 636 | 9,110 |
| Total | 1,811,113 | 1,242,297 | 1,555,599 | 1,104,490 |

Deposits Balance



Loans and Advances Balance



Management Discussion and Analysis (Continued)

3. Operating results by business segments

The Group's business is mainly divided into four business segments: corporate banking, retail and private banking, treasury and others. The corporate banking segment was the primary source of profit for the Group and net interest income from the corporate banking segment accounted for 68.12% 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 periods indicated:

(in millions of RMB)

| | Six months ended 30 June 2008 | | | | Total |
|--|-------------------------------|----------------------------|----------|--------|--------|
| | Corporate Banking | Retail and Private Banking | Treasury | Others | |
| External net interest income/(expense) | 18,817 | 287 | 13,999 | (6) | 33,097 |
| Internal net interest income/(expense) | 3,730 | 6,034 | (9,764) | - | - |
| Net interest income | 22,547 | 6,321 | 4,235 | (6) | 33,097 |

(7) RISK MANAGEMENT

During the Period, the Group continued to promote the development of a comprehensive risk management framework, continuously improved and optimised the operational mechanism, business processes and technical capabilities of risk management, thereby continuously strengthening its risk management capabilities so as to ensure secure and sustainable operations at reasonable risk levels.

1. **Organisation structure.** The Bank established the Financial Markets Division to enable the Group to integrate the management of its domestic and foreign currency operations, thereby strengthening the integration of its market risk management over its domestic and foreign currency operations. The Bank has issued the “Bank of Communications 2008-2010 Comprehensive Risk Management Plan” (the “Plan”) to provide guidance for its comprehensive risk management approach. The Plan specifically indicates the Bank’s comprehensive risk management strategy, management methodologies and development goals, as well as the mission and implementation plan for the comprehensive risk management program, which marks the official commencement of a fresh round of improvements to the Bank’s comprehensive risk management system. At the same time, the Bank also issued the “Bank of Communications Stress Testing Comprehensive Work Plan” and commenced formal stress testing throughout the Bank. To date, the Bank has completed its stress testing on interest rate risk, real estate prices fluctuation and the effects of the slowdown in macro-economic growth over the quality of assets.
2. **Credit risk management.** The Group has implemented a series of measures to actively manage the risk brought about by external factors such as cyclical economic downturns, tightening of macro-economic controls and RMB appreciation, thereby further strengthening its credit risk management capacity. These measures include:
 - (i) Effectively implemented the “Green Credit” Program by completing the compilation of environmental conservation information for all loan customers and the classification of loan customers based on their environmental conservation efforts, thus establishing a solid foundation for the development of an effective environmental conservation loan mechanism and developed a strong foundation for a standardised and comprehensive “Green Credit” management system.
 - (ii) Continued efforts to improve the Group’s credit approval structure with a focus on rural financing, small enterprise financing and its “Green Credit” business and to encourage branches to evaluate credit applications based on a risk-benefit principle and taking into consideration the interest gap and the evaluation on the level of risks so as to ensure that the sequence and amount of credit approvals are in line with the Bank’s strategy while continuing its focus on key and quality clients, qualifying individual clients and small and medium-sized enterprises with relatively higher profitability.

Management Discussion and Analysis (Continued)

- (iii) Continued to strengthen risk management efforts over key focus areas through fine-tuning of the credit risk analysis process, implementation of specific risk evaluation, in-depth risk monitoring and management over real estate industries, high pollution, high energy consumption and high-value real estate industries, export-oriented trade enterprises, group customers and private enterprises.
- (iv) Further enhanced the Group's credit administration processes and credit management mechanism to improve credit administration and management effectiveness.
- (v) Actively promoted the application of the internal rating system for its corporate banking business on credit evaluation and approval, credit administration and risk reporting processes and to complete development of the internal rating model for its retail banking business.
- (vi) Actively implemented contingency measures to rapidly deal with various risk management issues arising from the 12 May Wenchuan Earthquake, thus mitigating the negative influences arising from the earthquake.

3. Market risk management. The Group established a specialized Market Risk Management Division to centralise the management of the Group's market risk.

- (i) **Interest rate risk management.** To manage its interest rate risk, the Group preliminary completed a comprehensive interest rate risk monitoring system that utilises periodic interest rate gap analysis system to periodically monitor the gap between the value of the assets and liabilities that are interest sensitive and which must be re-priced within certain periods and to automatically adjust the proportion of floating interest and fixed interest assets. In view of the current global credit crunch, the Bank reasonably increased the interest rate on its RMB loans during the first half of the year to maximise the returns while controlling risks. The Bank also actively pursued the development of its asset-liabilities management system to enhance the Bank's ability in identifying and quantifying interest rate risk.
- (ii) **Exchange rate risk management.** Based on the Group's risk tolerance and level of operations, the Group further enhanced its trading system and information monitoring support system in order to manage and control the Bank's exchange rate risk mainly through the following measures: (i) to restrict and minimise the exposure to exchange rate risk to limits permissible by the Bank's policies, (ii) to suitably utilise financial derivatives to divert and hedge against exchange rate risk, and (iii) to strengthen the structural adjustments to foreign currency denominated assets which includes foreign currency structural adjustments and structural adjustments to investments in foreign assets.

4. **Liquidity risk management.** The Group ensures the sufficiency of funds to meet normal business needs from overnight deposit withdrawals, current account withdrawals, maturity of time deposits, drawdown of loans, provision of guarantees, and settlement of other cash-settled financial derivatives through the management of liquidity indicators, liquidity gap management, cash management and management of its liquid assets portfolio. The continuous increases in the statutory deposit reserve rate by the central bank during the first half of the year led to major challenges for the Group's liquidity risk management. The Group adopted a series of measures to strengthen its liquidity risk management to while striking a balance between liquidity and profitability. Such measures include increasing its efforts to promote its debt business, expanding the sources of funds, actively participating in interbank RMB transactions, and optimising asset allocation.
5. **Operational risk management.** The Group strengthened the management of its gold vault, cash box, vault cash and automated facilities and also introduced door-to-door services throughout the Bank. The continuous improvement in the robustness of its cash receipt and gold vault management has attributed to the significant improvements in the Group's internal control and management capabilities over cash receipt and disbursement process. The Group also consistently enhanced the quality of its operational risk management in relation to accounting processes through continuous efforts to improve the functions of the risk management system over its accounting processes, as well as increasing the scope and efficiency of its pre-warning systems.

The Group achieved favourable results during the Period for the continued strengthening of its information technology security management efforts, the optimisation of the related framework and technical capabilities, clear definition of management requirements and security control points, and the continuous enhancement of the level of risk management over information technology. The Group improved its operational risk management contingency mechanism and conducted related stress testing over its operations as part of its efforts to ensure the integrity of information and the smooth operations of its information technology security systems during the Olympic Games, which increased the technical support capabilities of related branches in cities hosting the Olympic Games.

Concurrently, the Group formulated an anti-fraud operational implementation plan, and continuously improved its anti-fraud operational framework and mechanism, as well as strengthened its efforts in promoting anti-fraud education and training. The Group also conducted investigations into illegal and unusual trades and behavior and enhanced the monitoring and management of illegal and unauthorised behavior.

Management Discussion and Analysis (Continued)

(8) INTERNAL CONTROLS

The Group successfully enhanced the completeness and effectiveness of its internal controls during the Period by ensuring that all internal control measures were effectively implemented through a comprehensive internal control framework while proceeding with the implementation of its comprehensive risk management initiative.

In terms of the development of the Group's internal control system, the Group firstly identified its back office support services as the breakthrough point, comprehensively promoted the optimisation of various business processes and realised the centralisation of its back office support services and information processing by relying on the information technology platform, which significantly improved the efficiency of business processes while effectively mitigated operational risk. The back office support services for treasury operations, trust and custodian services and electronic banking businesses at the Head Office level are currently centralised at the business processing centre, while the trials are still ongoing for the centralisation of business processing at the branch level. Secondly, the Group refined its credit portfolio risk control measures, made new progress on the development of its internal rating system, completed the development and collection of samples for its retail banking grading model and strengthened the quality control over key credit processes such as credit administration. Thirdly, the Group initiated the development of an anti-fraud system at both the Head Office and branch levels by establishing dedicated anti-fraud working groups. An anti-fraud risk management information platform is under development in order to perform real-time monitoring, automatic identification, classified pre-warnings and investigations of fraud.

In terms of management controls, in order to adapt to the pace of the development in its integrated business operations, the Group identified capital as the link to bring about the coordinated development between the Head Office and its subsidiaries and adopted an integrated risk management approach as the Group's management mechanism. Based on the "Guide for the Supervision of the Consolidated Financial Statement" issued by the China Banking Regulatory Commission, the Group formulated the rules in relation to the management of consolidated financial statements and drawn up a set of management guidelines for its subsidiaries to provide strategic direction to its subsidiaries in terms of corporate governance, budgeting and finance, risk management, human resources and remuneration and audit supervision, to bring about the healthy development of its subsidiaries in a robust internal control environment.

The Group has not experienced any significant economic or safety-related events during the Period. During the second half of the year, the Group will earnestly implement the central government's macro-economic control policy, continue to accelerate the development of the process-oriented bank, optimise its risk management system, strengthen its compliance management and strictly guard against credit risk, market risk, liquidity risk and operational risk so as to bring about the steady and healthy development of various businesses of the Group.

(9) PROSPECTS FOR THE SECOND HALF OF 2008

The forecast for the second half of the year foresees both opportunities and stern challenges for the Group's operational management. China's economic development is expected to remain stable and rapid and is not expected to be fundamentally affected by large-scale natural disasters and the unfavorable global economic climate. The quality of the country's economic growth is also expected to be enhanced and disaster reconstruction efforts are expected to boost economic growth, thereby bringing opportunities for the Group's business development and business structure reorganization. However, factors such as the slowdown in global economic growth, inflation, RMB appreciation and the greater uncertainty over the trend of the global economy will continue to exert a certain degree of pressure on the Group's business development.

During the second half of the year, the Group will continue its support to earthquake prevention and disaster relief efforts. It will also continue its approach of forging ahead in the face of adversity. The Group will also maintain the direction of its strategic transformation and work towards its goal of becoming the "Best Wealth Management Bank". The Bank will strengthen its business position by accelerating the development of its retail business and fee-based business. The Bank's breakthrough in the domains of wealth management and integrated management will also become its uniquely defined management characteristic and competitive advantage, which will in turn become the foundation for the Group's business development.

Changes in Share Capital and Shareholdings of Substantial Shareholders

(1) DETAILS OF CHANGES IN SHARE CAPITAL

As at 30 June 2008, the Bank has a total of 520,846 shareholders with 473,491 shareholders holding A shares and 47,355 shareholders holding H shares.

| | 1 January 2008 | | Increase/decrease during the period | | | | | 30 June 2008 | |
|--|-----------------------|---------------|-------------------------------------|--------------|---|-----------------|-----------------|-----------------------|---------------|
| | Number of shares | % | Issue of new shares | Bonus shares | Shares transferred from the surplus reserve | Others | Sub-total | Number of shares | % |
| I. Shares subject to restriction on sales | | | | | | | | | |
| 1. State-owned shares | 13,181,997,864 | 26.91 | - | - | - | -3,207,015,216 | -3,207,015,216 | 9,974,982,648 | 20.36 |
| 2. Shares held by state-owned entities | 7,329,448,924 | 14.96 | - | - | - | -7,329,448,924 | -7,329,448,924 | - | - |
| 3. Shares held by other domestic investors Comprising: Shares held by domestic legal persons | 3,161,532,477 | 6.45 | - | - | - | -2,682,979,904 | -2,682,979,904 | 478,552,573 | 0.98 |
| Shares held by domestic natural persons | | | | | | | | | |
| 4. Shares held by foreign investors Including: Shares held by foreign legal persons | 23,690,961 | 0.05 | - | - | - | -23,690,961 | -23,690,961 | - | - |
| Shares held by foreign natural persons | | | | | | | | | |
| II. Shares not subject to restriction on sales | | | | | | | | | |
| 1. RMB-denominated ordinary shares | 2,233,245,341 | 4.56 | - | - | - | +13,243,135,005 | +13,243,135,005 | 15,476,380,346 | 31.59 |
| 2. Domestically listed foreign shares | | | | | | | | | |
| 3. Overseas listed foreign shares | 23,064,468,136 | 47.07 | - | - | - | - | - | 23,064,468,136 | 47.07 |
| 4. Others | | | | | | | | | |
| III. Total | 48,994,383,703 | 100.00 | - | - | - | - | - | 48,994,383,703 | 100.00 |

Note: 13.243 billion A shares subject to restriction on sales were issued on 16 May 2008. Please refer to the announcement made on 13 May 2008 in "China Securities Journal", "Shanghai Securities News" and "Securities Times" as well as the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details.

(2) TIMETABLE SHOWING WHEN A SHARES SUBJECT TO RESTRICTION ON SALES BECOME TRADEABLE

| Date | Number of shares released from restriction | Number of shares subject to restriction on sales | Number of shares not subject to restriction on sales | Remarks |
|------------------|---|---|---|----------------|
| 16 November 2008 | 478,552,573 | 9,974,982,648 | 15,954,932,919 | – |
| 16 May 2010 | 9,974,982,648 | 0 | 25,929,915,567 | – |

(3) TOP TEN A SHARE SHAREHOLDERS SUBJECT TO RESTRICTION ON SALES AS AT 30 JUNE 2008 (ACCORDING TO THE BANK'S REGISTER OF SHAREHOLDERS MAINTAINED AT ITS SHARE REGISTRAR)

| No. | Name of shareholder | Number of shares subject to restriction on sales | Date on which shares become tradable | Number of tradable shares | Restrictions |
|------------|--|---|---|----------------------------------|---------------------|
| 1 | Ministry of Finance of the People's Republic of China | 9,974,982,648 | 16 May 2010 | 9,974,982,648 | Commitment |
| 2 | China Life Insurance (Group) Company – Ordinary – Ordinary insurance products | 50,000,000 | 16 November 2008 | 50,000,000 | Lock-up period |
| 3 | Taikang Life Insurance Company Ltd – Universal Life – Individual Universal Life | 50,000,000 | 16 November 2008 | 50,000,000 | Lock-up period |
| 4 | PICC Property & Casualty Company Limited – Ordinary – Ordinary insurance products – 008 – CT001 Shanghai | 30,000,000 | 16 November 2008 | 30,000,000 | Lock-up period |
| 5 | China Huarong Asset Management Corp | 30,000,000 | 16 November 2008 | 30,000,000 | Lock-up period |
| 6 | China Pacific Property Insurance Co., Ltd – Ordinary – Ordinary insurance products – 013C – CT001 Shanghai | 30,000,000 | 16 November 2008 | 30,000,000 | Lock-up period |
| 7 | CITIC Group | 25,000,000 | 16 November 2008 | 25,000,000 | Lock-up period |
| 8 | China Shipping (Group) Company | 25,000,000 | 16 November 2008 | 25,000,000 | Lock-up period |
| 9 | Baosteel Group Corporation | 25,000,000 | 16 November 2008 | 25,000,000 | Lock-up period |
| 10 | China National Offshore Oil Corp. | 21,052,573 | 16 November 2008 | 21,052,573 | Lock-up period |

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

(4) TOP TEN SHAREHOLDERS AND TOP TEN SHAREHOLDERS NOT SUBJECT TO RESTRICTION ON SALES AS AT 30 JUNE 2008 (ACCORDING TO THE BANK'S REGISTER OF SHAREHOLDERS MAINTAINED AT ITS SHARE REGISTRAR)

1. Top ten shareholders

| No. | Name of shareholder | Nature of shareholder | Shareholding percentage (%) | Number of shares held | Number of shares subject to restriction on sales ¹ |
|-----|--|-----------------------|-----------------------------|-----------------------|---|
| 1 | Ministry of Finance of the People's Republic of China ² | State | 26.48% | 12,974,982,648 | 9,974,982,648 |
| 2 | HKSCC Nominees Limited ³ | Foreign-owned | 22.02% | 10,786,812,113 | |
| 3 | The Hongkong and Shanghai Banking Corporation Limited ⁴ | Foreign-owned | 18.60% | 9,115,002,580 | |
| 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 | 17,500,000 |
| 10 | Daqing Petroleum Administration Bureau | State-owned | 0.48% | 233,151,118 | |

Notes:

- The Bank is not aware of whether the shares held by the above shareholders have been frozen or pledged, nor the existence of any connections between the above shareholders.
- On 25 March 2008, China SAFE Investments Limited transferred 3,000,000,000 H shares to the Ministry of Finance of the People's Republic of China. Please refer to the announcement made by the Bank on 26 March 2008 in "China Securities Journal", "Shanghai Securities News" and "Securities Times" as well as the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details. (similarly hereinafter)
- This represent the aggregate number of shares held by HKSCC Nominees Limited as nominee for all institutional and individual investors that maintains an account with it as at 30 June 2008. 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, representing 11.34% of the total issued share capital of the Bank and all these shares have been transferred to HKSCC Nominees Limited. (similarly hereinafter)
- According to the Bank's register of shareholders kept by Computershare Hong Kong Investor Services Limited, The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") held 9,115,002,580 H shares of the Bank as at 30 June 2008. 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 Holding 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 2008. 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 ten shareholders not subject to restriction on sales

| No. | Name of shareholder | Number of shares held | Shareholding percentage | Type of shares |
|-----|---|-----------------------|-------------------------|----------------|
| 1 | HKSCC Nominees Limited | 10,786,812,113 | 22.02% | H shares |
| 2 | The Hongkong and Shanghai Banking Corporation Limited | 9,115,002,580 | 18.60% | H shares |
| 3 | Ministry of Finance of the People's Republic of China | 3,000,000,000 | 6.12% | H shares |
| 4 | Capital Airports Holding (Group) Company | 985,447,500 | 2.01% | A shares |
| 5 | State Grid Asset Management Company Limited | 451,445,193 | 0.92% | A shares |
| 6 | Shanghai Tobacco (Group) Corp. | 378,328,046 | 0.77% | A shares |
| 7 | Yunnan Hongta Group Co. Ltd. | 346,787,979 | 0.71% | A shares |
| 8 | Sinopec Finance Company Limited | 304,320,800 | 0.62% | A shares |
| 9 | Huaneng Capital Services Corporation Ltd. | 251,001,276 | 0.51% | A shares |
| 10 | Daqing Petroleum Administration Bureau | 233,151,118 | 0.48% | A shares |

Connected relations and concerted action between the above shareholders:

The Bank is not aware of any connected relations between the above shareholders or whether they are parties acting in concert.

(5) 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 2008, 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 | Percentage of issued A shares (%) | 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 |

Changes in Share Capital and Shareholdings of Substantial Shareholders (Continued)

| Name of substantial shareholder | Capacity | Number of H shares | Nature of interest ¹ | Percentage of issued H shares (%) | 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 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 of the SFO, HSBC Holdings plc is deemed to be interested in the 9,381,484,261 H shares which HSBC has an interest and the 309,481 H shares which HSBC Bank plc has an interest.

Save as disclosed above, as at 30 June 2008, 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 under Divisions 2 and 3 of Part XV of the SFO.

Directors, Supervisors, Senior Management and Staff

(1) MEMBERS OF THE BOARD OF DIRECTORS

| Name | Position | Name | Position |
|-----------------------|---|-----------------------|------------------------------------|
| Jiang Chaoliang | Chairman of the Board of Directors | Yang Fenglin | Non-executive Director |
| Li Jun | Vice Chairman of the Board of Directors, President | Xie Qingjian | Independent Non-executive Director |
| Peng Chun | Executive Director, Vice President | Ian Ramsay Wilson | Independent Non-executive Director |
| Qian Wenhui | Executive Director, Vice President | Thomas Joseph Manning | Independent Non-executive Director |
| Zhang Jixiang | Non-executive Director, Secretary to the Board of Directors | Chen Qingtai | Independent Non-executive Director |
| Hu Huating | Non-executive Director | Li Ka-cheung, Eric | Independent Non-executive Director |
| Wong Tung Shun, Peter | Non-executive Director | Gu Mingchao | Independent Non-executive Director |
| Laura M. Cha | Non-executive Director | | |

(2) MEMBERS OF THE BOARD OF SUPERVISORS

| Name | Position | Name | Position |
|--------------|--------------------------------------|------------------------|--------------------------------|
| Hua Qingshan | Chairman of the Board of Supervisors | Zheng Li | External Supervisor |
| Guan Zhenyi | Supervisor | Jiang Zuqi | External Supervisor |
| Yang Fajia | Supervisor | Liu Sha | Employee Designated Supervisor |
| Wang Lisheng | Supervisor | Chen Qing | Employee Designated Supervisor |
| Li Jin | Supervisor | Li Jun ^{Note} | Employee Designated Supervisor |
| | | Shuai Shi | Employee Designated Supervisor |

Note: Mr. Li Jun resigned from his position as an employee designated supervisor of the Bank on 21 August 2008. (similarly hereinafter)

(3) MEMBERS OF SENIOR MANAGEMENT

| Name | Position | Name | Position |
|-------------|---|-----------------|--------------------------------------|
| Li Jun | President | Shou Meisheng | Secretary of Discipline Committee |
| Peng Chun | Vice President | Dicky Peter Yip | Vice President |
| Qian Wenhui | Vice President | Hou Weidong | Chief Information Officer |
| Wang Bin | Vice President | Yang Dongping | Chief Risk Management Officer |
| Yu Yali | Vice President and Chief Financial Officer | | |

(4) CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Position | Number of shares held at the beginning of the year | Type of shares | Increase in shareholding during the Period | Decrease in shareholding during the Period | Number of shares held at the end of the Period | Reasons for change in shareholding |
|---------------|-------------------------------------|---|---------------------------|---|---|---|---|
| Li Jun | Supervisor | 3,000 | A shares | 0 | 0 | 3,000 | - |
| Yang Dongping | Chief Risk Management Officer | 75,000 | A shares | 0 | 0 | 75,000 | - |

There have been no change in the shareholdings of the directors, supervisors and senior management in the Bank during the six months period ended 30 June 2008. Save as disclosed in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management" above, as at 30 June 2008, none of the Bank's directors, supervisors or chief executive had or was deemed to have any interest or short position in the shares, underlying shares or 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 had to be entered in the register required to be kept pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the 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").

Directors, Supervisors, Senior Management and Staff (Continued)

(5) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Mr. Timothy D. Dattels resigned from his positions as an Independent Non-Executive Director and a member of the Audit Committee due to personal reasons with effect from 13 March 2008.
2. Mr. Liu Qiang resigned from his positions as a supervisor of the Bank and a member of the Supervision Committee due to reassignment of work with effect from 6 June 2008.
3. Mr. Li Keping and Mr. Gao Shiqing resigned from their positions as Non-executive Directors of the Bank, as well as their respective positions as member of the relevant committee of the Board of Directors of the Bank with effect from 31 July 2008 due to other work commitments which render them unable to fully discharge their respective director duties.
4. As a result of his transfer to Bank of Communications Financial Leasing Co., Ltd., Mr. Li Jun resigned from his position as an employee designated supervisor of the Bank on 21 August 2008. In addition, Mr. Shuai Shi has been appointed as an employee designated supervisor of the Bank.

(6) STAFF

1. Number of staff

As at 30 June 2008, the Bank employed a total of 71,694 employees, of which 70,184 employees are employed domestically, and among whom 613 employees (approximately 0.87%) possess advanced professional and technical qualification and 16,285 employees (approximately 23.20%) possess intermediate professional and technical qualification. There are 2,280 employees (approximately 3.25%) possess postgraduate degrees or higher educational qualification, 30,570 employees (approximately 43.56%) possess undergraduate degree and 32,372 employees (approximately 46.12%) who have received college and professional training education.

2. Remuneration policy

The Group has preliminarily developed a unique, fair and competitive remuneration framework which ensures that remuneration is determined with reference to job duties, position and performance of the employees. The underlying principles of the remuneration framework is to link the positions and responsibilities with remuneration that is reflective of the labour market, such that employees' basic salaries and allowances adequately reflect the value of their positions and responsibilities and performance-based salaries adequately reflect their performance, thereby achieving alignment of remuneration with performance.

Corporate Governance

(1) BASIC OVERVIEW

The Bank strictly observes the “PRC Company Law”, “PRC Commercial Banking Law” and other relevant legislations and guidelines and continuously enhances its corporate governance policies and practices as part of its endeavours to develop high level of corporate governance, thereby adequately safeguarded the interests of both domestic and foreign shareholders as well as other stakeholders. 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 2008, been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

1. Annual General Meeting

The Bank held an Annual General Meeting during the Period to approve the report of the Board of Directors, the report of the Board of Supervisors, the audited financial statements and the profit distribution plan for the year ended 31 December 2007. The shareholders also passed the resolutions to appoint the auditors, to amend the authorisation to the Board of Directors with regards to the proposed level of external donations for the year ending 31 December 2008 and to authorise the Board of Directors to approve the interim profit distribution plan for the interim period of 2008 and the issue of RMB-denominated bonds in Hong Kong.

2. Board of Directors

The Board of Directors held three meetings during the Period at which resolutions relating to the matters below were passed and approved:

- (i) periodic reports;
- (ii) the “2008-2010 Comprehensive Risk Management Work Plan”;
- (iii) the revisions to the “Strategy Committee Operational Guidelines”;
- (iv) the setting up of rural bank;
- (v) the injection of additional capital to BOCOM International Holdings Company Limited;
- (vi) extension of the term of appointment of the Vice President; and
- (vii) renewal of the Interbank Transactions Master Agreement with HSBC.

In addition, the various committees of the Board of Directors also held ten meetings during the Period. The strategic decision-making function of the Board of Directors was effectively reflected by the diligent attendance of the directors at the meetings of the Board of Directors and meetings of the committees.

3. Board of Supervisors

The Board of Supervisors held two meetings during the Period at which the Board of Supervisors approved, amongst others, the “Report of the Board of Supervisors for the year ended 2007”, the 2008 work plans for the Board of Supervisors and various committees. The scope of the Board of Supervisors work includes:

- (i) reviewed periodic reports, the audited financial statements and the profit distribution plan;
- (ii) prepared and sent due diligence questionnaires to directors and senior management;
- (iii) inquired the senior management in relation to the development of the retail banking business;
- (iv) inspection visits to selected branches and subsidiaries;
- (v) improved the quality of information disclosures by, amongst others, reasonably applying internal audit resources, strengthening the Bank’s risk management capabilities and submitting the “Guidelines to Management” and “Proposals of the Supervisors” to the Board of Directors and senior management.

All supervisors have diligently attended the meetings of the Board of Supervisors and presented at the meetings of the Board of Directors and the committees, which effectively protect the interests of the shareholders and enhance the quality of the management of the Bank.

4. Senior Management

The Bank’s senior management team comprises nine members, including the President, Vice President, Secretary of Discipline Committee, Chief Financial Officer, Chief Information Officer and Chief Risk Management Officer. The Bank’s senior management team actively and diligently manages the Bank’s operating activities and implements resolutions of the Board of Directors in accordance with the applicable laws and regulations, the Bank’s Articles of Association and the authorisation of the Board of Directors.

5. Investor relations management

During the Period, the Bank continued its active and frank approach towards its exchanges and communications with investors. As part of its active and frank approach towards investor exchanges and communications, the Bank organised press conferences in relation to its financial performance, securities analyst conferences, domestic and overseas road shows and promotions and seminars on wealth management. At the same time, the Bank has actively developed effective counter measures with regards to the lifting of the restriction on sales on A shares by visiting major minority shareholders to promote the long-term investment value of the Bank. Through the Bank's successful and effective investor relations management, the Bank's investment value has been further recognised by the market and investors.

(2) SPECIAL CORPORATE GOVERNANCE ACTIVITIES

The Bank achieved remarkable results in further deepening and promoting special corporate governance activities, strengthening its risk management and enhancing its internal controls during the Period by building on the foundation laid by the special corporate governance activities undertaken in 2007. The Bank's Fifth Session of the Board of Directors approved the "Corporate Governance Continuous Improvement Status Report" at its seventh meeting. The Bank had taken the opportunity arising from its promotion of special corporate governance activities, so as to earnestly accept the supervision from the relevant supervision authority, stock exchanges and the general public, further improve the Bank's corporate governance mechanism, constantly enhance the level of the Bank's regulatory compliance and operations and to protect the legal rights and interests of shareholders and stakeholders.

Corporate Social Responsibilities

The Bank remained committed to its core value of “operating with responsibility and developing with innovation” and strived towards “providing quality financial solutions whilst creating value for the community” as its corporate mission. The Bank has actively and seriously undertaken corporate social responsibilities, abide by applicable laws and regulations in its operations, earnestly repaid the society and advanced the development of a harmonious society so as to contribute towards the development of a richer, caring and more responsible society.

(1) ADEQUATE DONATION AND SUPPORT FOR NATIONWIDE RELIEF IN THE EVENT OF NATURAL DISASTERS

1. Active support of the areas affected by the southern snowstorm

The Bank provided up to RMB10.06 million for disaster relief to Guangxi, Guizhou, Hubei, Anhui and Jiangxi provinces in response to the rare, widespread and prolonged low temperature and snowstorm that swept across large parts of southern China in January of this year.

2. Reconstruction support for the Wenchuan earthquake

The Bank has provided full support for the Wenchuan earthquake disaster relief and reconstruction by providing timely financial services as part of realising its corporate social responsibilities in response to the earthquake measuring 8.0 on the Richter scale that devastated the Wenchuan region in Sichuan province on 12 May of this year.

(1) **Active donations and contributions.** According to statistics, the Bank donated a total of RMB61.5243 million for disaster relief, of which, donations from approximately 70,000 employees of the Bank amounted to RMB25.5318 million and up to 18,000 employees have voluntarily contributed RMB10.9925 million to “Special Party Fees”. In addition to making monetary contributions, some employees have also donated blood at local blood donation centers at their own initiatives while others have formed youth volunteer squads to take part in rescue efforts, transport relief materials and organise charity bazaars.

(2) **Facilitated donations through the internet.** The Bank rapidly facilitated donation efforts by the general public by making donations facilities available on the internet and implementing free remittances for disaster relief within the shortest possible time after the earthquake. At the same time, the Bank strengthened its verification on the special purpose disaster relief accounts to ensure the security of donations received. According to statistics, corporate customers made 864 donations amounted to RMB210 million, while individual customers made 18,309 donations amounted to RMB8.963 million via the Bank’s website between the period from 14 May 2008 to 31 May 2008.

(3) **Improved credit approval efficiency and strengthened credit support.** The Bank provided additional credit support to the affected areas so as to strengthen its credit support policy. The Bank set up “Earthquake relief credit support dedicated channels” that gave priority consideration to credit applications directly related to disaster relief such as disaster relief materials, electricity network and generation, transportation and seven other significant areas. The Bank extended a total of RMB13.35 billion in earthquake prevention, disaster relief and reconstruction loans.

Corporate Social Responsibilities (Continued)

- (4) **Formation of Disaster Reconstruction Support Working Group.** The Bank formed a Disaster Reconstruction Support Working Group to formulate a disaster reconstruction support policy and guidelines, which incorporated the state's disaster reconstruction policy. The Disaster Reconstruction Support Working Group will also guide and direct the orderly commencement of the reconstruction work so as to ensure smooth reconstruction of the affected areas.
- (5) **Waiver of overdue payment penalties on mortgage loans and credit card dues for disaster victims.** The Bank implemented emergency measures to realise its promise to waive the overdue interest payment by disaster victims on their first repayment date after the disaster pursuant to the request from the China Banking Regulatory Commission.

(2) IMPLEMENTATION OF THE "GREEN CREDIT" PROJECT

The Bank consistently supported recycling, emission reduction and energy conservation related enterprises and industries and this is evident through the granting of credits and its credit policies. During the Period, the Bank constructed a sustainable environmental conservation credit mechanism that upgraded emission reduction and energy conservation requirements to "Green Credit", thereby developed a standardised and comprehensive "Green Credit" portfolio management system.

- 1. Implementation of environmental impact classifications.** Based on the guiding principles issued by the China Banking Regulatory Commission, borrowers and their projects will be ranked according to their environmental impact. Customers will be broadly classified into red, yellow and green categories and further divided into seven sub-categories (namely seven rankings). The Bank will monitor borrowers' environmental conservation information on a real-time basis via electronic means. The Bank has completed its classification of borrowers and more than 97% of its total loan portfolio has been classified as green loans.
- 2. Implementation of environmental protection policy and blanket rejection of environmentally adverse customers and loan applications.** The Bank will strictly refuse all customers and loan applications that are in violation of the state's asset or environmental policies, or which would have a significant and adverse environmental impact.
- 3. Actively support environmentally friendly enterprises while reducing its portfolio of clients at risk of polluting the environment.** The Bank will actively provide packaged financial services and priority support to energy conservation projects, renewable energy projects, waste water treatment projects, energy conservation and emission reduction projects and other environmentally friendly projects. During the Period, the Bank provided additional loans of approximately RMB12.378 billion to 397 customers in relation to energy conservation projects and technical innovation and transformation regarding energy conservation and emission reduction. In addition, the Bank reduced credits to restricted and withdrawn enterprises by RMB1.985 billion.

(3) CONTINUED IMPLEMENTATION OF THE “TO THE FUTURE-BOCOM DISABLED YOUTH SCHOLARSHIP PROGRAM”

Based on the arrangement of the program, the Bank made a second injection of RMB10 million into its Disabled Youth Scholarship Program” in June 2008.

During the Bank’s centennial celebrations, the Bank made another donation of RMB300,000 in April 2008 to subsidize 60 and 90 disabled fresh undergraduates (each person receiving RMB2,000) from low-income families in the Sichuan and Henan provinces for their education and living expenses during their school term.

(4) PUBLICATION of the “2007 CORPORATE SOCIAL RESPONSIBILITIES REPORT”

The Bank officially issued its “2007 Corporate Social Responsibilities Report” to the general public in April 2008. This is the Bank’s second publication of its annual Corporate Social Responsibilities Report since the first report was issued to the general public in 2006 and further demonstrates the positive results of the Bank’s active fulfillment of its corporate social responsibilities.

The Bank’s active fulfillment of its corporate social responsibilities received widespread recognition from the general public and the Bank was awarded the highest honour in the Chinese charity domain on 12 April 2008 through the nomination for the “Chinese Philanthropy Award”. The Bank was awarded the “Chinese Philanthropy Award – Most Caring Domestically Funded Enterprise” for 2007 by the Chinese Government’s selection committee.

Significant Events

(1) PROFIT DISTRIBUTION

2007 Final Dividend

The Bank's profit distribution plan for the financial year ended 2007 was approved at the 2007 Annual General Meeting held on 6 June 2008. There were 48,994,000,000 shares of the Bank in issue as at 31 December 2007. A cash dividend of RMB0.15 per share (including tax), of which dividends to the H share shareholders were converted from RMB to Hong Kong dollars based on the average currency rates prevailing five trading days (being 30 May and 2 June to 5 June 2008) before the date of dividend declaration as announced by the People's Bank of China (RMB0.888874 to HK\$1.00), and the final dividend was HK\$0.168753 per share. Accordingly, the total amount of distributed dividends were RMB7.349 billion.

2008 Interim Dividend and Closure of Register

According to the authorisation granted to the Board of Directors at the Annual General Meeting, the Fifth Session of the Board of Directors of the Bank approved the 2008 interim profit distribution plan at the Eighth Meeting held on 26 August 2008 and approved the distribution of cash dividends of RMB0.10 per share (including tax). The dividends to be paid to H share shareholders will be converted from RMB to Hong Kong dollars based on the average currency rates prevailing five trading days (being 19 to 22 August and 25 August 2008) before the date of dividend declaration as announced by the People's Bank of China (RMB0.876846 to HK\$1.00) and the interim dividend is HK\$0.114045 per share. The total amount of dividends to be distributed shall be RMB4.899 billion, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax, with the actual dividends received by such non-resident corporate H share shareholders be HK\$0.102641 per share.

(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 Period | Initial investment cost | Book value at the end of the Period | Book value at the beginning of the Period | Accounting items |
|-------|------------|-----------------------|--|-------------------------|-------------------------------------|---|--|
| 1 | 600068 | Gezhouba | 34,573,000 | 142,039,231.00 | 260,334,690.00 | 531,732,740.00 | Available-for sale securities |
| 2 | 600000 | Pufayinhang | 8,194,030 | 6,000,000.00 | 180,268,660.00 | 432,644,784.00 | Available-for sale securities |
| 3 | 388 | HKEX | 805,000 | 2,689,616.94 | 80,696,721.62 | - | Available-for sale securities |
| 4 | 3377 | Sino-Ocean Land | 20,245,500 | 157,463,283.63 | 78,331,481.98 | - | Available-for sale securities |
| 5 | 000979 | ST Keyuan | 10,960,000 | 12,494,400.00 | 68,280,800.00 | 64,444,800.00 | Available-for sale securities |
| 6 | 000686 | Dongbeizhengquan | 2,218,227 | 3,740,000.00 | 48,690,082.65 | 114,127,779.15 | Available-for sale securities |
| 7 | 600642 | Shennenggufen | 5,000,000 | 9,333,333.33 | 47,407,500.00 | 92,452,500.00 | Available-for sale securities |
| 8 | 8253 | Tianyuanlyve | 94,350,000 | 13,974,160.00 | 43,142,013.25 | - | Available-for sale securities |
| 9 | 390 | China Railway | 4,000,000 | 38,650,915.24 | 42,960,000.00 | - | Available-for sale securities |
| 10 | 3808 | Sinotruk | 5,000,000 | 61,228,203.70 | 33,150,990.57 | - | Available-for sale securities |
| | | Others | | 221,924,881.85 | 493,960,571.00 | 422,004,487.95 | Available-for sale securities/ trading securities |
| Total | | | | 669,538,025.69 | 1,377,223,511.07 | 1,657,407,091.10 | |

Note: The table above sets out the Group's top ten holdings of shares in other listed companies recorded in the Group's consolidated financial statements as long-term equity investments, available-for-sale securities and trading securities in other listed companies, which are listed in descending order of the book value at the end of the Period.

Significant Events (Continued)

2. Holding of shares issued by unlisted financial institutions and companies proposed to be listed

(in RMB unless otherwise stated)

| Name of institution | Initial investment cost | Number of shares held | Shareholding percentage | Book value at the end of the Period |
|--|--------------------------------|------------------------------|--------------------------------|--|
| Changshu Rural Commercial Bank Co., Ltd. | 380,000,000.00 | 380,000,000 | 10.00% | 380,000,000.00 |
| China Union Pay Co., Ltd. | 90,000,000.00 | 90,000,000 | 5.45% | 90,000,000.00 |
| Hainan Development Bank Co., Ltd. | 4,000,000.00 | 4,000,000 | 6.67% | – |
| Sub-total | 474,000,000.00 | 474,000,000 | | 470,000,000.00 |

Notes:

1. The book value at the end of the Period is net of impairment allowances.
2. The table is prepared based on the consolidated financial statements.

(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 primary duties of the Audit Committee are to review the Bank's internal and external audit work, examine and approve financial reports, and oversee the implementation of the internal control policies and the efficiency and compliance of the same. The Audit Committee comprised Mr. Li Ka-cheung, Eric (Independent Non-Executive Director), Mr. Zhang Jixiang (Non-Executive Director), Mr. Yang Fenglin (Non-Executive Director), Mr. Gu Mingchao (Independent Non-Executive Director) and Mr. Chen Qingtai (Independent Non-Executive Director). Independent Non-executive Director Mr. Li Ka-cheung, Eric serves as the Chairman of the Audit Committee. The Audit Committee, together with the senior management, has reviewed the accounting policies and practices adopted by the Bank, and discussed affairs regarding internal controls and financial reporting, including the review of the Interim Report.

Due to the resignation of Mr. Timothy D. Dattels as an Independent Non-executive Director and a member of the Audit Committee on 13 March 2008 due to personal reasons, the Audit Committee comprised only two Independent Non-executive Directors, namely Mr. Li Ka-cheung, Eric and Mr. Gu Mingchao, and two Non-executive Directors, namely Mr. Zhang Jixiang and Mr. Yang Fenglin. Independent Non-executive Director Mr. Li Ka-cheung, Eric served as the Chairman of the Audit Committee. Pursuant to Rule 3.21 of the Listing Rules, the majority of the Audit Committee members must be Independent Non-executive Directors. However, as only half of the number of Audit Committee members are Independent Non-executive Directors after the resignation of Mr. Timothy D. Dattels, the Board of Directors resolved to appoint Mr. Chen Qingtai (Independent Non-Executive Director) as a member of the Audit Committee at the Board of Directors' Meeting held on 29 April 2008 to ensure that the majority of the Audit Committee members are Independent Non-Executive Directors.

(4) PURCHASE, SALE OR REDEMPTION OF THE BANK'S SHARES

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

(5) COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

(6) COMPLIANCE WITH THE HONG KONG STOCK EXCHANGE'S CORPORATE GOVERNANCE PRACTICES

The Bank was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Period. Please refer to the section headed "Corporate Governance".

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BANK OF COMMUNICATIONS CO., LTD.

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

We have audited the condensed interim financial information of Bank of Communications Co., Ltd. ("the bank") and its subsidiaries (collectively "the Group") set out on pages 52 to 115, which comprise the Group's condensed consolidated balance sheets as at 30 June 2008, and the condensed consolidated profit and loss account, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and other explanatory notes for the period then ended.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of these interim financial information in accordance with the Rule Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standard Board and the relevant provisions thereof. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of interim financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these interim financial information based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the condensed interim financial information as for the six months ended June 30 2008 is prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2008

Condensed Consolidated Interim Financial Information

Condensed Consolidated Profit and Loss Account

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

| | Note | Three months ended 30 June | | Half-year ended 30 June | |
|---|------|-------------------------------|---------------------|----------------------------|---------------------|
| | | 2008 | 2007 (Unaudited) | 2008 | 2007 (Unaudited) |
| Interest income | | 28,888 | 20,979 | 56,108 | 39,820 |
| Interest expense | | (12,306) | (8,441) | (23,011) | (16,284) |
| Net interest income | 3 | 16,582 | 12,538 | 33,097 | 23,536 |
| Fee and commission income | 4 | 2,858 | 2,056 | 5,200 | 3,638 |
| Fee and commission expense | 5 | (262) | (294) | (547) | (537) |
| Net fee and commission income | | 2,596 | 1,762 | 4,653 | 3,101 |
| Dividend income | 6 | 20 | 43 | 21 | 44 |
| Gains less losses arising from trading activities | 7 | 319 | (245) | (501) | (84) |
| Gains less losses arising from de-recognition of investment securities | 20 | 34 | 430 | 391 | 553 |
| Other operating income | 8 | 114 | 18 | 146 | 192 |
| Impairment losses on loans and advances | 9 | (2,204) | (1,826) | (3,977) | (3,077) |
| Other operating expenses | 10 | (7,415) | (5,765) | (13,529) | (10,110) |
| Operating profit before tax | | 10,046 | 6,955 | 20,301 | 14,155 |
| Income tax | 13 | (2,393) | (2,156) | (4,734) | (5,534) |
| Net profit for the period | | 7,653 | 4,799 | 15,567 | 8,621 |
| Attributable to: | | | | | |
| Shareholders of the Bank | | 7,615 | 4,758 | 15,508 | 8,558 |
| Minority interest | | 38 | 41 | 59 | 63 |
| | | 7,653 | 4,799 | 15,567 | 8,621 |
| Basic and diluted earnings per share | | | | | |
| For profit attributable to the shareholders of the Bank (in RMB) | 14 | 0.16 | 0.10 | 0.32 | 0.18 |

The accompanying notes presented on pages 57 to 115 form an integral part of these consolidated financial information.

Condensed Consolidated Balance Sheet

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

| | Note | 30 June 2008 | 31 December 2007 |
|---|------|------------------|---------------------|
| ASSETS | | | |
| Cash and balances with central banks | 15 | 316,748 | 261,433 |
| Due from other banks and financial institutions | 16 | 228,379 | 156,110 |
| Financial assets held for trading | 17 | 32,329 | 19,445 |
| Loans and advances to customers | 19 | 1,217,878 | 1,082,788 |
| Investment securities – loans and receivables | 20 | 79,313 | 67,596 |
| Investment securities – available-for-sale (“AFS”) | 20 | 145,747 | 147,573 |
| Investment securities – held-to-maturity (“HTM”) | 20 | 359,323 | 330,927 |
| Property and equipment | 21 | 32,199 | 32,199 |
| Deferred tax assets | 27 | 1,886 | 2,524 |
| Other assets | 22 | 17,057 | 9,849 |
| Total assets | | 2,430,859 | 2,110,444 |
| LIABILITIES | | | |
| Due to other banks and financial institutions | 23 | 387,155 | 332,556 |
| Financial liabilities held for trading | 24 | 10,970 | 10,028 |
| Due to customers | 25 | 1,811,113 | 1,555,599 |
| Other liabilities | 26 | 38,434 | 34,357 |
| Current taxes | | 5,549 | 5,872 |
| Deferred tax liabilities | 27 | 436 | 504 |
| Subordinated term debt | 29 | 37,408 | 38,207 |
| Total liabilities | | 2,291,065 | 1,977,123 |
| EQUITY | | | |
| Capital and reserves attributable to the Bank's shareholders | | | |
| Share capital | 30 | 48,994 | 48,994 |
| Capital surplus | 30 | 43,100 | 43,100 |
| Other reserves | | 31,135 | 20,422 |
| Retained earnings | | 16,122 | 20,387 |
| | | 139,351 | 132,903 |
| Minority Interest | | 443 | 418 |
| Total equity | | 139,794 | 133,321 |
| Total equity and liabilities | | 2,430,859 | 2,110,444 |

These condensed consolidated financial information was approved for issue by the Board of Directors on 26 August 2008 and signed on its behalf by:

Chairman of Board: Jiang Chaoliang

Vice Governor and Chief Financial Officer: Yu Yali

The accompanying notes presented on pages 57 to 115 form an integral part of these consolidated financial information.

Condensed Consolidated Interim Financial Information (Continued)

Condensed Consolidated Statement of Changes in Shareholders' Equity

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

| | Share capital Note 30 | Capital surplus Note 30 | Statutory reserve Note 31 | Discretionary reserve Note 31 | Other reserves | | | Retained earnings Notes 31, 32 | Minority interest | Total | |
|--|--------------------------|----------------------------|------------------------------|----------------------------------|--------------------------------------|--|------------------------------------|-----------------------------------|-------------------|------------|----------------|
| | | | | | Statutory general reserve Note 31 | Revaluation Reserve for AFS securities | Revaluation reserve for properties | | | | |
| Balance at 1 January 2007 | 45,804 | 21,540 | 899 | - | 4,428 | 867 | 4,383 | (213) | 12,728 | 59 | 90,495 |
| Gains from changes in fair value of AFS securities, net of tax | - | - | - | - | - | 454 | - | - | - | 34 | 488 |
| Transfer to net profit on disposal of AFS securities, net of tax | - | - | - | - | - | (399) | - | - | - | - | (399) |
| Translation difference on foreign operations | - | - | - | - | - | - | - | (153) | - | - | (153) |
| Tax rate change impact | - | - | - | - | - | 93 | 369 | - | - | - | 462 |
| Net profit | - | - | - | - | - | - | - | - | 8,558 | 63 | 8,621 |
| Net income/(expense) recognized directly in equity | - | - | - | - | - | 148 | 369 | (153) | 8,558 | 97 | 9,019 |
| Issue of shares | 3,190 | 21,560 | - | - | - | - | - | - | - | - | 24,750 |
| Balance at 30 June 2007 | 48,994 | 43,100 | 899 | - | 4,428 | 1,015 | 4,752 | (366) | 21,286 | 156 | 124,264 |
| Balance at 1 January 2008 | 48,994 | 43,100 | 2,170 | 576 | 10,636 | 1,551 | 6,105 | (616) | 20,387 | 418 | 133,321 |
| Losses from changes in fair value of AFS securities, net of tax | - | - | - | - | - | (911) | - | - | - | (34) | (945) |
| Transfer to net profit on disposal of AFS securities, net of tax | - | - | - | - | - | (318) | - | - | - | - | (318) |
| Translation difference on foreign operations | - | - | - | - | - | - | - | (482) | - | - | (482) |
| Realisation of revaluation reserve upon disposals | - | - | - | - | - | - | (18) | - | 18 | - | - |
| Net profit | - | - | - | - | - | - | - | - | 15,508 | 59 | 15,567 |
| Net income/(expense) recognized directly in equity | - | - | - | - | - | (1,229) | (18) | (482) | 15,526 | 25 | 13,822 |
| Dividends | - | - | - | - | - | - | - | - | (7,349) | - | (7,349) |
| Transfer to reserves | - | - | 1,993 | 8,511 | 1,938 | - | - | - | (12,442) | - | - |
| 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 |

The accompanying notes presented on pages 57 to 115 form an integral part of these consolidated financial information.

Condensed Consolidated Statement of Cash Flows

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

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Cash flows from operating activities: | | |
| Net profit before taxation: | 20,301 | 14,155 |
| Adjustments for: | | |
| Impairment of loans and advances to customers | 3,707 | 2,926 |
| Write-back of impairment of due from banks and financial institutions | (16) | (164) |
| (Reversal of)/charge impairment of other receivables | (71) | 17 |
| Impairment of investment securities | 178 | – |
| Depreciation of property and equipment | 1,436 | 1,279 |
| Amortization of prepaid staff housing subsidies | 9 | 10 |
| Amortization of prepaid rental expenses | 29 | 57 |
| Amortization of land use rights | 2 | 1 |
| Amortization of intangible assets | 113 | 51 |
| Gains less losses arising from de-recognition of investment securities | (391) | (553) |
| Gains on disposal of fixed assets | (18) | (14) |
| Amortization of fair value re-measurement on AFS to HTM | (81) | (58) |
| Revaluation gains on investment property | – | (3) |
| Accrued interest expense on subordinated term debt | 778 | 602 |
| | 25,976 | 18,306 |
| Net increase in mandatory reserve deposits | (61,662) | (48,709) |
| Net increase in due from other banks and financial institutions | (67,969) | (117,158) |
| Net increase in financial assets held for trading | (12,884) | (2,240) |
| Net increase in loans and advances to customers | (138,797) | (205,940) |
| Net increase in other assets | (7,036) | (3,445) |
| Net increase in due to other banks and financial institutions | 54,599 | 48,412 |
| Net increase/(decrease) in financial liabilities held for trading | 942 | (2,523) |
| Net increase in due to customers | 255,514 | 299,532 |
| Net increase in other liabilities | 5,121 | 11,425 |
| Net increase in business tax payable | 69 | 381 |
| Income tax paid | (4,072) | (3,497) |
| Net cash from/(used in) operating activities | 49,801 | (5,456) |

Condensed Consolidated Interim Financial Information (Continued)

Condensed Consolidated Statement of Cash Flows (Continued)

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

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Cash flows from investing activities: | | |
| Purchase of investment securities | (164,487) | (244,842) |
| Disposal or redemption of investment securities | 124,863 | 171,027 |
| Acquisition of intangible assets | (24) | (21) |
| Prepaid rental expenses | (6) | (27) |
| Purchase of land use rights | (130) | – |
| Purchase of property and equipment | (1,879) | (1,451) |
| Disposal of property and equipment | 359 | 100 |
| Net cash used in investing activities | (41,304) | (75,214) |
| Cash flows from financing activities: | | |
| Shares issued | – | 24,750 |
| Subordinated debts issued | – | 25,000 |
| Interest paid on subordinated term debt | (1,577) | (501) |
| Dividends paid | (8,454) | (5) |
| Net cash (used in)/from financing activities | (10,031) | 49,244 |
| Effect of exchange rate changes on cash and cash equivalents | (529) | (221) |
| Net decrease in cash and cash equivalents | (2,063) | (31,647) |
| Cash and cash equivalents at the beginning of the period | 96,064 | 185,722 |
| Cash and cash equivalents at the end of the period (Note 36) | 94,001 | 154,075 |
| Major non-cash transactions | | |
| Capitalization of translation difference on foreign operations | (482) | (153) |
| Supplementary Information | | |
| Interest received | 55,417 | 39,062 |
| Interest paid | (17,567) | (14,796) |

The accompanying notes presented on pages 57 to 115 form an integral part of these consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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

1 GENERAL

Bank of Communications Co., Ltd. (the “Bank”) is a commercial and retail bank providing banking services mainly in the People’s Republic of China (“PRC”). The Bank was reorganized as a joint stock national commercial bank on 1 April 1987, in accordance with the approval notice (Guo Fa (1986) No. 81) issued by the State Council of the PRC and the approval notice (Yin Fa (1987) No. 40) issued by the People’s Bank of China (“PBOC”). Headquartered in Shanghai, the Bank operates 102 city level branches in the PRC. In addition, the Bank has branches in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt and Macau.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

A Basis of preparation and accounting policies

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

This condensed consolidated financial information of the Bank and its subsidiaries (collectively “the Group”) should be read in conjunction with the 2007 annual financial statements.

Since 1 January 2008, the Group adopted the IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, the IFRIC 12 – Service Concession Arrangements and IFRIC 14 ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. The implementation of these new interpretations did not have a material impact on the Group’s accounting policy. Except for the above interpretations, the accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2007.

B Subsidiary undertakings and goodwill

Subsidiaries, which are those companies and other entities (including Special Purpose Entities) in which the Group, directly or indirectly, has control, are consolidated.

The Group controls another entity when the Group has the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are presently exercisable or presently convertible are also considered when assessing whether the Group controls the entity.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

For the six months ended 30 June 2008

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

B Subsidiary undertakings and goodwill *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless the loss cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the stand alone financial statements of the Bank, the subsidiaries are measured at cost less provision for impairment, as the fair value of these subsidiaries cannot be reliably measured. The amount of impairment loss is included in the net profit or loss for the year. The Group applies a policy of treating transactions with minority interests as transactions with parties external the Group.

C Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies of the Group.

(1) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a quarterly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the consolidated profit and loss account, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

C Critical accounting estimates and judgments in applying accounting policies *(Continued)*

(2) *Fair value of financial instruments*

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(3) *Income taxes*

The Group is subject to income taxes in various jurisdictions; principally, however in the Chinese Mainland and Hong Kong. Significant estimates are required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In particular, the deductibility of certain items in Mainland China is subject to government approval. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period during which such a determination is made. (Note 27)

(4) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

3 NET INTEREST INCOME

| | Three months ended 30 June | | Half-year ended 30 June | |
|--|-------------------------------|---------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) | 2008 | 2007 (Unaudited) |
| Interest income | | | | |
| Balances with central banks | 1,216 | 764 | 2,306 | 1,465 |
| Due from other banks and financial institutions | 1,978 | 1,553 | 3,705 | 3,245 |
| Loans and advances to customers | 20,153 | 15,329 | 39,541 | 28,677 |
| Investment securities | 5,541 | 3,333 | 10,556 | 6,433 |
| | 28,888 | 20,979 | 56,108 | 39,820 |
| Interest expense | | | | |
| Due to other banks and financial institutions | (2,994) | (2,340) | (5,660) | (4,372) |
| Due to customers | (9,312) | (6,101) | (17,351) | (11,912) |
| | (12,306) | (8,441) | (23,011) | (16,284) |
| Net interest income | 16,582 | 12,538 | 33,097 | 23,536 |
| | | | Half-year ended 30 June | |
| | | | 2008 | 2007 (Unaudited) |
| Interest income accrued on loans and advances to customers individually identified with impairment | | | 295 | 338 |

4 FEE AND COMMISSION INCOME

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Settlement and agent service commission income | 1,033 | 558 |
| Bank card annual fee and commission income | 1,209 | 912 |
| Guarantee and commitment commission income | 599 | 188 |
| Custodian commission income | 359 | 180 |
| Funds sales commission income | 671 | 1,017 |
| Funds management commission income | 335 | 248 |
| Other commission income | 994 | 535 |
| | 5,200 | 3,638 |

5 FEE AND COMMISSION EXPENSE

| | Half-year ended 30 June | |
|---|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Settlement and agent service commission expense | (102) | (265) |
| Syndicated loan commission expense | (43) | (50) |
| Bank card commission expense | (213) | (120) |
| Other commission expense | (189) | (102) |
| | (547) | (537) |

6 DIVIDEND INCOME

| | Half-year ended 30 June | |
|-----------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Dividend income | 21 | 44 |

Dividend income was from equity investments classified as available-for-sale securities or as financial assets held for trading.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

7 GAINS LESS LOSSES ARISING FROM TRADING ACTIVITIES

| | Half-year ended 30 June | |
|---------------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Foreign exchange | (1,087) | 162 |
| Interest rate instruments | 586 | (246) |
| | (501) | (84) |

Net income on foreign exchange includes gains and losses from spot and forward contracts, currency swaps, currency options, currency futures and from the translation of foreign currency monetary assets and liabilities into Renminbi.

Net expense on interest rate instruments includes the results of marking securities held for trading, debt securities in issue, interest rate swaps, cross currency interest rate swaps, interest rate options and other interest rate derivatives to market.

8 OTHER OPERATING INCOME

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Profit on sales of land use rights and buildings | 18 | 14 |
| Sales of foreclosed assets and other assets | 2 | 72 |
| Other miscellaneous income | 126 | 106 |
| | 146 | 192 |

Other miscellaneous income includes income arising from miscellaneous banking services provided to the Group's customers.

9 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

| | Three months ended 30 June | | Half-year ended 30 June | |
|---|-------------------------------|---------------------|----------------------------|---------------------|
| | 2008 | 2007 (Unaudited) | 2008 | 2007 (Unaudited) |
| Due from other banks and financial institutions and securities purchased under resale agreements (Note 16(b)) | (14) | (112) | (16) | (164) |
| Loans and advances to customers (Note 19(b)) | | | | |
| – Collectively assessed provision | 1,108 | 613 | 1,956 | 1,140 |
| – Individually assessed provision | 1,111 | 1,343 | 2,046 | 2,124 |
| | 2,219 | 1,956 | 4,002 | 3,264 |
| Less: recovery of loans previously written off | (1) | (18) | (9) | (23) |
| | 2,204 | 1,826 | 3,977 | 3,077 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

10 OTHER OPERATING EXPENSES

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Staff costs (Note 11) | 5,528 | 3,682 |
| General and administrative expenses | 2,454 | 1,920 |
| Depreciation (Note 21) | 1,436 | 1,279 |
| Business tax and surcharges | 2,384 | 1,663 |
| Operating lease rentals | 533 | 442 |
| Impairment of investment securities (Note 20) | 178 | – |
| (Reversal of) Impairment of other receivables | (71) | 17 |
| Regulator's supervision fee | 151 | 190 |
| Provision/(Reversal of) for outstanding litigation | 4 | (21) |
| Amortization of intangible assets | 113 | 110 |
| Professional fees | 27 | 23 |
| Amortization of land use rights | 2 | – |
| Others | 790 | 805 |
| | 13,529 | 10,110 |

11 STAFF COSTS

| | Half-year ended 30 June | |
|---|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Salaries and bonus | 3,701 | 2,235 |
| Pension costs (Note 28) | 579 | 674 |
| Housing benefits and subsidies | 329 | 263 |
| Other social security and benefit costs | 919 | 510 |
| | 5,528 | 3,682 |

12 DIRECTORS' EMOLUMENTS

Details of the directors', the supervisors' and the senior management's emoluments are as follows:

| | Half-year ended 30 June | |
|------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Fees | 16 | 14 |

The Board resolved to grant performance bonus of 2007 to directors and senior management amounting to RMB16.31 million during the first six months of 2008.

The numbers of directors, supervisors and senior management whose annual emoluments fell within the following band are set out below:

| | Half-year ended 30 June | |
|-----------------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Nil – RMB1,000,000 | 23 | 27 |
| RMB1,000,000 – RMB2,000,000 | 11 | 7 |
| | 34 | 34 |

No directors waived or agreed to waive any emolument during the period.

In the first six months of 2008, RMB750,000 was accrued for independent non-executive directors' emolument (In the first six months of 2007: RMB250,000).

During the first six months of 2008, no SARs were granted and exercised. Benefits arising from the granting of these SARs were recognized in the consolidated profit and loss account but not included in the directors' emoluments disclosed above.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

12 DIRECTORS' EMOLUMENTS (Continued)

Movements in the number of SARs outstanding are as follows:

| | Period ended at 30 June 2008 Number of shares (In millions) | Year ended at 31 December 2007 Number of shares (In millions) |
|---|--|---|
| Outstanding at beginning of the period/year | 11 | 11 |
| Granted | – | – |
| Outstanding at end of the period/year | 11 | 11 |

The fair value of SARs using Binomial Option Pricing model at 30 June 2008 is RMB31.58 million (31 December 2007: RMB36 million).

13 INCOME TAX EXPENSE

| | Three months ended 30 June | | Half-year ended 30 June | |
|-----------------------------|---------------------------------------|---------------------|------------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) | 2008 | 2007 (Unaudited) |
| Current tax | | | | |
| – Mainland China income tax | 2,235 | 2,317 | 3,610 | 3,687 |
| – Hong Kong profits tax | 32 | 75 | 135 | 146 |
| – Overseas taxation | 2 | 10 | 4 | 11 |
| Deferred tax (Note 27) | 2,269 124 | 2,402 (246) | 3,749 985 | 3,844 1,690 |
| | 2,393 | 2,156 | 4,734 | 5,534 |

The Corporate Income Tax Law of the People's Republic of China came into effect on 1 January 2008. The applicable income tax rate of the Bank and each of its subsidiaries established in Mainland China has been adjusted to 25%.

13 INCOME TAX EXPENSE (Continued)

Profits earned by the Hong Kong branch and subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2007: 17.5%), on the estimated assessable profit for the Half-year ended 30 June 2008. 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 Half-year ended 30 June 2008.

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 Bank at 25%. The reconciliation is as follows:

| | Three months ended 30 June | | Half-year ended 30 June | |
|--|-------------------------------|---------------------|----------------------------|---------------------|
| | 2008 | 2007 (Unaudited) | 2008 | 2007 (Unaudited) |
| Profit before tax | 10,046 | 6,955 | 20,301 | 14,155 |
| Tax calculated at a tax rate of 25% (2007: 33%) | 2,511 | 2,295 | 5,075 | 4,671 |
| Effect of different tax rates in other countries | 48 | (3) | 71 | 7 |
| Tax credit arising from income not subject to tax ¹ | (390) | (247) | (681) | (512) |
| Tax effect of expenses that are not deductible for tax purposes ² | 224 | 17 | 270 | 83 |
| Tax rate change impact | - | 94 | (1) | 1,285 |
| Income tax expense | 2,393 | 2,156 | 4,734 | 5,534 |

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 regulation.

2: The expenses that are not tax deductible mainly represent expenses, such as entertainment expenses etc, which are over the tax deduction limits as determined by PRC tax regulation.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is 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.

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Profit attributable to shareholders of the Bank | 15,508 | 8,558 |
| Weighted average number of ordinary shares in issue | 48,994 | 46,867 |
| Basic and diluted earnings per share (expressed in RMB per share) | 0.32 | 0.18 |

15 CASH AND BALANCES WITH CENTRAL BANKS

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| | Cash | 9,882 |
| Balances with central banks other than mandatory reserve deposits | 45,052 | 46,528 |
| Included in cash and cash equivalents (Note 36(b)) | 54,934 | 61,281 |
| Mandatory reserve deposits | 261,814 | 200,152 |
| | 316,748 | 261,433 |

The Group is required to place mandatory deposits with central banks. The deposits are calculated based on the amount of deposits placed with the Group by its customers.

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Mandatory reserve rate for deposits denominated in RMB | 17.5% | 14.5% |
| PBOC reserve rate for deposits denominated in foreign currencies | 5% | 5% |

Mandatory reserve deposits with central banks are not available for use by the Group in its day to day operations.

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

(a) Due from other banks and financial institutions

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Placement with other banks and included in cash equivalents (Note 36(b)) | 39,067 | 34,783 |
| Securities purchased under resale agreement | 90,265 | 50,849 |
| Loans purchased under resale agreement | 44,891 | 22,112 |
| Loans and advances to other banks | 44,565 | 42,622 |
| Loans to other financial institutions | 9,880 | 6,058 |
| | 54,445 | 48,680 |
| Less: Individual impairment allowance on amounts due from other banks and financial institutions | (289) | (314) |
| | 54,156 | 48,366 |
| | 228,379 | 156,110 |

(b) Movements in allowance for impairment losses on amounts due from other banks and financial institutions and securities purchased under resale agreement

| | Half-year ended 30 June | |
|--------------------------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Balance at beginning of the period | 314 | 626 |
| Reversal of impairment, net (Note 9) | (16) | (164) |
| Write off | (9) | - |
| Balance at end of the period | 289 | 462 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (Continued)**(c) Impaired amount of due from other banks and financial institutions**

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Impaired amount of due from other banks and financial institutions | 289 | 314 |
| Impaired amount of due from other banks and financial institutions to total balance of due from other banks and financial institutions (percentage) | 0.13% | 0.20% |

17 FINANCIAL ASSETS HELD FOR TRADING

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Derivative financial instruments (Note 18) | 4,425 | 2,338 |
| Government bonds | | |
| – Listed in Hong Kong | 22 | 491 |
| – Listed outside Hong Kong | 1,072 | 529 |
| – Unlisted | 8,695 | 6,002 |
| Other debt securities | | |
| – Listed in Hong Kong | 593 | 632 |
| – Listed outside Hong Kong | 862 | 347 |
| – Unlisted – corporate bonds | 8,396 | 2,719 |
| – Unlisted – public sector | 2,702 | 172 |
| – Unlisted – banking sector | 5,562 | 6,215 |
| | 32,329 | 19,445 |

Majority of the Group's unlisted bonds are traded in the inter-bank market in Mainland China.

Trading securities at fair value of RMB119 million (2007: RMB486 million) were pledged to third parties under repurchase agreements.

18 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Group for trading purpose:

Currency forwards represent commitments to purchase/sell foreign exchanges including unsettled spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

18 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

| | Contract/notional amount | Fair values | |
|-----------------------------|-----------------------------|--------------|----------------|
| | | Assets | Liabilities |
| As at 30 June 2008 | | | |
| Foreign exchange contracts | 209,576 | 2,331 | (4,074) |
| Interest rate contracts | 116,182 | 2,087 | (1,669) |
| Others derivative contracts | 230 | 7 | (7) |
| Total derivatives | 325,988 | 4,425 | (5,750) |

| | Contract/notional amount | Fair values | |
|-----------------------------|-----------------------------|--------------|----------------|
| | | Assets | Liabilities |
| As at 31 December 2007 | | | |
| Foreign exchange contracts | 154,261 | 1,653 | (2,620) |
| Interest rate contracts | 87,565 | 685 | (699) |
| Others derivative contracts | 14 | – | – |
| Total derivatives | 241,840 | 2,338 | (3,319) |

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.

18 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Credit risk weighted amounts**

| | 30 June 2008 | 31 December 2007 |
|------------------------------|-------------------------|---------------------|
| Derivatives | | |
| – Exchange rate contracts | 1,283 | 846 |
| – Interest rate contracts | 547 | 287 |
| – Other derivative contracts | 1 | 2 |
| | 1,831 | 1,135 |

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

| | 30 June 2008 | 31 December 2007 |
|------------------------------|-------------------------|---------------------|
| Derivatives | | |
| – Exchange rate contracts | 2,331 | 1,653 |
| – Interest rate contracts | 2,087 | 685 |
| – Other derivative contracts | 7 | – |
| | 4,425 | 2,338 |

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. Replacement cost is a close approximation of the credit risk for these contracts as of the balance sheet date.

The credit risk weighted amounts and replacement costs stated above have taken the effects of netting arrangements into account.

Notional amounts of derivative financial instruments by original currency

| | RMB | US Dollars | HK Dollars | Others | Total |
|---|----------------|-------------------|-------------------|---------------|----------------|
| As at 30 June 2008 | | | | | |
| Notional amount of derivative financial instruments | 161,779 | 119,006 | 24,035 | 21,168 | 325,988 |
| As at 31 December 2007 | | | | | |
| Notional amount of derivative financial instruments | 110,038 | 98,854 | 22,673 | 10,275 | 241,840 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

19 LOANS AND ADVANCES TO CUSTOMERS**(a) Loans and advances to customers**

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Loans and advances to customers | 1,242,297 | 1,104,490 |
| Less: collective impairment allowances | (9,539) | (7,690) |
| individual impairment allowances | (14,880) | (14,012) |
| | 1,217,878 | 1,082,788 |

(b) Movements in allowance for losses on loans and advances

| | Half-year ended 30 June | | | |
|--|----------------------------------|----------------------------------|--------------------------|--------------------------|
| | 2008 | | 2007 (Unaudited) | |
| | Collectively accessed | Individually impaired | Collectively accessed | Individually impaired |
| Balance at beginning of period | 7,690 | 14,012 | 5,705 | 11,280 |
| Impairment allowances for loans charged to profit and loss account | 1,956 | 5,147 | 1,140 | 3,343 |
| Reversal of impairment allowances for loans | - | (3,101) | - | (1,219) |
| Net impairment allowances for loans charged to profit and loss account | 1,956 | 2,046 | 1,140 | 2,124 |
| Unwind of discount on allowances | - | (295) | - | (338) |
| Loans written off during the period as uncollectible | - | (842) | - | (36) |
| Exchange difference | (107) | (41) | (26) | (40) |
| Balance at end of the period | 9,539 | 14,880 | 6,819 | 12,990 |

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Individually identified loans with impairment

| | 30 June 2008 | | 31 December 2007 | |
|------------|---------------|--------------------|------------------|--------------------|
| | Impaired loan | Specific provision | Impaired loan | Specific provision |
| Corporate | 20,142 | (13,553) | 20,971 | (13,092) |
| Individual | 2,542 | (1,327) | 1,723 | (920) |
| | 22,684 | (14,880) | 22,694 | (14,012) |

| | 30 June 2008 | 31 December 2007 |
|---|--------------|------------------|
| Individually identified loans with impairment to loans and advances to customers (percentage) | 1.83% | 2.05% |

(d) Geographic sector risk concentration for loans and advances to customers (gross)

| | 30 June 2008 | | 31 December 2007 | |
|--|------------------|------------|------------------|-----|
| | | % | | % |
| Domestic regions | | | | |
| – Beijing | 161,264 | 13 | 143,486 | 13 |
| – Jiangsu | 147,393 | 12 | 131,598 | 12 |
| – Shanghai | 131,557 | 11 | 111,489 | 10 |
| – Guangdong | 116,397 | 9 | 107,862 | 10 |
| – Zhejiang | 102,023 | 8 | 92,536 | 8 |
| – Shandong | 58,738 | 5 | 56,141 | 5 |
| – Henan | 43,038 | 3 | 40,521 | 4 |
| – Hubei | 41,584 | 3 | 39,000 | 4 |
| – Sichuan | 38,828 | 3 | 35,975 | 3 |
| – Others | 306,336 | 25 | 281,367 | 25 |
| Domestic regions total | 1,147,158 | 92 | 1,039,975 | 94 |
| Hong Kong and overseas countries | 95,139 | 8 | 64,515 | 6 |
| Gross amount of loans and advances before allowance for impairment | 1,242,297 | 100 | 1,104,490 | 100 |

A geographical region is reported where it contributes 3% and more of the relevant disclosure item.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Industry analysis

The economic sector risk concentration analysis for loans and advances to customers (gross):

| | 30 June 2008 | | 31 December 2007 | |
|--|--------------|-----|------------------|-----|
| | | % | | % |
| Corporate loans | | | | |
| Manufacturing | | | | |
| – Petroleum and chemical | 53,839 | 4 | 50,245 | 5 |
| – Electronics | 31,532 | 3 | 30,823 | 3 |
| – Steel | 30,640 | 2 | 29,345 | 3 |
| – Machinery | 44,166 | 4 | 38,725 | 4 |
| – Textile | 24,133 | 2 | 24,170 | 2 |
| – Other manufacturing | 134,019 | 11 | 123,860 | 11 |
| Transportation | 134,265 | 11 | 120,484 | 11 |
| Trading | 128,267 | 10 | 98,172 | 9 |
| Services | 116,865 | 9 | 99,617 | 9 |
| Real estate | 79,313 | 6 | 78,080 | 7 |
| Utilities | 100,650 | 8 | 85,457 | 8 |
| Construction | 51,426 | 4 | 48,805 | 4 |
| Educations and scientific research | 26,696 | 3 | 26,993 | 2 |
| Post and telecommunications | 10,696 | 1 | 11,078 | 1 |
| Agriculture | 2,460 | – | 2,609 | – |
| Non-banking financial institutions | 12,607 | 1 | 13,792 | 1 |
| Others | 25,523 | 2 | 18,281 | 2 |
| Corporate loans total | 1,007,097 | 81 | 900,536 | 82 |
| Mortgage loans | 121,645 | 10 | 112,941 | 10 |
| Medium-term and long-term working capital loans | 23,153 | 2 | 22,709 | 2 |
| Short-term working capital loans | 13,907 | 1 | 11,333 | 1 |
| Car loans | 4,462 | – | 4,534 | – |
| Credit card advances | 13,569 | 1 | 7,929 | 1 |
| Others | 15,027 | 1 | 13,028 | 1 |
| Individual loans total | 191,763 | 15 | 172,474 | 15 |
| Discounted bills | 43,437 | 4 | 31,480 | 3 |
| Gross amount of loans and advances before allowance for impairment | 1,242,297 | 100 | 1,104,490 | 100 |

The economic sector risk concentration analysis for loans and advances to customers is based on the Group's internal classification system.

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Loans and advances to customers analysed by customer type (gross)

| | 30 June 2008 | December 31 2007 |
|--|-------------------------|---------------------|
| Domestic | | |
| Corporate entities | | |
| State owned entities | 305,704 | 287,406 |
| Collective owned entities | 9,515 | 10,110 |
| Private unlimited companies | 61,108 | 58,099 |
| Private limited companies | 314,357 | 283,080 |
| Joint stock companies | 107,061 | 89,930 |
| Foreign invested enterprises | 116,263 | 110,805 |
| Other domestic entities | 13,976 | 12,329 |
| | 927,984 | 851,759 |
| Individuals | 177,315 | 157,527 |
| | 1,105,299 | 1,009,286 |
| Hong Kong and Overseas | | |
| Corporate entities | 79,113 | 48,777 |
| Individuals | 14,448 | 14,947 |
| | 93,561 | 63,724 |
| Discounted bills | 43,437 | 31,480 |
| Gross amount of loans and advances before allowance for impairment | 1,242,297 | 1,104,490 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

20 INVESTMENT SECURITIES

| | 30 June 2008 | December 31 2007 |
|--|-----------------|---------------------|
| Securities – loans and receivables | | |
| Debt securities – at amortised cost | | |
| – Unlisted | 79,388 | 67,671 |
| Allowance for loans and receivables | (75) | (75) |
| Loans & receivables securities, net | 79,313 | 67,596 |
| Securities – available-for-sale | | |
| Debt securities – at fair value | | |
| – Listed in Hong Kong | 336 | 362 |
| – Listed outside Hong Kong | 18,773 | 18,190 |
| – Unlisted | 125,139 | 125,692 |
| Allowance for debt securities | (518) | (741) |
| Debt securities, net | 143,730 | 143,503 |
| Equity securities – at fair value | | |
| – Listed in Hong Kong | 67 | – |
| – Listed outside Hong Kong | 683 | 1,938 |
| – Unlisted | 1,503 | 2,370 |
| Allowance for equity securities | (236) | (238) |
| Equity securities, net | 2,017 | 4,070 |
| Securities – available-for-sale Total | 145,747 | 147,573 |

Listed debt securities at fair value of RMB3,562 million (2007: RMB9,908 million) were pledged to third parties under repurchase agreements.

20 INVESTMENT SECURITIES (Continued)

| | 30 June 2008 | December 31 2007 |
|---|-------------------------|---------------------|
| Securities – held-to-maturity | | |
| Debt securities-at amortized cost | | |
| – Listed outside Hong Kong | 92,137 | 66,833 |
| – Unlisted | 267,186 | 264,094 |
| Held-to-maturity securities, net | 359,323 | 330,927 |

The Group holds bonds issued by the PBOC as at 30 June 2008 amounting to RMB145.01 billion (2007: RMB142.06 billion). The related interest rate range on such bonds for the period ended 30 June 2008 was 1.89% – 4.56% (2007: 1.89% – 4.47%).

Gains less losses arising from investment securities comprise:

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Gains less losses arising from de-recognition of investment securities | 391 | 553 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

20 INVESTMENT SECURITIES (Continued)

The movement in investment securities may be summarized as follows:

| | Loans and receivables | Available- for-sale | Held-to- maturity | Total |
|--------------------------------------|--------------------------|------------------------|----------------------|----------------|
| Before allowance | | | | |
| Balance at 1 January 2008 | 67,671 | 148,552 | 330,927 | 547,150 |
| Additions | 14,713 | 77,633 | 73,821 | 166,167 |
| Disposals (sale or redemption) | (2,970) | (76,279) | (45,223) | (124,472) |
| Losses from changes in fair value | - | (1,568) | - | (1,568) |
| Exchange differences | (26) | (1,837) | (202) | (2,065) |
| At 30 June 2008 | 79,388 | 146,501 | 359,323 | 585,212 |
| Allowance for impairment loss | | | | |
| Balance at 1 January 2008 | (75) | (979) | - | (1,054) |
| Allowance for impairment | - | (180) | - | (180) |
| Amounts recovered during the period | - | 2 | - | 2 |
| Amounts written off as uncollectible | - | 385 | - | 385 |
| Exchange gains | - | 18 | - | 18 |
| At 30 June 2008 | (75) | (754) | - | (829) |
| Net book value | | | | |
| At 30 June 2008 | 79,313 | 145,747 | 359,323 | 584,383 |

20 INVESTMENT SECURITIES *(Continued)*

| | Loans and receivables | Available- for-sale | Held-to- maturity | Total |
|---|--------------------------|------------------------|----------------------|-----------|
| Before allowance | | | | |
| Balance at 1 January 2007 | 48,153 | 340,113 | – | 388,266 |
| Reclassification | – | (231,434) | 231,434 | – |
| Additions | 42,163 | 279,510 | 216,719 | 538,392 |
| Disposals (sale or redemption) | (22,539) | (239,152) | (117,124) | (378,815) |
| Gains from changes in fair value | – | 950 | – | 950 |
| Exchange differences | (106) | (1,435) | (102) | (1,643) |
| At 31 December 2007 | 67,671 | 148,552 | 330,927 | 547,150 |
| Allowance for impairment loss | | | | |
| Balance at 1 January 2007 | (103) | (290) | – | (393) |
| Allowance for impairment | – | (769) | – | (769) |
| Amounts recovered during the year | 28 | 49 | – | 77 |
| Amounts written off during the year as uncollectible | – | 31 | – | 31 |
| At 31 December 2007 | (75) | (979) | – | (1,054) |
| Net book value | | | | |
| At 31 December 2007 | 67,596 | 147,573 | 330,927 | 546,096 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

20 INVESTMENT SECURITIES (Continued)

The investment securities are analysed by issuer as follows:

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Securities – loans and receivables | | |
| – Central governments and central banks | 64,684 | 66,390 |
| – Public sector entities | – | 149 |
| – Other banks and financial institutions | 695 | 884 |
| – Corporate entities | 13,934 | 173 |
| | 79,313 | 67,596 |
| Securities – available-for-sale | | |
| – Central governments and central banks | 55,095 | 53,311 |
| – Public sector entities | 8,411 | 1,762 |
| – Other banks and financial institutions | 60,048 | 64,121 |
| – Corporate entities | 22,193 | 28,379 |
| | 145,747 | 147,573 |
| Securities – held-to-maturity | | |
| – Central governments and central banks | 182,515 | 180,258 |
| – Public sector entities | 6,415 | 4,708 |
| – Other banks and financial institutions | 161,600 | 137,410 |
| – Corporate entities | 8,793 | 8,551 |
| | 359,323 | 330,927 |

20 INVESTMENT SECURITIES *(Continued)*

The certificates of deposit held and included in investment securities are analysed as follows:

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Available-for-sale, at fair value – Unlisted | 69 | 318 |

The maturity profile of certificates of deposit held analysed by the remaining period as at period/year end to the contractual maturity dates is as follows:

| | 30 June 2008 | 31 December 2007 |
|----------------|-------------------------|---------------------|
| Up to 3 months | – | 216 |
| 3 to 12 months | 69 | 102 |
| | 69 | 318 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

21 PROPERTY AND EQUIPMENT

| | Land and buildings | Construction in progress | Equipment | Motor vehicles | Leasehold improvement | Total |
|--|--------------------|--------------------------|-----------|----------------|-----------------------|---------|
| Cost or valuation | | | | | | |
| At 1 January 2008 | 23,769 | 4,028 | 5,982 | 244 | 1,520 | 35,543 |
| Additions | 196 | 1,136 | 429 | 17 | 101 | 1,879 |
| Disposals | (498) | (12) | (201) | (23) | (27) | (761) |
| Transfers | 780 | (780) | - | - | - | - |
| At 30 June 2008 | 24,247 | 4,372 | 6,210 | 238 | 1,594 | 36,661 |
| Accumulated depreciation | | | | | | |
| At 1 January 2008 | - | - | (2,567) | (5) | (772) | (3,344) |
| Charge for the period | (556) | - | (705) | (28) | (147) | (1,436) |
| Disposals | 107 | - | 168 | 21 | 22 | 318 |
| At 30 June 2008 | (449) | - | (3,104) | (12) | (897) | (4,462) |
| Net book value | | | | | | |
| At 30 June 2008 | 23,798 | 4,372 | 3,106 | 226 | 697 | 32,199 |
| Carrying amount at 30 June 2008, if at cost | | | | | | |
| | 14,066 | 4,234 | 2,991 | 181 | 697 | 22,169 |
| Cost or valuation | | | | | | |
| At 1 January 2007 | 21,615 | 787 | 4,888 | 135 | 1,201 | 28,626 |
| Additions | 927 | 4,012 | 1,775 | 114 | 399 | 7,227 |
| Disposals | (511) | - | (681) | (5) | (80) | (1,277) |
| Transfers | 764 | (764) | - | - | - | - |
| Revaluation | 974 | (7) | - | - | - | 967 |
| At 31 December 2007 | 23,769 | 4,028 | 5,982 | 244 | 1,520 | 35,543 |
| Accumulated depreciation | | | | | | |
| At 1 January 2007 | - | - | (1,889) | 76 | (529) | (2,342) |
| Charge for the period | (963) | - | (1,309) | (85) | (308) | (2,665) |
| Disposals | 40 | - | 631 | 4 | 65 | 740 |
| Reclassification | 79 | - | - | - | - | 79 |
| Revaluation | 844 | - | - | - | - | 844 |
| At 31 December 2007 | - | - | (2,567) | (5) | (772) | (3,344) |
| Net book value | | | | | | |
| At 31 December 2007 | 23,769 | 4,028 | 3,415 | 239 | 748 | 32,199 |
| Carrying amount at 31 December 2007, if at cost | | | | | | |
| | 13,106 | 4,615 | 3,302 | 197 | 748 | 21,968 |

21 PROPERTY AND EQUIPMENT *(Continued)*

Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) was appointed as its external valuer for the Group's (excluding Hong Kong Branch) latest valuation exercise as at 31 December 2007 to revalue land and buildings, construction in progress, with reference to the open market value, while equipment and motor vehicles were not revalued due to their insignificance.

CB Richard Ellis Ltd. was appointed as the external valuer for the Hong Kong Branch's latest valuation exercise as at 31 December 2007 to revalue lands and buildings, construction in progress, with reference to the open market value, while the equipment and motor vehicles were not revalued due to their insignificance.

The revaluation reserve relating to revaluation of property and equipment is not distributable to shareholders.

All land and buildings of the Group are located outside Hong Kong, except for those of Hong Kong branch.

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Net book value of land and buildings of Hong Kong Branch | 1,291 | 1,396 |

According to relevant PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of Communication Limited. As at 30 June 2008, the process of re-registration has not been completed. However, this registration process does not affect the rights of the Bank of Communication Limited to these assets.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

22 OTHER ASSETS

| | 30 June 2008 | 31 December 2007 |
|---------------------------------|-------------------------|---------------------|
| Settlement accounts | 5,965 | 1,254 |
| Other receivables | 3,068 | 4,524 |
| Less: impairment allowance | (1,440) | (1,511) |
| Foreclosed assets | 1,908 | 2,429 |
| Less: impairment allowance | (1,478) | (1,936) |
| Prepaid staff housing subsidies | 72 | 81 |
| Prepaid rental expenses | 248 | 279 |
| Land use rights | 805 | 575 |
| Intangible assets | 788 | 877 |
| Including: Goodwill | 200 | 200 |
| Investment property | 136 | 136 |
| Interest receivable | 3,251 | 2,936 |
| Finance lease receivables | 3,174 | 126 |
| Others | 560 | 79 |
| | 17,057 | 9,849 |

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Deposits from other banks | 19,213 | 8,958 |
| Deposits from other financial institutions | 294,189 | 254,576 |
| Loans from other banks | 56,492 | 41,302 |
| Securities sold under repurchase agreements | 2,412 | 8,747 |
| Credit assets sold under repurchase agreements | 14,849 | 18,973 |
| | 387,155 | 332,556 |

24 FINANCIAL LIABILITIES HELD FOR TRADING

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Derivative financial instruments (Note 18) | 5,750 | 3,319 |
| Short position of securities held for trading | 12 | 479 |
| Debt securities in issue | 5,208 | 6,230 |
| | 10,970 | 10,028 |

24 FINANCIAL LIABILITIES HELD FOR TRADING (Continued)

Debt securities in issue are:

| | 30 June 2008 | | 31 December 2007 | |
|--|--------------|-----------------------------|------------------|------------------------------|
| | Amount | Interest rate per annum (%) | Amount | Interest rate per annum (%) |
| HKD short term Certificate of Deposit | 204 | 4.43% | 291 | 4.28% |
| HKD medium term Certificate of Deposit | 33 | 4.75% | 35 | 4.75% |
| USD short term Certificate of Deposit | - | - | 20 | 4.72% |
| USD medium term Certificate of Deposit | - | - | 19 | 4.87% |
| HKD floating rate Certificate of deposit (maturing in November 2008) | 793 | HIBOR+0.18% | 846 | HIBOR+0.18% |
| HKD fixed rate step-up rate Certificate of Deposit (maturing in May 2009) | - | - | 398 | range from 3.10% to 4.60% |
| HKD floating rate Certificate of Deposit (maturing in September 2008) | 353 | HIBOR+0.26% | 376 | HIBOR+0.26% |
| HKD fixed rate step-up Certificate of deposit (maturing in July 2008) | - | - | 247 | range from 3.57% to 4.07% |
| HKD floating rate Certificate of deposit (maturing in July 2008) | 1,060 | 3-mth HIBOR+0.05% | 1,133 | 3-mth HIBOR+0.05% |
| HKD floating rate Certificate of deposit (maturing in July 2008) | 1,060 | 3-mth HIBOR+0.08% | 1,134 | 3-mth HIBOR+0.08% |
| HKD floating rate Certificate of deposit (maturing in December 2008) | 176 | 3-mth HIBOR+0.16% | 188 | 3-mth HIBOR+0.16% |
| HKD floating rate Certificate of deposit (maturing in December 2009) | 354 | 3-mth HIBOR+0.23% | 376 | 3-mth HIBOR+0.23% |
| HKD fixed rate Certificate of Deposit (maturing in June 2010) | 434 | 2.72% | - | - |
| HKD fixed rate Certificate of Deposit (maturing in June 2010) | 173 | 2.66% | - | - |
| Others | 568 | | 1,167 | |
| Total | 5,208 | | 6,230 | |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

25 DUE TO CUSTOMERS

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Corporate current deposits | 663,502 | 699,289 |
| Corporate savings deposits | 7,683 | 7,785 |
| Corporate time deposits | 523,105 | 292,966 |
| Individual current deposits | 227,060 | 227,796 |
| Individual savings deposits | 14,642 | 14,295 |
| Individual time deposits | 364,935 | 299,355 |
| Other deposits | 10,186 | 14,113 |
| | 1,811,113 | 1,555,599 |
| Including: | | |
| Pledged deposits held as collateral for letters of credit | 15,377 | 9,733 |

26 OTHER LIABILITIES

| | 30 June 2008 | 31 December 2007 |
|--------------------------------------|-------------------------|---------------------|
| Settlement accounts | 9,615 | 10,075 |
| Dividends payable | 184 | 1,289 |
| Staff benefits payables | 3,298 | 3,481 |
| Tax payable | 1,518 | 1,449 |
| Provision for outstanding litigation | 879 | 875 |
| Interest payable | 16,209 | 11,543 |
| Others | 6,731 | 5,645 |
| | 38,434 | 34,357 |

27 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for the period ended 30 June 2008 (For the period ended 30 June 2007: 25% or 33%) for transactions in Mainland China. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 16.5% for the period ended 30 June 2008 (For the period ended 30 June 2007: 17.5%) for transactions in Hong Kong.

The movement in the deferred income tax account is as follows:

| | Half-year ended 30 June | |
|------------------------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Balance at beginning of the period | 2,020 | 3,197 |
| Debit to profit and loss account | (985) | (1,690) |
| Available-for-sale securities | 386 | 64 |
| – fair value remeasurement | – | 369 |
| Property revaluation | 29 | – |
| At end of the period | 1,450 | 1,940 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

27 DEFERRED INCOME TAXES (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Deferred income tax liabilities | | |
| Available-for-sale securities | (135) | (511) |
| Property revaluation reserve | (1,699) | (1,759) |
| Other temporary differences | (871) | (324) |
| | (2,705) | (2,594) |
| Deferred income tax assets | | |
| Provision for loan losses | 2,176 | 2,468 |
| Impairment allowances for investments | 198 | 189 |
| Decelerated tax depreciation | 85 | 99 |
| Impairment of other assets | 1,647 | 1,819 |
| Available-for-sale securities | 49 | 39 |
| | 4,155 | 4,614 |
| Net deferred income tax assets | 1,450 | 2,020 |

The above net deferred income tax assets are disclosed separately on the balance sheet based on different responsible taxation authorities:

| | 30 June 2008 | 31 December 2007 |
|--------------------------|-------------------------|---------------------|
| Deferred tax assets | 1,886 | 2,524 |
| Deferred tax liabilities | (436) | (504) |

27 DEFERRED INCOME TAXES *(Continued)*

The deferred tax (charge)/credit in the profit and loss account comprises the following temporary differences:

| | Half-year ended 30 June | |
|---|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Provision for loan losses: | | |
| Additional provisions for loan losses | 478 | (124) |
| Utilization | (770) | (663) |
| Sub-total | (292) | (787) |
| Impairment allowances for investments | 9 | (77) |
| Impairment of other assets | (172) | (864) |
| Decelerated depreciation | (14) | (32) |
| Depreciation/disposal of property and equipment | 31 | – |
| Other temporary differences | (547) | 70 |
| | (985) | (1,690) |

28 RETIREMENT BENEFIT OBLIGATIONS

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China under which it is required to make monthly contributions to these plans at rates ranging from 10% to 27% of the employees' basic salary for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to the profit and loss account in the period to which they relate.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

28 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Group pays supplementary retirement benefits (SRPA) to employees in Mainland China, who retired or expected to be retired at the earlier of 31 December 2008 or the introduction of the new annuity plan. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Group's obligations. The amounts recognised in the balance sheet represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Management is undertaking a comprehensive design of a new employee Annuity Plan which is expected to be introduced in 2009. This plan will not be applicable to any employee receiving benefits under SPRA. As no new plan has been approved or established at 30 June 2008, no obligation or entitlement exists or has been provided for.

Retirement benefit obligations of the Group in locations other than Mainland China, which are immaterial to the Group, are made in accordance with the relevant local policies and regulations. They are accounted for in the profit and loss account in the period when the payment is made.

| | Half-year ended 30 June | |
|---|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Expenses incurred for retirement benefit plans | 495 | 292 |
| Expenses incurred for supplementary retirement benefits | 84 | 382 |

| | 30 June 2008 |
|--------------------------------|-------------------------|
| Balance sheet obligations for: | |
| – Pension benefits | 616 |
| Income statement charge for: | |
| – Pension benefits | 84 |

28 RETIREMENT BENEFIT OBLIGATIONS *(Continued)***(a) Pension benefits**

The amounts recognised in the balance sheet are determined as follows:

| | 30 June 2008 |
|---------------------------------------|-------------------------|
| Present value of unfunded obligations | 631 |
| Unrecognised actuarial losses | - |
| Unrecognised past service cost | (15) |
| Liability in the balance sheet | 616 |

The amounts recognised in the income statement are as follows:

| | 30 June 2008 |
|-------------------|-------------------------|
| Past service cost | 84 |

The principal actuarial assumptions used were as follows:

| | 30 June 2008 |
|-----------------------------|-------------------------|
| Discount rate | 4.77% |
| Pension plan inflation rate | 4.00% |

Mortality rate

Assumptions regarding future mortality experience are set based on published statistics by China Insurance Regulatory Commission.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

29 SUBORDINATED TERM DEBT

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Floating rate subordinated debt – 2009 ¹ | 12,000 | 12,000 |
| Fixed rate subordinated debt – 2022 ² | 16,000 | 16,000 |
| Fixed rate subordinated debt – 2017 ² | 9,000 | 9,000 |
| Interest payable | 408 | 1,207 |
| | 37,408 | 38,207 |

1: The RMB12 Billion floating rate subordinated term debt bears interest at the rate of 1 year fixed deposit rate set by the PBOC plus 2.52% and will mature in July 2009.

2: The Group issued following subordinated debt on 6 March 2007 in the inter-bank market of mainland China:

The first tranche of subordinated debt amounting to RMB16 Billion issued on 6 March 2007 has a fix coupon rate of 4.13% for the first ten years, paid annually. The Group has the option to extend all of the bonds at face value for another five years through 8 March 2017 at a fixed rate of original coupon rate plus 3%.

The second tranche of subordinated debt amounting to RMB9 Billion issued on 6 March 2007 has a fixed coupon rate of 3.73% for the first 5 years, paid annually. The Group has the option to extend all of the bonds at face value for another five years through 8 March 2012 at a fixed rate of original coupon rate plus 3%.

30 SHARE CAPITAL AND CAPITAL SURPLUS

| | Number of shares (in millions) | Ordinary shares of RMB1 each (RMB million) | Capital surplus (RMB million) | Total (RMB million) |
|---------------------------------------|--|--|---|-------------------------------|
| At 1 January 2008 and 30 June 2008 | 48,994 | 48,994 | 43,100 | 92,094 |

The shareholding structures of the Group and the Bank as at 30 June 2008 are as follow:

| | Number of shares (in millions) | Approximated percentage of the Bank's issued share capital |
|--|--|---|
| Domestic Shares in issue | 25,930 | 52.92% |
| H shares offered under the Global Offering and converted from Domestic Shares | 23,064 | 47.08% |
| Total number of shares | 48,994 | 100.00% |

Generally, transactions of the following nature are recorded in the capital surplus:

- (i) share premium arising from the issue of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations to be so treated.

Capital surplus can be utilized to offset prior years' accumulated losses, for the issue of bonus shares or for increasing paid-up capital as approved by the Shareholders.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

31 RESERVES AND RETAINED EARNINGS

Pursuant to the PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the Directors and are subject to the passing of resolutions to be considered at the Bank's Annual General Meeting to be held subsequent to each year end.

In accordance with the PRC legislation, 10% of the net distributable profit of the Bank (Note32), as determined under the PRC accounting regulations, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. Such profit distribution is recognized in the balance sheet upon approval by the shareholders at the Annual General Meeting.

Pursuant to the PRC banking regulations, the Bank is required to transfer a certain amount of its net income, as determined based on the degree of overall unidentified loss exposure, normally no lower than 1% of the ending balance of risk assets, to the statutory general reserve through its profit appropriation. The statutory general reserve is an integral part of equity interest but not subject to dividend distribution. Such statutory general reserve is recognized in the balance sheet upon approval by the shareholders at the Annual General Meeting. Statutory reserve of Hongkong branch required by Hong Kong Monetary Authority ("HKMA") is also included in above statutory general reserve.

In accordance with the PRC legislation, after the statutory reserve has been transferred from the net distributable profit of the bank, discretionary reserve may be provided upon approval by the shareholders at the Annual General Meeting. Such discretionary reserve is recognized in the balance sheet upon approval by the shareholders at the Annual General Meeting.

On 19 March 2008, the Directors proposed the following profit appropriation, which was approved by the shareholders at the Annual General Meeting on 6 June 2008.

| | 2007 |
|---------------------------|--------|
| Statutory reserve | 1,993 |
| Statutory general reserve | 1,938 |
| Discretionary reserve | 8,511 |
| | 12,442 |

32 DIVIDENDS

| | Half-year ended 30 June | |
|--------------------|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Paid in the period | 8,454 | 5 |

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 CAS and (ii) the distributable profit determined in accordance with IFRS.

The dividends are recognized in the balance sheet upon approval by the shareholders at the Annual General Meeting. At 31 December 2007, the aggregate amount of distributable profit was RMB19,791 million, being the distributable profit determined in accordance with IFRS (2006: IFRS). On 19 March 2008, the directors proposed a cash dividend of RMB0.15 per share, amounting to RMB7,349 million, which was approved by the shareholders at the Annual General Meeting on 6 June 2008.

In addition, in accordance with the resolution of the Annual General Meeting, the Board of Directors was authorised to approve the profit appropriation plan within 40% of the distributable profit in the first half year of 2008. At 26 August 2008, the directors approved a cash dividend of RMB0.10 per share, amounting to RMB4,899 million.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

33 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:

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Guarantees | 168,327 | 155,573 |
| Letters of credit | 40,201 | 34,779 |
| Acceptances | 206,934 | 172,127 |
| Other commitments with an original maturity of | | |
| – Under 1 year or on demand | 98,943 | 59,369 |
| – 1 year and over | 8,840 | 11,907 |
| | 523,245 | 433,755 |

Capital expenditure commitments

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Capital expenditure commitments for buildings | 468 | 203 |

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:

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Not later than 1 year | 840 | 769 |
| Later than 1 year and not later than 5 years | 2,011 | 1,756 |
| Later than 5 years | 858 | 636 |
| | 3,709 | 3,161 |

33 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Commitments on security underwriting and bond acceptance

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Outstanding balance on security underwriting | 7,300 | 6,750 |
| Outstanding balance on bond acceptance ¹ | 18,223 | 17,842 |

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:

| | 30 June 2008 | 31 December 2007 |
|----------------------|-------------------------|---------------------|
| Outstanding claims | 1,572 | 1,785 |
| Provision for losses | 879 | 875 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

34 ASSETS PLEDGED

Assets are pledged as collateral under repurchase agreements with other banks and financial institutions and for security deposits relating to local futures, options and stock exchange memberships.

| | Pledged assets | | Related liabilities | |
|-----------------------|-----------------|---------------------|---------------------|---------------------|
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| Trading securities | 119 | 486 | 112 | 479 |
| Investment securities | 3,570 | 9,908 | 2,312 | 8,747 |
| Loans | 14,849 | 18,973 | 14,849 | 18,973 |
| | 18,538 | 29,367 | 17,273 | 28,199 |

35 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

| | 30 June 2008 | 31 December 2007 |
|---|-----------------|---------------------|
| Financial guarantees and credit related commitments | 156,434 | 151,990 |

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

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of changes in financing during the period

| | Dividends | Share capital | Capital surplus | Subordinated term debt |
|---|----------------|---------------|-----------------|------------------------|
| At 1 January 2008 | 1,289 | 48,994 | 43,100 | 38,207 |
| Dividends | 7,349 | - | - | - |
| Interest expense recognised on subordinated term debts | - | - | - | 778 |
| Net cash outflow from financing | (8,454) | - | - | (1,577) |
| At 30 June 2008 | 184 | 48,994 | 43,100 | 37,408 |
| At 1 January 2007 | 2,020 | 45,804 | 21,540 | 12,292 |
| Interest expense recognised on subordinated term debts | - | - | - | 101 |
| Issue of shares | - | 3,190 | 21,560 | - |
| Issue subordinated term debt | - | - | - | 25,000 |
| Net cash outflow from financing | (5) | - | - | - |
| At 30 June 2007 (unaudited) | 2,015 | 48,994 | 43,100 | 37,393 |

(b) Analysis of the balance of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of less than 90 days used for the purpose of meeting short-term cash commitments:

| | 30 June 2008 | 31 December 2007 |
|--|---------------|------------------|
| Cash and balances with central banks (Note 15) | 54,934 | 61,281 |
| Due from other banks and financial institutions (Note 16(a)) | 39,067 | 34,783 |
| | 94,001 | 96,064 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is subject to the control of the State Council of the PRC Government.

(a) Transactions with the MOF

The Group enters into banking transactions with the MOF in the normal course of business. These include the purchase and redemption of investment securities issued by the MOF. The volumes of related party transactions, outstanding balances at the period end, and related income for the year are as follows:

Treasury bonds

| | Half-year ended 30 June | |
|------------------------------|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Purchase during the period | 21,387 | 28,293 |
| Redemption during the period | (18,750) | (13,192) |
| Interest income | 2,783 | 1,567 |

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 163,049 | 102,767 |
| Outstanding at end of the period | 165,680 | 121,684 |

(b) Transactions with other government agencies and other state controlled entities

The Group is ultimately controlled by the PRC government, which also directly and indirectly controls a significant number of entities through its government authorities, agencies and affiliates. Accordingly, the Group is likely to have extensive transactions with government authorities, agencies and affiliates and other State-controlled entities.

Transactions with government authorities and agencies conducted include purchase and redemption of investment securities issued by government agencies, maintenance of mandatory reserves and other deposits and amounts due to government agencies.

37 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other government agencies and other state controlled entities *(Continued)*

The state controlled entities are those over which the PRC government directly holds over 50% of the outstanding shares or voting rights, and has the ability to control or the power to govern their financial or operational policies.

Transactions with other state controlled entities are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits, investment securities, money market transactions and financial guarantees and credit related commitments. Such pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Except these disclosed elsewhere in these financial statements, the volumes of such related party transactions, outstanding balances and related provisions at the period/year end, and the related expense and interest ranges for the year are as follows:

(i) Loans and advances to customers

| | Half-year ended 30 June | |
|---|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 289,764 | 240,214 |
| Outstanding balance at end of the period | 307,906 | 271,017 |
| Less: allowance for impairment losses | (3,767) | (3,358) |
| | 304,139 | 267,659 |
| Including: discounted bills | 2,202 | 4,020 |
| Interest rate range for discounted bills | 2.4%~7.96% | 2.4%~7.96% |
| Interest rate range of loans and advances other than discounted bills | 0.05%~18.00% | 0.05%~18.00% |

The loan interest rate range stated above covers interest rates for loans granted in various currencies and periods.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government agencies and other state controlled entities (Continued)

(i) Loans and advances to customers (Continued)

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Maximum balance during the period | 357,273 | 271,017 |
| Provision for impairment during the period | 428 | 146 |

(ii) Investment securities

| | Half-year ended 30 June | |
|--|-------------------------|------------------------------------|
| | 2008 | 2007 (Unaudited) |
| Purchase during the period | 769,690 | 107,394 |
| Redemption during the period | (14,565) | (31,106) |
| Sales during the period | (716,655) | (179,093) |
| Interest income | 4,803 | 4,681 |
| | 30 June 2008 | 31 December 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 220,659 | 166,510 |
| Outstanding balance at end of the period | 277,321 | 181,837 |

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government agencies and other state controlled entities (Continued)

(iii) Due from other banks and financial institutions

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 51,230 | 31,502 |
| Outstanding balance at end of the period | 95,886 | 60,627 |
| Less: allowance for impairment losses | (38) | (462) |
| | 95,848 | 60,165 |

| | Half-year ended 30 June | |
|---|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Maximum balance during the period | 95,886 | 84,528 |
| Provision for impairment reversed during the period | (3) | (164) |

(iv) Due to other banks and financial institutions

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 91,134 | 89,864 |
| Outstanding balance at end of the period | 135,942 | 38,906 |

| | Half-year ended 30 June | |
|-----------------------------------|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Maximum balance during the period | 537,967 | 194,175 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government agencies and other state controlled entities (Continued)

(v) Due to customers

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding balance at beginning of the period | 361,337 | 273,099 |
| Outstanding balance at end of the period | 501,026 | 323,495 |

| | Half-year ended 30 June | |
|-----------------------------------|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Maximum balance during the period | 726,957 | 323,495 |

(vi) Financial guarantees and credit related commitments

| | 30 June 2008 | 31 December 2007 |
|-----------------------------------|-----------------|---------------------|
| Guarantees | 80,558 | 52,863 |
| Letters of credit | 12,679 | 50,195 |
| Acceptances | 20,718 | 17,886 |
| Derivative transactions unsettled | 7,320 | 15,966 |

37 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with directors and senior management

The Group enters into banking transactions with directors and senior management in the normal course of business. These include loans and deposits, which are carried out under commercial terms and at market rates except that loans and deposits have been made to and taken from senior management of the Hong Kong branch at preferential rates. The volumes of related party transactions during the Half-year ended 30 June 2008 and 30 June 2007, outstanding balances at the balance sheet date are as follows:

(i) Loans

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding at beginning of the period | 33 | 17 |
| Granted during the period | 5 | 23 |
| Repaid during the period | (21) | (20) |
| Outstanding at end of the period | 17 | 20 |

No allowance for impairment have been recognised in respect of loans granted to directors and senior management.

(ii) Deposits

| | Half-year ended 30 June | |
|--|-------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding at beginning of the period | 45 | 33 |
| Deposited during the period | 66 | 81 |
| Repaid during the period | (80) | (76) |
| Outstanding at end of the period | 31 | 38 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

37 RELATED PARTY TRANSACTIONS (Continued)**(d) Transactions with HSBC**

As at 30 June 2008, The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") holds 9,381 million shares of the bank which represents 19.15%. Transactions between the Group and HSBC are mainly banking activities under commercial terms and at market rates. Detail transaction volumes since the above share acquisition are set out below:

(i) Placement with HSBC

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding at beginning of the period | 1,415 | 1,434 |
| Granted during the period | 189,062 | 384,956 |
| Repaid during the period | (189,726) | (372,733) |
| Outstanding at end of the period | 751 | 13,657 |
| Interest income | 48 | 96 |

(ii) Deposits from HSBC

| | Half-year ended 30 June | |
|--|--------------------------------|---------------------|
| | 2008 | 2007 (Unaudited) |
| Outstanding at beginning of the period | 1,769 | 920 |
| Deposited during the period | 72,735 | 209,758 |
| Repaid during the period | (71,850) | (208,641) |
| Outstanding at end of the period | 2,654 | 2,037 |
| Interest expense on deposits | 54 | 90 |

37 RELATED PARTY TRANSACTIONS *(Continued)*(d) Transactions with HSBC *(Continued)**(iii) Investment securities*

| | Half-year ended 30 June | |
|---------------------|--------------------------------|--------------------------------|
| | 2008 | 2007 (Unaudited) |
| Interest income | 11 | 34 |
| | 30 June 2008 | 30 June 2007 (Unaudited) |
| Outstanding balance | 374 | 941 |

(iv) Derivative transactions unsettled

| | 30 June 2008 | 30 June 2007 (Unaudited) |
|-----------------------------------|-------------------------|--------------------------------|
| Derivative transactions unsettled | 8,449 | 8,765 |
| Fair Value | (9) | (67) |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

38 SEGMENTAL INFORMATION

The following table sets out the segmental information of the Group's operating results, assets and liabilities. The geographical 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 Macau.

38 SEGMENTAL INFORMATION (Continued)

Geographical segment information

| | Northern China | North-eastern China | Eastern China | Central & Southern China | Western China | Head Office | Overseas | Eliminations & Consolidated | Group Total |
|---|------------------|------------------------|------------------|--------------------------------|------------------|-----------------|------------------|--------------------------------|--------------------|
| As at 30 June 2008 | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with central banks | 6,540 | 3,216 | 15,027 | 9,926 | 4,150 | 277,646 | 243 | - | 316,748 |
| Due from other banks and financial institutions | 44,950 | 6,398 | 42,663 | 18,677 | 2,854 | 99,913 | 12,924 | - | 228,379 |
| Financial assets held for trading | - | - | - | 148 | - | 28,953 | 3,228 | - | 32,329 |
| Loans and advances to customers | 231,483 | 65,020 | 475,431 | 234,945 | 97,936 | 18,806 | 94,257 | - | 1,217,878 |
| Investment securities | | | | | | | | | |
| - loans and receivables | 7,248 | 3,373 | 12,850 | 11,018 | 2,965 | 41,859 | - | - | 79,313 |
| - available-for-sale | 9,463 | 159 | 2,460 | 2,650 | 19 | 107,979 | 23,017 | - | 145,747 |
| - held-to-maturity | 9,354 | 13,367 | 26,754 | 21,058 | 6,622 | 280,405 | 1,763 | - | 359,323 |
| Other assets | 15,081 | 8,521 | 41,007 | 47,481 | 11,561 | 11,480 | 15,825 | (99,814) | 51,142 |
| Segment assets | 324,119 | 100,054 | 616,192 | 345,903 | 126,107 | 867,041 | 151,257 | (99,814) | 2,430,859 |
| Liabilities | | | | | | | | | |
| Due to other banks and financial institutions | (116,953) | (6,094) | (114,338) | (97,474) | (13,987) | (5,254) | (33,055) | - | (387,155) |
| Financial liabilities held for trading | - | - | - | - | - | (5,390) | (5,580) | - | (10,970) |
| Due to customers | (343,650) | (143,363) | (695,651) | (372,161) | (167,297) | (752) | (88,239) | - | (1,811,113) |
| Other liabilities | (8,748) | (3,238) | (98,961) | (7,360) | (3,779) | (38,273) | (21,282) | 99,814 | (81,827) |
| Segment liabilities | (469,351) | (152,695) | (908,950) | (476,995) | (185,063) | (49,669) | (148,156) | 99,814 | (2,291,065) |
| Net on balance sheet position | (145,232) | (52,641) | (292,758) | (131,092) | (58,956) | 817,372 | 3,101 | - | 139,794 |
| Off-balance exposures | | | | | | | | | |
| Financial guarantees, acceptance and letter of credit | 115,265 | 11,229 | 192,853 | 62,218 | 20,740 | 1,000 | 12,157 | - | 415,462 |
| Other credit related commitments | 13,664 | 7,317 | 37,678 | 20,604 | 9,220 | - | 19,300 | - | 107,783 |
| Acquisition cost of property and equipment ("PPE") and intangible assets | 169 | 93 | 868 | 516 | 128 | 240 | 19 | - | 2,033 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

38 SEGMENTAL INFORMATION (Continued)

Geographical segment information (Continued)

| | Northern China | North-eastern China | Eastern China | Central & Southern China | Western China | Head Office | Overseas | Eliminations & Consolidated | Group Total |
|--|----------------|------------------------|------------------|--------------------------------|------------------|----------------|-------------|--------------------------------|----------------|
| For the half-year ended 30 June 2008 | | | | | | | | | |
| Interest income | 10,170 | 3,472 | 21,721 | 11,120 | 4,470 | 13,188 | 2,554 | (10,587) | 56,108 |
| Interest expense | (5,506) | (1,670) | (9,129) | (4,588) | (1,751) | (9,370) | (1,584) | 10,587 | (23,011) |
| Net interest income | 4,664 | 1,802 | 12,592 | 6,532 | 2,719 | 3,818 | 970 | - | 33,097 |
| Fee and commission income | 769 | 165 | 1,396 | 632 | 182 | 1,578 | 478 | - | 5,200 |
| Fee and commission expense | (92) | (24) | (159) | (79) | (28) | (38) | (127) | - | (547) |
| Net fee and commission income | 677 | 141 | 1,237 | 553 | 154 | 1,540 | 351 | - | 4,653 |
| Dividend income | - | - | - | - | - | 12 | 9 | - | 21 |
| Gains less losses arising from trading activities | 201 | 59 | 305 | 76 | 40 | (1,206) | 24 | - | (501) |
| Gains less losses arising from de-recognition of investment securities | 13 | 13 | 279 | (25) | 4 | 53 | 54 | - | 391 |
| Other operating income | 5 | 8 | 91 | 11 | 11 | 2 | 18 | - | 146 |
| Reversal/(Impairment losses) on loans and advances | (416) | (104) | (1,592) | (907) | (901) | 1 | (58) | - | (3,977) |
| Other operating expenses | (1,917) | (1,019) | (4,736) | (2,346) | (1,105) | (1,672) | (734) | - | (13,529) |
| Operating profit before tax | 3,227 | 900 | 8,176 | 3,894 | 922 | 2,548 | 634 | - | 20,301 |
| Income tax | (856) | (228) | (2,253) | (1,003) | (238) | (21) | (135) | - | (4,734) |
| Net profit for the period | 2,371 | 672 | 5,923 | 2,891 | 684 | 2,527 | 499 | - | 15,567 |
| Depreciation and amortization of property and equipment and intangible assets | (156) | (145) | (463) | (239) | (128) | (357) | (63) | - | (1,551) |

38 SEGMENTAL INFORMATION (Continued)

Geographical segment information (Continued)

| | North-eastern Northern China | China | Eastern China | Central & Southern China | Western China | Head Office | Eliminations & Overseas | Consolidated | Group Total |
|---|---------------------------------|------------------|------------------|--------------------------------|------------------|-----------------|----------------------------|-----------------|--------------------|
| As at 31 December 2007 | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with central banks | 11,614 | 3,478 | 21,071 | 8,746 | 4,278 | 211,497 | 749 | - | 261,433 |
| Due from other banks and financial institutions | 19,245 | 1,044 | 41,186 | 5,470 | 2,383 | 65,685 | 25,365 | (4,268) | 156,110 |
| Financial assets held for trading | 128 | 7 | 48 | 23 | 15 | 16,202 | 3,022 | - | 19,445 |
| Loans and advances to customers | 206,479 | 61,380 | 432,436 | 218,590 | 91,232 | 9,091 | 61,188 | 2,392 | 1,082,788 |
| Investment securities | | | | | | | | | |
| - loans and receivables | 6,488 | 3,632 | 13,619 | 10,801 | 2,905 | 30,151 | - | - | 67,596 |
| - available-for-sale | 17,728 | 183 | 107 | 3,237 | 24 | 102,640 | 23,654 | - | 147,573 |
| - held-to-maturity | 10,975 | 13,710 | 30,066 | 23,071 | 8,334 | 242,478 | 2,293 | - | 330,927 |
| Other assets | 32,992 | 8,443 | 39,963 | 26,565 | 8,936 | 11,508 | 14,208 | (98,043) | 44,572 |
| Segment assets | 305,649 | 91,877 | 578,496 | 296,503 | 118,107 | 689,252 | 130,479 | (99,919) | 2,110,444 |
| Liabilities | | | | | | | | | |
| Due to other banks and financial institutions | (96,262) | (5,408) | (144,743) | (49,396) | (9,259) | (5,155) | (22,333) | - | (332,556) |
| Financial liabilities held for trading | (11) | (2) | (10) | (8) | (6) | (3,002) | (6,989) | - | (10,028) |
| Due to customers | (270,655) | (132,207) | (605,658) | (324,907) | (150,311) | (636) | (71,185) | (40) | (1,555,599) |
| Other liabilities | (6,579) | (2,636) | (97,974) | (6,770) | (3,032) | (35,939) | (25,969) | 99,959 | (78,940) |
| Segment liabilities | (373,507) | (140,253) | (848,385) | (381,081) | (162,608) | (44,732) | (126,476) | 99,919 | (1,977,123) |
| Net on balance sheet position | (67,858) | (48,376) | (269,889) | (84,578) | (44,501) | 644,520 | 4,003 | - | 133,321 |
| Off-balance exposures | | | | | | | | | |
| Financial guarantees, acceptance and letter of credit | 97,774 | 10,222 | 163,335 | 59,544 | 19,382 | 1,001 | 11,221 | - | 362,479 |
| Other credit related commitments | 6,549 | 3,726 | 19,162 | 10,715 | 4,930 | - | 26,194 | - | 71,276 |
| Acquisition cost of property and equipment ("PPE") and intangible assets | 2,449 | 470 | 1,953 | 891 | 285 | 1,176 | 192 | - | 7,416 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2008

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

38 SEGMENTAL INFORMATION (Continued)

Geographical segment information (Continued)

| | North- eastern | | Eastern | Central & Southern | Western | Head | Eliminations & | | Group Total |
|--|----------------|--------------|--------------|-----------------------|--------------|--------------|----------------|--------------|----------------|
| | Northern China | China | China | China | China | Office | Overseas | Consolidated | |
| For the half-year | | | | | | | | | |
| ended 30 June 2007 | | | | | | | | | |
| Interest income | 6,734 | 2,603 | 14,883 | 7,613 | 3,213 | 7,202 | 3,428 | (5,856) | 39,820 |
| Interest expense | (3,032) | (1,148) | (5,728) | (2,738) | (1,165) | (5,728) | (2,566) | 5,821 | (16,284) |
| Net interest income | 3,702 | 1,455 | 9,155 | 4,875 | 2,048 | 1,474 | 862 | (35) | 23,536 |
| Fee and commission income | 288 | 126 | 1,040 | 360 | 494 | 860 | 470 | - | 3,638 |
| Fee and commission expense | (67) | (24) | (206) | (58) | (23) | (28) | (131) | - | (537) |
| Net fee and commission income | 221 | 102 | 834 | 302 | 471 | 832 | 339 | - | 3,101 |
| Dividend income | - | - | - | 13 | - | 49 | (18) | - | 44 |
| Gains less losses arising from trading activities | 180 | 36 | 207 | 113 | 25 | (744) | 99 | - | (84) |
| Gains less losses arising from de-recognition of investment securities | 50 | - | 209 | - | - | 95 | 199 | - | 553 |
| Other operating income | 15 | 7 | 91 | 23 | 13 | 18 | 25 | - | 192 |
| Reversal/(impairment losses) on loans and advances | (412) | (360) | (1,455) | (392) | (328) | (103) | (27) | - | (3,077) |
| Other operating expenses | (1,509) | (899) | (3,509) | (1,835) | (834) | (1,002) | (522) | - | (10,110) |
| Operating profit/(loss) before tax | 2,247 | 341 | 5,532 | 3,099 | 1,395 | 619 | 957 | (35) | 14,155 |
| Income tax | (756) | (185) | (3,115) | (922) | (380) | - | (176) | - | (5,534) |
| Net profit/(loss) for the period | 1,491 | 156 | 2,417 | 2,177 | 1,015 | 619 | 781 | (35) | 8,621 |
| Depreciation and amortization | | | | | | | | | |
| of property and equipment | | | | | | | | | |
| and intangible assets | (142) | (142) | (400) | (207) | (126) | (321) | (52) | - | (1,390) |

39 FIDUCIARY ACTIVITIES

The Group provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial statements.

| | As at 30 June 2008 | As at 31 December 2007 |
|-----------------------------|-----------------------------------|------------------------------|
| Investment custody accounts | 450,603 | 567,934 |

40 SUBSEQUENT EVENT

According to the resolution of the Annual General Meeting on 6 June 2008 and the approval from the People's Bank of China, the Group issued 3 billion RMB term debt, which has a maturity of two years and bears interest at the annual rate of 3.25%, in Hong Kong during the period between 17 July 2008 to 23 July 2008.

41 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

Supplementary Unaudited Financial Information

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

| | |
|-----------------------------------|-----|
| • Capital adequacy ratios | 117 |
| • Liquidity ratios | 118 |
| • Currency concentrations | 118 |
| • Cross-border claims | 119 |
| • Overdue and rescheduled assets | 120 |
| • Impaired loans | 123 |
| • Loans and advances to customers | 124 |

1 CAPITAL ADEQUACY RATIOS

The capital adequacy ratio that the Group submitted to the Regulators is calculated in accordance with the formula promulgated by CBRC. The table below summarises the composition of regulatory capital and the ratios of the Group that submitted to the Regulators for the Half-year ended 30 June 2008 and 31 December 2007:

| | 30 June 2008 | 31 December 2007 |
|--|-------------------------|---------------------|
| Core capital: | | |
| Paid up ordinary share capital | 48,994 | 48,994 |
| Capital surplus | 36,033 | 38,614 |
| Reserves and general provision | 26,872 | 14,360 |
| Profit and loss account | 17,051 | 17,780 |
| Minority interest | 416 | 418 |
| Others | – | – |
| | 129,366 | 120,166 |
| Supplementary capital: | | |
| Revaluation reserve for properties | 3,840 | 4,097 |
| Revaluation reserve for AFS securities | – | – |
| Impairment allowances for impaired assets and regulatory reserves | 16,536 | 15,027 |
| Term subordinated debt | 29,800 | 29,800 |
| Others | 2,826 | – |
| Gross value of supplementary capital | 53,002 | 48,924 |
| Eligible value of supplementary capital | 53,002 | 48,924 |
| Total capital base before deductions | 182,368 | 169,090 |
| Deductions: | | |
| Goodwill | (200) | (200) |
| Unconsolidated investments in financial institutions | (510) | (426) |
| Investments in enterprises | (551) | (606) |
| | (1,261) | (1,232) |
| Total capital base after deductions | 181,107 | 167,858 |
| Risk-weighted assets: | | |
| On-balance sheet risk-weighted assets | 1,111,378 | 987,297 |
| Off-balance sheet risk-weighted assets | 156,434 | 151,990 |
| Total risk-weighted assets | 1,267,812 | 1,139,287 |
| Market risk capital | 1,655 | 1,865 |
| Capital adequacy ratio | 14.06% | 14.44% |
| Core capital adequacy ratio | 9.98% | 10.27% |

Supplementary Unaudited Financial Information (Continued)

*(All amounts expressed in millions of RMB unless otherwise stated)***2 LIQUIDITY RATIOS**

The liquidity ratio that the Group submitted to the Regulators is calculated in accordance with the formula promulgated by CBRC.

| | 30 June 2008 | 31 December 2007 |
|------------------|-------------------------|---------------------|
| Liquidity ratios | 30.05% | 27.20% |

3 CURRENCY CONCENTRATIONS

| As at 30 June 2008 | US Dollars | HK Dollars | Others | Total |
|-------------------------------|-------------------|-------------------|-----------------|------------------|
| Spot assets | 129,706 | 60,678 | 24,470 | 214,854 |
| Spot liabilities | (118,630) | (67,844) | (23,100) | (209,574) |
| Forward purchases | 99,009 | 15,082 | 10,961 | 125,052 |
| Forward sales | (100,342) | (4,862) | (10,153) | (115,357) |
| Net long position | 9,743 | 3,054 | 2,178 | 14,975 |
| Net structural position | 1,835 | 2,000 | 871 | 4,706 |
| As at 31 December 2007 | US Dollars | HK Dollars | Others | Total |
| Spot assets | 116,750 | 63,093 | 25,493 | 205,336 |
| Spot liabilities | (90,078) | (66,702) | (24,785) | (181,565) |
| Forward purchases | 78,968 | 16,094 | 4,188 | 99,250 |
| Forward sales | (70,890) | (11,157) | (9,394) | (91,441) |
| Net long/(short) position | 34,750 | 1,328 | (4,498) | 31,580 |
| Net structural position | 2,214 | 3,993 | 1,491 | 7,698 |

The net options position is calculated using the model user approach as set out in the banking return of the HKMA. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- Investments in fixed assets and premises, net of depreciation charges;
- Capital and statutory reserves of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital.

4 CROSS-BORDER CLAIMS

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

Cross-border claims include loans and advances, balances and placements with other banks and financial institutions, holdings of trade bills and certificates of deposit and investment securities.

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

| | Other bank and financial institutions | Public sector entities | Others | Total |
|--|---|---------------------------|---------------|---------------|
| As at 30 June 2008 | | | | |
| Asia Pacific excluding Mainland China | 17,724 | 1,660 | 31,670 | 51,054 |
| – of which attributed to Hong Kong | 1,424 | 1,568 | 23,210 | 26,202 |
| North and South America | 12,046 | 8 | 8,104 | 20,158 |
| Europe | 26,618 | 218 | 383 | 27,219 |
| | 56,388 | 1,886 | 40,157 | 98,431 |

| | Other bank and financial institutions | Public sector entities | Others | Total |
|--|---|---------------------------|---------------|----------------|
| As at 31 December 2007 | | | | |
| Asia Pacific excluding Mainland China | 19,915 | 2,789 | 38,129 | 60,833 |
| – of which attributed to Hong Kong | 3,001 | 2,643 | 31,167 | 36,811 |
| North and South America | 11,468 | 921 | 9,054 | 21,443 |
| Europe | 38,761 | 296 | 190 | 39,247 |
| | 70,144 | 4,006 | 47,373 | 121,523 |

Supplementary Unaudited Financial Information (Continued)

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

5 OVERDUE AND RESCHEDULED ASSETS

(a) Advances

(i) Gross amount of overdue loans

| | 30 June 2008 | 31 December 2007 |
|---|-----------------|---------------------|
| Gross advances to customers which have been overdue for: | | |
| – within 3 months | 9,198 | 7,583 |
| – between 3 and 6 months | 2,847 | 1,955 |
| – between 6 and 12 months | 3,227 | 3,405 |
| – over 12 months | 14,610 | 14,348 |
| | 29,882 | 27,291 |
| Percentage: | | |
| – within 3 months | 0.74% | 0.68% |
| – between 3 and 6 months | 0.23% | 0.18% |
| – between 6 and 12 months | 0.26% | 0.31% |
| – over 12 months | 1.18% | 1.29% |
| | 2.41% | 2.46% |
| Gross advances to other banks and financial institutions which have been overdue for: | | |
| – within 3 months | – | – |
| – between 3 and 6 months | – | – |
| – between 6 and 12 months | – | – |
| – over 12 months | 289 | 314 |
| | 289 | 314 |
| Percentage: | | |
| – within 3 months | – | – |
| – between 3 and 6 months | – | – |
| – between 6 and 12 months | – | – |
| – over 12 months | 0.13% | 0.20% |
| | 0.13% | 0.20% |

5 OVERDUE AND RESCHEDULED ASSETS *(Continued)*

(a) Advances *(Continued)*

(i) Gross amount of overdue loans *(Continued)*

* Included in the gross overdue advances to customers as at 30 June 2008, there are trade bills which have been overdue for:

| | 30 June 2008 |
|---------------------------|-----------------|
| – within 3 months | 861 |
| – between 3 and 6 months | 8 |
| – between 6 and 12 months | 34 |
| – over 12 months | 87 |
| | 990 |

(ii) Overdue loans and advances to customers by geographical area

| | 30 June 2008 | | 31 December 2007 | |
|-------------------------------------|-----------------|-----------------------|------------------|-----------------------|
| | Overdue loan | Specific provision | Overdue loan | Specific provision |
| Domestic regions | | | | |
| – Northern China | 5,206 | (1,898) | 4,541 | (1,736) |
| – North-eastern China | 4,235 | (1,807) | 4,061 | (1,954) |
| – Eastern China | 9,588 | (4,293) | 8,442 | (3,915) |
| – Central & Southern China | 6,239 | (2,381) | 5,874 | (2,345) |
| – Western China | 2,979 | (1,747) | 3,361 | (1,538) |
| | 28,247 | (12,126) | 26,279 | (11,488) |
| Hong Kong and overseas countries | 1,635 | (231) | 1,012 | (296) |
| | 29,882 | (12,357) | 27,291 | (11,784) |

Supplementary Unaudited Financial Information (Continued)

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

5 OVERDUE AND RESCHEDULED ASSETS (Continued)

(a) Advances (Continued)

(iii) Overdue and rescheduled loans

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Total rescheduled loans and advances to customers | 4,530 | 6,047 |
| Less: overdue rescheduled loans and advances to customers | 2,967 | 3,347 |
| Including: rescheduled loans and advances to customers overdue above 3 months | 2,780 | 2,727 |
| Total normal rescheduled loans and advances to customers | 1,563 | 2,700 |
| Percentage of normal part in total rescheduled loans | 35% | 45% |

(b) Foreclosed assets

| | 30 June 2008 | 31 December 2007 |
|-------------------|-------------------------|---------------------|
| Foreclosed assets | 1,908 | 2,429 |

6 IMPAIRED LOANS

(a) Individually identified loans with impairment

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|---------------------|
| Individually identified loans with impairment | 22,684 | 22,694 |
| Fair value of collaterals | 6,627 | 6,481 |

(b) Impaired loans by geographical area

| | 30 June 2008 | | 31 December 2007 | |
|-------------------------------------|--------------------------|-------------------------------|------------------|-----------------------|
| | Impaired loan | Specific provision | Impaired loan | Specific provision |
| Domestic regions | | | | |
| – Northern China | 3,533 | (2,150) | 3,787 | (2,136) |
| – North-eastern China | 3,263 | (2,198) | 3,480 | (2,296) |
| – Eastern China | 7,682 | (5,310) | 8,158 | (5,072) |
| – Central & Southern China | 4,182 | (2,667) | 4,010 | (2,479) |
| – Western China | 3,711 | (2,322) | 2,956 | (1,807) |
| | 22,371 | (14,647) | 22,391 | (13,790) |
| Hong Kong and overseas countries | 313 | (233) | 303 | (222) |
| | 22,684 | (14,880) | 22,694 | (14,012) |

(c) Impaired loans by industry

| | 30 June 2008 | | 31 December 2007 | |
|------------|--------------------------|-------------------------------|------------------|-----------------------|
| | Impaired loan | Specific provision | Impaired loan | Specific provision |
| Corporate | 20,142 | (13,553) | 20,971 | (13,092) |
| Individual | 2,542 | (1,327) | 1,723 | (920) |
| | 22,684 | (14,880) | 22,694 | (14,012) |

Supplementary Unaudited Financial Information (Continued)

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

7 LOANS AND ADVANCES TO CUSTOMERS (GROSS)

| | 30 June 2008 | | | 31 December 2007 | | |
|--|--------------|-----|-------------------------------|------------------|-----|-------------------------------|
| | | % | Amount covered by collaterals | | % | Amount covered by collaterals |
| <i>Hong Kong:</i> | | | | | | |
| Corporate loans | | | | | | |
| Manufacturing | 4,003 | 5 | 3,273 | 4,120 | 8 | 758 |
| – Petroleum and chemical | – | – | – | – | – | – |
| – Electronics | 1,007 | 1 | 379 | 594 | 2 | 183 |
| – Steel | 380 | – | 600 | – | – | – |
| – Machinery | 662 | 1 | – | – | – | – |
| – Textile | 240 | – | 259 | 251 | – | 110 |
| – Other manufacturing | 1,714 | 3 | 2,035 | 3,275 | 6 | 465 |
| Transportation | 2,659 | 3 | 1,341 | 1,080 | 2 | 859 |
| Trading | 23,462 | 31 | 5,724 | 5,713 | 11 | 1,997 |
| Services | 1,175 | 2 | 304 | 165 | – | 11 |
| Real estate | 12,713 | 17 | 6,493 | 5,898 | 11 | 5,898 |
| Utilities | 795 | 1 | 157 | 490 | 1 | – |
| Construction | 907 | 1 | 3,094 | 3,887 | 7 | 1,805 |
| Educations and scientific research | 28 | – | – | – | – | – |
| Post and telecommunications | 1,856 | 2 | 485 | 328 | 1 | – |
| Agriculture | – | – | – | – | – | – |
| Non-banking financial institutions | 5,012 | 7 | 7,538 | 7,135 | 14 | 1,009 |
| Others | 9,118 | 12 | 4,910 | 8,917 | 17 | 716 |
| Corporate loans total | 61,728 | 81 | 33,319 | 37,733 | 72 | 13,053 |
| Mortgage loans | 9,131 | 12 | 8,661 | 9,223 | 18 | 9,223 |
| Medium-term and long-term working capital loans | – | – | – | 178 | – | 178 |
| Short-term working capital loans | 127 | – | 167 | – | – | – |
| Car loans | – | – | – | – | – | – |
| Credit card advances | 42 | – | 47 | 50 | – | – |
| Loans secured by deposits | – | – | – | – | – | – |
| Others | 5,147 | 7 | 5,162 | 5,496 | 10 | 5,496 |
| Individual loans total | 14,447 | 19 | 14,037 | 14,947 | 28 | 14,897 |
| Gross amount of loans and advances before allowance for impairment | 76,175 | 100 | 47,356 | 52,680 | 100 | 27,950 |
| <i>Outside Hong Kong:</i> | 1,166,122 | | | 1,051,810 | | |

The economic sector risk concentration analysis for loans and advances to customers is based on the Group's internal classification system.

The collateral rate is 38% as the year ended 30 June 2008 (2007: 35%).

Reconciliation of differences between CAS and IFRS Financial Information

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance on 15 February 2006 since 1 January 2007 for the preparation of its financial reports under CAS. The reconciliation of net assets as at 30 June 2008 and net profit for the period ended 30 June 2008 from CAS to IFRS is listed as follows:

(in millions of RMB unless otherwise stated)

| | Net Assets ^{Note} | | Net Profit ^{Note} | |
|--|----------------------------|------------------------------|--|--|
| | As at 30 June 2008 | As at 31 December 2007 | Six-months Period ended 30 June 2008 | Six-months Period ended 30 June 2007 |
| Financial Information per CAS | 135,398 | 128,797 | 15,593 | 8,981 |
| Adjustments for accounting standard differences: | | | | |
| 1. Revaluation surplus/deficit from fixed assets | 6,051 | 6,185 | (134) | (120) |
| 2. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation | (228) | (329) | 101 | 45 |
| 3. Deferred taxes | (1,528) | (1,492) | (2) | (251) |
| 4. Others | 101 | 160 | 9 | (34) |
| Financial Information per IFRS | 139,794 | 133,321 | 15,567 | 8,621 |

Note: Including minority interest

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. However as this was not a statutory valuation, the revaluation gain/(loss) was only recognised in financial statements prepared in accordance with IFRS but not in financial statements prepared in accordance with CAS. Hence there is an accounting difference between IFRS and CAS which will be depreciated subsequent years.

Reconciliation of differences between CAS and IFRS Financial Information (Continued)

2. DIFFERENCES ARISING FROM THE TRANSFER OF THE NON-PERFORMING LOANS TO CHINA CINDA ASSET MANAGEMENT CORPORATION

The Group disposed of its non-performing loans to China Cinda Asset Management 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 amortised over the life of the Bill in the income statement 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.

List of Branches

(1) DOMESTIC BRANCHES

| No. | Branch name | Address | Number of sub-branches | Number of employees |
|-----|---------------------|--|------------------------|---------------------|
| 1 | Beijing Branch | 33 Jin Rong Jie, Xi Cheng District, Beijing | 97 | 3,419 |
| 2 | Tianjin Branch | 35 Nanjing Lu, He Xi District, Tianjin | 68 | 1,438 |
| 3 | Shijiazhuang Branch | 22 Zi Qiang Lu, Qiao Xi District, Shijiazhuang | 29 | 805 |
| 4 | Tangshan Branch | 103 Xin Hua Dong Dao, Lu Bei District, Tangshan | 21 | 495 |
| 5 | Qinhuangdao Branch | 174 Wen Hua Lu, Hai Gang District, Qinhuangdao | 23 | 455 |
| 6 | Taiyuan Branch | 35 Jie Fang Lu, Taiyuan | 26 | 629 |
| 7 | Jincheng Branch | 878 Huang Hua Jie, Jincheng | 6 | 123 |
| 8 | Huhhot Branch | 110 West Da Xue Lu, Sai Han District, Huhhot | 3 | 185 |
| 9 | Baotou Branch | 24 Gang Tie Da Jie, Qing Shan District, Baotou | 9 | 245 |
| 10 | Shenyang Branch | 100 Shi Yi Wei Lu, Shen He District, Shenyang | 45 | 1,107 |
| 11 | Anshan Branch | 38 Er Yi Jiu Lu, Tie Dong District, Anshan | 30 | 539 |
| 12 | Fushun Branch | 2-1 Xi Yi Lu, Xin Fu District, Fushun | 21 | 507 |
| 13 | Dandong Branch | 68 Jin Shan Da Jie, Zheng Xing District, Dandong | 21 | 354 |
| 14 | Jinzhou Branch | 42 Yun Fei Jie Er Duan, Ling He District, Jinzhou | 21 | 374 |
| 15 | Yingkou Branch | 21 Bo Hai Da Jie Xi, Xi Shi District, Yingkou | 28 | 590 |
| 16 | Liaoyang Branch | 114 Xin Yun Da Jie, Wen Sheng District, Liaoyang | 6 | 128 |
| 17 | Changchun Branch | 3515 Ren Min Da Jie, Chaoyang District, Changchun | 34 | 1,010 |
| 18 | Jilin Branch | 4 Song Jiang Dong Lu, Chang Yi District, Jilin | 25 | 528 |
| 19 | Yanbian Branch | 172 Guang Ming Jie, Yanji | 11 | 299 |
| 20 | Harbin Branch | 428 You Yi Lu, Dao Li District, Harbin | 44 | 1,095 |
| 21 | Qiqihar Branch | 199 Bu Kui Da Jie, Jian Hua District, Qiqihar | 20 | 418 |
| 22 | Daqing Branch | 2 Re Yuan Jie Dong Feng Lu, Sang Er Tu District, Daqing | 23 | 672 |
| 23 | Shanghai Branch | 99 South Zhongshan Road, Shanghai | 112 | 3,795 |
| 24 | Nanjing Branch | 124 Zhong Shan Bei Lu, Gu Lou District, Nanjing | 75 | 1,658 |
| 25 | Xuzhou Branch | 56 Zhong Shan South Lu, Quanshan District, Xuzhou | 23 | 442 |
| 26 | Lianyungang Branch | 141 Hai Lian Zhong Lu, Xin Pu District, Lianyungang | 22 | 361 |
| 27 | Yangzhou Branch | 2 Wen He Bei Lu, Guang Ling District, Yangzhou | 21 | 424 |
| 28 | Taizhou Branch | 151 Qing Nian Bei Lu, Hai Ling District, Taizhou | 15 | 274 |
| 29 | Nantong Branch | 27 Ren Min Zhong Lu, Chong Chuan District, Nantong | 19 | 395 |
| 30 | Zhenjiang Branch | 229 Jie Fang Lu, Jing Kou District, Zhenjiang | 26 | 476 |
| 31 | Changzhou Branch | 171 Yan Ling Xi Lu, Zhong Lou District, Changzhou | 36 | 675 |
| 32 | Yancheng Branch | 68 Jian Jun Dong Lu, Yancheng | 1 | 56 |
| 33 | Hangzhou Branch | 173 Qing Chun Lu, Shang Cheng District, Hangzhou | 40 | 1,045 |

List of Branches (Continued)

| No. | Branch name | Address | Number of sub-branches | Number of employees |
|-----|-------------------|---|------------------------|---------------------|
| 34 | Wenzhou Branch | BOCOM Plaza, Che Zhan Da Dao, Lu Cheng District, Wenzhou | 20 | 565 |
| 35 | Jiaxing Branch | 1086 Zhong Shan Dong Lu, Jiaxing | 11 | 342 |
| 36 | Huzhou Branch | 299 Ren Min Lu, Huzhou, Zhejiang Prov. | 10 | 266 |
| 37 | Shaoxing Branch | 283 Ren Min Zhong Lu, Yue Cheng District, Shaoxing | 37 | 824 |
| 38 | Taizhou Branch | 298 Dong Huan Da Dao, Jiao Jiang District, Taizhou | 2 | 130 |
| 39 | Jinhua Branch | 191 Shuang Xi Xi Lu, Jinhua | 2 | 115 |
| 40 | Hefei Branch | 38 Hua Yuan Jie, Lu Yang District, Hefei | 28 | 673 |
| 41 | Wuhu Branch | BOCOM Tower, Bei Jing Xi Lu, Jing Hu District, Wuhu | 19 | 353 |
| 42 | Bengbu Branch | 88 Nan Shan Lu, Beng Shan District, Bengbu | 19 | 321 |
| 43 | Huainan Branch | 95 Chao Yang Zhong Lu, Tian Jia An District, Huainan | 18 | 290 |
| 44 | Anqing Branch | 99 Long Shan Lu, Da Guan District, Anqing | 13 | 293 |
| 45 | Maanshan Branch | 156 Hu Dong Nan Lu, Maanshan | 1 | 66 |
| 46 | Fuzhou Branch | 116 Hu Dong Road, Gu Lou District, Fuzhou | 24 | 700 |
| 47 | Quanzhou Branch | 550 Feng Ze Jie, Quanzhou | 1 | 62 |
| 48 | Nanchang Branch | 21 Yong Shu Lu, Xi Hu District, Nanchang | 28 | 574 |
| 49 | Jingdezhen Branch | 1 Chang Nan Da Dao, Chang Jiang District, Jingdezhen | 12 | 206 |
| 50 | Xinyu Branch | 98 Bei Hu Xi Lu, Yu Shui District, Xinyu | 11 | 182 |
| 51 | Jiujiang Branch | 139 Xun Yang Lu, Xun Yang District, Jiu Jiang | 11 | 184 |
| 52 | Jinan Branch | 98 Gong Qing Tuan Lu, Shi Zhong District, Jinan | 32 | 782 |
| 53 | Zibo Branch | 100 Jinjing Road, Zhang Dian District, Zibo | 31 | 578 |
| 54 | Weifang Branch | 358 Dong Feng Dong Jie, Kui Wen District, Weifang | 22 | 495 |
| 55 | Yantai Branch | 222 Nan Da Jie, Zhi Fu District, Yantai | 26 | 452 |
| 56 | Weihai Branch | 34 Hai Bin Bei Lu, Huan Cui District, Weihai | 13 | 296 |
| 57 | Jining Branch | 36 Hong Xing Zhong Lu, Jining | 16 | 322 |
| 58 | Taian Branch | 55 Dong Yue Da Jie, Taishan District, Taian | 12 | 250 |
| 59 | Zhengzhou Branch | 11 Zheng Hua Lu, Jin Shui District, Zhengzhou | 69 | 1,416 |
| 60 | Luoyang Branch | 60 Kai Xuan Dong Lu, Xi Gong District, Luoyang | 16 | 467 |
| 61 | Wuhan Branch | 847 Jian She Da Dao, Jiang Han District, Wuhan | 54 | 1,148 |
| 62 | Huangshi Branch | 380 Yi Yang Lu, Xi Sai Shan District, Huangshi | 13 | 239 |
| 63 | Yichang Branch | 22 Sheng Li Si Lu, Wu Jia District, Yichang | 10 | 213 |
| 64 | Changsha Branch | 37 Shao Shan Zhong Lu, Yu Hua District, Changsha | 29 | 755 |
| 65 | Yueyang Branch | Yin Du Mansion, Nan Hu Da Dao, Yue Yang Lou District, Yue Yang | 14 | 254 |
| 66 | Guangzhou Branch | 123 Jie Fang Nan Lu, Guangzhou | 81 | 1,877 |
| 67 | Zhuhai Branch | 1227 Ji Da Jiu Zhou Da Dao Dong, Xiang Zhou District, Zhuhai | 20 | 547 |
| 68 | Shantou Branch | 83 Jin Sha Lu, Jin Ping District, Shantou | 30 | 637 |

| No. | Branch name | Address | Number of sub-branches | Number of employees |
|-----|------------------|---|------------------------|---------------------|
| 69 | Dongguan Branch | 190 Qi Feng Lu, Guan Cheng District, Dongguan | 7 | 162 |
| 70 | Zhongshan Branch | 30 Yue Lai Nan Lu, Shi Qi District, Zhongshan | 18 | 490 |
| 71 | Foshan Branch | 1-1 Ti Yu Lu, Chan Cheng District, Foshan | 25 | 493 |
| 72 | Jieyang Branch | 6 Bei Huan Cheng Lu, Rong Cheng District, Jieyang | 10 | 200 |
| 73 | Huizhou Branch | BOCOM Tower, 8 Yunshan Lu, Jiang Bei, Huizhou | 3 | 93 |
| 74 | Jiangmen Branch | 18 Dong Hua Er Lu, Jiang Men | 1 | 41 |
| 75 | Nanning Branch | 228 Ren Min Lu Dong, Xing Ning District, Nanning | 37 | 742 |
| 76 | Liuzhou Branch | 32 Yue Jin Lu, Liu Bei District, Liuzhou | 27 | 485 |
| 77 | Guilin Branch | 8 Nan Huan Lu, Xiang Shan District, Guilin | 17 | 379 |
| 78 | Wuzhou Branch | 47 Da Zhong Lu, Wan Xiu District, Wuzhou | 7 | 192 |
| 79 | Beihai Branch | BOCOM Tower, 25 Yun Nan Lu, Hai Cheng District, Beihai | 4 | 133 |
| 80 | Hainan Branch | 45 Guomao Road, Jin Mao District, Haikou | 16 | 426 |
| 81 | Chongqing Branch | 158 Zhong Shan San Lu, Yu Zhong District, Chongqing | 76 | 1,299 |
| 82 | Chengdu Branch | BOCOM Tower, 211 Xi Yu Long Jie, Qing Yang District, Chengdu | 78 | 1,460 |
| 83 | Zigong Branch | 108 Wu Xing Jie, Zi Liu Jing District, Zigong | 11 | 184 |
| 84 | Panzhuhua Branch | 129 Bing Cao Gang Da Jie, Shi Dong District, Panzhuhua | 12 | 186 |
| 85 | Guiyang Branch | 4 Sheng Fu Lu, Yun Yan District, Guiyang | 28 | 473 |
| 86 | Zunyi Branch | 108 Zhong Hua Lu, Hong Hua Gang District, Zunyi | 17 | 305 |
| 87 | Kunming Branch | 67 Hu Guo Lu, Wu Hua District, Kunming | 29 | 833 |
| 88 | Qujing Branch | Qi Lin Nan Lu and Wen Chang Street Crossing, Qilin District, Qujing | 6 | 108 |
| 89 | Yuxi Branch | 61 Yu Xing Lu, Hong Ta District, Yuxi | 5 | 92 |
| 90 | Chuxiong Branch | 102 Bei Pu Lu, Chuxiong | 5 | 92 |
| 91 | Xian Branch | 88 Xi Xin Jie, Xian | 50 | 996 |
| 92 | Xianyang Branch | 2 Wei Yang Zhong Lu Fu, Xianyang | 1 | 25 |
| 93 | Lanzhou Branch | 129 Qing Yang Lu, Cheng Guan District, Lanzhou | 27 | 568 |
| 94 | Yinchuan Branch | 296 Min Zu Bei Jie, Yinchuan | 1 | 83 |
| 95 | Urumuqi Branch | 16 Dong Feng Lu, Tian Shan District, Urumuqi | 25 | 604 |
| 96 | Dalian Branch | 6 Zhong Shan Square, Zhong Shan District, Dalian | 54 | 1,315 |
| 97 | Ningbo Branch | 55 Zhong Shan Dong Lu, Ningbo | 39 | 945 |
| 98 | Xiamen Branch | 9 Hu Bin Zhong Lu, Si Ming District, Xiamen | 19 | 472 |
| 99 | Qingdao Branch | 6 Zhong Shan Lu, Qingdao | 58 | 1,178 |
| 100 | Shenzhen Branch | Hua Neng Building, 2066A Shen Nan Zhong Lu, Fu Tian District, Shenzhen | 46 | 1,417 |
| 101 | Wuxi Branch | 198 Ren Min Zhong Lu, Chong An District, Wuxi | 51 | 1,090 |
| 102 | Suzhou Branch | 77 Nan Yuan Bei Lu, Suzhou | 58 | 1,067 |
| 103 | Head Office | 188 Yin Cheng Zhong Lu, Pudong New District, Shanghai | 1 | 1,842 |

List of Branches (Continued)

(2) OVERSEAS OFFICES

| No. | Branch name | Address | Number of sub-branches | Number of employees |
|-----|------------------------------|--|------------------------|---------------------|
| 1 | Hong Kong Branch | 20 Pedder Street, Central, Hong Kong | 42 | 1340 |
| 2 | New York Branch | One Exchange Plaza, 55 Broadway 31st & 32nd Floor, New York, USA | 1 | 39 |
| 3 | Tokyo Branch | Toranomon, No.37 Mori Bldg., 9F, 3-5-1, Toranomon Minato-Ku, Tokyo, Japan | 1 | 34 |
| 4 | Singapore Branch | 50 Raffles Place, #26-04 Singapore Land Tower | 1 | 28 |
| 5 | Seoul Branch | 6th Floor, Samsung Fire & Marine Building, #87, Erljiro 1-Ga, Jung-Gu Seoul, Korea | 1 | 25 |
| 6 | Frankfurt Branch | Neue Mainzer Strasse 75 FFM, Germany | 1 | 18 |
| 7 | Macau Branch | 16/F, AIA Tower No.251A-301, Avenida Commercial De Macau | 1 | 25 |
| 8 | London Representative Office | 3rd Floor, 145 Leadenhall Street, London EC3V 4QT, UK | 1 | 1 |