中信银行
CHINA CITIC BANK

Interim Report 2008

China CITIC Bank Corporation Limited

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

Stock Code: 0998

中信银行
CHINA CITIC BANK

China CITIC Bank, for years, dedicated itself to pro bono activities and fulfilled its social responsibilities by contributing to social poverty and disaster relief, disadvantageous group aids, culture and sports activities sponsorship, etc. In 2008 the Bank spared no effort to sponsor “My Hero! 2008”, a large scale social pro bono activity, whose theme was to mobilize all walks of life to help schools of “Project Hope” improve sports facilities and raise charity funds for rebuilding classrooms of schools in disaster-stricken areas of Sichuan Province during the Olympic year of China and support our motherland with love.

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Financial Highlights

Operating Performance

Unit: RMB million

	January–June 2008	January–June 2007	January–December 2007	Year-on-year growth
Operating income	**20,360**	11,909	27,955	70.96%
Total profit	**11,203**	5,610	13,172	99.70%
Net profit attributable to the Bank's shareholders	**8,429**	3,223	8,322	161.53%
Net cashflow generated from operating activities	**95,396**	33,414	29,519	185.50%
Per share				
Basic earnings per share (RMB)	**0.22**	0.09	0.23	144.44%
Diluted earnings per share (RMB)	**0.22**	0.09	0.23	144.44%
Net cashflow generated from operating activities per share (RMB)	**2.44**	0.98	0.76	148.98%

Profitability Indicators

	January–June 2008	January–June 2007	January–December 2007	Changes compared to last year end (percentage point)
ROAA	**1.58%**	0.82%	0.97%	0.76
ROAE	**19.35%**	11.66%	14.37%	7.69
Cost/income ratio	**31.46%**	35.61%	34.92%	-4.15
Credit cost	**0.46%**	0.45%	0.54%	0.01
Net interest spread	**3.21%**	2.82%	2.95%	0.39
Net interest margin	**3.42%**	2.96%	3.12%	0.46

Scale Indicators

Unit: RMB million

	June 30, 2008	December 31, 2007	December 31, 2006	Growth compared to last year end
Total assets	**1,117,170**	1,011,186	706,723	10.48%
Total loans and advances to customers	**633,812**	575,208	463,167	10.19%
Total liabilities	**1,027,012**	927,095	675,029	10.78%
Total deposit from customers	**849,464**	787,211	618,412	7.91%
Total equity attributable to shareholders	**90,153**	84,086	31,689	7.22%
Net asset per share attributable to shareholders (RMB)	**2.31**	2.15	1.02	7.44%

Asset Quality Indicators

	June 30, 2008	December 31, 2007	December 31, 2006	Increase/ decrease compared to last year end (percentage point)
Non-performing loan (NPL) ratio	**1.45%**	1.48%	2.50%	-0.03
Provision coverage ratio	**115.41%**	110.01%	84.62%	5.40
Allowance/total loans ratio	**1.68%**	1.62%	2.11%	0.06

Capital Adequacy Indicators

	June 30, 2008	December 31, 2007	December 31, 2006	Increase/ decrease compared to last year end (percentage point)
Capital adequacy ratio	**14.28%**	15.27%	9.41%	-0.99
Core capital adequacy ratio	**12.34%**	13.14%	6.57%	-0.80
Total equity/total assets ratio	**8.07%**	8.32%	4.48%	-0.25

Difference Between Domestic and International Accounting Standards

The following table shows the reconciliation on net assets and net profits attributable to the Group's equity holders caused by the differences between domestic and international accounting standards.

Unit: RMB million

	Net assets		**Net profit**	
	June 30, 2008	December 31, 2007	**January– June 2008**	January– June 2007
Figures shown in the Bank's financial report prepared according to International Financial Reporting Standards (IFRS)	**90,153**	84,086	**8,429**	3,223
Difference caused by revaluation of the properties	**(154)**	(152)	**(3)**	4
Difference due to measuring equipment and other assets at their historical cost	**192**	202	**(9)**	(22)
Figures shown in the Bank's financial report prepared according to the PRC Accounting Standards for Business Enterprises	**90,191**	84,136	**8,417**	3,205

Chairman's Statement

In the first half of 2008, China's economy went through severe challenges and tests. The Southern China was hit by unprecedented snow storm disaster and then came the Wenchuang Earthquake in Sichuan Province, which shocked the entire world. In the meantime, the U.S. economy was seriously hurt by the subprime mortgage crisis and the growth of global economy slowed down; the prices of world crude oil, iron ore and food, etc. soared, causing dual pressure from both imported inflation and cost-driven inflation. However, under the effective macro control measures implemented by the government, China's economy grew by 10.4% in GDP for the first half of 2008, enabling China to remain one of the fastest growing countries in the world. At the industry level, the trend of mixed operation among domestic financial institutions has been rising and overseas financial institutions have been accelerating their speed of entering China market.

Faced with above mentioned operation and competition situation, China CITIC Bank, through concerted efforts of the whole staff, improved operation and business structure, enhanced risk management, deepened corporate governance reform and actively performed social responsibilities in an effort to proactively adapting to the changes in the market and the requirements of the shareholders. With the attention and support from regulatory bodies, domestic and overseas shareholders, customers and all walks of the society, China CITIC Bank retained the strong profitability in the first half of 2008 and various business lines continued the robust growth momentum and made significant progress.

It is my pleasure here, on behalf of the Board of Directors of China CITIC Bank, to report to all of the Bank's shareholders that the Bank has achieved encouraging interim results in 2008. The Bank's shareholders are entitled to RMB8.429 billion post-tax profit, up by 161.53% over the same period of last year; despite the large share capital raised last year, the annualized Return On Average Assets (ROAA) rose to 1.58%; the annualized Return on Average Equity (ROAE) rose to 19.35%; the capital adequacy ratio (CAR) and the core CAR maintained at 14.28% and 12.34% respectively.

The Bank's corporate governance experienced fundamental changes during the joint-stock reform and the IPO, we have been improving the Bank's corporate governance structure and system by adhering to the policy of deepening the corporate governance reform, abiding by the strictest regulatory requirements and referring to the world's best practice of corporate governance so as to fulfill various tasks such as strategy formulation, risk management and internal control and supervision. Based on the New Basel Capital Accord and other internationally advanced standards, we have been working hard to improve the risk management and internal control systems. Based on the three platforms of risk culture, risk system and technology, the Bank have been focused on the establishment of an independent, comprehensive, vertical and specialized risk management and internal control system.

Our cooperative relationships with other financial institutions subsidiaries engaged in securities, trust, funds and insurance businesses, etc. under CITIC

Group deepened. Through giving full play to the unique comprehensive advantages formed by giants joining hands and complementing with each other, the Bank has strengthened its core competitiveness and underlined its flagship role in the development of CITIC Group's full-range financial service business. Meanwhile, we also emphasized the cooperation with non-financial subsidiaries under CITIC Group to optimize the overall synergy in a win-win way. The strategic cooperation between our Bank and our strategic investor, Banco Bilbao Vizcaya Argentaria SA (BBVA), has been progressing in auto financing, private banking, risk management, personnel training etc., which would further enhance the Bank's value-creating capability.

While developing the businesses and operations, we actively fulfilled the social responsibilities of the Bank. Earlier this year, most parts of southern China and northwestern regions suffered from rare and sustained snow and ice disasters. China CITIC Bank made active donations to the people in the disaster-stricken areas, deployed manpower and resources to ensure the service offerings there and in the meantime, the Bank tried its best to participate in the local disaster relief efforts. When it came to the earthquake stoke Wenchuan a few months ago, China CITIC Bank organized its staff in the shortest time possible to donate over RMB10 million to the people in the disaster-stricken areas and meanwhile, the Bank launched a series of policies and initiatives to facilitate the businesses for the people in Wenchuan, thus supporting the disaster relief efforts with the fastest and plainest actions. We had the "determination" to gain the "trust" of and build the "confidence" together with the people. We expressed our condolences and offered sincere "supporting forces" to those who suffered from the earthquake, by way of which we overcame the difficulties together with all the people across the country.

The 2008 Beijing Olympics is a good opportunity to showcase to the world the achievements of China's development. The service level of the Chinese banking industry will be practically tested by the Olympic guests from all over the world. We will also take this opportunity to enhance the overall service level to reach the internationally advanced standard and provide good services for friends from all over the world in an effort to demonstrate the highest quality and standard of China's banking industry.

Looking ahead, China's economy maintains a robust growing momentum. China CITIC Bank will continue to improve its corporate governance, enhance its growing capability, increase the Bank's market capitalization, and reward the trust and support of shareholders and the society, hence to contribute more to the well-being of the nation and the people.

Chairman: Kong Dan

August 20, 2008

President's Statement

In the first half of 2008, under the conditions of the complex and volatile international economic and financial situation, the ongoing exercise of macro-economic regulatory measures, and the profound changes in the market, the Bank's management conscientiously implemented the strategic decisions of the Board of Directors, and was willing to be supervised by regulatory institutions at various levels, seized good opportunities for development, and achieved outstanding business results.

By the end of June 2008, the Bank's total assets amounted to RMB1.11717 trillion, an increase of 10.48% compared to that of the end of the previous year; the balance of deposits amounted to RMB978.846 billion, up by 10.75% compared to the end of the previous year; the balance of loans amounted to RMB633.812 billion, a growth of 10.19% compared to the end of the previous year. With its outstanding business performance, the Bank ranked the 77th among "Global Best 1000 Banks" by the UK Banker magazine in terms of tier-one capital in the first half of 2008 and became China's sixth largest bank. International rating agencies such as Fitch have upgraded the Bank's rating. The Bank's overall strength has reached a new level.

Maintaining strong growth in profitability In the first half of 2008, the net profit of the Bank increased by 161.53% compared to the same period of last year, scoring a record high of RMB8.429 billion, which resulted from the favorable factor of relevant policies by the government as well as the improvement of asset/liability structure and the expansion of income source by the management of the Bank. The Bank's Return on Average Assets (ROAA) was 1.58% with a growth of 0.76 percentage point compared to the same period of last year; the Return on Average Equity (ROAE) was 19.35% with a growth of 7.69 percentage points compared to the same period of last year. Both net interest income and net non-interest income registered a substantial growth with the net interest income up by 61.94% compared to the same period of last year, and the net operating non-interest income up by 109.86% compared to the same period of last year. The cost to income ratio of 31.46% was controlled at a relatively low level.

Further strengthened leading advantages in traditional business With the strong growth in corporate banking business, the corporate deposit balance and loan balance of the Bank amounted to RMB739.441 billion and RMB551.761 billion respectively, with a growth rate of 15.54% and 10.55% compared to the end of last year and continued to maintain the leading position among small and medium-sized joint-stock commercial banks; the foreign exchange receiving and payment under international trade reached USD72.04 billion, with an increase of 61.0% compared to the same period of last year, 10 percentage points more than that of the nation's foreign trade in the same period. The market making transaction volumes in the treasuary and capital market business continued to rank number one in the domestic market.

Rapid growth of retail banking and emerging business While continuing to maintain the advantages in traditional business, the Bank vigorously developed new business to accelerate the pace of diversified business development. Despite the drastic changes in the market, the retail banking business maintained the rapid growth. The balance of customer assets under management reached RMB222.034 billion with a growth rate of 18.34% compared to the end of last year. In terms of intermediary business, the Bank achieved the rapid development in various new businesses. The sales of wealth management products calculated in RMB reached RMB101.733 billion with a growth of 86.93% compared to the same period of last year. The realized pre-tax profit in credit card amounted to RMB38.28 million. The total number of new credit card issuance, transaction amount and the loan balance increased by 86.30%, 192.52% and 212.15% respectively compared to the same period of last year. Accumulated credit card issuance number exceeded 5.66 million. The net non-interest income from investment banking business amounted to RMB378 million, up by 320% from the same period of last year. The size of assets under custody amounted to RMB122.359 billion. The custodian service fees amounted to RMB111 million, a growth of 640% compared to the same period of last year.

The sound functioning of risk management system The Bank overcame the impacts from the earthquake and actively responded to the State's macro-regulatory measures. While maintaining a reasonable growth of credit, the Bank put emphasis on the adjustment of credit structure. The Bank actively developed personal residential mortgage business and credit card business; controlled long and medium term loan issuance; timely withdrew from the business on which the macro-regulatory measures have greater impact such as small and medium-sized real estate companies and resource-based companies with high energy consumption and high pollution thus with lower industry positions and less competitiveness. The Bank also increased its investment in the basic industries vital to the national economy and the people's livelihood, enhanced the predictability and forward-looking in operating credit-based business. As of the end of June, the Bank's NPL ratio was 1.45%, dropped by 0.03 percentage point compared to the end of last year. The "special mention" loan ratio was 1.90%, dropped by 0.16 percentage point compared to the end of the previous year; the provision coverage ratio reached 115.41%, with a growth of 5.40 percentage points compared to the end of the previous year. The asset quality was maintained at an excellent level.

Further developed CITIC Group's integrated financial service platform In the first half of the year, the Bank expedited cooperation with other financial subsidiaries under China CITIC Group, while complying with laws, regulations and information disclosure rules. In corporate banking business, the Bank has collaborated with CITIC Securities to lead RMB2 billion commercial paper issuance and RMB5.4 billion medium-term note issuance. The size of assets under custody in corporation with CITIC Securities and CITIC Trust was RMB9.139 billion. In retail banking business, together with financial subsidiaries under China CITIC Group, the Bank developed 35 wealth management products with total amount of RMB73.37 billion, an increase of 59.09% and 84.18% respectively compared to same period of last year. The Bank's third-party depositary business has 139,500 new clients, among which 72.5% came from securities companies under China CITIC Group.

In the second half of the year, the management will continue to carry out the strategic objectives set by the Board of Directors, take the initiative to adapt to the changes of macro-economic conditions; proactively optimize the credit structure and strengthen risk management; consolidate the base of traditional business and expedite the development of new business; enhance the internal control and management and improve the operation and management of business; propel reform in an active and orderly way and maintain the balance between reform and rapid development; provide a full support to the Olympic Games. We will make all efforts to realize the enterprise value, the shareholders' return and the interests of our clients and employees simultaneously.

I would like to take this opportunity to extend our sincere gratitude on behalf of the Bank's management team, to the Board of Directors and the Board of Supervisors for their great help and guidance, to all the investors and the public from all walks of life for their trust and support, and to the staff of China CITIC Bank for their continuous endeavour and contribution!

President: Chen Xiaoxian
August 20, 2008

Company Profile

Registered Name in Chinese:	中信銀行股份有限公司(abbreviated as "中信銀行")
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative:	Kong Dan
Authorized Representatives:	Chen Xiaoxian & Luo Yan
Secretary to the Board of Directors:	Luo Yan
Representative of Securities Affairs:	Peng Jinhui
Joint Company Secretary:	Luo Yan & KAM Mei Ha, Wendy (ACS, ACIS)
Qualified Accountant:	Lu Wei (MPA, CPA)
Registered Address and Office Address:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China
Zip Code:	100027
Website:	bank.ecitic.com
Telephone:	86-10-6555-8000
Fax:	86-10-6555-0809
Email:	ir_cncb@citicbank.com
Principal place of business in Hong Kong:	28th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong
Newspapers and Websites for Information Disclosure:	
A-share:	China Securities Journal, Securities Times, Shanghai Securities News
H-share:	South China Morning Post, Hong Kong Economic Times
Website designated by the China Securities Regulatory Commission ("CSRC") to publish the A-share Interim Report:	www.sse.com.cn
Website of Hong Kong Exchanges and Clearing Limited ("HKEx") to publish the H-share Interim Report:	www.hkexnews.hk
Listing Venue, Stock Abbreviation and Stock code:	
A-share Shanghai Stock Exchange:	CITIC Bank 601998
H-share Stock Exchange of Hong Kong Limited:	CITIC Bank 0998

Share Registrar:

A-share:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited China Insurance Building, Floor 36, 166 Lujiazui East Road, Pudong New Area, Shanghai
H-share:	Computershare Hong Kong Investor Services Limited 46th Floor Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong

Legal Advisors:

As to PRC law:	King & Wood PRC lawyers
As to Hong Kong law:	Freshfields Bruckhaus Deringer

Compliance Advisors:

China International Capital (Hong Kong) Corporation Limited

Citigroup Global Markets Asia Limited

Auditors:

Domestic Accounting Firm:	KPMG Huazhen Accounting Firm
Office Address:	8/F E2 Tower, Oriental Plaza, 1 East Chang' an Ave, Beijing, PRC
Zip Code:	100738
International Accounting Firm:	KPMG
Office Address:	8/F Prince's Building, 10 Charter Road, Central, Hong Kong

Other Relevant Information:

Date of First Registration:	April 7, 1987
Date of Changing Registratione:	December 31, 2006
Authority of First Registration and Changing Registration:	PRC State Administration for Industry & Commerce
Registration Number of Business License:	1000001000600
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

Economic, Financial and Regulatory Environment

In the first half of 2008, more factors contributed to the volatility of the world's economy. The subprime mortgage crisis of the U.S. spread; the global financial market constantly fluctuated; energy and mineral resource prices went up; grain supply was tight; some countries were under the inflation pressure; the growth of developed economies slowed down and the consumption in the U.S., EU, and Japan was gloomy.

Under such complicated and volatile environment, the Chinese economy overcame a series of significant natural disasters, and the national economy developed in line with the expectation of macro economic regulations and maintained a steady and fast growth momentum in general. In the first half of the year, GDP growth rate was 10.4%, representing 1.8 percentage points decline from the same period of last year. Under the tightening monetary policy, CPI started to go down from May, which was 7.9% in the first half of the year. Growth of investment in fixed assets was eased, reaching 26.3%, up by 0.4 percentage point year on year; resident income continued to rise; consumption expectation and confidence remained robust; the aggregate retail value of social consumer goods increased by 21.4% from the same period of last year, representing an increase of 6 percentage points from the same period of last year. Due to the obvious slowdown of external consumption demand, foreign trade control policy by the government, RMB appreciation, and constant increase in labor costs for enterprises, trade surplus decreased and export growth slowed down, decreasing to 21.9% in the first half of 2008 from 27.6% in the first half of 2007. Import maintained a continuously rapid growth at the rate of 30.6% in the first half of 2008. Overall, although the national economy endured various challenges, the basic trend of rapid development did not experience fundamental changes. The economic operation will still maintain a rapid growth for the whole year.

The effective macro control measures ensured the steady development of the national economy. The prudent fiscal policy played an active role in increasing supply, facilitating grain, cotton, and oil production, adjusting industrial structure, and improving trade composition, etc. The monetary policy gave high priority to suppressing inflation; the People's Bank of China raised the deposit reserve ratio for five times in the first half of the year to strengthen liquidity management, lead a reasonable issuance of monetary credit and ease price hike pressure.

In the second half of 2008, the rise in international energy price and grain price will bring about inflow inflation pressure and the decline of international consumption demand will result in some negative impact as well. The government will maintain its prudent fiscal policy and tightened monetary policy and increase the continuity and flexibility of macro control to reduce the impact of unfavorable international factors. Meanwhile, the endogenous growth of the national economy is gradually increasing and the national economy is expected to realize a rapid growth driven by the economic impact of the Olympics, post earthquake reconstruction, national "Eleventh Five-Year Plan" infrastructure project construction, and the coordinated development of regional economies, etc.

Financial Statement Analysis

Overview

In the first half of 2008, all businesses of China CITIC Bank Corporation Limited and its subsidiaries have achieved a rapid development. The Group continuously enhanced the profitability, reasonably controlled the cost, improved the asset quality and achieved a more reasonable structure of business and income. In all, the overall operation proceeded smoothly.

In the first half of 2008, the Group achieved a net profit of RMB8.429 billion, representing an increase of RMB5.206 billion or 161.53% year on year. Total assets stood at RMB1,117.17 billion, an increase of RMB105.984 billion or 10.48% compared to the previous year end. Total liabilities amounted to RMB1,027.012 billion, an increase of RMB99.917 billion or 10.78% compared to the previous year end. Total shareholders' equity (excluding minority interests) stood at RMB90.153 billion, an increase of RMB6.067 billion or 7.22% compared to the previous year end.

Income Statement Analysis

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Net interest income	**18,228**	11,256	6,972	61.94
Net non-interest income	**2,132**	653	1,479	226.49
General and administrative expenses	**(7,735)**	(5,137)	(2,598)	50.57
Provision for impairment losses	**(1,422)**	(1,162)	(260)	22.38
Profit before tax	**11,203**	5,610	5,593	99.70
Income tax	**(2,774)**	(2,387)	(387)	16.21
Net profit	**8,429**	3,223	5,206	161.53
Attributable to:				
Shareholders of the Bank	**8,429**	3,223	5,206	161.53
Minority shareholders	**—**	—		

Net Interest Income

The net interest income of the Group was affected by not only the margin between the yield of interest-earning assets and the cost of interest-bearing liabilities, but also the average balance of the interest-earning assets and interest-bearing liabilities. In the first half of 2008, the Bank achieved a net interest income of RMB18.228 billion, a year-on-year increase of RMB6.972 billion or 61.94%.

The average balance and average interest rate of the Group's interest-earning assets and interest-bearing liabilities are shown in the table below:

Unit: RMB million

	The first half of 2008			The first half of 2007			2007		
	Average balance	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets									
Loans and advances to customers	**619,698**	**22,318**	**7.20**	506,005	14,655	5.79	532,614	32,566	6.11
Investments in debt securities	**211,539**	**3,901**	**3.69**	136,604	2,209	3.23	153,944	5,206	3.38
Balances with central bank	**124,473**	**1,051**	**1.69**	74,420	573	1.54	84,035	1,333	1.59
Amounts due from banks and other non-banking financial institutions	**33,432**	**403**	**2.41**	21,290	295	2.78	25,433	710	2.79
Balances under resale agreements	**76,247**	**1,426**	**3.74**	23,403	391	3.34	41,806	1,679	4.02
Sub-total	**1,065,389**	**29,099**	**5.46**	761,722	18,123	4.76	837,832	41,494	4.95
Interest-bearing liabilities									
Deposits from customers	**774,386**	**8,902**	**2.30**	613,536	5,772	1.88	641,568	12,673	1.98
Amounts due to banks and other non-banking financial institutions	**172,109**	**1,526**	**1.77**	73,249	630	1.72	103,502	1,713	1.66
Balances under repurchase agreements	**8,517**	**123**	**2.89**	7,811	187	4.79	7,098	344	4.85
Other [(1)]	**12,067**	**320**	**5.30**	12,079	278	4.60	12,110	594	4.91
Sub-total	**967,079**	**10,871**	**2.25**	706,675	6,867	1.94	764,278	15,324	2.00
Net interest income		**18,228**			11,256			26,170	
Net interest spread [(2)]			**3.21**			2.82			2.95
Net interest yield [(3)]			**3.42**			2.96			3.12

Notes: (1) Includes the amounts due to central bank and subordinated bonds issued.

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

(3) Net interest income/average balance of interest-earning assets.

The following table illustrates changes in the Group's net interest income arising from changes of scale factor and interest rate factor, where the joint influence of the two factors was reflected in the changes of interest rate factor.

Unit: RMB million

	The first half of 2008 compared with the first half of 2007			2007 compared with 2006		
	Scale factor	**Interest rate factor**	**Total**	Scale factor	Interest rate factor	Total
Assets						
Loans and advances to customers	**3,291**	**4,372**	**7,663**	5,090	4,188	9,278
Investments in debt securities	**1,210**	**482**	**1,692**	1,701	28	1,729
Balances with central bank	**385**	**93**	**478**	404	80	484
Amounts due from banks and other non-banking financial institutions	**169**	**(61)**	**108**	277	79	356
Balances under resale agreements	**882**	**153**	**1,035**	665	538	1,203
Changes in interest income	**5,937**	**5,039**	**10,976**	8,137	4,913	13,050
Liabilities						
Deposits from customers	**1,512**	**1,618**	**3,130**	1,758	125	1,883
Amounts due to banks and other non-banking financial institutions	**850**	**46**	**896**	1,235	(170)	1,065
Balances under repurchase agreements	**17**	**(81)**	**(64)**	115	132	247
Other	**—**	**42**	**42**	130	28	158
Changes in interest expense	**2,379**	**1,625**	**4,004**	3,238	115	3,353
Changes in net interest income	**3,558**	**3,414**	**6,972**	4,899	4,798	9,697

Interest income

The Group's interest income was RMB29.099 billion in the first half of 2008, a year-on-year increase of RMB10.976 billion or 60.56%. The growth was mainly attributable to the asset scale expansion as well as the increase of average yield of interest-earning assets (especially loans and advances to customers). The average balance of interest-earning assets increased to RMB303.667 billion, or 39.87%, from RMB761.722 billion as of the first half of 2007 to RMB1,065.389 billion as of the first half of 2008. The average yield of interest-earning assets climbed from 4.76% in the first half of 2007 to 5.46% in the first half of 2008, up by 0.7 percentage point.

Interest income from loans and advances to customers

Interest income from loans and advances to customers has long been the major part of the Group's interest income. It accounted for 76.70% of the Group's total interest income in the first half of 2008.

The following table shows the average balance, interest income, and average yield of each part of loans and advances to customers in the period shown below.

Unit: RMB million

	The first half of 2008			The first half of 2007			Full year of 2007		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	**501,775**	**17,854**	**7.12**	401,582	12,128	6.04	424,722	27,025	6.36
Discounted bills	**39,323**	**1,730**	**8.80**	53,297	987	3.70	48,670	1,932	3.97
Personal loans	**78,600**	**2,734**	**6.96**	51,126	1,540	6.02	59,222	3,609	6.09
Total customer loans	**619,698**	**22,318**	**7.20**	506,005	14,655	5.79	532,614	32,566	6.11

The Group achieved the interest income from loans and advances to customers of RMB22.318 billion in the first half of 2008 which represented an increase of RMB7.663 billion or 52.29% from RMB14.655 billion in the first half of 2007. The major reason was that the average yield of customer loans increased from 5.79% to 7.20%, and the other reason was the increase of average balance of loans and advances to customers.

The growth of average yield is mainly due to (1) six upward adjustments of the benchmark interest rate for loans to customers by the People's Bank of China last year and the accumulated impact was realized this year; (2) significant increase of bills discount rate due to market demand; (3) the Group's enhancement of management on rate pricing of credit assets.

Interest income from investments in debt securities

In the first half of 2008, the Group achieved an interest income of RMB3.901 billion from investment in debt securities, representing a year-on-year increase of RMB1.692 billion or 76.60%. The main reason was that the average balance of debt securities investment increased by RMB74.935 billion or 54.86% over last year, and the average yield increased from 3.23% in the first half of 2007 to 3.69% in the first half of 2008.

The growth in average balance was primarily due to the sustainable growth of various deposits, significant growth in the amount due to banks and other non-banking financial institutions, sufficient capital sources and the residual funds not used for lending were invested in debt securities which enjoyed higher yield than the deposits with banks or other non-banking financial institutions.

Interest income from balances with central bank

The Group achieved an interest income of RMB1.051 billion from the deposits with central bank in the first half of 2008, representing a year-on-year increase of RMB478 million or 83.42%. The increase is mainly due to the increase in both average balance and average yield.

The average balance with central bank was up by RMB50.053 billion or 67.26% than in the first half of 2007. It is mainly due to: (1) the statutory deposit reserve ratio was gradually raised to 17.5% as of the end of the first half of 2008 from 11.5% at end of the first half of 2007; and (2) statutory deposit reserve balance increased as a result of increasing customer deposits. Average yield climbed from 1.54% in the first half of 2007 to 1.69% in the first half of 2008 driven by enhanced operation of positions by the Group provided that liquidity had been ensured. Excess reserve ratio was kept steady while the proportion of average balance of excess reserve to the average balance with central bank was lower than the same period of the previous year.

Interest income from amounts due from banks and non-banking financial institutions

The Group achieved an interest income of RMB403 million from amounts due from banks and non-banking financial institutions in the first half of 2008, which was increased by RMB108 million or 36.61% year on year. The primary reason was that the average balance went up by RMB12.142 billion and offset the average yield from 2.78% to 2.41%. The increase in average balance of amounts due from banks and non-banking financial institutions was due to the increase of various deposits which brought about sufficient cash flow. The decrease in average yield was mainly due to the sliding down of the interest rate in the treasury market.

Interest income from balances under resale agreements

In the first half of 2008, the interest income from the Group's balances under resale agreements was RMB1.426 billion, representing an increase of 264.71% over RMB391 million of the first half of 2007. It is mainly attributable to the growth of average balance of balances under resale agreements of 225.80% and the increase of average yield from 3.34% to 3.74%.

Interest expense

In the first half of 2008, the Group's interest expense was RMB10.871 billion, representing a year-on-year increase of RMB4.004 billion or 58.31%. The growth was attributable to the expansion of interest-bearing liabilities whose average cost also grew slightly. The average balance of interest-bearing liabilities of the Group increased by RMB260.404 billion or 36.85% from RMB706.675 billion in the first half of 2007 to RMB967.079 billion in the first half of 2008. The average cost of interest-bearing liabilities increased from 1.94% in the first half of 2007 to 2.25% in the same period of 2008.

Interest expense from customer deposits

Customer deposits have always been the main funding source of the Group. The proportion of customer deposit interest expense to the total interest expense of the Group in the first half of 2008 and the first half of 2007 were 81.89% and 84.05% respectively.

The following table shows the average balance, interest expenses, and average cost ratio of corporate and personal deposits by product type.

Unit: RMB million

	The first half of 2008			The first half of 2007			2007		
	Average balance	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Corporate deposits									
Time deposits	**351,979**	**6,175**	**3.51**	270,132	3,530	2.61	280,188	7,924	2.83
Demand deposits	**325,613**	**1,649**	**1.01**	257,602	1,259	0.98	276,279	2,815	1.02
Sub-total	**677,592**	**7,824**	**2.31**	527,734	4,789	1.81	556,467	10,739	1.93
Personal deposits									
Time deposits	**66,794**	**967**	**2.90**	67,782	916	2.70	63,372	1,766	2.79
Demand deposits	**30,000**	**111**	**0.74**	18,020	67	0.75	21,729	168	0.77
Sub-total	**96,794**	**1,078**	**2.23**	85,802	983	2.29	85,101	1,934	2.27
Total customer deposits	**774,386**	**8,902**	**2.30**	613,536	5,772	1.88	641,568	12,673	1.98

The interest expense from customer deposits was RMB8.902 billion in the first half of 2008, a year-on-year increase of 54.23% or RMB3.13 billion. The rise is mainly due to the RMB160.85 billion increase in the average balance of customer deposits and the rise of 42 basis points in average cost ratio that to some extent was a promoting factor.

Despite six raises in benchmark deposit rate by the central bank in 2007, the average cost for customer deposits was just up by 42 basis points than the first half of 2007 thanks to the effective liabilities management by the Group. The percentage of daily average balance of RMB negotiated deposits (with higher average cost than other deposits) in the daily average balance of corporate deposits was down to 4.27% in the first half of 2008 from 7.59% in the first half of 2007, and the percentage of the average balance of demand deposits was up to 45.92% in the first half of 2008 from 44.92% in the first half of 2007.

Interest expense on amounts due to banks and non-banking financial institutions

The interest expense due to banks and other non-banking financial institutions was RMB1.526 billion in the first half of 2008, increasing RMB896 million or 142.22% from RMB630 million in the first half of 2007. The growth is primarily because of the average balance due to banks and other non-bnaking financial institutions that increased by 134.96% and the average cost ratio increased from 1.72% to 1.77%. The increase of average balance is due to the cooperation between the Group and securities companies to develop third party-depository business. The increase in average cost ratio is primarily due to the increase in low-cost RMB inter-bank deposit rate.

Interest expense on other borrowed funds

In the first half of 2008, the Group's interest expense for the borrowings from the central bank and bonds issued was RMB320 million, a year-on-year increase of RMB42 million or 15.11%. The growth is mainly due to the increase in average cost rate, from 4.60% in the first half of 2007 to 5.30% in the first half 2008, as a result of the floating rate adopted for subordinated debts issued in 2004 by the Group.

Net interest yield and net interest spread

During the first half of 2008, the Group focused on enhancing asset/liability management and reducing the percentage of low-yield assets and high-cost liabilities. Together with the repeated interest rate raises by the central bank, the Group's net interest yield rose from 2.96% in the first half of 2007 to 3.42% in the first half of 2008, up by 0.46 percentage point while the net interest spread was up from 2.82% in the first half of 2007 to 3.21% in the first half of 2008, up by 0.39 percentage point.

Analysis of related factors reveals that the growth in net interest yield is due to the increased yield of credit products and the structural optimization resulted from increased ratio of amounts due to banks and other non-banking financial institutions.

Net non-interest income

In the first half of 2008, the Group achieved a net non-interest income of RMB2.132 billion, a year-on-year increase of RMB1.479 billion. The proportion of the net non-interest income in the first half of 2008 and the first half of 2007 to the Group's operating income was 10.47% and 5.53%, respectively.

Excluding foreign exchange losses of RMB294 million and RMB503 million in the first half of 2008 and the first half of 2007, the net operating non-interest income stood at RMB2.426 billion in the first half of 2008. The ratio of net operating non-interest income to the total operating income was up to 11.75% in the first half of 2008 from 9.36% in the first half of 2007.

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Net fee and commission income	**1,381**	605	776	128.26
Net trading gain/(loss)	**483**	(77)	560	—
Net gain from investment securities	**88**	42	46	109.52
Other operating income	**180**	83	97	116.87
Total non-interest net income	**2,132**	653	1,479	226.49

Net fee and commission income

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Fee and commission income				
Agency fees and commission	**141**	143	(2)	-1.40
Bank card fees	**367**	148	219	147.97
Guarantee fees	**196**	144	52	36.11
Consultancy and advisory fees	**313**	76	237	311.84
Settlement charges	**198**	111	87	78.38
Wealth management fees	**183**	56	127	226.79
Custodian business commission	**111**	15	96	640.00
Others	**42**	22	20	90.91
Sub-total	**1,551**	715	836	116.92
Fees and commission expenses	**(170)**	(110)	(60)	54.55
Net fees and commission income	**1,381**	605	776	128.26

In the first half of 2008, the Group realized RMB1.381 billion of net fee and commission income, a year-on-year increase of RMB776 million or 128.26%. Among them, the whole Bank's fee and commission income was RMB1.551 billion, a year-on-year increase of 116.92%, mainly due to the Group's vigorous efforts in the development of intermediary businesses which witnessed significant increases in bank card fees, guarantee fees, advisory and consultancy fees, settlement business fees, custodian business commission and wealth management fees.

Net trading gain/(loss)

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Net gain/(loss) of foreign exchange transactions	**(184)**	46	(230)	—
Bonds	**99**	(23)	122	—
Derivatives	**546**	(173)	719	—
The financial liabilities designated at fair value through profit designated and loss	**22**	73	(51)	—
Total	**483**	(77)	560	—

In the first half of 2008, the Group's trading business net profit was RMB483 million, which mainly resulted from the gains of the revaluation of market value for bonds and derivatives held for trading which also offset the foreign currency capital exchange losses in the reporting period.

Net income of securities investment

In the first half of 2008, the Group's net income from securities investment was RMB88 million. Compared to RMB42 million in the first half of 2007, there was an increase of RMB46 million, primarily because of the realized earnings from the sale of available-for-sale securities.

Provisions for impairment loss

The following table sets out the provisions for each impairment loss during the periods indicated.

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Loans and advances to customers	**1,413**	1,144	269	23.51
Off-balance sheet credit commitments	**(16)**	22	(38)	—
Investments	**8**	—	8	—
Others[(1)]	**17**	(4)	21	—
Total provisions for impairment losses	**1,422**	1,162	260	22.38

Note: (1) Includes the impairment loss of repossessed and other assets

The Group's provisions for impairment losses increased by RMB260 million or 22.38% year on year, mainly due to the increased impairment provisions as a result of enlarged loan scale and increased impairment provisions resulting from changes in loan category.

General and administrative expenses

Unit: RMB million

	January–June 2008	January–June 2007	Year-on-year changes	Year-on-year growth (%)
Staff costs	**3,865**	1,597	2,268	142.02
Property, equipment and amortization expenses	**939**	966	(27)	-2.80
Other general and administrative expenses	**1,601**	1,674	(73)	-4.36
Subtotal	**6,405**	4,237	2,168	51.17
Business tax and surcharges	**1,330**	900	430	47.78
Total of general and administrative expenses	**7,735**	5,137	2,598	50.57
Cost/income ratio	**37.99%**	43.16%	-5.17	
The adjusted cost/income ratio (excluding business tax and surcharges)	**31.46%**	35.61%	-4.15	

In the first half of 2008, the Group incurred RMB7.735 billion of general and administrative expenses, representing a year-on-year increase of RMB2.598 billion or 50.57%. The growth is mainly attributed to the following reasons: (1) the Group realized a rapid development of business of the Group, expansion of institutions and branch network, as well as the increase in human resources investment; (2) the Group enhanced its management on balanced provision for staff salaries in the first and second half of the year, hence the staff cost was reasonably estimated and reserved according to the performance-linked salary policy.

In the first half of 2008, the Group's adjusted cost-to-income ratio was 31.46%, down by 4.15 percentage points year on year, resulted from the Group's effective cost management control and the rapid growth of operating income.

Income tax analysis

In the first half of 2008, the Group's income tax expense was RMB2.774 billion, representing a year-on-year increase of RMB387 million or 16.21%. The Group's effective tax rate was 24.76%, down by 17.79 percentage points compared with 42.55% in the first half of 2007. The significant decrease of effective tax rate is mainly due to the overall tax decline since the Group started to implement the new Enterprise Income Tax Law on January 1, 2008.

Balance sheet analysis

Unit: RMB million

	June 30, 2008	December 31, 2007	Compared to the previous year end	
			changes	Growth (%)
Total loans and advances to customers	**633,812**	575,208	58,604	10.19
Impairment allowances	**(10,620)**	(9,342)	(1,278)	13.68
Net loans and advances to customers	**623,192**	565,866	57,326	10.13
Investments	**249,607**	159,848	89,759	56.15
Cash and balances with central bank	**148,195**	123,369	24,826	20.12
Net amounts due from banks and other non-banking financial institutions	**30,863**	26,655	4,208	15.79
Balances under resale agreements	**44,745**	118,046	(73,301)	-62.10
Other assets (1)	**20,568**	17,402	3,166	18.19
Total assets	**1,117,170**	1,011,186	105,984	10.48
Customer deposits	**849,464**	787,211	62,253	7.91
Amounts due to banks and other non-banking financial institutions	**136,703**	97,248	39,455	40.57
Balances under repurchase agreements	**11,393**	15,754	(4,361)	-27.68
Issued subordinated bonds/debts	**12,000**	12,000	—	—
Other liabilities (2)	**17,452**	14,882	2,570	17.27
Total liabilities	**1,027,012**	927,095	99,917	10.78

Notes: (1) Includes property and equipment, deferred income tax assets and interest receivable, repossessed assets, derivatives whose fair value is positive, land-use rights, intangible assets and other assets.

(2) Includes amounts due to central bank, current tax liabilities, deferred income tax liabilities, derivative products at negative fair value and other liabilities, etc.

Asset Business

Most of the Group's assets were loans and advances to customers. As of the end of June 2008, after deducting impairment loss provisions, the Group's loans and advances to customers accounted for 55.78% of the Group's total assets.

Loan Business

As of the end of June 2008, the Group's loans and advances to customer amounted to RMB633.812 billion, up by RMB58.604 billion or 10.19% from RMB575.208 billion as of the end of 2007.

Loans breakdown by customers segments

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Proportion %**	Balance	Proportion %	changes	Growth %
Corporate loans	**515,455**	**81.3**	465,520	81.0	49,935	10.73
Discounted bills	**36,306**	**5.7**	33,599	5.8	2,707	8.06
Personal loans	**82,051**	**13.0**	76,089	13.2	5,962	7.84
Total loans and advances to customers	**633,812**	**100.0**	575,208	100.0	58,604	10.19

Loans breakdown by geographical locations

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Proportion %**	Balance	Proportion %	changes	Growth %
Yangtze river delta	**194,771**	**30.7**	182,058	31.7	12,713	6.98
Bohai sea rim	**185,238**	**29.2**	167,329	29.1	17,909	10.70
Pearl river delta and west coast of Taiwan strait	**97,427**	**15.4**	90,358	15.7	7,069	7.82
Central region	**69,309**	**10.9**	60,410	10.5	8,899	14.73
Western region	**64,443**	**10.2**	55,780	9.7	8,663	15.53
Northeast region	**22,215**	**3.5**	19,065	3.3	3,150	16.52
Hong Kong	**409**	**0.1**	208	—	201	96.63
Total customer loans	**633,812**	**100.0**	575,208	100.0	58,604	10.19

Corporate loans breakdown by sectors

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Proportion %**	Balance	Proportion %	changes	Growth %
Manufacturing	**159,237**	**30.9**	145,272	31.2	13,965	9.6
Transportation, warehousing and postal service	**61,469**	**11.9**	62,856	13.5	(1,387)	-2.2
Production and supply of power, gas and water	**54,017**	**10.5**	44,392	9.5	9,625	21.7
Real estate development	**50,558**	**9.8**	41,741	9.0	8,817	21.1
Wholesale and retail	**48,300**	**9.4**	42,239	9.1	6,061	14.3
Water conservancy, environmental and public utilities management	**33,694**	**6.5**	28,324	6.1	5,370	19.0
Leasing and commercial service	**33,413**	**6.5**	34,793	7.5	(1,380)	-4.0
Construction	**22,999**	**4.5**	22,199	4.8	800	3.6
Public and social organizations	**10,291**	**2.0**	8,131	1.7	2,160	26.6
Financial sector	**2,133**	**0.4**	1,512	0.3	621	41.1
Others	**39,344**	**7.6**	34,061	7.3	5,283	15.5
Total of corporate loans	**515,455**	**100.0**	465,520	100.0	49,935	10.7

As of the end of June 2008 and the end of 2007, the proportion of the top five industries to which the Bank granted the most loan to the total corporate loans was 72.48% and 72.28%.

Maturity profile of loan portfolio

The following form gives information about loan products as of June 30, 2008 based on the remaining period prior to maturity.

Unit: RMB million

	Within 1 year	Within 1–5 years	More than 5 years	Overdue (1)	Undated (2)	Total
Corporate loans	**365,825**	**91,534**	**48,050**	**344**	**9,702**	**515,455**
Discounted bills	**36,306**	**—**	**—**	**—**	**—**	**36,306**
Personal loans	**16,531**	**20,671**	**41,372**	**1,986**	**1,491**	**82,051**
Total customer loans	**418,662**	**112,205**	**89,422**	**2,330**	**11,193**	**633,812**

Note: (1) All or part of the principal overdue for within 30 days (inclusive)

(2) Includes all NPLs, loans with all or part of the principal overdue for more than 30 days, and loans with interests overdue for more than 90 days while the principals are not due yet.

Currency Composition of Loans

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Proportion %**	Balance	Proportion %	changes	Growth %
RMB	**602,918**	**95.1**	544,532	94.7	58,386	10.72
Foreign Currency	**30,894**	**4.9**	30,676	5.3	218	0.71
Total	**633,812**	**100.0**	575,208	100.0	58,604	10.19

Guarantee Breakdown

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	Proportion %	Balance	Proportion %	changes	Growth %
Unsecured loans	**185,823**	**29.3**	158,972	27.6	26,851	16.89
Guaranteed loans	**176,681**	**27.9**	171,145	29.8	5,536	3.23
Collateralized loans	**177,866**	**28.1**	155,591	27.1	22,275	14.32
Pledged loans	**57,136**	**9.0**	55,901	9.7	1,235	2.21
Subtotal	**597,506**	**94.3**	541,609	94.2	55,897	10.32
Discounted bills	**36,306**	**5.7**	33,599	5.8	2,707	8.06
Total	**633,812**	**100.0**	575,208	100.0	58,604	10.19

Concentration of the Borrowing

The Group has put great emphasis on the concentration risk control of the borrowers. Currently, the Group is in compliance with the concentration level of borrowers according to applicable regulatory requirements. The Group defines single borrower as a legal borrowing entity. Therefore, one borrower may be a related party of another borrower.

	Regulatory standards	June 30, 2008	December 31, 2007	December 31, 2006
Loan percentage of the single biggest borrower (%)	≤10	**2.92**	3.41	6.70
Loan percentage of top 10 clients (%)	≤50	**21.93**	25.03	47.60

Unit: RMB million

	Industry	June 30, 2008 Amount	As percentage to the total loans	As percentage of regulatory capital
Borrower A	Electricity, gas and water production and supply	**3,000**	**0.48**	**2.92**
Borrower B	Water conservancy, environmental and public utilities management	**2,919**	**0.46**	**2.84**
Borrower C	Mineral mining	**2,753**	**0.43**	**2.68**
Borrower D	Electricity, gas and water production and supply	**2,300**	**0.36**	**2.24**
Borrower E	Electricity, gas and water production and supply	**2,180**	**0.34**	**2.12**
Borrower F	Public management and community organizations	**2,060**	**0.33**	**2.00**
Borrower G	Transportation, warehousing and postal services	**1,860**	**0.29**	**1.81**
Borrower H	Transportation, warehousing and postal services	**1,840**	**0.29**	**1.79**
Borrower I	Manufacturing	**1,836**	**0.29**	**1.78**
Borrower J	Electricity, gas and water production and supply	**1,810**	**0.29**	**1.75**
Total		**22,558**	**3.56**	**21.93**

Analysis of Loan Quality

Five-category classification of loans

The amount of NPLs of the Bank totaled RMB9.202 billion as of the end of June 2008 based on the regulatory classification standard of loans, an increase of RMB710 million compared to the end of the previous year, among which NPLs due to Si Chuan earthquake was RMB412 million and all were corporate loans. The NPL ratio of the Group as of the end of June 2008 was 1.45%, 0.03 percentage point lower than the end of the previous year.

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	amount of changes	Growth (%)
Normal	**612,543**	**96.6**	554,892	96.4	57,651	10.39
Special mention	**12,067**	**1.9**	11,824	2.1	243	2.06
Substandard	**1,683**	**0.3**	915	0.2	768	83.93
Doubtful	**6,906**	**1.1**	7,085	1.2	(179)	-2.53
Loss	**613**	**0.1**	492	0.1	121	24.59
Total	**633,812**	**100.0**	575,208	100.0	58,604	10.19
Among which:						
Performing loans	**624,610**	**98.55**	566,716	98.52	57,894	10.22
NPL	**9,202**	**1.45**	8,492	1.48	710	8.36

Loan migration

The following figure sets out loans and advances to customers and the five-category classification of loans:

	June 30, 2008	December 31, 2007	December 31, 2006
Migration rate of normal	**0.48%**	1.20%	0.52%
Migration rate of special mention	**7.51%**	6.12%	7.20%
Migration rate of substandard	**6.52%**	54.04%	32.03%
Migration rate of doubtful	**1.39%**	5.86%	23.52%
Migration rate of performing loans to NPLs	**0.28%**	0.28%	0.52%

Change in impairment allowances

The following form shows the changes of impairment allowances for loans and advances to customers of the Group in the respective duration of time as specified.

Unit: RMB million

	First half of 2008	2007
Balance at the beginning of the period	**9,342**	9,786
Change for the period/year (1)	**1,413**	2,860
Unwinding of discount (2)	**(85)**	(187)
Transfer out (3)	**(50)**	(45)
Write-offs	**—**	(3,072)
Recoveries of loans and advances previously written off	**—**	—
Closing Balance	**10,620**	9,342

Notes: (1) Equals to the net provision for impairment losses accrued in the consolidated income statement of the Group.

(2) Equals to the accretion of current value loan whose value has been decreased after a period of time, which is confirmed by the Group as interest income.

(3) Includes loan loss provisions released upon changing loan assets into repossessed assets.

Balance of impairment allowances of the Group has increased from RMB9.342 billion as of the end of 2007 to RMB10.62 billion at the end of June 2008, with an increase of RMB1.278 billion, which is mainly due to loan impairment allowances in the first half of 2008.

The coverage rates of loan impairment allowances for the total amount of NPL and total amount of customer loans have been 115.41% and 1.68% respectively as of the end of June 2008. The coverage rates of loan impairment allowances for the total amount of NPL and total amount of customer loans had been 110.01% and 1.62% respectively by the end of 2007.

NPLs by Clients

Unit: RMB million

	June 30, 2008			December 31, 2007			Compared to previous year end	
	Balance	**Percentage (%)**	**NPL ratio (%)**	Balance	Percentage (%)	NPL ratio (%)	Changes	Growth (%)
Corporate loans	**8,581**	**93.3**	**1.66**	8,004	94.3	1.72	577	7.21
Personal loans	**621**	**6.7**	**0.76**	488	5.7	0.64	133	27.25
Discount bills	**—**	**—**	**—**	—	—	—	—	—
Total	**9,202**	**100.0**	**1.45**	8,492	100.0	1.48	710	8.36

NPL Geological Breakdown

Unit: RMB million

	June 30, 2008			December 31, 2007			Compared to the previous year end	
	Amount	**Percentage (%)**	**NPL ratio (%)**	Amount	Percentage (%)	NPL ratio (%)	changes	Growth (%)
Yangtze River Delta	**1,366**	**14.8**	**0.70**	852	10.0	0.47	514	60.33
Bohai Sea Rim [1]	**4,010**	**43.6**	**2.16**	4,114	48.4	2.46	(104)	-2.53
Pearl River Delta and West Coast of Taiwan Strait	**1,580**	**17.2**	**1.62**	1,877	22.1	2.08	(297)	-15.82
Central region	**711**	**7.7**	**1.03**	772	9.1	1.28	(61)	-7.90
Western region	**904**	**9.8**	**1.40**	452	5.3	0.81	452	100.00
Northeastern region	**631**	**6.9**	**2.84**	425	5.1	2.23	206	48.47
Total	**9,202**	**100.0**	**1.45**	8,492	100.0	1.48	710	8.36

Note: (1) Includes the Head Office

Corporate NPL Breakdown by Industries

Unit: RMB million

	June 30, 2008			December 31, 2007			Compared to the previous year end	
	Amount	**Percentage (%)**	**NPL ratio (%)**	Amount	Percentage (%)	NPL ratio (%)	changes	Growth (%)
Manufacturing	**4,158**	**48.4**	**2.61**	4,051	50.6	2.79	107	2.64
Wholesale and retail industry	**1,596**	**18.6**	**3.30**	1,539	19.2	3.64	57	3.70
Real estate development	**773**	**9.0**	**1.53**	783	9.8	1.88	(10)	-1.28
Leasing and commercial service	**359**	**4.2**	**1.07**	358	4.5	1.03	1	0.28
Electricity, gas and water production and supply	**333**	**3.9**	**0.62**	22	0.3	0.05	311	1,413.64
Financial sector	**257**	**3.0**	**12.05**	231	2.9	15.28	26	11.26
Transportation, warehousing and postal services	**126**	**1.5**	**0.20**	65	0.8	0.10	61	93.85
Construction	**59**	**0.7**	**0.26**	28	0.3	0.13	31	110.71
Water conservancy, environment and public facility management	**18**	**0.2**	**0.05**	18	0.2	0.06	—	—
Public and social organizations	**9**	**0.1**	**0.09**	13	0.2	0.16	(4)	-30.77
Other clients	**893**	**10.4**	**2.27**	896	11.2	2.63	(3)	-0.33
Total corporate NPL	**8,581**	**100.0**	**1.66**	8,004	100.0	1.72	577	7.21

Loans overdue

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	changes	Growth (%)
Current loans	**621,456**	**98.1**	564,528	98.2	56,928	10.08
Loans overdue [1]:						
1–90 days	**3,887**	**0.6**	2,700	0.5	1,187	43.96
91–180 days	**1,186**	**0.2**	438	0.1	748	170.78
Over 181 days (inclusive)	**7,283**	**1.1**	7,542	1.2	(259)	-3.43
Subtotal	**12,356**	**1.9**	10,680	1.8	1,676	15.69
Total	**633,812**	**100.0**	575,208	100.0	58,604	10.19
Loans overdue for 91 days and beyond	**8,469**	**1.3**	7,980	1.4	489	6.13
Rescheduled loans [2]	**4,699**	**0.7**	5,303	0.9	(604)	-11.39

Note: (1) Loans overdue for over 90 days are those loans whose all or part of the principals are overdue, or whose interests are overdue while the principals are not due.

(2) Rescheduled loans are the loans and advances overdue or impaired, but the related provisions have been renegotiated.

Investment Business

Analysis of Investment Portfolio

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	amount of changes	Growth (%)
Debt securities held-to-maturity	**166,436**	**66.7**	109,391	68.4	57,045	52.15
Debt securities available-for-sale	**78,081**	**31.3**	43,502	27.2	34,579	79.49
Debt securities designated at fair value through profit and loss	**4,614**	**1.8**	6,500	4.1	(1,886)	-29.02
Total debt securities	**249,131**	**99.8**	159,393	99.7	89,738	56.30
Equity investment available-for-sale	**476**	**0.2**	455	0.3	21	4.62
Total investment	**249,607**	**100.0**	159,848	100.0	89,759	56.15
Among which: market value of listed securities of debt securities held-to-maturity	**4,882**		5,582			

Classification of Debt Securities Investment

As of the end of June 2008, the Group has securities investment with a value of RMB249.131 billion, an increase of RMB89.738 billion over the end of last year with a growth of 56.30%. It is primarily due to the growth in investment of central bank papers and treasury bonds.

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	changes	Growth (%)
Government	**27,824**	**11.2**	36,858	23.2	(9,034)	-24.51
People's Bank of China	**128,063**	**51.4**	42,187	26.5	85,876	203.56
Policy banks	**32,982**	**13.2**	28,594	17.9	4,388	15.35
Banks and other non-banking financial institutions	**25,956**	**10.4**	22,223	13.9	3,733	16.80
Overseas public sector entities	**11,587**	**4.7**	15,295	9.6	(3,708)	-24.24
Corporate entities	**22,719**	**9.1**	14,236	8.9	8,483	59.59
Total debt securities	**249,131**	**100.0**	159,393	100.0	89,738	56.30

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	changes	Growth (%)
Domestic	**214,451**	**86.1**	121,845	76.4	92,606	76.00
Overseas	**34,680**	**13.9**	37,548	23.6	(2,868)	-7.64
Total debt securities	**249,131**	**100.0**	159,393	100.0	89,738	56.30

As of the end of June 2008, the Group had no investment in U.S. subprime mortgage-backed securities. The Group held foreign currency residential mortgage-backed securities totaling USD1.253 billion equivalent to RMB8.594 billion accounting for 3.45% in total investment in securities, among which USD1.234 billion equivalent to RMB8.462 billion was PRIME rated and USD19 million equivalent to RMB132 million was ALT-A rated. The Group held USD3 million equivalent to RMB20 million CDOs and USD5 million equivalent to RMB36 million commercial mortgage-backed securities. As of the end of June, the Group has provided RMB4 million provision for the ALT-A and RMB11 million for the CDOs.

As of the end of June 2008, the Bank held USD384 million equivalent to RMB2.632 billion residential MBS secured by Fannie Mae and USD797 million equivalent to RMB5.465 billion residential MBS secured by Freddie Mac, and the institutional debt issued by Fannie Mae and Freddie Mac USD232 million equivalent to RMB1.593 billion and USD171 million equivalent to RMB1.17 billion respectively, accounting for 0.64% and 0.47% in total debt securities investment.

The foreign currency residential mortgage-backed securities at the end of June 2008 by the Group are shown in the following figure:

Unit: RMB million

	Balance as of June 30, 2008	Proportion in foreign currency MBS (%)	Proportion in domestic and foreign currency securities (%)	Balance of impairment provision	Credit rating
Residential MBS	**8,594**	99.35	3.45	4	
Prime	**8,462**	97.82	3.40	—	Issued by U.S. US federal institution, and rated AAA
Thereinto: Fannie Mea	**2,632**	30.43	1.06	—	
Freddie Mac	**5,465**	63.18	2.19	—	
Alt-A	**132**	1.53	0.05	4	Issued by U.S. US non-federal institution, and rated AAA
Subprime	**—**	—	—	—	—
MBS (Note)	**20**	0.23	0.01	11	S&P AAA, Moody's Baa2, Fitch A
CMBS	**36**	0.42	0.01	—	S&P AAA, Moody's Aaa, Fitch AAA
Total	**8,650**	100.00	3.47	15	

Notes: (1) The Group held only one CDO in its MBS, and its pool of mortgage-backed assets was diversified including aircraft leasing, equipment leasing, auto loans, CMBS and home equity loans, etc.

(2) The payment of CDO principle and interest was normal, while as of the end of June, the Group has drawn the reserve for this investment of RMB11 million impairment losses provision for the sake of prudent risk control.

Significant Financial Debt Securities Investment Breakdown

The table below shows the breakdown of financial debt securities with the value of over RMB1 billion (inclusive) held by the Group as of the end of June 2008.

Unit: RMB million

Bond Name	Book value	Purchase date	Maturity date	Annual interest rate %
Securities 1	6,900	2007-10-12	2010-10-12	3.95%
Securities 2	5,000	2007-09-07	2010-09-07	3.71%
Securities 3	4,985	2008-04-11	2008-07-11	Zero coupon bond
Securities 4	4,982	2008-04-18	2008-07-18	Zero coupon bond
Securities 5	4,933	2008-06-20	2008-09-19	Zero coupon bond
Securities 6	4,773	2008-05-09	2008-08-08	Zero coupon bond
Securities 7	4,767	2008-06-13	2008-09-12	Zero coupon bond
Securities 8	4,754	2008-05-30	2008-08-29	Zero coupon bond
Securities 9	4,677	2008-04-30	2008-07-30	Zero coupon bond
Securities10	4,471	2008-05-16	2008-08-15	Zero coupon bond
Securities11	4,437	2008-04-07	2008-07-07	Zero coupon bond
Securities12	3,990	2008-05-23	2008-08-22	Zero coupon bond
Securities13	3,965	2008-06-06	2008-09-05	Zero coupon bond
Securities14	3,839	2008-06-27	2008-09-26	Zero coupon bond
Securities15	3,612	2008-04-25	2008-07-25	Zero coupon bond
Securities16	3,000	2007-03-09	2010-03-09	3.07%
Securities17	3,000	2007-07-13	2010-07-13	3.60%
Securities18	2,732	2008-03-05	—	5.00%
Securities19	2,732	2008-01-23	—	5.20%
Securities20	2,650	2008-02-20	2015-02-20	4.90%
Securities21	2,411	2008-05-15	—	5.26%
Securities22	2,119	2008-04-30	—	2.60%
Securities23	2,000	2008-06-24	2009-03-24	4.86%
Securities24	1,500	2008-04-24	2013-04-21	3.69%
Securities25	1,300	2008-03-25	2018-03-20	4.07%
Securities26	1,200	2008-02-13	2015-02-13	3.95%
Securities27	1,090	2000-09-21	2010-09-21	4.34%
Securities28	1,050	2008-04-08	2013-04-08	4.63%
Securities29	1,000	2007-09-07	2008-07-07	3.85%
Securities30	1,000	2007-07-11	2008-07-11	4.73%
Securities31	1,000	2008-03-17	2011-02-22	4.56%
Securities32	1,000	2008-02-15	2011-02-15	4.52%
Total	**100,869**			

Investment Quality Analysis

Changes in investment provision for impairment losses

Unit: RMB million

	First half of 2008	2007
Beginning balance	**15**	245
Change for the period/year[1]	**8**	7
Write-offs	**—**	(66)
Transfer in/transfer out [2]	**—**	(171)
Ending balance	**23**	15
Including: investment Provision for impairment losses available-for-sale	**7**	3
investment Provision for impairment losses held-to-maturity	**16**	12

Notes: (1) Equals to net provision for impairment losses accrued in the consolidated income statement of the Group.

(2) Includes effects of provision for impairment losses released through transferring lawfully collected bad loan collaterals into repossessed assets and exchange rate fluctuation.

Derivatives Categorization and Fair Value Analysis

Unit: RMB million

	June 30, 2008			December 31, 2007		
	Nominal principal	**Fair value**		Nominal principal	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
Interest rate derivatives	**162,755**	**758**	**(1,055)**	137,348	947	(312)
Currency derivatives	**173,268**	**3,375**	**(1,477)**	113,307	1,093	(1,600)
Credit derivatives	**853**	**17**	**(13)**	456	9	(2)
Total	**336,876**	**4,150**	**(2,545)**	251,111	2,049	(1,914)

In-balance sheet interest receivable

Unit: RMB million

	December 31, 2007	Increase in the reporting period	Interest collected in the reporting period	**June 30, 2008**
Loan interest receivable	1,497	22,318	(22,082)	**1,733**
Bonds interest receivable	1,744	3,901	(3,408)	**2,237**
Other interests receivable	130	2,880	(2,958)	**52**
Total	3,371	29,099	(28,448)	**4,022**

Liability Business

Customer Deposits

Unit: RMB million

	June 30, 2008	December 31, 2007	Compared to the previous year end	
			changes	Growth (%)
Corporate deposit				
demand deposit	**353,346**	338,074	15,272	4.52
time deposit	**386,095**	301,931	84,164	27.88
Thereinto: negotiated	**27,670**	28,770	(1,100)	-3.82
non-negotiated	**358,425**	273,161	85,264	31.21
Subtotal	**739,441**	640,005	99,436	15.54
Personal deposit				
demand deposit	**31,963**	66,900	(34,937)	-52.22
time deposit	**78,060**	80,306	(2,246)	-2.80
Subtotal	**110,023**	147,206	(37,183)	-25.26
Total customer deposit	**849,464**	787,211	62,253	7.91

As of the end of June 2008, the Group had customer deposit of RMB849.464 billion, representing an increase of RMB62.253 billion or 7.91% compared to RMB787.211 billion as of the end of 2007. Corporate loan balance of the Group increased by RMB99.436 billion compared to the figure at the end of last year, but negotiated deposit decreased by RMB1.1 billion to RMB27.67 billion as of the end of June 2008 from RMB28.77 billion on December 31, 2007. The major reason was that the Group started cutting down the negotiated deposits, which had a higher cost than the average cost of the whole corporate deposit. As of the end of June 2008, the Group's personal deposit accounted for 12.95% of the total deposit, representing a decrease of 5.75 percentage points from the end of December 2007. It is mainly because the Group launched wealth management products, thus resulting in the decline of personal deposits proportion.

Customer Deposit Breakdown by Currency

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	changes	Growth (%)
RMB	**802,947**	**94.5**	735,558	93.4	67,389	9.16
Foreign Currency	**46,517**	**5.5**	51,653	6.6	(5,136)	-9.94
Total	**849,464**	**100.0**	787,211	100.0	62,253	7.91

Customer Deposit Breakdown by Geographical Location

Unit: RMB million

	June 30, 2008		December 31, 2007		Compared to the previous year end	
	Balance	**Percentage (%)**	Balance	Percentage (%)	changes	Growth (%)
Bohai Sea Rim (1)	**426,601**	**50.2**	355,927	45.2	70,674	19.86
Yangtze River Delta	**202,182**	**23.8**	176,372	22.4	25,810	14.63
Pearl River Delta and the West Coast of Taiwan Strait	**61,035**	**7.2**	99,913	12.7	(38,878)	-38.91
Central region	**66,081**	**7.8**	65,163	8.3	918	1.41
Western region	**66,841**	**7.9**	63,336	8.0	3,505	5.53
Northeastern region	**26,724**	**3.1**	26,500	3.4	224	0.85
Total Customer Deposits	**849,464**	**100.0**	787,211	100.0	62,253	7.91

Note: (1) Includes the Head Office

Customer Deposit Breakdown by Remaining Maturity

The following table shows deposit breakdown by remaining maturity as of June 30, 2008.

Unit: RMB million

	Overdue/demand deposit		3 months		3–12 months		1–5 years		Over 5 years		Total	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits	390,478	46.0	171,111	20.0	158,748	18.7	15,220	1.8	3,884	0.5	739,441	87.0
Personal deposits	53,879	6.3	24,003	2.9	27,961	3.3	4,176	0.5	4	—	110,023	13.0
Total	444,357	52.3	195,114	22.9	186,709	22.0	19,396	2.3	3,888	0.5	849,464	100.0

Shareholders' Equity

For changes in shareholders' equity during the reporting period, please refer to financial statement of the Group — Unaudited consolidated statement of changes in equity.

Major Off-Balance Sheet Items

As at the end of the reporting period, major off-balance sheet items and their balances are shown in the table below.

Unit: RMB million

	June 30, 2008	December 31,2007
Credit Commitment		
— Bank acceptance	**201,415**	166,939
— Guarantees	**35,092**	32,547
— Letters of credit issued	**50,779**	36,016
— Irrevocable loan commitments	**12,121**	8,150
— Credit card commitments	**24,674**	16,934
Subtotal	**324,081**	260,586
Operating leasing commitments	**2,872**	2,275
Capital commitments	**368**	391
Pledged assets	**12,257**	15,766
Total	**339,578**	279,018

Supplementary financial indices for latest three years as of the reporting period

The followings are the relevant ratios calculated based on *The Core Indicators for the Risk Management of Commercial Banks* (for Trial) as of the end of June 2008, the end of December 2007 and the end of December 2006.

Index Catergory	Indicator		Indicator standard (%)	Data of the Bank(%) June 30, 2008	December 31, 2007	December 31, 2006
Liquidity risk	liquidity ratio	RMB	≥25	**47.25**	38.90	38.66
		Foreign currency	≥60	**129.25**	110.01	99.98
	Core liability dependency		≥60	**51.74**	48.62	56.17
	Liquidity gap		≥(10)	**-9.74**	3.63	10
	Deposit/loan ratio	RMB	≤75	**75.56**	74.40	79.93
		Foreign currency	≤85	**72.37**	68.82	33.36
Credit risk	Non-performing asset ratio		≤4	**0.79**	0.82	2.45
	NPL ratio		≤5	**1.45**	1.48	2.50
	Single group client loan concentration		≤15	**4.25**	4.47	6.9
	Single group client loan concentration		≤10	**2.92**	3.41	6.7
	generalized correlation ratio		≤50	**3.90**	3.88	10.12
Market risk	Accumulated foreign exposure positions		≤20	**2.54**	11.42	6.19
Profitability	Cost/income ratio		≤35	**31.50**	34.89	43.85
	Asset profitability		≥0.6	**1.58**	0.97	0.61
	Capital profitability		≥11	**19.31**	14.30	13.07
Provision adequacy (Note)	Asset loss provision adequacy ratio		>100	**135.50**	132.28	160.84
	Loan loss provision adequacy ratio		>100	**131.30**	128.61	148.21
Capita adequacy	CAR		≥8	**14.28**	15.27	9.41
	Core CAR		≥4	**12.34**	13.14	6.57

Note: The calculations for the above regulatory indicators are based on the Core Indicators for the Risk Management of Commercial Banks (for Trial Implementation) promulgated by the People's Bank of China and effective on January 1, 2006.

Segment Report

Segment report by business segments

The Group has been in the leading position in corporate banking business. In the first half of 2008, corporate banking business has contributed the business profit of RMB10.124 billion to the Group's total profit, an increase of 82.55% year on year. Meanwhile, under the background of the tightened policy by the central bank, the Group has acquired accurate understanding of market and policy trend and effectively controlled portfolio risk by flexibly adjusting the investment structure for the first half of 2008. The business profit in the first half of 2008 brought by treasury business has increased by RMB784 million, up by 95.26% year on year. In addition, the personal banking business was enhanced continuously by the Group in 2008 and yielded RMB466 million business profit for the Group, an increase of 35.86% year on year.

Segment report by geographical segments

The Yangtze river delta region, the Pear river delta region, the West coast of Taiwan strait, and the Bahai sea rim have always been the most important contributors to the Group's revenue and profit growth, whose total profit increased by RMB3.539 billion and accounted for 73.32% of the Group's total in the first half of 2008. In recent years, the business in Central China, Western China and Northeastern China have been developing rapidly, with the business profit increase of RMB606 million year on year and its proportion of 16.99%.

Key accounting estimates and assumptions

The preparation of the financial statements in line with IFRS requires the management to make certain accounting estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances, and are reviewed on an on-going basis. The accounting estimates and associated assumptions made by the Group appropriately reflected the financial positions of the Group.

The main aspects influenced by estimates and judgements of the basis for compiling financial report of the Group includes: financial instruments confirmation and measurement (loan impairment allowances and loan write-offs, classifications of debt and equity investments, measurement of financial instruments at fair value through profit and loss, measurement of available-for-sale investments at fair value, measurement of derivatives at fair value), accrual of actuarial obligations for pension and welfare, deferred taxation, and provision for income taxes.

Business Review

Corporate Banking Business

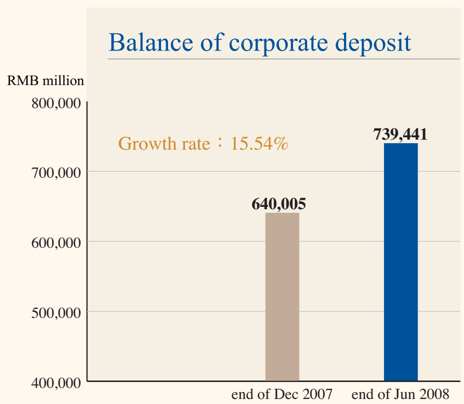
The Bank sticks to the strategy of "High quality industry, high quality enterprises, mainstream markets and mainstream clients" for corporate banking business and implementing its differentiated product and service policy with the corporate financial service brand of "CNCB Gateway to Wealth" to offer tailor-made comprehensive financial service solution to its clients. By doing so, business cooperation with mainstream clients was strengthened and the competitiveness of corporate banking business enhanced. By the end of June 2008, the balance of deposit of over 2,200 strategic clients totaled RMB314.1 billion, an increase of 41.2% compared to that of the end of last year, accounting for 42.48% of all corporate deposits; the balance of loan stood at RMB236.3 billion, up by 17.9% as opposed to that of the end of last year, accounting for 45.84% of all corporate loans (discounted bills excluded).

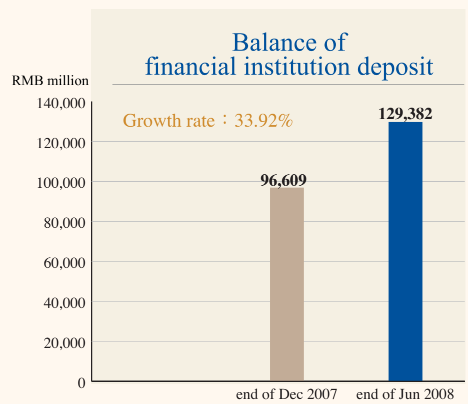
Corporate Deposits

The Bank continued to enhance the liability business through multiple channels. Excellent institutional client cooperation base, fast growing corporate Internet banking and cash management service have efficiently promoted clients' settlement business with the Bank and lead to a rapid growth of corporate loan business. By the end of June 2008, balance of corporate deposit was RMB739.441 billion, up by 15.54% over the end of last year, accounting for 87.05% of the total deposits, among which the balance of institutional clients from fiscal and tax sectors was RMB193.4 billion, a further increase to 26.15% in total corporate deposits of the Bank; the negotiated deposit accounted for 3.74%, a drop of 0.76 percentage point from the end of last year.

Financial Institution Business

The Bank has actively expanded the business cooperation with financial institutions within CITIC Group by leveraging on the platform of CITIC financial holdings, and enlarged the low-cost financial business with peers by taking third-party depositary business as an entry. By the end of June 2008, the balance of deposit of financial institutions stood at RMB129.382 billion, up by 33.92% compared to the end of last year; average daily balance of deposit of financial institutions was RMB168.31 billion, up by 65.44% compared to that of the end of last year, among which the average daily balance of deposit driven by third-party depositary deposit reached RMB53 billion.





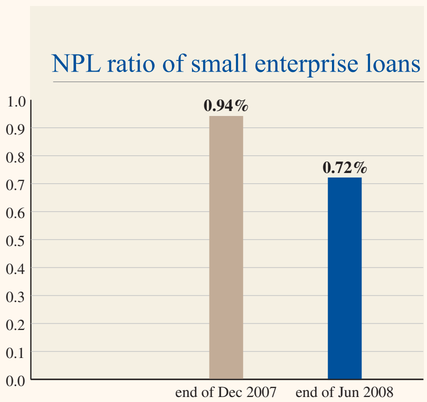
Corporate Loans

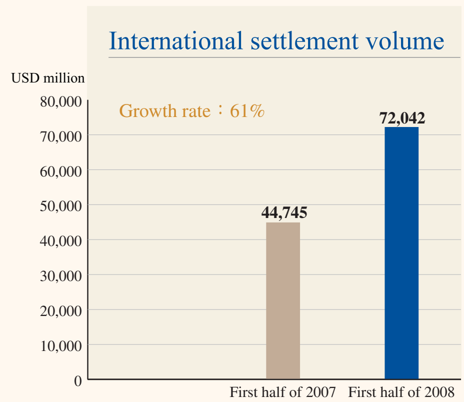
According to the State's macro regulatory policies, the Bank actively supports basic industries concerning national economy and the people's livelihood such as exploration and production of petroleum, coal, power, telecommunications, transportation and in particular resource-intensive industries of water supply, heat supply and gas supply in large-and-medium-sized cities. The Bank reduced credit granted to industries of high energy consumption and high pollution and less competitive small real estate companies with weak capital chain and easily influenced by macro regulatory policies. By doing so, the Bank's loan structure is further optimized. Meanwhile, the Bank made great efforts in promoting industry chain financing, expanding auto finance and steel finance by leveraging on large and quality enterprises. The Bank's asset business continues to grow in a sound and steady manner. By the end of June 2008, balance of corporate loan stood at RMB551.761 billion (including discounted notes), an increase of 10.55% compared to that of the end of last year, among which the balance of discounted notes was RMB36.3 billion, an increase of 8.06% from the end of last year.

The Bank has improved and innovated products and services suitable for SMEs e.g. five innovated products including co-guarantee loan and loan pledged by operating rights of commercial real estates, etc. and service solutions including supplier financing of large supermarket and structural financing of accounts receivable etc. The Bank has continuously enhanced guarantee platform and risk control capability. By the end of June 2008, the Bank has 6,665 small enterprise clients; the total credit facilities amounted to RMB53.5 billion, up by 16.3% from the end of last year; the balance of loan stood at RMB30.9 billion, an increase of 13.7% over the end of last year; the NPL ratio was only 0.72%, down by 0.22 percentage point from the end of previous year.

Non-Interest Income Products and Business

The Bank made vigorous efforts in developing newly emerging businesses such as investment banking, custodian service in the first half of 2008, Internet banking and cash management service, and strengthened the cooperation with other financial subsidiaries within CITIC Group to enhance the proportion of non-interest income in the corporate banking business income. By the end of June 2008, the net non-interest income of the Bank's corporate banking was RMB1.186 billion, an increase of 74.66% year on year, accounting for 55.63% of the total non-interest income.





International Settlement Business

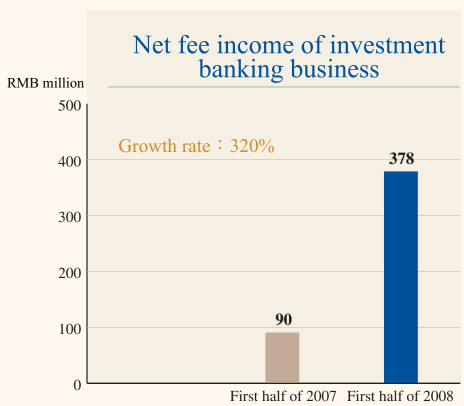
International settlement business of the Bank has grown with a CAGR of 42% in the recent three years, faster than that of the total volume of import and export of the country. Market share of international settlement business has increased to 6.4% at the end of June of 2008 from 5.0% at the end of last year. By the end of June 2008, international settlement amount was USD72.04 billion, an increase of 61.0% compared to that of the end of last year; non-interest income of international business was RMB510 million, an increase of 35% year on year. According to the statistics of ICC, the bank continues its leading position among Chinese small and medium-sized joint-stock commercial banks in terms of international settlement volume.

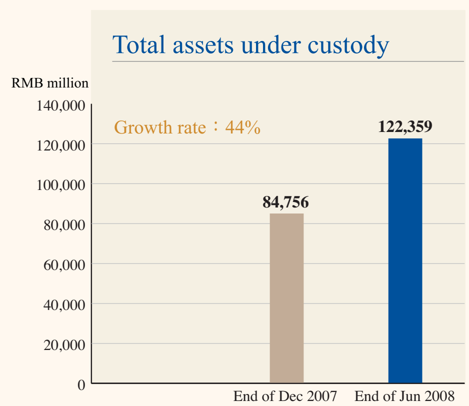
Investment Banking Business

The Bank has identified financial advisory, bond underwriting, asset management, syndicated loan, off-balance sheet financing as the five key products for this year to consolidate and develop the source of growth for investment banking business. By the end of June 2008, net non-interest income of investment banking business was RMB378 million, an increase of 320% compared to the same period of last year, accounting for 31.87% of non-interest income of corporate banking business, among which, non-interest income of financial advisory and asset management has increased by 661% and 112.64% respectively year on year; non-interest income of structural financing business generated by syndicated loan, off-balance sheet financing and export credit has increased by 245.33% year on year. The Bank has realized RMB13.84 billion of bond underwriting in volume in the first half of 2008, an increase of 22.70% from the same period of last year; the Bank has cumulatively underwritten RMB70 billion commercial paper since it started the business, which ranks the Bank number four among domestic commercial banks.

Custodian Business

The Bank has overcome a number of difficulties brought by the significant adjustment of domestic securities market due to unfavorable factors and maintained a rapid growth momentum. By the end of June 2008, asset under custody was RMB122.359 billion, an increase of 44.35% compared to the end of last year. For the first half of 2008, income from custodian service fee was RMB111 million, an increase of 640% year on year; there are 101 asset portfolios under custody, increased by 65.57% year on year. During the reporting period, the Bank got the approval of providing custody service to insurance funds by China Insurance Regulatory Committee, thus became the second joint-stock bank with a full range of custodian qualifications to cover all business segments within the country.





Cash Management and Corporate Internet Banking Businesses

The Bank launched the service brand of “CITIC Cash Management” to accelerate the research and development of a new generation of cash management system; strengthened the cooperation of cash management business with its strategic investor, BBVA, to jointly provide cash management solutions for BBVA’s customers in China. By the end of June 2008, the Bank has 3,456 cash management clients, 48.2% more than that of the end of last year; the accumulated transactions amount was RMB1,011.2 billion, RMB104 billion more than the end of 2007. With the outstanding performance in cash management, the Bank won the award of “2007 China’s Best Cash Management Bank” sponsored by Asia Money and the award of “2007 China’s Best Cash Management Bank” in the selection of “2007 Best Bank in China” sponsored by “Economic Observer”. The Bank acquired 9,434 newly signed accounts for corporate Internet banking business with a transaction amount of RMB2,768.9 billion, respectively 2.29 times and 2.39 times of that year on year. The replacement rate of the Bank’s corporate Internet banking accounts was 12.78%, 3.11 percentage points higher than that of the end of the previous year.

Retail Banking Business

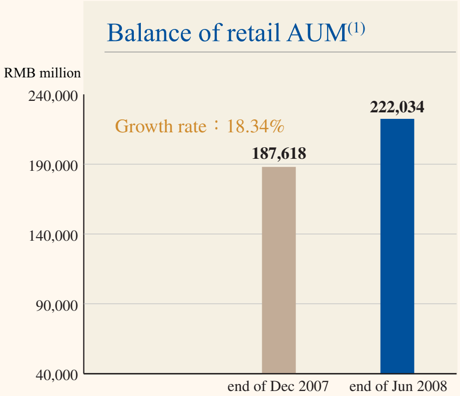
In the first half of 2008, the Bank actively responded to the change of macroeconomic situation, focused on the system building, product innovation, brand marketing and internal management, therefore, the retail banking business of the Bank maintained the fast growth momentum. The liabilities business was adjusted flexibly in response to the market changes, and its capability to increase market share and clients was enhanced steadily. The assets business grew steadily in the tightening macroeconomic background; the intermediary business focusing on wealth management gained a rapid overall growth and the whole business structure was further optimized. By the end of June 2008, the Bank’s retail banking business income was RMB3.15 billion, representing a growth of 62.45% year on year, accounting for 15.47% of the total revenue. The net non-interest income of the Bank’s retail banking business was RMB572 million, a growth of 133.47% year on year.

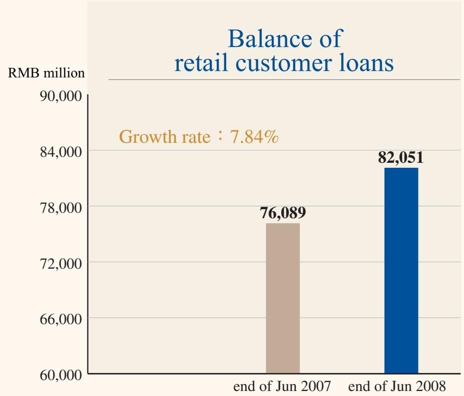
Retail AUM

In the first half of 2008, despite the gloomy domestic capital market, the Bank continued to use its competitive advantages in retail wealth management product market and enhanced basic services of saving deposits to meet the diversified demands of clients by offering a full range of financial services. By the end of June 2008, the balance of AUM of individual customers totaled RMB222.034 billion, up by RMB34.416 billion over the previous year end, an increase of 18.34%; among which, the balance of saving deposits was RMB110.023 billion, representing a decrease of RMB37.183 billion compared to that at the beginning of the year. The decrease was mainly due to the outflow of customer deposits to the sales of wealth management products. By the end of the reporting period, the Bank's wealth management products total asset size increased by RMB65.758 billion than that of the end of the previous year.

Retail Consumer Loans

During the first half of 2008, according to the adjustments of real estate market caused by the macroeconomic policy, the Bank proposed a development strategy of "active marketing, develop retail credit business in a prudent manner". First of all, we focused on the development of residential mortgage loans business; then followed by steadily promoting automobile consumer loan; thirdly, launched other consumer loans business including student loans for overseas study, comprehensive consumer loans and personal pledged loans, and launched the pilot projects of personal credit loans centering on high-end customers. At the end of June 2008, the balance of personal loans was RMB82.051 billion, an increase of 7.84% from the end of the previous year; among which, the balance of mortgage loans amounted to RMB64.827 billion, 6.57% higher than the end of previous year.





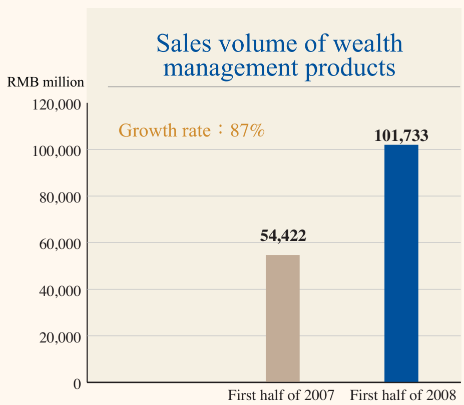
Note: (1) The total of individual saving deposits and wealth management products.

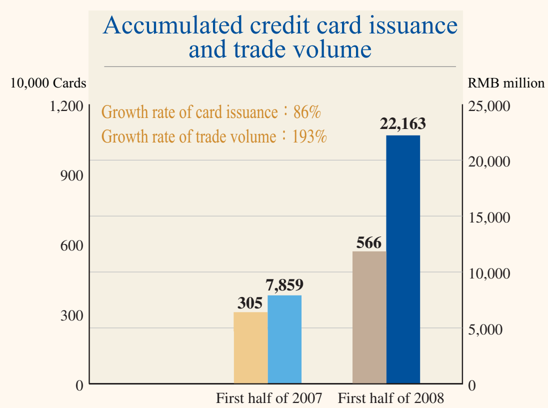
The Bank's personal loan management system Version 2.0 was launched and helped the Bank achieve a centralized management of personal loan product parameters, approval processes and credit scoring standards, and set up an expressway for online approval from branches to the Head Office. The Bank introduced the "single or double-week repayment", "progressive repayment", "live-in repayment", "balloon mortgage" and "stage installation" and other means of repayment to achieve the flexibility of the means of repayment for individual mortgage loans. As for the loan application channels, the Bank has built up various distribution channels through Internet banking platform, namely, self-service pledged loan, the self-service prepayment, self-service loan inquiry and the self-service lending within the credit lines.

Wealth Management

Due to the rapid growth in the investment needs from our customers, the Bank leveraged on CITIC Group's financial platform by introducing fixed-income investment products with innovative structure and business model, and wealth management products like IPO share subscription with innovative strategy. At the same time, as a timely response to the fall of related financial products yield caused by the decline of stock market, the Bank accelerated the frequency of launching new products, to offset the effect of a decline in yield on non-interest income through the expansion of financial products' sales scale. By the end of June 2008, the Bank has sold 155 financial products denominated by foreign and domestic currencies in total, the sales volume reached RMB101.733 billion in total, up by 86.93% year on year; and the type of financial products and the sales volume were in the leading position among other small and medium-sized joint-stock commercial banks. The net fee income of wealth management products was RMB125 million, a year-on-year growth of 123.21%. Thanks to our excellent performance in wealth management, the Bank won the "Best Wealth Management Award" in "Asia-Pacific Retail Financial Services Excellence Award" sponsored by "Asian Banker".

During the first half of 2008, the Bank aggressively expanded the business of fund agency and insurance agency, which further enriched our product line. At the end of the reporting period, the Bank has established relationships of sales agent with all the domestic fund management companies; the number of its cooperative fund companies increased from 19 at the beginning of the year to 52, while the number of the funds sold by the bank network





increased from 100 to 400. For the insurance agency business, the Bank strengthened its cooperation with Xincheng (CITIC-Prudential Life Insurance Company Ltd.), a subsidiary of CITIC Group. For the first half of the year, its premium income was RMB187 million, up by 456% year on year. In addition, the Bank has established cooperative relationship with China Ping An Insurance (Group) Co. Ltd., PICC Life Insurance Co. Ltd., and will be entering the sales stage during the second half of the year.

As at the end of the reporting period, the Bank's clients of wealth management reached 723,600, an increase of 175,300 than the beginning of the year; the number of VIP clients, whose total assets value under management is more than RMB500,000, reached 80,500, which is 13,900 more than the beginning of the year.

Credit Card Business

For the first half of 2008, the Bank's credit card business continued to maintain the stable, rapid and healthy development, its customer scale was further expanded, and the profitability was significantly enhanced. The Bank achieved a pre-tax profit of RMB38.28 million. By the end of June 2008, the Bank has accumutively issued over 5.66 million credit cards in total, among which, 1,437,300 credit cards were issued during the first half of 2008, an increase of 86.30% year on year. Transaction volume of the Bank's credit cards and the balance of loans were RMB22.163 billion and 6.733 billion, respectively, growing 192.52% and 212.15% year on year. The credit card business income amounted to RMB533 million, an increase of 220.85% over the previous year.

During the first half of 2008, the Bank's Credit Card Center carried out the active marketing to clients, promoted the rapid development of some high-yield business like mail order instalment, bill/single instalment, and, through the construction of external call platform, enhanced the marketing of cross-selling and profit-making products. The income structure was further optimized and the profitability improved continuously. By the end of the reporting period, transaction volume of the Bank's mail order instalment business reached RMB112 million, 2.01 times higher than last year on year; transaction volume of bills/single instalment business reached RMB421 million, 4.14 times higher year on year.

During the reporting period, the Bank made new achievements in credit card product innovation and client development. As of the end of June 2008, we have issued more than 690,000 CITIC & Air China Zhiyin Cards, which continued to keep the record of fast development in bank and airline joint credit cards business, as well as bank and Air China card business. The Bank, together with QQ.com and China UnionPay, launched QQ Sports series credit cards, which enriched the product line of the Bank's credit cards. As one of the measures to upgrade our services for platinum credit card, the Bank hosted the CITIC Platinum Card 2008 "36 + 1" Golf Tour, which strengthened the business relationship with high-end clients.

The core competitiveness of the customer services of credit card of the Bank has been further enhanced. In the first half of the year, the Operating Department of the Bank's Credit Card Center successfully passed ISO9001: 2000 Quality Management System Certification with zero mistake rate. During "Asia&Pacific CRE and CSQS Summit", the Credit Card Center of the Bank won the awards of "Best Customer Service Center" and "Best Customer Experience".

Treasuary and Capital Market Business

The Bank offered treasuary products and services to its corporate and individual customers and also engaged in its proprietary assets wealth management and trading. The products that the Bank trades and sells mainly include foreign exchange, fixed income and derivatives products. Through such products the Bank provides retail, corporate, and institutional customers with services in risk management, investment, and financing. Asset management mainly refers to the investment and trading in securities.

In the first half of 2008, the subprime mortgage crisis of the U.S. developed into a systematic financial crisis that impacted the global financial system. A series of tightening domestic monetary policies were issued, which exerted some impact on the development of treasuary and capital market business of the Bank. And at the meantime, drastic fluctuation of the market resulted in the increase in customers' demand for treasuary and capital market products, which drove the Bank's agency business to increase. By the end of June 2008, the money and capital market business had a business revenue of RMB2.006 billion, increased by 83.70% year on year, accounting for 9.85% of the total revenue; net non-interest income of the treasuary and capital market business was RMB969 million, a year-on-year growth of 298.77%, accounting for 45.45% of total non-interest income.

Sales-Trading

The Bank further enhanced the business model of "Sales-Trading" and launched the product strategy of aggressively promoting foreign exchange purchase and sale products, actively developing liability-driven products, and steadily developing derivatives business, and the marketing strategy of "simple products and efficient marketing" further boosting the core competitiveness of the Bank's treasuary and capital market products against the volatile financial markets.

Foreign exchange business maintained its traditional advantages and the trade volume of foreign exchange market-making business and profit increased considerably and continued to outperform foreign and domestic banks. From January to May, the volume of spot and forward exchange transactions of the Bank totaled USD33.5 billion, ranking the second among small and medium-sized joint-stock commercial banks in China.

In the first quarter, the Bank fully launched RMB interest rate derivatives market-making business, and in the first half of the year the Bank's trading volume of RMB exchange rate derivatives reached RMB75.7 billion, among the top in ranking.

Assets Management

In the volatile global financial markets, the Bank had conducted a thorough review of its investment in bond denominated by foreign currency, and optimized the portfolio while taking asset safety and liquidity as precondition in order to ensure a controlled asset risk and favorable income. Meanwhile taking the advantage of the RMB bonds market changing from up to down, the Bank promptly adjusted the RMB portfolio structure and effectively avoided the impact on the Bank's RMB yield on assets by the market fluctuation. During the first half of 2008, the Bank realized RMB3.901 billion interest income from bond investment, up by RMB1.692 billion year on year and the yield of 3.69%, up by 46 basis points year on year.

Leveraging on CITIC Integrated Financial Service Platform

CITIC Group has financial subsidiaries in banking, securities, trust and custodian service, insurance, future, etc. and many enjoyed leading positions in their respective sectors. The Bank is establishing its unique competitiveness by cooperating with the financial subsidiaries of CITIC Group.

Offering Integrated Financial Solutions

The Bank offers differentiated integrated financial services to clients through cross-selling of the financial products and joint marketing of key projects.

The Bank underwrote short-term financing bills and medium-term notes. The Bank and CITIC Securities Co., Ltd. (CITIC Securities) jointly underwrote commercial paper totaling RMB2 billion and medium-term notes totaling RMB5.4 billion for its corporate clients.

The Bank issued wealth management products to corporate clients. The Bank and CITIC Trust Co., Ltd. (CITIC Trust) jointly launched multiple wealth management programs specialized in investment in IPO share subscription, quality credit assets and monetary market instruments for corporate clients, and raised RMB660 million.

The Bank developed custodian business, including AUM managed by securities companies, trust assets, and enterprise annuity, etc. Among others, the assets managed in custody under the cooperation with CITIC Securities were RMB3.778 billion; the assets managed as trust assets through cooperation with CITIC Trust were RMB4.488 billion; the assets managed under the program of enterprise annuity through cooperation with CITIC Securities and CITIC Trust reached RMB873 million.

Promoting Sharing of Client Resources

The Bank and CITIC Securities under CITIC Group jointly developed third-party depositary business, i.e. securities firms' clients put the margin in the savings account with the Bank. In the first half of 2008, the Bank had additional 139,500 third-party depositary individual clients, 72.5% of whom are from securities companies under CITIC Group.

Conducting Cross Design and Cross-selling

The Bank continued to strengthen the cooperation in product R&D with subsidiaries of CITIC Group, such as CITIC Trust, CITIC Fund, Prudential Fund, CITIC Securities, China Securities Co. Ltd., and CITIC Prudential Insurance. In the first half of 2008, the Bank designed 35 wealth management products through cooperation with CITIC subsidiaries, realizing the revenue of RMB73.37 billion, up by 59.09% and 84.18% respectively year on year.

Cooperation with Strategic Investor

In the first half of 2008, the Bank and Banco Bilbao Vizcaya Argentaria SA (BBVA) held two meetings of Strategic Cooperation Committee and further confirmed the core business areas of cooperation, namely retail and private banking, treasuary and capital market, corporate and investment banking, annuity, auto financing, risk management and staff training.

In corporate banking business, both sides have made progress in system connection through SWIFT and established the cross-border cash pool. The Bank and BBVA have attended international high-profile cash management conferences for several times and worked together to provide cash management solutions for BBVA's clients in China.

In investment banking business, the Bank and BBVA have made active efforts to promote cooperation in such areas as project financing and cross-border M&A and restructuring. On June 19, the two parties jointly held "Chinese Enterprises Invest in Latin America Conference" in Beijing, making a research on the possibility of providing comprehensive financial advisory and supporting financial services for Chinese enterprises' investment in Latin America by leveraging on the extensive experience of serving internationalized customers of the Bank in the past years and the advantages of CITIC financial platform and through cooperation with BBVA.

In annuity business, the Bank has gradually established a leading annuity system in China by learning from BBVA's such mature experience as organization structuring, marketing system, operation process and internal control and introducing the mature annuity products of BBVA's Latin America operations to gradually establish a leading annuity business system. In the meantime, BBVA will assist the Bank in marketing toward foreign enterprises in China.

In international business, the Bank has established corresponding bank relationship with most of BBVA's network in South America, and currently nearly 10 branches of BBVA's global network can provide comprehensive financial services to the Bank's clients.

In addition, in treasuary business, both parties have carried out transaction cooperation in the area of derivatives and planned to cooperatively conduct pilot reginal marketing within China. In private banking business, both sides have reached a preliminary consensus on business cooperation model. In risk management, both parties have made arrangements in connection with such plans as experts from BBVA participating in the specific development of two rating projects o the Bank and providing professional technical training.

Distribution Channel

Branches

In the first half of 2008, the Bank further accelerated the construction of institutional outlets, focusing on establishing branches in provincial capital cities of relatively developed central and western areas as well as developed prefecture-level cities in southeastern coastal areas and opening sub-branches in such economic central cities as Beijing, Shanghai and Guangzhou. During the reporting period, the Bank opened 1 tier-two branch and 19 in-city sub-branches. As of the end of June, the Bank has 505 business outlets in total, among which there are 28 tier-one branches, 18 tier-two branches, 458 in-city sub-branches and 1 finance company. In addition, Nanning Branch of the Bank opened on July 22 and three other new branches have been approved by China Banking Regulatory Commission (CBRC).

Self-Service Outlets and Self-Service Terminals

The Bank has been continuously increasing self-service banking and self-service facilities distribution network to reduce operation cost and increase the profitability of outlets. As of the end of June 2008, the Bank has 746 self-service banking centers and 2,320 self-service terminals (including ATMs, integrated CDMs and CRSs), up by 2.5% and 9.1% respectively over the end of last year.

Information Technology

In the first half of 2008, the Bank took the task of enhancing its capability of risk management of information technology as the core, and launched “Year of Quality and Safety of Information Technology” across the Bank. At the same time, the Bank continued to increase its investment in information technology as planned, which effectively supported and promoted the Bank’s rapid business development and management level.

The Bank continued to increase its investment in information technology, accelerated the R&D of application projects and the application of product. Major projects that have been completed or whose pilot programs have been completed were: centralized accounting processing system, Internet Banking Version 5.0, foreign bank card settlement system, RMB derivative products pricing system, the exchange/paper gold trading system, electronic document system, management accounting system, Off-site audit system, etc. The major projects under construction include a comprehensive budget management system, full-line operating data-storage system (ODS), and so on. In addition, to meet the rapid changes of market demand, the Bank continued to improve the existing information systems, including the core business system, Call Center system and VIP wealth management system.

The Bank has taken a series of effective measures to improve information systems risk prevention capability, including: immigration of core business system and credit card system to highly performing host systems based on high-performance IBM System i595 Construction of the high availability; network reconstruction across the Bank to improve the network’s security; assessment and rectification of the information system’s security risk; work out emergency plans for the information systems; the Head Office and branches have completed the switch exercise between the host and back-up host for network system, core system, front system and other important information systems, as well as the switch exercise between the Head Office’ production center and in-city disaster responding centre; further strengthened the monitoring system for network and host operation; completed the health examination on information system with equipment providers; increased operation maintenance personnel, improved the operation management system.

Risk Management

Credit Risk Management

In the first half of 2008, the Bank kept a close eye on changes in macro economy, operated the business steadily, emphasized the risk concept of "risk-adjusted return" and continued to adhere to the principle of "high quality industry, high quality customers, mainstream markets, mainstream customers". With the identification of the credit operating objectives of "safeguarding systematic risks, seeking higher income, strengthening structural adjustment and accelerating business innovation", the Bank succeeded in maintaining the loan quality at a relatively good level.

In the first half of 2008, our country encountered a disastrous earthquake in Wenchuan in Sichuan Province. Complying with the *Urgent Notice on Making Effort to Provide Financial Service in Earthwquake-hit Area (No.1)* (Yin Fa (2008) No. 152) issued by the People's Bank of China and China Banking Regulatory Commission (CBRC) which specified that "No banks shall urge the repayment of loans, increase interest rate as penalty, blacklist of those companies and individuals that cannot repay all kinds of loans on time in disaster-striken areas, and shall not restrict them from receiving other relief credit support", the Bank conducted relevant work accordingly. Meanwhile, the branches in the striken-areas actively communicated with borrowers and supported re-construction of enterprises so as to reduce the loss of the Bank to the largest extent.

1. Adjusting credit policy proactively and making efforts to prevent credit risks

   We proactively developed individual mortgage business, individual wealth management business and credit card business, and controlled long and medium-term loans.

   We offered tremendous support to fundamental industries which are vital to national economy and people's livelihood, e.g. oil production and processing, coal, power, communications, transportation, and selectively supported water, heat and gas supply industries in large and medium-sized cities. Besides, we supported the strategic industries which were key industries in national development plan by, for example, supporting industries with prime technique and equipment.

   We stepped up efforts in withdrawing from small and medium-sized real estate companies which were greatly affected by macro-control, and had weak funding chain and competitiveness. Exit has also been made in those resource-based enterprises with high energy consumption and pollution which were less competitive, easily affected by policy risk and disadvantageous within the industry. We also actively promoted green credit and implemented the veto system in environmental protection. As for the real estate sector and steel industry which have been greatly influenced by macro-control policies, we strived for maintaining the annual growth rate of loans not higher than the average growth rate of loans of the whole bank.

2. The Head Office adopted the Credit Review Committee Approving System under which a range of 5 ratings will be applied to loan extension business with different risks and amounts so as to enhance credit quality and efficiency. Meanwhile, the rights to approve loan extension was adjusted to make sure the authorization was differentiated according to clients' risk ratings and, different adjustment coefficients were set in due consideration of the product features and collateral security to appropriately extend the authorization to quality customer whose risk rating is BBB or above. Besides, in line with the execution of macro-control policies, we put in place an approval system for some industries (e.g. education) that especially is supervised by the country.

3. Deepening the examination on loan extension to industries, the head office at the beginning of the year established another three specialized approval panels for power and coal, petrochemistry and government financing platforms based on the existing 5 industry approval panels, and launched pilot loan review projects for particular industries in branches, paving the way for the full implementation of the loan approval system for different industries step by step in the whole bank.

4. According to the Bank's platform for the implementation of the New Basel Capital Accord, the Corporate Debt Rating and Exposure At Default (EAD) measurement Project and Retail Rating Project were officially launched. As planned, the two projects will be put in operation by the end of 2009, when the Bank will attain a high level of internal rating technology in credit risk area.

Corporate Loan Risk Management

Real Estate Industry Risk Management

The Bank was very concerned about the uncertainties in the real estate market, thus commenced property development loan business in a prudent way and focused its efforts in the development of individual mortgage loan business. We exercised an overall control over the real estate development loan business and close-end management over capital, rendered support to mortgage loan business and reduced the impact on the real estate loan business by the periodic fluctuations of the macro-economy. As of the end of June of 2008, real estate development loans (including land reserve centre) stood at RMB50.558 billion, representing 7.98% of the total loans with the NPL ratio of 1.53%, lower than average level of the whole bank and a drop of 0.35 percentage point compared to last year. In the first half of 2008, the Bank mainly took the following measures to control the risks in real estate sector:

— The Bank's real estate development loans remain subject to the central approval by the Head Office. The Head Office intensified its dynamic supervision and management on real estate development loan business.

— The threshold for property developers and project loan was raised. While controlling the total amount of real estate development loans, the Bank selectively rendered support to large and medium-sized property enterprises with strong capacity to stand the fluctuating property market, over grade-3 development qualifications, more than 300,000 sq.m. of accumulated development areas and more than 5 years of on-going developing experiences. Particular focus was given to the residential housing projects which were in convenient transportation, at a reasonable price, for self-use purpose and good matches to the market demand.

— Project collateral and fund close-end management of loan funding was exercised. Branches were responsible for centralized management for the use of real estate development loans, the progress of property sales and the monitoring of sales revenue. The management for land reserve development loans was strengthened to prevent the loss of close-end fund and collateral rights. The Loan Extension Centre stringently reviewed lending qualifications so as to prevent granting loans to parties in absence of fulfillment of qualifications and thus effectively avoid operational risks.

— In the aspect of individual mortgage loan business, the Bank positioned itself for serving quality customers who had higher income, stable employment and good credit record. Support was mainly given to customers in their purchase of residential housings which were in convenient transportation, at moderate price, for self-use purpose and good matches to the market demand. We commenced second-hand house mortgage loan business in areas where the market was standardized, the price was stable, and transfer and collateral registration procedure were perfect. Moreover, the second house policy laid down by regulators was strictly adhered to so as to prevent developers or distributors from cashing in by way of bank mortgage and fend off the fraud mortgage risks.

Risk Management for Industries with High Energy Consumption and High Pollution

Industries with high energy consumption and high pollution (hereinafter referred to as "Two High Industries") were the targets of the nation's stringent macro-control in recent years. This year the Bank continued its efforts in tightening the control over the availability of loans to "Two High" Industries. On one hand, it gave support to the premier enterprises complying with the industry specific policies, holding a leading position, meeting the environmental protection standards and enjoying apparent advantages in these industries. On the other hand, it withdrew itself from "Two High" industries which were subject to high policy risk, less competitive and classified as "Restricted" or "Eliminated" categories. Initiatives were taken to promote green loans and implement veto system.

As of the end of June of 2008, the Bank recorded NPL ratio of 1.4% in granting loans to five "Two High" industries, namely steel, cement, coke coal, aluminum smelting and copper smelting, which was 0.05 percentage point less than the average NPL ratio of the whole bank. And the NPL ratio of steel industry accounting for 79.8% of the loans granted to industries with high energy consumption and pollution was 0.32%, which was 0.02 percentage point down compared to the year beginning.

Export-oriented Enterprise Risk Management

The Bank paid close attention to the impact on export-oriented enterprises by macro-control, exchange fluctuations, tax revenue adjustment and tightened credit, and was very concerned about the "Both-Ends Abroad" enterprises[1] risk triggered by the readjustment of the international industrial chain and the changes of domestic policies for attracting foreign capital and stepped up efforts to withdraw from the key export industries such as

Note: (1) "Both-Ends Abroad" enterprises refer to those enterprises whose raw materials and product sales are mainly obtained and conducted in localities outside Chinese mainland.

textiles, for the ongoing operating capacity of which was greatly influenced. As for the loans granted to "Both-Ends Abroad" enterprises, the principles of selecting the best among the best, effective control and appropriate support were strictly adhered to. In principle, loans were only granted to customers with BB above rating. As of the end of June 2008, the Bank's quality of loans granted to industries which were sensitive to export tax rebate policies were steady.

Personal loan risk management

In first half of 2008, the Bank devoted more efforts to the review of personal loan business and conducted a full-scale investigation into the registration of the collaterals. Checks were conducted on key branches and on their overseas study loan business. All problems identified had been rectified. Monthly supervision policy on the quality of assets was established, and regular enquiries were made to branches with faster increase rate of NPL.

As part of the key items in the implementation of New Basel Capital Accord, the Bank launched the development work of retail rating project in the first half of the year. Under the retail rating project, the measurement model of DP/DL rate/DE and application tools such as application, action, recall, income rating will be developed, covering the Bank's all retail banking business including credit cards, personal residential mortgage loans, personal auto loans and other personal loans. It is expected to complete by the end of 2009.

Loan monitoring and post-loan management

The Bank paid much attention to post-loan management and the management in respect of businesses such as corporate, retail, trade financing, financial peers was centralized in the Credit Management Department. In first half of 2008, the Bank adopted the following measures.

— China CITIC Bank's Administrative Measures for Corporate Loans Overdue was formulated, under which an overall analysis will be conducted on the overdue loans of the whole bank on a monthly and quarterly basis to intensify the management on loans overdue.

— The Bank pushed ahead with the construction of early-warning system. The Bank completed the development and, launched a credit early-warning system known as "Sky Eye" and related system "Supporting System for Sky Eye", setting off the construction of Credit Fund Flow Monitoring System Project, thus made the early-warning system function even earlier.

— The Bank strengthened the risk monitoring and tracking of key customers. Early-warnings were given to customers showing signs of their broken funding chain based on media report and regulators' instructions. Branches were required to tighten monitoring and post-loan check and make the withdrawal plan to mitigate the risks in a timely manner.

— Considering the nation's macro-control, the Bank put more efforts in analysing small and medium-sized enterprises, export-oriented enterprises, enterprises with high energy consumption, high pollution and excessive production capacity as well as real estate industry, etc. The impact on customers by the policy adjustment was closely observed so as to avoid the impact on the safety of credit assets.

— Enterprises were classified as maintained, compressed and withdrawn categories. As for enterprises classified as "maintained" and "compressed", they would be required to put more assets for collateral that have better capability to mitigate risk, such as real estate collateral, pledge of movable property that can easily be converted into cash.

— Quarterly analysis was conducted to strengthen post-loan management. The Bank strictly monitored the daily operation and fund turnover of enterprises that had been granted loans. Risk mitigation plan was formulated and the use of capital by companies was kept under close watch to prevent credit extension risks.

Market Risk Management

While managing market risks, the Bank adopted a strict authorization limit system, by which the potential loss from market risks was kept within an acceptable range to ensure the stability of the Bank's income. The Bank's Market Risk Committee is responsible for formulating the market risk management policies and procedures and approving new products and risk limit. The head office's Budget and Finance Department is responsible for the daily operation of market risk management. The Treasuary and Capital Market Department is responsible for executing market risk management policies and procedures to ensure that the risk is within the limit prescribed by the Market Risk Committee.

Interest Rate Risk Management

The Bank assessed the interest rate risk of the balance sheet mainly through the gap analysis. According to the current gap, re-pricing frequency was adjusted and the different terms of corporate deposits was determined with the ultimate goal of reducing the mismatch between assets and liabilities. Under the circumstances that interest rates of RMB deposits and loans would go upward gradually, the Bank sought to reduce interest rate risks by narrowing the re-pricing gaps.

As for treasuary and capital market business, the Bank, based on duration analysis, quantified and monitored interest rate risks by adopting interest rate sensitivity test, stress test and scenario simulation and set risk limit for interest rate sensitivity, duration and exposure, and carried out monitoring and management of limit execution. The Bank secured value preservation for the interest rate risk exposure of the balance sheets and portfolios through derivates trading, such as swaps, forwards. The Bank carried out effective monitoring and reporting on market risk limit using the advance trade risk management system and independent medium office for internal control.

Interest rate gaps analysis:

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months–1 year	1–5 years	Over 5 years	Total
Total assets	24,520	704,497	321,385	45,603	21,165	1,117,170
Total liabilities	24,004	753,430	217,285	20,423	11,870	1,027,012
Interest rate gap	516	(48,933)	104,100	25,180	9,295	90,158

Foreign Exchange Risk Management

The trading foreign exchange exposure of the Bank is placed under the concentrated management by the Treasuary and Capital Market Department in Head Office. The foreign exchange position of all branches must have trades with the head office of the Bank. The Treasuary and Capital Market Department of the Bank, through trading in the market, controls exchange rate risk exposure within the limit set by the Market Risk Committee.

In the first half of 2008, RMB continued to appreciate against US dollar, intriguing risks including foreign currency assets depreciation and accounting exchange loss. Considering the foreign exchange risks of foreign currency capital, the Bank closely kept up with the trend of interest rate on domestic and foreign treasuary market during the first half of 2008, flexibly adjusted the quotation of asset/liability products. Providing the tightened foreign currency capital, the Bank spared no effort to increase domestic assets especially the return on credit assets. Therefore, the loss from foreign currency capital depreciation was effectively off-set by enlarging the net spread of foreign currency assets and liability.

Foreign exchange exposure analysis

Unit: RMB million

Item	USD	HKD	Others	Total
Net on-balance-sheet position	21,356	(351)	(1,849)	19,156
Net off-balance-sheet position	(16,306)	187	1,600	(14,519)
Total	5,050	(164)	(249)	4,637

Liquidity Risk Management

During the first half of 2008, our liquidity management was enhanced in according to our relevant policies and market judgment. Actions taken include the adjustment of 3-tier provision management of RMB liquidity, the introduction of the outline for implementation of liquidity management, the introduction of the updated stress test plan for liquidity risk, systematic amendment and optimization of the criteria, procedures and means regarding liquidity stress test as well as other relevant contingent and early-warning system and supporting measures.

The central bank continued its tightened monetary policy and had raised the reserve ratio for 5 times to 17.5% in the first half of 2008, a total increase of 3 percentage points, which, to some extent, had cut our RMB liquidity reserve, and correspondingly, reduced our funds available. Thus, the Bank further enhanced management of liquidity portfolio, adjusted asset duration in money market in a reasonable manner, reinforced integrated application of liquidity tools, and participated actively in open market business and money market transactions. During the first half of 2008, the Bank had made an accurate estimate on the pace adopted by the central bank to increase the required reserve ratio, which helped build a more reasonable capital structure, our liquidity safety was ensured while the average ratio of excess reserve was down year on year.

Internal Control and Operational Risk Management

Internal Control

During the first half of 2008, we continued to enhance the mechanism, system and procedures of internal control in accordance to the principle of “internal control first”. A more scientific, comprehensive and disciplined internal control system was gradually established, which helped to ensure the safety and the integrity of bank assets as well as the accuracy and the reliability of financial data, resulting in the effective prevention of various risks.

We had also amended and optimized the rules and regulations system, basically established a regulation system covering major business flows and clarified the duties regarding internal control management of various departments and positions. At the same time, we perfected the check and balance mechanism, such as separation of incompatible posts, compulsory vacation, job shift and economic responsibilities audit during the office term and so on.

The Bank explored to formulate a compliance management system covering all aspects of the Bank and set up compliance management departments both at the Head Office and branches and corresponding management positions for individual business lines. In addition, the Bank made vigorous efforts to carry out the bankwide compliance culture education and advocated compliance business operation concept; perfected the assessment mechanism by adding compliance assessment.

The Bank set up a stern accountability system, thus improved the punishment procedure. Regular warning reports have been circulated across the Bank. As a result, the working environment, under which violations are to be corrected and mistakes are to be punished, has been basically formed.

Internal Audit

During the first half of 2008, we also made vigorous efforts to enhance the independence, authority and effectiveness of internal audit, to highlight its key aspects, to make it more focused, to effectively perform the duties of supervising and assessing bankwide risk management and the comprehensiveness and the efficacy of internal control. (1) Inspection efforts reinforced: comprehensive checkups of weak sectors with high operational risk were conducted. Special checkups of international, notes and asset transfer business were carried out. And irregular spot check of vault was also made. (2) Problem rectification strengthened: the Bank based on problems data after auditing organized through rectification on problems found via auditing in the last 3 years through internal and external inspections. (3) Innovative audit means: more investment on technology was made. Application of off-site audit system was promoted, which effectively enhanced the coverage and efficiency of audit control. Application of on-site audit information system was fully applied to enhance the quality of on-site auditing, making it more informatized, systematic and standardized.

Compliance Management

In 2008, according to the relevant provisions of *Guidelines on Compliance Risk Management in Commercial Banks*, the Bank proactively promoted the important concept of compliance management, established and improved compliance management system, enhanced the compliance training for the staff, continuously improved the Bank's compliance management and unswervingly stick to the strategy of compliance operation.

In the first half of 2008, the Bank made great efforts in promoting compliance management concepts of "compliance being the top priority of business management" and "refusing to play edge ball" and set "complying with all the rules and regulations" as the prerequisite of all business and operations. The Bank has included the compliance monitoring of branches, fraudulent cases control and local banking regulators' assessment of the branches compliance monitoring in the performance evaluation system and also included compliance in the Bank's main business lines assessment in an effort to promote the main business lines to take the responsibility to supervise and guide the compliance operation of the branches business lines.

The Bank has already established its own compliance management system with a new Compliance Department, a subdivision of the Compliance and Audit Department in the Head Office, responsible for the compliance management. A full-time or part-time compliance position will be gradually set up in each business line in the Head Office; each of the branches will establish compliance department or compliance position according to the asset scale; branches and their respective departments will set up part-time position of compliance to independently conduct compliance management.

Operational Risks

In the first half of 2008, the Bank successfully launched part of the paper exchange business under the centralized accounting processing, which strengthened the control over operational risks; the Bank introduced finger print authorization management system, and new signature verification system, etc. improving risk prevention capability with high technology; while establishing various risk prevention regulations and systems, the Bank continued to conduct flight audit and specialized examine on operational risks of all businesses, laying a solid foundation for risk prevention.

Anti-Money Laundering

The Bank performs anti-money laundering obligations in compliance with "Anti-Money Laundering Act" and related regulations. Measures taken included establishing and improving internal control system for anti-money laundering; implementing reporting system of large amount of transactions and suspicious transactions, closely monitoring the flowing direction and use of money under laundering and relating to terrorist financing; establishing and implementing client identity identification system; establishing recording system of client identity information, transaction record and reported information and more efforts in publicizing anti-money laundering on a daily basis, enhancing the training for employees to strengthen their anti-money laundering awareness and capabilities.

Capital Management

The Bank's capital management goals include the all-time compliance of CAR with requirements of regulatory authorities, maintaining strong capital foundation, based on which assets increase plan is made, and shareholder value maximization on the condition that risks are under control. To achieve the above goals, the Bank took the laws and regulations of CBRC as basis, further highlighted capital restrain requirements and stressed the concept of capital use with cost in developing business, and transferred the basis of the Bank's performance review from book profit to economic profit through introducing performance review system with "economic profit" and "risk capital return rate" as the core. Capital adequacy of the Bank is shown in the following table.

Unit: RMB million

	June 30, 2008	December 31, 2007	December 31, 2006
Core capital:			
Share capital	**39,033**	39,033	31,113
Reserves	**49,923**	42,906	(7)
Total core capital	**88,956**	81,939	31,106
Supplementary capital:			
General provision	**4,379**	3,621	2,663
Subordinated debt	**8,400**	9,600	10,800
Fair value change of trading financial assets	**1,236**	101	—
Total supplementary capital	**14,015**	13,322	13,463
Total capital base before deduction	**102,971**	95,261	44,569
Deduct:			
Unconsolidated equity investment	**90**	90	158
Net capital base after deduction	**102,881**	95,171	44,411
Net core capital base after deduction	**88,911**	81,894	31,027
Risk weighted assets	**720,466**	623,300	471,957
Core capital adequacy ratio	**12.34%**	13.14%	6.57%
Capital adequacy ratio	**14.28%**	15.27%	9.41%

Use of IPO Proceeds

On April 27, 2007, the Bank issued 2.302 billion A shares at RMB5.80 per share and 5.618 billion H shares at HK$5.86 per share; after the exchange rate adjustment, the issue prices of A-share and H-share were the same. The proceeds from the IPO (excluding listing fees) were about RMB44.836 billion in total. All funds raised, according to the approval reply from CBRC and CSRC, have been used to enrich the Bank's capital fund, and improve the Bank's capital adequacy ratio and the capacity of risk resistance.

Outlook

As of the end of the reporting period, the Bank completed the following plans set out at the beginning of the year.

— The goal of local/foreign currency deposits in 2008 is approximately RMB905 billion. Currently, the bank has taken in deposits of RMB849.5 billion, accounting for 93.87% of 2008 target;

— The goal of local/foreign currency loans is about RMB675 billion. Currently, the bank has granted loan balance of RMB633.8 billion, accounting for 93.90% of 2008 target.

Looking ahead to the second half of 2008, the Bank's business operation will face the favourable conditions of stable macro-economic growth while at the same time encounter the external challenges such as the increasing uncertainties in the promulgation of macro-control policies, aggravating risks in the financial market and intensifying competition from the peers. The Bank will continue to stick to the overall objective of maximizing shareholders' interests and maintaining the sustainable development to fulfill the stated goals set out at the beginning of the year through the following measures:

— Closely monitor the trend of macro-economy and strengthen the risk management. The Bank will take the initiative in allocating credit resources and continue to optimize credit industry structure and business structure; develop credit card business and corporate supply chain financing business such as auto financing and steel financing; increase investment in international trade financing, treasuary and capital market business and investment banking which can generate intermediary business revenues.

— Further strengthen traditional businesses and expedite the development of new businesses. The Bank will optimize the Bank's management model and strengthen our existing advantages in corporate banking business, international business and treasuary and capital market business; actively manage the challenges of capital market volatility and strengthen the guidance for liability business by budget review; absorb deposits featured with reasonable cost, high quality and longer terms; expand intermediary businesses such as credit card, investment banking, custody, wealth management and agent services while further enhancing our advantages in the traditional business; strengthen product innovation and business consolidation, improve product pricing mechanism and increase the proportion of non-interest income.

— Reinforce internal control and management to enhance business operation management. We will further enhance loan pricing management, stick to the shorter cycle of loan re-pricing to effectively minimize the interest rate risk; promote the concept of compliance management and drive the establishment of compliance system and the audit work on specific projects.

Changes in share capital

Unit: shares

	Before the change		Increase/decrease (+, -)					After the change	
	Number of shares	Percentage	New shares issued	Bonus shares	Shares converted from reserves	Others	Subtotal	Number of shares	Percentage
1. Shares subject to restrictions on sale:	32,860,195,400	84.18%				-7,027,823,200	-7,027,823,200	25,832,372,200	66.18%
(1) Shares held by the state	0	0						0	0
(2) Shares held by state-owned entities	25,051,622,919	64.18%				-722,014,000	-722,014,000	24,329,608,919	62.33%
(3) Shares held by other domestic investors:	0	0						0	0
Including: shares held by domestic non-state-owned legal entities	0	0						0	0
Shares held by domestic natural persons	0	0						0	0
(4) Shares held by foreign investors	7,808,572,481	20.00%				-6,305,809,200	-6,305,809,200	1,502,763,281	3.85%
Including: Shares held by foreign legal entities	7,808,572,481	20.00%				-6,305,809,200	-6,305,809,200	1,502,763,281	3.85%
Shares held by foreign natural persons	0	0						0	0
2. Shares not subject to restrictions on sale	6,173,148,654	15.82%				7,027,823,200	7,027,823,200	13,200,971,854	33.82%
(1) RMB-dominated ordinary shares	1,784,694,654	4.57%				517,238,000	517,238,000	2,301,932,654	5.90%
(2) Domestically-listed foreign shares	0	0						0	0
(3) Overseas listed foreign shares	4,388,454,000	11.25%				6,510,585,200	6,510,585,200	10,899,039,200	27.92%
(4) Others	0	0						0	0
3. **Total**	39,033,344,054	100%						39,033,344,054	100%

Note: (1) The Bank was listed concurrently on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on April 27, 2007. The over-allotment option of H shares was fully exercised on May 10, 2007. The Bank issued 2,301,932,654 A shares and 5,618,300,000 H shares (including the state-owned shares that CITIC Group transferred to the National Council for Social Security Fund and the anti-dilution right and the top-up right exercised respectively by BBVA and CIFH). After completion of the initial public offering, the Bank had 39,033,344,054 shares in total, comprising 26,631,541,573 A shares and 12,401,802,481 H-shares.

(2) The Bank allotted 517,238,000 of A shares to strategic investors at the time of IPO. At the end of reporting period, these allotted A shares were no longer restricted from trading in stock market due to 12-month lock-up period restriction.

(3) The Bank allotted 633,051,654 A-shares to off-line subscribers at the time of the IPO in April, 2007. At the end of the reporting period, these allotted A shares were no longer restricted by the three months lock-up period and could be traded.

(4) The Bank allotted 273,036,000 H Shares to five cornerstone investors at the time of IPO. At the end of this reporting period, these allotted H shares were no longer restricted from trading in the stock market due to the 12-month lock-up period restriction.

Information of shareholders

Total Number of Shareholders

By the end of the reporting period, the total number of shareholders of the Bank was 579,849, including 535,218 A-share holders and 44,631 H-share holders. (The number of shares held by H-share holders is based on the share register at the Registrar (Computershare Limited)).

Top 10 Shareholders and Their Respective Shareholdings

Unit: share

No.	Name of Shareholder	Nature of shareholder	Types of shares	Shareholding at the end of reporting period	Percentage in total share capital (%)	Increase and decrease of shares during the reporting period	Shares Being Pledged or Frozen
1	CITIC Group	State-owned	A-share	24,329,608,919	62.33	0	0
2	CITIC International Financial Holdings	Foreign	H-share	5,855,002,200	15.00	0	0
3	Hong Kong Securities Clearing (Nominee) Company Nominees Limited	Foreign	H-share	4,845,178,000	12.41	0	N/A
4	BBVA	Foreign	H-share	1,885,311,281	4.83	0	0
5	Mizuho Corporate Bank	Foreign	H-share	68,259,000	0.17	0	N/A
6	The National Council for Social Security Fund	State-owned	H-share	68,259,000	0.17	0	N/A
7	PICC Property and Casualty Company Limited	State-owned	H-share	68,259,000	0.17	0	N/A
8	China Life Insurance (Group) Company Limited	State-owned	H-share	34,129,000	0.09	0	N/A
9	China Life Insurance Company Limited	State-owned	H-share	34,129,000	0.09	0	N/A
10	China State Shipbuilding Corporation	State-owned	A-share	29,310,000	0.08	0	N/A

As of June 30, 2008, CITIC Group held 55.16% shares in CIFH, and was its controlling shareholder; BBVA held 14.51% shares in CIFH. China Life Insurance Company Limited is the subsidiary of China Life Insurance (Group) Company Limited. Except for the above disclosure, the Bank is not aware of any other connected relations among the above shareholders.

Shareholding of top ten shareholders subject to restrictions on sale

Unit: share

Name of Shareholder	Shares that are subject to restrictions on sale at the beginning of the year	Shares released from restrictions on sale for the year	Additional shares subject to restrictions on sale for the year	Shares subject to restrictions on sale at the end of reporting period	Reasons of restrictions	Date of restrictions release
CITIC Group	24,329,608,919	—	—	24,329,608,919	Note (1)	2010.4.28
BBVA	1,502,763,281	—	—	1,502,763,281	Note (2)	2010.3.2

Note: (1) CITIC Group undertakes that within 36 months from the listing date of the Bank's A shares on the Shanghai Stock Exchange, it will not transfer or entrust others to manage the shares directly or indirectly held by it in CITIC Bank, nor will it offer A shares to CITIC Bank for purchase. If CITIC Group obtains the consent of CSRC or other securities regulatory agency authorized by the State Council to convert its A shares in the Bank into H shares, the converted H shares will not be subject to the 36-month locked-up period.

(2) BBVA undertakes not to transfer the shares it purchased in the initial closings (March 1, 2007), and any shares it purchased based on call options prior to the third anniversary of date of the purchase of the related shares. The additional shares BBVA holds according to Anti-dilution Provision cannot be transferred before the first anniversary of the listing date.

Shareholding of the top 10 shareholders that are not subject to restrictions on sale

Unit: share

No.	Name of shareholder	Shares not subject to restrictions on sale	Type of shares
1	CITIC International Financial Holdings	5,855,002,200	H-share
2	Hong Kong Securities Clearing (Nominees) Company Nominees Limited	4,845,178,000	H-share
3	BBVA	382,548,000	H-share
4	Mizuho Corporate Bank	68,259,000	H-share
5	The National Council for Social Security Fund	68,259,000	H-share
6	PICC Property and Casualty Company Limited	68,259,000	H-share
7	China Life Insurance (Group) Company Limited	34,129,000	H-share
8	China Life Insurance Company Limited	34,129,000	H-share
9	China State Shipbuilding Corporation	29,310,000	A-share
10	State Development & Investment Corporation	25,862,000	A-share
10	China Yangtze Power Co., Ltd.	25,862,000	A-share
10	Hebei Provincial Construction Investment Corporation	25,862,000	A-share
10	Minmetals Investment & Development Co. Ltd.	25,862,000	A-share
10	Dongfeng Motor Corporation	25,862,000	A-share
10	Sinochem Corporation	25,862,000	A-share
10	CHINA PING AN TRUST & INVESTMENT CO., LTD	25,862,000	A-share
10	China Southern Power Grid Co. Ltd.	25,862,000	A-share
10	Guangzhou Development Industry (Holdings) Co.	25,862,000	A-share
10	Industrial and Commecial Bank of China Limited	25,862,000	A-share
10	China Shipbuilding Industry Corporation	25,862,000	A-share
10	Zhonghai Trust Co., Ltd	25,862,000	A-share

Note to the connected or concerted actions of aforesaid shareholders:

Save the fact that China Life Insurance Company Limited is the subsidiary controlled by China Life Insurance (Group) Company Limited, the Bank is not aware of any connected or in concerted actions of the aforesaid shareholders.

Interests and short positions held by substantial shareholders and other people

According to the register maintained by the Bank pursuant to Section 336 of the Securities and Futures Ordinance (SFO) of the laws of Hong Kong, as of June 30, 2008, the following substantial shareholders and other persons had the following interests and short positions in shares and underlying shares of the Bank:

Name of shareholder	Number of shares held	Percentage in total H-share Capital (%)
BBVA	9,720,672,261(L)	78.38(L)
	1,885,311,281(S)	15.20(S)
CITIC Group	7,741,682,481(L)	62.42(L)
CITIC International Financial Holdings	5,856,731,200(L)	47.22(L)
	5,855,002,200(S)	46.85(S)
Lehman Brothers Asia Holdings Ltd.	732,821,000(L)	6.32(L)
	732,821,000(S)	6.32(S)
Lehman Brothers Asia Ltd.	732,821,000(L)	6.32(L)
	732,821,000(S)	6.32(S)
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L)	6.32(L)
	732,821,000(S)	6.32(S)

Note: (L) stands for long position (S) stands for short position

Save as disclosed above, as at June 30, 2008, no other interests or short positions of any person or company in shares or underlying shares of the Bank were recorded in the register maintained by the Bank under Section 336 of the SFO which were to be disclosed under section II and III of Part XV of the Securities and Futures Ordinance.

Controlling shareholder and real controlling parties of the Bank

During the reporting period, CITIC Group is the controlling shareholder and real controller of the Bank, with 62.33% shares, and there were no change of the substantial shareholders and real controlling parties.

Purchase and Redemption of Shares

Neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of the Bank's shares during the reporting period.

Directors, Supervisors, Senior Management and Staff

Directors, Supervisors and Senior Management

Board of Directors

Name	Title
Kong Dan	Chairman, Non-executive Director
Chang Zhenming	Vice Chairman, Non-executive Director
Chen Xiaoxian	Executive Director, President
Dou Jianzhong	Non-executive Director
Wu Beiying	Executive Director Executive Vice President
Chan Hui Dor Lam Doreen	Non-executive Director
Ju Weimin	Non-executive Director
Zhang Jijing	Non-executive Director
Guo Ketong	Non-executive Director
José Ignacio Goirigolzarri	Non-executive Director
Bai Chong-En	Independent Non-executive Director
John Dexter Langlois	Independent Non-executive Director
Ai Hongde	Independent Non-executive Director
Xie Rong	Independent Non-executive Director
Wang Xiangfei	Independent Non-executive Director

Board of Supervisors

Name	Title
Wang Chuan	Chairman
Wang Shuanlin	Vice-Chairman
Zhuang Yumin	External Supervisor
Luo Xiaoyuan	External Supervisor
Zheng Xuexue	Supervisor
Lin Zhengyue	Employee Supervisor
Deng Yuewen	Employee Supervisor
Li Gang	Employee Supervisor

Senior Management

Name	Title
Chen Xiaoxian	Executive Director, President
Wu Beiying	Executive Director Executive Vice President
Ou Yang Qian	Vice President
Zhao Xiaofan	Vice President General Manager of Beijing Branch
Su Guoxin	Vice President
Cao Tong	Vice President
Cao Bin	Secretary to the Disciplinary Committee of CPC of the Bank
Wang Lianfu	Chairman of the Trade Union of the Bank
Cao Guoqiang	Assistant President
Zhang Qiang	Assistant President
Luo Yan	Secretary to the Board of Directors

Changes in shares of the Bank held by directors, supervisors, and senior management

The directors, supervisors, and senior managers of the Bank did not hold any shares of the Bank during the reporting period.

Engagement or removal of the Bank's directors, supervisors, and senior management

Mr. Wang Chuan, due to the work adjustment of the Board of Directors, resigned as the Non-executive Director, and was elected supervisor at 2007 Annual Shareholders' General Meeting and appointed Chairman of the Board of Supervisors at the eighth meeting of the first Board of Supervisors.

Ms. Liu Chongming, former Chief Supervisor, has resigned as the Chief Supervisor due to her retirement.

Mr. Guo Ketong, former Supervisor, has resigned as the Supervisor due to work adjustment and was appointed the Non-executive Director at the 2007 Annual Shareholders' General Meeting, whose qualifications was approved by CBRC on July 15, 2008.

Mr. Wang Shuanlin was elected the Vice-Chairment of the Board of Supervisors at the eighth meeting of the First Board of Supervisors.

Ms. Luo Xiaoyuan was appointed External Supervisor as deliberated and approved in 2007 Annual Shareholders' General Meeting.

Staff and institution outlets

According to the principle of effective motivation and strict control and close coordination, the Bank kept on improving the human resource management. The Bank initiated uniform and standardized technical posts grading, scientific human resources plan, optimized human resource structure, developed a unified recruitment platform for the whole bank and recruited talents from multiple channels. The Bank has promoted the human resources quality assessment system and enhanced our expertise in selecting talents. At the mean time, the Bank has improved the remuneration allocation system based on performance, started to design a long-term incentive scheme for the senior management, and linked the interests of the management with that of shareholders. By using advanced IT, the SAP-HR system platform, the bankwide human resource management has been enhanced.

As of the end of June 2008, the Bank had 15,344 employees, 274 more than that at the beginning of the year and 505 branches, 20 more than that at the beginning of the year.

Corporate Governance

During the reporting period, the Bank has complied with relevant laws and regulations, and improved our corporate governance structure based on our situation. The Bank has formulated the *Work System of the Annual Report of the Independent Directors* and the *Audit Procedure of the Audit and Related-party Transactions Control Committee under the Board of Directors*. The Bank fully utilized the supervisory function of independent directors to ensure that the members of specialized committees perform their obligations in diligent manner and to enhance the scientific and effective decision-making by the Board of Directors.

Under the requirements of CSRC and its Beijing branch, the Bank has established work supporting group under all specialized committees, and convened a joint conference supporting and safeguarding the efficiency of various specialized committees. At the same time, the Bank has considered the information disclosure requirements of both Hong Kong and the PRC, and formulated the *Implementation Measures for the Regulatory Measures on Information Disclosure Management System of China CITIC Bank Corporation Limited* and the *Internal Reporting System for Significant Information of China CITIC Bank Corporation Limited* so as to further enhance the information disclosure management and effective communication and collection of significant information. This is to ensure the Bank's timely, accurate and complete information disclosure so as to safeguard the legitimate rights and interests of shareholders from home and abroad and other interests.

Save as the information disclosed below, the Bank has abided by *the Company Law of the People's Republic of China* (the "Company Law"), *the Security Law of the People's Republic of China* (the "Securities Law") and provisions of Appendix 14 of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (the "Listing Rules") — *The Code of Corporate Governance Practices,* and was devoted to continuously improving its corporate governance.

Information of Shareholders' General Meeting, Board of Directors and Board of Supervisors

As of June 30, 2008, one shareholders' general meeting, three meetings of the Board of Directors and four meetings of the Board of Supervisors were held according to the Articles of Association of China CITIC Bank Co. Ltd. all following the procedures set out in the Bank's articles of association.

Shareholders' General Meeting

During the reporting period, the Bank has convened and held 2007 Annual Shareholders' General Meeting strictly in accordance with the requirements listing rules of Hong Kong and Shanghai. The voting shares held by A-share holders and H-share holders and their proxies present at the annual shareholders' meeting accounted for 93.79% of the total share capital of the Bank. The Shareholders' General Meeting decided upon significant matters of the Bank according to the law, and deliberated and passed ten resolutions on 2007 financial report, 2007 dividend distribution forecast, 2008 budget plan, amendments to the articles of association, external supervisor election, director election and so on. In doing so, the Shareholders' General Meeting managed to safeguard the legitimate rights and interests of shareholders, and ensured that it could exercise its duties according to laws, which has significant influence on the long-term, sound and sustainable development of the Bank.

Board of Directors

At the end of the reporting period, the Board of Directors(1) of the Bank consisted of fourteen members, including two executive directors, seven non-executive directors and five independent non-executive Directors. Except for independent non-executive directors who are restricted to hold office for a maximum of three years, other directors are elected by the Shareholders' General Meeting for a term of three years and may serve for multiple terms if re-elected and re-appointed.

During the reporting period, the Board of Directors of the Bank convened 3 meetings in total (including meetings by correspondence), on which 13 resolutions were passed, including work procedure of the annual report prepared of independent directors, 2008 budget plan, 2007 annual report, 2007 dividend distribution plan, appointment of audit firm and related transactions management measures. Besides, Board of Directors also reviewed work reports of Senior Management regarding the operation and management of the Bank.

Board of Supervisors

As at the end of the reporting period, the Bank's Board of Supervisors comprised eight members, among whom two were external supervisors. The number and the composition of the Board of supervisors comply with regulatory requirements and articles of association. Besides the employee representative supervisors who were selected by the employees, other supervisors were generally selected at the Shareholders' General Meeting and shall hold office for three years. Supervisors may serve multiple terms if re-nominated and re-elected.

During the reporting period, the Board of Supervisors of the Bank convened four meetings, and has reviewed and passed seven proposals including the articles of association amendment, supervisor election, 2007 workreport of the Board of Supervisors, and selection of chairman and deputy chairman of the Board of Supervisors. In addition, the Board of Supervisors supervised and examined the Bank's operations by sitting in on meetings of the Board of Directors, deliberating various documents, and reviewing reports from the management, etc.

Senior Management

As at the end of the reporting period, the Bank's Senior Management comprised eleven members, including one president, seven vice presidents (including vice president level), two assistants to president, and one Board secretary. Responsibilities and authorities of the Bank's Senior Management and Board of Directors are strictly defined and separated. The Board of Directors determines the scope of authority for operational management and decision-making of the senior management.

Investor Relations and Information Disclosure

Since IPO, the Bank's Board of Directors and the senior management have attached great importance on investor relations management and conscientiously undertaken the responsibility to ensure the truthfulness, timeliness, accuracy, and completeness of the information disclosed. The Bank's Board of Directors and senior management believed that active management of investor relations can assist securities analysts and investors

Note: (1) Approved by 2007 Annual Shareholders' General Meeting on June 12, 2008 Mr. Guo Ketong was elected non-executive director of the Bank, whose qualifications was approved by CBRC on July 15, 2008. So far, the Board of Directors of the Bank consists of 15 directors.

in better understanding the Bank's operation management and more accurately valuing their investment in the Bank.

During the reporting period, after disclosure of 2007 Annual report, the Bank organized annual results release conference and global roadshow, and communicated with domestic investors in the form of online roadshow. The whole annual report roadshow covered a wide area and met the needs of both institutional and individual investors, hence achieved good results.

Meanwhile, the Bank also attached significant importance to the daily management of investor relations management. As of the end of the reporting period, the Bank has established regular contact with securities analysts from more than 50 institutions and more than 100 institutional investors. In the first half of 2008, the Bank's management received more than 70 visits of investors from home and aboard. In addition, the Bank widely listened to opinions from investors through investor relations hotline, email, and message board.

The Bank placed great importance to information disclosure system building, strictly following the regulations of the listing venues and sticking to the principles of high standards, strict compliance, and extensive information disclosure to impartiality safeguard the interests of shareholders from home and abroad and all the investors. The Bank formulated *the Regulatory Measures on Information Disclosure Management System of China CITIC Bank Corporation Limited, Internal Reporting System for Significant Information of China CITIC Bank Corporation Limited* and *the Implementation Measures for the Regulatory Measures on Information Disclosure Management System of China CITIC Bank Corporation Limited* identifying an effective procedure for internal information report, review and disclosure and providing a foundation of regulations for better interactions between investors, shareholders, and the Bank.

Plans for Profit Distribution and Conversion of Capital Reserve to Share Capital and New Share Issuance during the Reporting period

Approved by the annual shareholders' meeting of 2007 held on June 12, 2008, the Bank distributed cash dividends of RMB0.0535 (including tax) per share for the period from January 1, 2007 to December 31, 2007 to registered A-share holders as of June 12, 2008 and H-share holders as of June 24, 2008. The total amount of the dividends was about RMB2.088 billion. The Bank will neither announce to distribute the interim dividend of 2008 nor convert capital reserve to share capital.

Purchase, Sale or Redemption of the Bank's Shares

Neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of the Bank's shares during the reporting period.

Material Merger and Acquisition, Sales or Restructuring of Assets

Save and except as disclosed, the Bank did not have material merger and acquisition, sales or restructuring of assets during the reporting period.

Material Contracts and Performance

During the reporting period, there is no material issue in relation to custody, contracting or leasing of other companies' assets by the Bank. Nor was there any material issue in relation to custody, contracting or leasing of the Bank's assets by other companies.

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

Material Related Party Transactions

When entering into related party transactions, the Bank only entered into such transactions on normal commercial terms, the terms that are no more favorable to the related party parties than the terms available to independent third parties of the same kind of transactions.

As of the end of the reporting period, the Bank's substantial shareholder, China CITIC Group and its subsidiaries had the related party loans totaled RMB3.424 billion in the Bank, accounting for 0.54% in the Bank's total loans. During the reporting period, CITIC Trust acting as the agent of customer and the Bank jointly developed wealth management products and paid the Bank RMB122 million through the wealth management account managed by CITIC Trust, among which loans and advances to customers derived from the wealth management products referring to retail banking business have been settled with zero balance, loans and advances to customers derived from the wealth management products referring to corporate banking business have been settled on July 7, 2008 after the reporting period with zero balance. Related party loans and other related party transactions between the Bank and the Bank's substantial shareholder and its subsidiaries have not given any negative impact on the operation results and the financial conditions of the Bank. For details, please refer to the related party transactions of Note 36 to Financial Statements.

As of the end of the reporting period, the status of loans to the shareholders holding 5% and more of the shares of the Bank are set out as follows:

Unit: RMB million

Name of shareholders	Shareholding percentage (%)	**Balance of related party loans as of the end of June 2008**	Balance of related party loans as of the end of December 2007
CITIC Group	62.33	**380**	380
CITIC International Financial Holdings Limited	15.00	**0**	0

As of the end of the reporting period, the Bank has neither exceeded the proportion of the balance of credit extension to single related party and the proportion of the balance of credit extension to all related parties stated in *the Management Methods of Related party Transactions between Commercial Banks and Insiders and Shareholders*; nor violated the provisions in relation to funds transfer and misuse of funds contained in Document No. 56 of Zhengjianfa [2003] and Document No. 120 of Zhengjianfa [2005].

The Bank holds that the relevant related party transactions in daily operation were conducted on normal commercial terms, and will not influence the independence of the Bank.

Material Litigation and Arbitration

The Bank has been involved in several legal litigations during its daily operations, most of which were initiated by the Bank for the purpose of collecting loans repayment. In addition, there were also some litigations resulting from client disputes. As of June 30, 2008, the Bank was involved in 56 cases with the disputed amount exceeding RMB30 million (either as a plaintiff or defendant) with a total subject amount of RMB2.789 billion. There are 36 unsettled lawsuits (regardless of the disputed amount) in which the Bank acted as defendant with a total dispute amount of RMB216 million.

The Bank considers such litigations would not have any material impact on the financial conditions of the Bank.

Investments in Securities

As of the end of the reporting period, the following table sets out shares and securities of other listed companies held by the Bank:

Unit: equivalent to RMB

Number	Stock code	Abbreviation	Shares held	% of the Company's total equity	Initial investment (RMB)	Book value at the end of the reporting period	Book value at the beginning of the reporting period	Accounting title
1	JPGUMMC ID	JPMorgan Global Fund	2,407,544,100	—	2,407,544,100.00	2,410,594,561.74	2,407,544,100.00	Financial assets available-for-sale
2	JPMUL CD LX	JPMorgan Liquidity Fund	2,716,203,600	—	2,716,203,600.00	2,731,925,465.06	2,716,203,600.00	Financial assets available-for-sale
3	BZW$LAI	Barclays Global Investors ("BGI") Cash Selection Fund	2,723,062,700	—	2,723,062,700.00	2,731,821,259.35	2,723,062,700.00	Financial assets available-for-sale
4	HSBUSDA ID	HSBC US Dollar Liquidity Fund	2,112,602,800	—	2,112,602,800.00	2,119,272,290.40	2,112,602,800.00	Financial assets available-for-sale
5	00762	China Unicom (HK)	900,000	—	15,795,000.00	11,482,054.11	15,795,000.00	Financial assets available-for-sale
Total			**9,960,313,200**	**—**	**9,975,208,200.00**	**10,005,095,630.67**	**9,975,208,200.00**	**—**

As of the end of the reporting period, the following table sets out the Bank's shareholding in non-listed companies and companies intending to go public:

Name	Initial investment (RMB)	Number of shares held (share)	Shareholding percentage of the company's total equity (%)	Book value at the end of the reporting period (RMB)
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24	113,750,000.00

Penalties and Remedies of the Bank, Board of Directors, Directors and Senior Management

During the reporting period, none of the Bank, the Board of Directors or any directors, senior management has been investigated by any competent authority, subject to any compulsory measures taken by judicial or discipline inspection authorities, delivered to judicial authorities, or has been held for any criminal liability, inspected by CSRC, or have administrative penalties, banned to enter into the securities markets, criticisms, identification as inappropriate candidate or have any penalties or public condemnations by stock exchanges.

Undertakings Given by the Bank or its Shareholders Holding 5% or more of the Shares in the Bank

The shareholders of the Bank have no new undertakings during the reporting period. And the undertakings continuing to be valid during the reporting period were the same as those disclosed in the 2007 annual report. The Bank has not found any violation of undertakings by the shareholders holding 5% or more of the shares of the Bank.

Directors', Supervisors', and Senior Management's Interests and short positions in the Bank's shares, underlying shares, and Debentures of the Bank

During the reporting period, any interests or short positions in the shares, underlying shares or debentures of the Bank or its any associated corporations (within the meaning of Part XV of the *Securities and Futures Ordinance of Hong Kong*) as required to be recorded in the share register kept under section 352 of the *Securities and Futures Ordinance of Hong Kong or* 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 in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange which were held by the directors, supervisors, and senior management are set out as follows:

Director's name	Name of the Associated Corporation Whose Shares are Held	Type of Interests	Types/number of the shares held	Percentage of total issued shares of associated corporation
Kong Dan	CITIC International Financial Holdings Limited	Personal Interests	4,800,000 (L) ordinary shares with face value of HK$1.00	0.08%
	CITIC Resources Holdings Limited	Personal Interests	20,000,000 (L) ordinary shares with face value of HK$0.05	0.38%
Dou Jianzhong	CITIC International Financial Holdings Limited	Personal Interests	3,240,000 (L) ordinary shares with face value of HK$1.00	0.06%
Chan Hui Dor Lam Doreen	CITIC International Financial Holdings Limited	Personal Interests	7,194,689 (L) ordinary shares with face value of HK$1.00	0.12%
Chang Zhenming	CITIC International Financial Holdings Limited	Personal Interests	2,560,000 (L) ordinary shares with face value of HK$1.00	0.04%
Chen Xiaoxian	CITIC International Financial Holdings Limited	Personal Interests	320,000 (L) ordinary shares with face value of HK$1.00	0.01%
Ju Weimin	CITIC International Financial Holdings Limited	Personal Interests	320,000 (L) ordinary shares with face value of HK$1.00	0.01%

(L) stands for long position.

Except for the above disclosure, the directors, supervisors, and senior management of the Bank had no interests or short positions in shares, underlying shares and debentures of the Bank or any associated corporations within the reporting period.

Compliance with Code on Corporate Governance Practices of Listing Rules of Hong Kong Stock Exchange

The Bank is committed to maintaining a high level of corporate governance practice. Throughout the six months ended June 30, 2008, the Bank has strictly complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and has complied with most of the recommended best practices therein.

Securities Transactions of the Directors, Supervisors and Senior Management

The Bank has adopted *The Model Code for Securities Transactions by Directors of Listed Issuer* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange, in relation to the securities transactions by directors and supervisors and senior management.

Having specifically enquired with its directors, supervisors and senior management, the Bank confirms that all directors, supervisors and senior management of the Bank have, during the six months ended June 30, 2008, complied with the provisions of this code of practice in relation to securities transactions by directors, supervisors and senior management.

Statement of Amendments to Operation Plan

Except for the disclosed, the Bank has not revised the operation plan within the reporting period.

Audit and Related Party Transactions Control Committee

Along with the Senior Management, the Audit and Related Party Transactions Control Committee has reviewed the accounting policy and practices adopted by the Bank and discussed issues related to internal control and financial report, including reviewing the consolidated interim financial information of the Bank.

Interim Report

This Interim Report is available in both Chinese and English. To get a copy of the Interim Report based on International Financial Reporting Standards, please write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited. For copies of the Interim Report based on PRC accounting standard, please find ones in the Office of the Board of Directors of the Bank. This Interim Report is also available (in both English and Chinese) at the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk. If you have any queries about how to obtain copies of this Interim Report or how to access those documents on the Bank's website, please call the Bank's hotline at (8610) 6555 8000 or (852) 2862 8555.

中信银行
CHINA CITIC BANK

China CITIC Bank
Supports China Youth Golf

Financial Report

Independent Auditors' Report

Review report to the Board of Directors of China CITIC Bank Corporation Limited

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

Introduction

We have reviewed the interim financial report set out on pages 81 to 153 which comprises the consolidated balance sheet of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2008 and the related consolidated statements of income, changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting". The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong,

20 August 2008

Unaudited Consolidated Income Statement

for the six months ended 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2008	2007
Interest income		**29,099**	18,123
Interest expense		**(10,871)**	(6,867)
Net interest income	3	**18,228**	11,256
Fee and commission income	4	**1,551**	715
Fee and commission expense		**(170)**	(110)
Net fee and commission income		**1,381**	605
Net trading gain/(loss)	5	**483**	(77)
Net gain from investment securities	6	**88**	42
Other operating income		**180**	83
Operating income		**20,360**	11,909
General and administrative expenses	7	**(7,735)**	(5,137)
Provisions for impairment losses on			
— loans and advances to customers	14(b)	**(1,413)**	(1,144)
— others	8	**(9)**	(18)
Profit before taxation		**11,203**	5,610
Income tax	9	**(2,774)**	(2,387)
Net profit		**8,429**	3,223
Attributable to:			
Shareholders of the Bank		**8,429**	3,223
Minority interests		**—**	—
Net profit		**8,429**	3,223
Profit appropriations	26	**2,088**	726
Earnings per share attributable to shareholders of the Bank			
— Basic and diluted (Renminbi)	10	**0.22**	0.09

The notes on pages 87 to 153 form part of these unaudited interim financial report.

Unaudited Consolidated Balance Sheet

as at 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**30 June 2008**	31 December 2007
Assets			
Cash and balances with central bank	11	**148,195**	123,369
Amounts due from banks and other financial institutions	12	**30,863**	26,655
Balances under resale agreements	13	**44,745**	118,046
Loans and advances to customers	14	**623,192**	565,866
Trading assets	15	**4,614**	6,500
Derivatives	32	**4,150**	2,049
Investment securities	16	**244,993**	153,348
Property and equipment	17	**9,101**	8,948
Deferred tax assets	18	**1,112**	954
Other assets	19	**6,205**	5,451
Total assets		**1,117,170**	1,011,186
Liabilities			
Amounts due to banks and other financial institutions	20	**136,703**	97,248
Balances under repurchase agreements	21	**11,393**	15,754
Derivatives	32	**2,545**	1,914
Deposits from customers	22	**849,464**	787,211
Current tax liabilities		**1,643**	3,444
Deferred tax liabilities	18	**375**	13
Other liabilities and provisions	23	**12,889**	9,511
Subordinated debts/bonds issued	24	**12,000**	12,000
Total liabilities		**1,027,012**	927,095
Equity			
Share capital	25	**39,033**	39,033
Reserves	25	**40,864**	41,138
Retained earnings		**10,256**	3,915
Total equity attributable to shareholders of the Bank		**90,153**	84,086
Minority interests		**5**	5
Total equity		**90,158**	84,091
Total equity and liabilities		**1,117,170**	1,011,186

Approved and authorised for issue by the board of directors on 20 August 2008.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	*President*	*Assistant President*	*Head of planning and financial department*

The notes on pages 87 to 153 form part of these unaudited interim financial report.

Unaudited Balance Sheet of the Bank

as at 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	30 June 2008	31 December 2007
Assets			
Cash and balances with central bank		**148,190**	123,360
Amounts due from banks and other financial institutions		**31,608**	27,169
Balances under resale agreements		**44,814**	118,046
Loans and advances to customers		**622,783**	565,659
Trading assets		**4,614**	6,500
Derivatives		**4,150**	2,049
Investment securities		**244,577**	153,017
Investment in subsidiaries		**33**	33
Property and equipment		**9,066**	8,909
Deferred tax assets		**1,112**	954
Other assets		**6,199**	5,452
Total assets		**1,117,146**	1,011,148
Liabilities			
Amounts due to banks and other financial institutions		**136,703**	97,248
Balances under repurchase agreements		**11,393**	15,754
Derivatives		**2,545**	1,914
Deposits from customers		**849,464**	787,214
Current tax liabilities		**1,642**	3,444
Deferred tax liabilities		**366**	4
Other liabilities and provisions		**12,879**	9,492
Subordinated debts/bonds issued		**12,000**	12,000
Total liabilities		**1,026,992**	927,070
Equity			
Share capital		**39,033**	39,033
Reserves		**40,890**	41,151
Retained earnings		**10,231**	3,894
Total equity		**90,154**	84,078
Total equity and liabilities		**1,117,146**	1,011,148

Approved and authorised for issue by the board of directors on 20 August 2008.

Kong Dan	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**
Chairman	*President*	*Assistant President*	*Head of planning and financial department*

The notes on pages 87 to 153 form part of these unaudited interim financial report.

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Capital reserve	Statutory surplus reserve fund	General reserve	Investment revaluation reserve	Properties revaluation reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2008		**39,033**	**36,525**	**829**	**3,731**	**(98)**	**156**	**3,915**	**(5)**	**5**	**84,091**
Net profit		—	—	—	—	—	—	**8,429**	—	—	**8,429**
Net change in fair value of available-for-sale investments		—	—	—	—	**(283)**	—	—	—	—	**(283)**
Realised on disposal of available-for-sale investments		—	—	—	—	**12**	—	—	—	—	**12**
Exchange difference		—	—	—	—	—	—	—	**(3)**	—	**(3)**
Profit appropriation	26	—	—	—	—	—	—	**(2,088)**	—	—	**(2,088)**
As at 30 June 2008		**39,033**	**36,525**	**829**	**3,731**	**(369)**	**156**	**10,256**	**(8)**	**5**	**90,158**

	Note	Share capital	Capital reserve	Statutory surplus reserve fund	General reserve	Investment revaluation reserve	Properties revaluation reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2007		31,113	(391)	—	—	(14)	102	879	—	5	31,694
Share issued	25(a)	7,920	36,916	—	—	—	—	—	—	—	44,836
Net profit		—	—	—	—	—	—	3,223	—	—	3,223
Net change in fair value of available-for-sale investments		—	—	—	—	(164)	—	—	—	—	(164)
Realised on disposal of available-for-sale investments		—	—	—	—	(5)	—	—	—	—	(5)
Profit appropriation	26	—	—	—	—	—	—	(726)	—	—	(726)
As at 30 June 2007		39,033	36,525	—	—	(183)	102	3,376	—	5	78,858

	Note	Share capital	Capital reserve	Statutory surplus reserve fund	General reserve	Investment revaluation reserve	Properties revaluation reserve	Retained earnings	Exchange difference	Minority interests	Total equity
As at 1 January 2007		31,113	(391)	—	—	(14)	102	879	—	5	31,694
Share issued	25(a)	7,920	36,916	—	—	—	—	—	—	—	44,836
Net profit		—	—	—	—	—	—	8,322	—	—	8,322
Net change in fair value of available-for-sale investments		—	—	—	—	(76)	—	—	—	—	(76)
Realised on disposal of available-for-sale investments		—	—	—	—	(8)	—	—	—	—	(8)
Revaluation gain of bank premises		—	—	—	—	—	54	—	—	—	54
Appropriations to statutory surplus reserve fund and general reserve		—	—	829	3,731	—	—	(4,560)	—	—	—
Exchange difference		—	—	—	—	—	—	—	(5)	—	(5)
Profit appropriation	26	—	—	—	—	—	—	(726)	—	—	(726)
As at 31 December 2007		39,033	36,525	829	3,731	(98)	156	3,915	(5)	5	84,091

The notes on pages 87 to 153 form part of these unaudited interim financial report.

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2008	2007
Operating activities			
Profit before taxation		**11,203**	5,610
Adjustments for:			
— Revaluation (gain)/loss on investments and derivatives		**(568)**	140
— Net loss on disposal of fixed assets		**—**	2
— Unrealised foreign exchange loss		**628**	468
— Impairment losses		**1,422**	1,162
— Depreciation and amortisation		**391**	358
— Interest expense on subordinated debts/bonds issued		**319**	276
		13,395	8,016
Changes in operating assets and liabilities:			
Increase in balances with central bank		**(30,303)**	(14,501)
Increase in amounts due from banks and other financial institutions		**(2,134)**	(37)
Decrease in balances under resale agreements		**73,301**	4,484
Increase in loans and advances to customers		**(58,604)**	(74,927)
Increase in other operating assets		**(787)**	(686)
Decrease in amounts due to central bank		**—**	(160)
(Decrease)/increase in balances under repurchase agreements		**(4,361)**	4,192
Increase in amounts due to banks and other financial institutions		**39,455**	59,229
Increase in deposits from customers		**62,253**	48,012
Income tax paid		**(4,294)**	(1,375)
Increase in other operating liabilities		**7,475**	1,167
Net cash flows from operating activities		**95,396**	33,414

The notes on pages 87 to 153 form part of these unaudited interim financial report.

for the six months ended 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2008	2007
Investing activities			
Proceeds from disposal and redemption of investments		**532,317**	122,468
Proceeds from disposal of property and equipment, land use rights, and other assets		**63**	2
Payments on acquisition of investments		**(582,729)**	(143,513)
Payments on acquisition of property and equipment, and land use rights		**(604)**	(230)
Net cash flows from investing activities		**(50,953)**	(21,273)
Financing activities			
Proceeds from share issuance, including interest income received		**—**	45,105
Cost of issuing shares paid		**(22)**	(112)
Dividends paid		**(2,088)**	—
Interest paid on subordinated debts/bonds issued		**(572)**	(503)
Profit paid to CITIC Group		**—**	(726)
Net cash flows from financing activities		**(2,682)**	43,764
Net increase in cash and cash equivalents		**41,761**	55,905
Cash and cash equivalents as at 1 January		**90,545**	53,027
Effect of exchange rate changes on cash and cash equivalents		**(951)**	(175)
Cash and cash equivalents as at 30 June	27	**131,355**	108,757
Cash flows from operating activities include:			
Interest received		**28,471**	17,810
Interest paid, excluding interest expense on subordinated debts/bonds issued		**(8,671)**	(6,224)

The notes on pages 87 to 153 form part of these unaudited interim financial report.

Notes to the Unaudited Consolidated Financial Report

(Expressed in millions of Renminbi unless otherwise stated)

1 Background

China CITIC Bank Corporation Limited (the "Bank") is a bank domiciled in the People's Republic of China (the "PRC" or "Mainland China"). The consolidated interim financial report of the Bank for the six months ended 30 June 2008 comprises the Bank and its subsidiaries (collectively the "Group").

For the purpose of the interim financial report, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

2 Basis of preparation

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The interim financial report, which was authorised for issuance by the Board of Directors on 20 August 2008, reflect the unaudited financial position of the Group as at 30 June 2008 and the unaudited results of operations and cash flows of the Group for the six months then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 December 2007.

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains selected explanatory notes. The selected notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2007. The selected notes do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim financial report is unaudited, but has been reviewed by the Audit and Related Party Transaction Control Committee of the Bank. The interim financial report has also been reviewed by the Bank's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 80.

The financial information for the year ended 31 December 2007 that is included in the interim financial report as previously reported information does not constitute the Group's statutory financial statements for that year but is derived from the financial statements. The statutory financial statements for the year ended 31 December 2007 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2008.

(Expressed in millions of Renminbi unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2008	2007
Interest income arises from:		
Balances with central bank	**1,051**	573
Amounts due from banks and other financial institutions	**403**	295
Balances under resale agreements	**1,426**	391
Loans and advances to customers (note (i))		
— corporate loans	**17,854**	12,128
— personal loans	**2,734**	1,540
— discounted bills	**1,730**	987
Investments in debt securities (note (ii))	**3,901**	2,209
	29,099	18,123
Interest expense arises from:		
Balance due to central bank	**(1)**	(2)
Amounts due to banks and other financial institutions	**(1,526)**	(630)
Balances under repurchase agreements	**(123)**	(187)
Deposits from customers	**(8,902)**	(5,772)
Subordinated debts/bonds issued	**(319)**	(276)
	(10,871)	(6,867)
Net interest income	**18,228**	11,256

Notes: (i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired loans and advances to customers of RMB94 million for the six months ended 30 June 2008 (six month ended 30 June 2007: RMB129 million), which includes interest income on the unwinding of discount of allowances for loan impairment losses of RMB85 million for the six months ended 30 June 2008 (six month ended 30 June 2007: RMB104 million) (Note 14(b)).

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(Expressed in millions of Renminbi unless otherwise stated)

4 Fee and commission income

	Six months ended 30 June	
	2008	2007
Bank card fees	**367**	148
Consultancy and advisory fees	**313**	76
Settlement fees	**198**	111
Guarantee fees	**196**	144
Commission for wealth management services	**183**	56
Agency fees and commission (note(i))	**141**	143
Commission for custodian business	**111**	15
Others	**42**	22
Total	**1,551**	715

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

5 Net trading gain/(loss)

	Six months ended 30 June	
	2008	2007
Dealing profit/(loss)		
— debt securities	**99**	(23)
— foreign currencies	**(184)**	46
— derivatives	**546**	(173)
— financial liabilities designated at fair value through profit and loss	**22**	73
Total	**483**	(77)

6 Net gain from investment securities

	Six months ended 30 June	
	2008	2007
Net income from sale of available-for-sale securities	**140**	34
Net revaluation gain transferred from equity on disposal	**(17)**	8
Others	**(35)**	—
Total	**88**	42

(Expressed in millions of Renminbi unless otherwise stated)

7 General and administrative expenses

	Six months ended 30 June	
	2008	2007
Staff costs		
— salaries, bonuses and staff welfare expenses	**3,263**	1,238
— contributions to defined contribution retirement schemes	**152**	82
— housing fund	**122**	91
— housing allowance	**54**	41
— others	**274**	145
	3,865	1,597
Property and equipment expense		
— depreciation	**346**	320
— rent and property management expenses	**366**	370
— electronic equipment operating expenses	**60**	106
— maintenance	**42**	69
— others	**80**	63
	894	928
Business tax and surcharges (note (i))	**1,330**	900
Amortisation expense	**45**	38
Other general and administrative expenses	**1,601**	1,674
	7,735	5,137

Note: (i) Business tax of 5% is levied primarily on interest income from loans and advances to customers, and fee and commission income.

The surcharges, which include education surcharges and city construction tax, are charged at 3% and between 1% and 7% of business tax paid respectively.

(Expressed in millions of Renminbi unless otherwise stated)

8 Provisions for impairment losses on assets other than loans and advances to customers

	Six months ended 30 June	
	2008	2007
Impairment losses charge/(release) on		
— Off-balance sheet credit commitments	**(16)**	22
— Investments	**8**	—
— Others	**17**	(4)
Total	**9**	18

9 Income tax

(a) Recognised in the income statement

	Six months ended 30 June	
	2008	2007
Current tax		
— Mainland China	**2,481**	1,236
— Hong Kong	**1**	1
Deferred tax (Note(i)) (Note 18(b))	**292**	1,150
Income tax	**2,774**	2,387

Note: (i) On 16 March 2007, the Tenth National People's Congress plenary session passed the unified enterprise income tax law. Pursuant to the unified income tax law, the income tax rate that is applicable to the Bank and its subsidiaries in the Mainland China will be reduced from 33% to 25% effective from 1 January 2008. Deferred tax assets and liabilities are adjusted for the change in income tax rate through income statement and equity.

(Expressed in millions of Renminbi unless otherwise stated)

9 Income tax (continued)

(b) Reconciliation of profit before tax to income tax

	Six months ended 30 June	
	2008	2007
Profit before tax	**11,203**	5,610
Expected PRC income tax charged at statutory tax rate (note (i))	**2,801**	1,851
Tax impact on non-deductible expenses		
— Staff costs (note (ii))	**—**	365
— Others (note (iii))	**101**	287
	101	652
Tax impact on non-taxable income		
— Interest income from PRC government bonds	**(128)**	(100)
— Others	**—**	(16)
	(128)	(116)
Income tax	**2,774**	2,387

Notes: (i) The provision for PRC income tax for the six months ended 30 June 2008 is calculated at 25% (for the six months ended 30 June 2007: 33%) of the estimated taxable income from Mainland operations for the period. The provision for Hong Kong Profits Tax for the six months ended 30 June 2008 is calculated at 16.5% (for the six months ended 30 June 2007: 17.5%) of the estimated assessable profits from Hong Kong operations for the relevant period.

(ii) The non-deductible staff costs for the relevant periods are calculated in accordance with the relevant PRC income tax rules and regulations effective during the periods.

(iii) The amounts primarily represent entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

(Expressed in millions of Renminbi unless otherwise stated)

10 Earnings per share

The calculation of basic and diluted earnings per share amounts is based on the following:

	Six months ended 30 June	
	2008	2007
Earnings:		
Consolidated net profit for the period attributable to shareholders of the Bank	**8,429**	3,223
Shares:		
Weighted average number of shares in issue or deemed to be in issue (million)	**39,033**	33,967
Earnings per share (RMB)	**0.22**	0.09

Earnings per share information for the six months ended 30 June 2008 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the period.

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2008 and 2007.

11 Cash and balances with central bank

	30 June 2008	31 December 2007
Cash	**3,476**	4,341
Balances with central bank		
— Statutory deposit reserve funds (note (i))	**114,857**	84,968
— Surplus deposit reserve funds (note (ii))	**28,933**	33,545
— Fiscal deposits reserve funds	**929**	515
	144,719	119,028
Total	**148,195**	123,369

Notes: (i) The Bank places statutory deposit reserves with the People's Bank of China (the "PBOC"). The statutory deposit reserves are not available for use in the Bank's daily business.

As at 30 June 2008, the statutory deposit reserve placed with the PBOC was calculated at 17.5% (as at 31 December 2007: 14.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2007: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

(Expressed in millions of Renminbi unless otherwise stated)

12 Amounts due from banks and other financial institutions

(a) Analysed by nature

	30 June 2008	31 December 2007
Deposits		
— Banks	**13,445**	15,310
— Other financial institutions	**321**	255
	13,766	15,565
Money market placements		
— Banks	**17,074**	10,765
— Other financial institutions	**169**	471
	17,243	11,236
Gross balances	**31,009**	26,801
Less: Allowances for impairment losses (Note 12(d))	**(146)**	(146)
Net balances	**30,863**	26,655

(b) Analysed by original maturity

	30 June 2008	31 December 2007
Balances maturing		
— less than one month	**24,668**	24,960
— between one month and one year	**6,340**	1,840
— more than one year	**1**	1
Gross balances	**31,009**	26,801

(Expressed in millions of Renminbi unless otherwise stated)

12 Amounts due from banks and other financial institutions (continued)

(c) Analysed by geographical location

	30 June 2008	31 December 2007
Balances with		
— banks in Mainland China	**15,239**	17,103
— other financial institutions in Mainland China (note(i))	**490**	726
	15,729	17,829
Balances with		
— banks outside Mainland China	**15,280**	8,972
Gross balances	**31,009**	26,801

Note: (i) Other financial institutions in Mainland China represent finance companies, investment trust companies and leasing companies which are registered with and under the supervision of the China Banking Regulatory Commission (the "CBRC"), and securities companies and investment fund companies registered with and under the supervision of the China Securities Regulatory Commission.

(d) Movements of allowances for impairment losses

	Six months ended 30 June 2008	Year ended 31 December 2007
As at 1 January	**(146)**	(305)
Charge for the period/year	**—**	(9)
Reversal for the period/year	**—**	10
Write-offs	**—**	158
As at 30 June/31 December	**(146)**	(146)

(Expressed in millions of Renminbi unless otherwise stated)

13 Balances under resale agreements

(a) Analysed by counterparty

	30 June 2008	31 December 2007
Balances with		
— PBOC	**5,810**	86,030
— banks	**31,099**	26,157
— other financial institutions	**4,809**	3,039
— other enterprises	**3,027**	2,820
Subtotal	**44,745**	118,046
Less: Provision	**—**	—
Total	**44,745**	118,046

(b) Analysed by collateral

	30 June 2008	31 December 2007
Balances pledged with		
— securities	**6,848**	101,848
— bills	**31,353**	10,648
— loans and receivables	**6,544**	5,550
Total	**44,745**	118,046

(Expressed in millions of Renminbi unless otherwise stated)

14 Loans and advances to customers

(a) Analysed by nature

	30 June 2008	31 December 2007
Corporate loans	**515,455**	465,520
Personal loans	**82,051**	76,089
Discounted bills	**36,306**	33,599
Gross loans and advances to customers	**633,812**	575,208
Less:		
— Individual impairment allowances	**(5,810)**	(5,421)
— Collective impairment allowances	**(4,810)**	(3,921)
Less: Impairment allowances (Note 14(b))	**(10,620)**	(9,342)
Net loans and advances to customers	**623,192**	565,866

(b) Movements of allowances for impairment losses

	Six months ended 30 June 2008			
		Impaired loans and advances		
	Loans and advances for which allowances are collectively assessed	**for which allowances are collectively assessed**	**for which allowances are individually assessed**	**Total**
As at 1 January	**3,622**	**299**	**5,421**	**9,342**
Charge for the year				
— new impairment allowances charged to income statement	**757**	**132**	**863**	**1,752**
— impairment allowances released to income statement	**—**	**—**	**(339)**	**(339)**
Unwinding of discount	**—**	**—**	**(85)**	**(85)**
Transfers out	**—**	**—**	**(50)**	**(50)**
As at 30 June	**4,379**	**431**	**5,810**	**10,620**

(Expressed in millions of Renminbi unless otherwise stated)

14 Loans and advances to customers (continued)

(b) Movements of allowances for impairment losses (continued)

	Year ended 31 December 2007			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances: for which allowances are collectively assessed	Impaired loans and advances: for which allowances are individually assessed	Total
As at 1 January	2,663	264	6,859	9,786
Charge for the year				
— new impairment allowances charged to income statement	959	81	2,193	3,233
— impairment allowances released to income statement	—	—	(373)	(373)
Unwinding of discount	—	—	(187)	(187)
Transfers out	—	—	(45)	(45)
Write-offs	—	(46)	(3,026)	(3,072)
As at 31 December	3,622	299	5,421	9,342

(c) Loans and advances to customers and allowances

	30 June 2008				
	(note (i)) **Loans and advances for which allowances are collectively assessed**	(note (ii)) **Impaired loans and advances: for which allowances are collectively assessed**	**Impaired loans and advances: for which allowances are individually assessed**	**Total**	**Gross impaired loans and advances as a % of gross total loans and advances**
Gross loans and advances to customers	**624,610**	**621**	**8,581**	**633,812**	**1.45%**
Less: Impairment allowances against loans and advances to customers	**(4,379)**	**(431)**	**(5,810)**	**(10,620)**	
Net loans and advances to customers	**620,231**	**190**	**2,771**	**623,192**	

(Expressed in millions of Renminbi unless otherwise stated)

14 Loans and advances to customers (continued)

(c) Loans and advances to customers and allowances (continued)

	31 December 2007				
	(note (i)) Loans and advances for which allowances are collectively assessed	(note (ii)) Impaired loans and advances for which allowances are collectively assessed	(note (ii)) Impaired loans and advances for which allowances are individually assessed	Total	Gross Impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to customers	566,716	488	8,004	575,208	1.48%
Less: Impairment allowances against loans and advances to customers	(3,622)	(299)	(5,421)	(9,342)	
Net loans and advances to customers	563,094	189	2,583	565,866	

Notes: (i) Loans and advances assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (representing corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; that is the portfolios of homogeneous loans and advances (representing personal loans and advances which are graded substandard, doubtful or loss).

(iii) The definitions of the loan classification as stated above are described in Note 33(a).

(iv) As at 30 June 2008, the loans and advances for which the impairment allowances were individually assessed amounted to RMB8,581 million (as at 31 December 2007: RMB8,004 million). The covered portion and uncovered portion of these loans and advances were RMB1,285 million (as at 31 December 2007: RMB1,424 million) and RMB7,296 million (as at 31 December 2007: RMB6,580 million) respectively.

The fair value of collaterals held against these loans and advances amounted to RMB1,586 million (as at 31 December 2007: RMB1,774 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The individual impairment allowances made against these loans and advances were RMB5,810 million (as at 31 December 2007: RMB5,421 million).

(Expressed in millions of Renminbi unless otherwise stated)

14 Loans and advances to customers (continued)

(d) Analysed by legal form of borrowers

	30 June 2008	31 December 2007
Corporate loans to		
— Joint-stock enterprises	**227,617**	207,396
— State-owned enterprises	**187,655**	165,218
— Foreign invested enterprises	**60,184**	55,100
— Private enterprises	**29,826**	27,673
— Collectively-controlled enterprises	**5,432**	5,847
— Others	**4,741**	4,286
Subtotal	**515,455**	465,520
Personal loans		
— Home mortgage loans	**64,827**	60,833
— Credit card advances	**6,733**	4,145
— Others	**10,491**	11,111
Subtotal	**82,051**	76,089
Discounted bills	**36,306**	33,599
Gross loans and advances to customers	**633,812**	575,208
Less: Impairment allowances	**(10,620)**	(9,342)
Net loans and advances to customers	**623,192**	565,866

(Expressed in millions of Renminbi unless otherwise stated)

15 Trading assets

Debt securities

	30 June 2008	31 December 2007
At fair value and issued by:		
Government		
— of Mainland China	**109**	—
PBOC	**129**	1,093
Policy banks in Mainland China	**853**	2,167
Banks and other financial institutions		
— outside Mainland China	**136**	364
Corporate entities		
— in Mainland China	**3,387**	2,876
Total	**4,614**	6,500
Listed outside Hong Kong	**—**	—
Unlisted	**4,614**	6,500
Total	**4,614**	6,500

16 Investment securities

	Note	30 June 2008	31 December 2007
Held-to-maturity debt securities	(a)	**166,436**	109,391
Available-for-sale			
— debt securities	(b)	**78,081**	43,502
— equity investments	(c)	**476**	455
		78,557	43,957
Total		**244,993**	153,348

(Expressed in millions of Renminbi unless otherwise stated)

16 Investment securities (continued)

(a) Held-to-maturity debt securities

	30 June 2008	31 December 2007
Issued by:		
Government		
— of Mainland China	**27,237**	34,048
— outside Mainland China	**69**	73
PBOC	**98,047**	35,965
Policy banks		
— in Mainland China	**24,068**	17,424
— outside Mainland China	**123**	127
Banks and other financial institutions		
— in Mainland China	**4,110**	3,839
— outside Mainland China	**4,035**	6,275
Public sector entities outside Mainland China	**7,141**	9,895
Corporate entities		
— in Mainland China	**950**	1,080
— outside Mainland China	**656**	665
Total	**166,436**	109,391
Listed in Hong Kong	**197**	210
Listed outside Hong Kong	**4,799**	5,449
Unlisted	**161,440**	103,732
Total	**166,436**	109,391
Market value of listed securities	**4,882**	5,582

(Expressed in millions of Renminbi unless otherwise stated)

16 Investment securities (continued)

(b) Available-for-sale debt securities

	30 June 2008	31 December 2007
At fair value and issued by:		
Government		
— of Mainland China	**264**	231
— outside Mainland China	**145**	2,506
PBOC	**29,887**	5,129
Policy banks		
— in Mainland China	**7,510**	8,424
— outside Mainland China	**428**	452
Banks and other financial institutions		
— in Mainland China	**217**	—
— outside Mainland China	**17,458**	11,745
Public sector entities outside Mainland China	**4,446**	5,400
Corporate entities		
— in Mainland China	**17,683**	9,569
— outside Mainland China	**43**	46
Total	**78,081**	43,502
Listed in Hong Kong	**450**	484
Listed outside Hong Kong	**7,020**	7,243
Unlisted	**70,611**	35,775
Total	**78,081**	43,502

(Expressed in millions of Renminbi unless otherwise stated)

16 Investment securities (continued)

(c) Available-for-sale equity investments

	30 June 2008	31 December 2007
At fair value and issued by:		
Banks and other financial institutions		
— in Mainland China	**114**	114
— outside Mainland China	**362**	341
Total	**476**	455
Listed in Hong Kong	**12**	15
Unlisted	**464**	440
Total	**476**	455

17 Property and equipment

	Bank premises (Note 17(a))	Construction in progress	Computer equipment	Others	Total
Cost or valuation:					
As at 1 January 2008	7,383	72	2,229	1,398	11,082
Additions	48	83	241	135	507
Disposals	(7)	—	(44)	(12)	(63)
Transfers	51	(51)	—	—	—
As at 30 June 2008	7,475	104	2,426	1,521	11,526
Accumulated depreciation and impairment losses:					
As at 1 January 2008	—	—	(1,391)	(743)	(2,134)
Depreciation charges	(129)	—	(124)	(93)	(346)
Disposals	—	—	44	11	55
As at 30 June 2008	(129)	—	(1,471)	(825)	(2,425)
Net carrying value:					
As at 30 June 2008 (note (i))	7,346	104	955	696	9,101

(Expressed in millions of Renminbi unless otherwise stated)

17 Property and equipment (continued)

	Bank premises (Note 17(a))	Construction in progress	Computer equipment	Others	Total
Cost or valuation:					
As at 1 January 2007	7,253	237	2,011	1,208	10,709
Additions	145	75	303	291	814
Disposals	(5)	—	(85)	(101)	(191)
Transfers	240	(240)	—	—	—
Surplus on revaluation	54	—	—	—	54
Elimination of accumulated depreciation on revaluation	(304)	—	—	—	(304)
As at 31 December 2007	7,383	72	2,229	1,398	11,082
Accumulated depreciation and impairment losses:					
As at 1 January 2007	—	—	(1,284)	(680)	(1,964)
Depreciation charges	(304)	—	(181)	(160)	(645)
Disposals	—	—	74	97	171
Elimination on revaluation	304	—	—	—	304
As at 31 December 2007	—	—	(1,391)	(743)	(2,134)
Net carrying value:					
As at 31 December 2007 (note (i))	7,383	72	838	655	8,948

Note: (i) As at 30 June 2008, the net book value of the Group's bank premises for which the registration procedures for ownership had not been completed was approximately RMB583 million (as at 31 December 2007: RMB593 million). The Group anticipates that there would be no significant issues and costs in completing such procedures.

(a) Analysed by remaining term of leases

The net carrying value of bank premises at the balance sheet date is analysed by the remaining terms of the leases as follows:

	30 June 2008	31 December 2007
Long term leases (over 50 years), held in Hong Kong	**38**	38
Medium term leases (10–50 years), held in the PRC	**7,308**	7,345
Total	**7,346**	7,383

(Expressed in millions of Renminbi unless otherwise stated)

17 Property and equipment (continued)

(b) Valuation

The bank premises of the Group were revalued as at 31 December 2007 at their open market value by reference to recent market transactions in comparable properties. The valuations were carried out by an independent firm of valuer, Jones Lang Lasalle Sallmanns Limited.

The revaluation surpluses have been transferred to the properties revaluation reserve of the Group.

Had these bank premises been carried at cost less accumulated depreciation, the carrying amounts would have been RMB5,066 million as at 30 June 2008 (as at 31 December 2007: RMB5,081 million).

18 Deferred tax assets/(liabilities)

(a) Analysed by nature

	30 June 2008	31 December 2007
Deferred tax assets	**1,112**	954
Deferred tax liabilities	**(375)**	(13)
Net balance	**737**	941

(b) The components of deferred tax assets/(liabilities) recognised in the balance sheet and the movements during the six months ended 30 June 2008 and the year ended 31 December 2007 are as follows:

	Impairment loss on loans and advances to customers	**Fair value** Note (i)	**Others**	**Total deferred tax assets/ (liabilities)**
As at 1 January 2008	**908**	**(13)**	**46**	**941**
Recognised in income statement	**204**	**(379)**	**(117)**	**(292)**
Recognised in equity	**—**	**88**	**—**	**88**
As at 30 June 2008	**1,112**	**(304)**	**(71)**	**737**
As at 1 January 2007	1,732	(141)	478	2,069
Recognised in income statement	(824)	104	(432)	(1,152)
Recognised in equity	—	24	—	24
As at 31 December 2007	908	(13)	46	941

Notes: (i) Unrealised gains or losses arising from fair value adjustments for securities and derivatives are subject to tax when realised.

(ii) The Group did not have significant unrecognised deferred tax arising at the balance sheet date.

(Expressed in millions of Renminbi unless otherwise stated)

19 Other assets

	30 June 2008	31 December 2007
Interest receivables		
— debt securities	**2,237**	1,744
— loans and advances to customers	**1,733**	1,497
— others	**52**	118
	4,022	3,359
Repossessed assets	**470**	487
Land use rights	**184**	187
Intangible assets	**97**	83
Others	**1,432**	1,335
Total	**6,205**	5,451

20 Amounts due to banks and other financial institutions

(a) Analysed by nature

	30 June 2008	31 December 2007
Deposits		
— Banks	**6,386**	4,732
— Other financial institutions	**122,996**	91,877
	129,382	96,609
Money market takings		
— Banks	**6,676**	—
— Other financial institutions	**645**	639
	7,321	639
Total	**136,703**	97,248

(Expressed in millions of Renminbi unless otherwise stated)

20 Amounts due to banks and other financial institutions (continued)

(b) Analysed by geographical location

	30 June 2008	31 December 2007
Balances payable on demand		
— Banks in Mainland China	**4,046**	3,382
— Other financial institutions in Mainland China	**107,329**	90,642
	111,375	94,024
Term deposits		
— Banks in Mainland China	**9,016**	1,350
— Other financial institutions in Mainland China	**16,312**	1,874
	25,328	3,224
Total	**136,703**	97,248

21 Balances under repurchase agreements

(a) Analysed by counterparty

	30 June 2008	31 December 2007
Balances with		
— PBOC	**—**	415
— banks	**5,655**	5,112
— other financial institutions	**5,738**	10,227
Total	**11,393**	15,754

(b) Analysed by collateral

	30 June 2008	31 December 2007
Balances pledged with		
— debt securities	**10,791**	9,842
— bills	**—**	520
— loans and advances to customers	**602**	5,392
Total	**11,393**	15,754

(Expressed in millions of Renminbi unless otherwise stated)

22 Deposits from customers

	30 June 2008	31 December 2007
Demand deposits		
— Corporate customers	**353,346**	338,074
— Personal customers	**31,963**	66,900
	385,309	404,974
Time and call deposits		
— Corporate customers	**386,095**	301,931
— Personal customers	**78,060**	80,306
	464,155	382,237
Total (note (i))	**849,464**	787,211

Note: (i) As at 30 June 2008, the Group's deposits from customers included structured deposits amounting to RMB4,258 million (as at 31 December 2007: RMB7,212 million), which are financial liabilities designated at fair value through profit or loss upon initial recognition.

23 Other liabilities and provisions

	30 June 2008	31 December 2007
Interest payables		
— Deposits from customers	**5,629**	3,751
— Others	**102**	341
Salaries and welfare payables	**4,071**	2,958
Supplementary retirement benefit obligations	**37**	38
Business and other tax payables	**758**	743
Litigation provision (note (i))	**50**	40
Others	**2,242**	1,640
Total	**12,889**	9,511

(Expressed in millions of Renminbi unless otherwise stated)

23 Other liabilities and provisions (continued)

Note: (i) Movements of litigation provision are as follows:

	Six months ended 30 June 2008	Year ended 31 December 2007
As at 1 January	**40**	20
Charge for the period/year	**10**	40
Transfer out during the period/year	**—**	(20)
As at 30 June/31 December	**50**	40

24 Subordinated debts/bonds issued

The carrying value of the Group's subordinated debts/bonds at the balance sheet date represents:

	Note	**30 June 2008**	31 December 2007
Subordinated floating rate debts maturing			
— in June 2010	(i)	**4,778**	4,778
— in July 2010	(i)	**602**	602
— in September 2010	(i)	**300**	300
— in June 2010	(ii)	**320**	320
Subordinated fixed rate bonds maturing			
— in June 2016	(iii)	**4,000**	4,000
— in June 2021	(iv)	**2,000**	2,000
Total nominal value		**12,000**	12,000

Notes: (i) The interest rate per annum on the subordinated floating rate debts is the PBOC one-year fixed deposit rate plus an interest margin of 2.72%.

(ii) The interest rate per annum on the subordinated floating rate debts is the PBOC one-year fixed deposit rate plus an interest margin of 2.60%.

(iii) The interest rate per annum on the subordinated fixed rate bonds is 3.75%. The Group has an option to redeem the debts on 22 June 2011. If they are not redeemed early, the interest rate of the debts will increase in June 2011 to 6.75% per annum for the next five years.

(iv) The interest rate per annum on the subordinated fixed rate bonds is 4.12%. The Group has an option to redeem the debts on 22 June 2016. If they are not redeemed early, the interest rate of the debts will increase in June 2016 to 7.12% per annum for the next five years.

(Expressed in millions of Renminbi unless otherwise stated)

25 Equity

(a) Share capital

	As at 30 June 2008		As at 31 December 2007	
	No. of Share	**Amount**	No. of Share	Amount
Registered, issued and fully paid				
Ordinary shares of RMB1 each				
As at 1 January	**39,033**	**39,033**	31,113	31,113
Shares issued	**—**	**—**	7,920	7,920
As at 30 June/31 December	**39,033**	**39,033**	39,033	39,033
A share	**26,631**	**26,631**	26,631	26,631
H share	**12,402**	**12,402**	12,402	12,402
As at 30 June/31 December	**39,033**	**39,033**	39,033	39,033

On 31 December 2006, the Bank was incorporated with a registered and paid up capital of RMB31,113 million divided into 31,113 million shares with a par value of RMB1 each. Shares of 31,113 million were issued to the joint promoters of the Bank, CITIC Group Company ("CITIC Group"), the Bank's holding company and CITIC International Financial Holdings Limited ("CIFH"), a CITIC Group fellow subsidiary.

With the approval from the CBRC dated 28 February 2007 (Yin Jian Fu [2007] No. 85) in respect of the sale of the Bank's shares from CITIC Group to Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), CITIC Group sold 1,502,763,281 shares of the Bank to BBVA on 1 March 2007.

In April 2007, a total of 2,302 million A shares with a par value of RMB1 each were issued by the Bank at a subscription price of RMB5.80 per share, with share premium totalling RMB11,049 million, through the A share initial public offering to domestic investors. Upon the completion of the A share initial public offering, the shares held by CITIC Group before the A share public offering were converted into A shares.

In April 2007, a total of 4,885 million H shares with a par value of RMB1 each were issued by the Bank at a subscription price of HKD5.86 per share, with share premium totalling RMB23,352 million, through the H share initial public offering to Hong Kong and overseas investors (the "Global Offering"). Upon the completion of the Global Offering, all of the shares held by CIFH and BBVA before the Global Offering were converted into H shares.

In May 2007, a total of 733 million H shares with a par value of RMB1 each were issued by the Bank at a subscription price of HKD5.86 per share, with share premium totaling RMB3,497 million, as a result of the exercise of the over-allotment option.

All A shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

(Expressed in millions of Renminbi unless otherwise stated)

25 Equity (continued)

(b) Capital reserve

	Note	Amount
As at 31 December 2006		(391)
Share premium before costs of issuing shares	(i)	37,898
Costs of issuing shares net of interest income received	(i)	(982)
Net Share premium	(i)	36,916
As at 31 December 2007 and 30 June 2008		36,525

Notes: (i) As described in Note 25(a), the Bank issued a total of 7,920 million ordinary shares of RMB1 each at a total consideration of RMB45,818 million in 2007. After accounting for interest income and costs directly associated with the share issue, the Bank credited the share premium of RMB36,916 million to capital reserve.

Capital reserve may be used for increasing paid-in capital as approved by the shareholders.

(c) Surplus reserves

Under relevant PRC Laws, the Bank is required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF (collectively "PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders in general meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

The bank did not accrue any surplus reserve during the six months ended 30 June 2008.

(d) General reserve

Pursuant to Cai Jin [2005] No. 49 and Cai Jing [2005] No. 90 issued by the MOF on 17 May 2005 and 5 September 2005 respectively (collectively named as the "MOF Notices"), which are effective on 1 July 2005, banks and certain other financial institutions in the PRC, including the Bank, should set up a general reserve calculated as a percentage of the total risk assets at the balance sheet date, through a transfer from retained earnings, to cover potential losses that are not yet incurred.

(Expressed in millions of Renminbi unless otherwise stated)

25 Equity (continued)

(d) General reserve (continued)

The general reserve forms part of the equity of the financial institution. Financial institutions are not allowed to make profit distributions to shareholders until adequate general reserve has been made. If a financial institution cannot meet the requirement of maintaining adequate general reserve as stipulated in the MOF Notices as at 1 July 2005, the financial institution is required to take necessary steps to ensure that such requirement can be met in approximately three years but not more than five years, from 1 July 2005. Management consider that the Bank will comply with the requirements of these notices before 30 June 2010.

(e) Investment revaluation reserve

Investment revaluation reserve has been accounted for in accordance with the accounting policies adopted for the measurement of available-for-sale investments at fair value.

(f) Properties revaluation reserve

Properties revaluation reserve has been made in accordance with the accounting policies adopted for the Group's bank premises.

26 Profit appropriations

(a) Profit appropriations and distributions other than dividends declared during the period/year

	Six months ended 30 June 2008	Year ended 31 December 2007
Appropriations to		
— Statutory surplus reserve	**—**	829
— General reserve	**—**	3,731
	—	4,560

In accordance with the approval from the Directors dated 26 March 2008, the Group appropriated RMB829 million to Statutory Surplus Reserve Fund and RMB3,731 million to General Reserve, representing 10% and 45% of the net profit after taxation under relevant PRC accounting rules and regulations, respectively.

(Expressed in millions of Renminbi unless otherwise stated)

26 Profit appropriations (continued)

(b) Profit/Dividend approved and paid to shareholders during the period/year

In accordance with relevant PRC rules and regulations, CITIC Group is entitled to the profit and loss made by CNCB between 31 December 2005 and the date of the Bank's incorporation. Accordingly, CITIC Group was entitled to the RMB3,726 million net profit of the Group under PRC GAAP for the year 2006.

The Bank paid RMB3,000 million and RMB726 million in cash with respect to the above profit to CITIC Group in 2006 and 2007 respectively.

In accordance with relevant PRC rules and regulations, the Bank's shareholders are entitled to the profit and loss made by the Bank since the date of the Bank's incorporation. In accordance with the resolution approved in the Annual General Meeting of the Bank on 12 June 2008, the total amount of approximately RMB2,088 million was distributed in the form of cash dividend to the Bank's shareholders before the period end.

27 Notes to consolidated cash flow statement

Cash and cash equivalents

	30 June 2008	30 June 2007
Cash	**3,476**	2,880
Surplus deposit reserve funds	**28,933**	37,142
Amounts due from banks and other financial institutions	**30,863**	19,645
Less:		
— amounts due over three months when acquired	**(2,895)**	(1,207)
	27,968	18,438
Investment securities	**70,978**	50,297
Total	**131,355**	108,757

(Expressed in millions of Renminbi unless otherwise stated)

28 Commitments and contingent liabilities

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amount reflected in the table for guarantees and letters of credit represents the maximum potential loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	30 June 2008	31 December 2007
Contractual amount		
Loan commitments		
— with an original maturity of under one year	**65**	102
— with an original maturity of one year or over	**12,056**	8,048
	12,121	8,150
Guarantees and letters of credit	**85,871**	68,563
Acceptances	**201,415**	166,939
Credit card commitments	**24,674**	16,934
Total	**324,081**	260,586

These commitments and contingent liabilities have off-balance sheet credit risk. Before the commitments are fulfilled or expire, management assess and make allowances, which are recorded in other liabilities, for any probable losses accordingly. As the facilities may expire without being drawn upon, the total of the contractual amounts is not representative of expected future cash outflows.

(Expressed in millions of Renminbi unless otherwise stated)

28 Commitments and contingent liabilities (continued)

(a) Credit commitments (continued)

	30 June 2008	31 December 2007
Credit risk weighted amount of contingent liabilities and commitments	**136,633**	108,025

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed by IFRS in calculating the above credit risk weighted amounts.

(b) Capital commitments

The Group had the following authorised capital commitments at the balance sheet date:

	30 June 2008	31 December 2007
Purchase of property and equipment		
— Contracted for	**368**	391

(c) Operating lease commitments

The Group leases certain properties under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At the balance sheet date, the Group's future minimum lease payments under non-cancellable operating leases for premises were as follows:

	30 June 2008	31 December 2007
Within one year	**561**	447
After one year but within two years	**492**	388
After two year but within three years	**424**	336
After three year but within five years	**631**	495
After five years	**764**	609
Total	**2,872**	2,275

(Expressed in millions of Renminbi unless otherwise stated)

28 Commitments and contingent liabilities (continued)

(d) Outstanding litigations and disputes

As at 30 June 2008, the Group was the defendant in certain pending litigations with gross claims of RMB216 million (as at 31 December 2007: RMB214 million). Based on the opinion of internal and external legal counsels of the Group, the possible loss of these litigations is recognised as other liability and provisions. The Group believes that the accrual of other liability is reasonable and adequate.

(e) Underwriting obligations

The group has no underwriting commitments of PRC bonds as at 30 June 2008 and 31 December 2007.

(f) Redemption obligations

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

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

	30 June 2008	31 December 2007
Redemption obligations	**6,859**	7,642

(g) Provision against commitments and contingent liabilities

The Group has assessed and has made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the balance sheet date in accordance with its accounting policies.

(Expressed in millions of Renminbi unless otherwise stated)

29 Pledged assets

Financial assets pledged as collaterals

The following assets have been pledged as security for bills rediscounting transactions and assets and securities sold under repurchase agreements. These transactions are conducted under terms that are usual and customary to standard lending. The related secured liabilities are recorded as balances under repurchase agreements of approximately similar carrying value at the balance sheet date.

	30 June 2008	31 December 2007
Debt securities	**11,655**	9,853
Discounted bills	**—**	521
Loans and advances to customers	**602**	5,392
Total	**12,257**	15,766

30 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised in the balance sheet. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in the income statement as fee income.

At the balance sheet date, the entrusted assets and liabilities were as follows:

	30 June 2008	31 December 2007
Entrusted loans	**32,736**	21,982
Entrusted funds	**32,736**	21,982

(Expressed in millions of Renminbi unless otherwise stated)

30 Transactions on behalf of customers (continued)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans and IPO shares. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the income statement as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the balance sheets. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the balance sheet date, the assets and liabilities under wealth management services were as follows:

	30 June 2008	31 December 2007
Investments under wealth management services	**96,556**	30,798
Funds from wealth management services	**96,556**	30,798

Amongst the above funds from wealth management service, funds of RMB81,648 million were entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 30 June 2008 (2007: RMB27,253 million).

31 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information has been chosen as the primary reporting format as it is more relevant to the Group's internal financial reporting. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Segment income, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual segment through treasury operations as part of the asset and liability management process. Internal charges and transfer pricing of these transactions are based on management's assessment of its average cost of funding and interest bearing assets and liabilities with reference to market rates and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "external net interest income/expenses".

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

Segment income, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(a) Business segments

The Group comprises the following main business segments:

Corporate banking

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

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

Treasury business

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

Others and unallocated

These represent equity investments and head office assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2008				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income	12,628	1,804	3,853	(57)	18,228
Internal net interest income/(expense)	2,099	774	(2,816)	(57)	—
Net interest income/(expense)	14,727	2,578	1,037	(114)	18,228
Net fee and commission income/(expense)	746	570	122	(57)	1,381
Net trading gain/(loss)	351	—	759	(627)	483
Net gain arising from investment securities	—	—	88	—	88
Other income	89	2	—	89	180
Operating income/(expense)	15,913	3,150	2,006	(709)	20,360
General and administrative expenses					
— depreciation and amortisation	(179)	(182)	(16)	(14)	(391)
— others	(4,293)	(2,422)	(383)	(246)	(7,344)
Impairment losses charge	(1,317)	(80)	—	(25)	(1,422)
Profit/(loss) before tax	10,124	466	1,607	(994)	11,203
Capital expenditure	268	249	23	19	559
	30 June 2008				
Segment assets	684,754	104,562	322,630	5,224	1,117,170
Segment liabilities	746,624	112,502	162,613	5,273	1,027,012
Off-balance sheet credit commitments	299,407	24,674	—	—	324,081

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2007				
	Corporate Banking	Personal Banking	Treasury Business	Others and unallocated	Total
External net interest income	8,739	722	1,794	1	11,256
Internal net interest income/(expense)	379	972	(945)	(406)	—
Net interest income/(expense)	9,118	1,694	849	(405)	11,256
Net fee and commission income/(expense)	343	245	37	(20)	605
Net trading gain/(loss)	287	—	164	(528)	(77)
Net gain arising from investment securities	—	—	42	—	42
Other income	49	—	—	34	83
Operating income/(expense)	9,797	1,939	1,092	(919)	11,909
General and administrative expenses					
— depreciation and amortisation	(176)	(150)	(16)	(16)	(358)
— others	(2,967)	(1,392)	(253)	(167)	(4,779)
Impairment losses charge	(1,108)	(54)	—	—	(1,162)
Profit/(loss) before tax	5,546	343	823	(1,102)	5,610
Capital expenditure	184	150	17	16	367

	31 December 2007				
Segment assets	580,015	99,733	324,391	7,047	1,011,186
Segment liabilities	649,675	149,174	121,412	6,834	927,095
Off-balance sheet credit commitments	243,652	16,934	—	—	260,586

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 21 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiary, China International Finance Limited, is registered and operating in Hong Kong.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou and Xiamen;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang and Jinan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming and Hohhot;

— "Northeastern" region refers to the following areas where tier-1 branch of the Group is located: Shenyang;

— "Head Office" refers to the headquarter of the Group and the credit card center; and

— "Hong Kong" region refers to the Hong Kong Special Administrative Region where the subsidiaries of the Bank are located.

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

(b) Geographical segments (continued)

	Six months ended 30 June 2008									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	4,561	1,812	2,686	1,633	1,640	550	5,337	9	—	18,228
Internal net interest income/(expense)	382	750	1,974	120	(162)	(43)	(3,009)	(12)	—	—
Net interest income/(expense)	4,943	2,562	4,660	1,753	1,478	507	2,328	(3)	—	18,228
Net fee and commission income	270	135	328	121	95	29	403	—	—	1,381
Net trading gain	117	86	177	31	10	6	56	—	—	483
Net (loss)/gain arising from investment securities	(3)	(3)	(26)	(3)	—	—	123	—	—	88
Other operating income	39	13	61	7	4	4	43	9	—	180
Operating income/(loss)	5,366	2,793	5,200	1,909	1,587	546	2,953	6	—	20,360
General and administrative expenses										
— depreciation and amortisation	(98)	(37)	(81)	(28)	(26)	(7)	(114)	—	—	(391)
— others	(1,769)	(1,008)	(1,496)	(662)	(514)	(189)	(1,706)	—	—	(7,344)
Impairment losses charge	(409)	(41)	(206)	(72)	(503)	(138)	(53)	—	—	(1,422)
Profit/(loss) before tax	3,090	1,707	3,417	1,147	544	212	1,080	6	—	11,203
Capital expenditure	62	48	326	35	27	16	45	—	—	559
	30 June 2008									
Segment assets	270,095	147,637	334,928	91,341	94,610	40,090	930,663	931	(793,125)	1,117,170
Segment liabilities	285,475	203,722	393,573	104,424	82,841	33,271	715,992	839	(793,125)	1,027,012
Off-balance sheet credit commitments	108,837	41,155	45,017	46,755	17,040	10,073	55,204	—	—	324,081

(Expressed in millions of Renminbi unless otherwise stated)

31 Segment reporting (continued)

(b) Geographical segments (continued)

	Six months ended 30 June 2007									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	3,184	1,293	2,158	971	1,035	411	2,196	8	—	11,256
Internal net interest income/(expense)	203	294	951	34	(100)	(34)	(1,336)	(12)	—	—
Net interest income/ (expense)	3,387	1,587	3,109	1,005	935	377	860	(4)	—	11,256
Net fee and commission income	154	41	187	49	35	15	124	—	—	605
Net trading gain/(loss)	70	31	138	14	7	4	(341)	—	—	(77)
Net gain arising from investment securities	1	1	2	—	—	—	27	11	—	42
Other operating income	31	8	21	4	2	1	13	3	—	83
Operating income	3,643	1,668	3,457	1,072	979	397	683	10	—	11,909
General and administrative expenses										
— depreciation and amortisation	(90)	(30)	(73)	(22)	(21)	(7)	(115)	—	—	(358)
— others	(1,404)	(713)	(1,065)	(404)	(360)	(125)	(705)	(3)	—	(4,779)
Impairment losses charge	(271)	(104)	(343)	(127)	(50)	(35)	(232)	—	—	(1,162)
Profit/(loss) before tax	1,878	821	1,976	519	548	230	(369)	7	—	5,610
Capital expenditure	157	27	63	48	11	5	56	—	—	367

	31 December 2007									
Segment assets	331,920	180,370	400,157	118,343	91,972	32,135	558,446	651	(702,808)	1,011,186
Segment liabilities	290,160	163,985	351,995	105,395	80,262	27,447	610,107	552	(702,808)	927,095
Off-balance sheet credit commitments	82,503	36,734	66,603	36,687	13,495	7,630	16,934	—	—	260,586

(Expressed in millions of Renminbi unless otherwise stated)

32 Derivative

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary between a wide range of customers for structuring deals to produce risk management products to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses derivatives (principally foreign exchange options and swaps, and interest rate swaps) in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity groupings based on the remaining periods to settlement and the corresponding fair values at the balance sheet date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

	30 June 2008						
	Notional amounts with remaining life of					**Fair values**	
	Less than three months	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	**5,606**	**98,896**	**44,448**	**13,805**	**162,755**	**758**	**(1,055)**
Currency derivatives	**92,183**	**73,571**	**6,562**	**952**	**173,268**	**3,375**	**(1,477)**
Credit derivatives	**—**	**—**	**668**	**185**	**853**	**17**	**(13)**
Total	**97,789**	**172,467**	**51,678**	**14,942**	**336,876**	**4,150**	**(2,545)**

	31 December 2007						
	Notional amounts with remaining life of					Fair values	
	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives	45,327	64,572	19,913	7,536	137,348	947	(312)
Currency derivatives	66,747	39,980	6,580	—	113,307	1,093	(1,600)
Credit derivatives	—	—	259	197	456	9	(2)
Total	112,074	104,552	26,752	7,733	251,111	2,049	(1,914)

(Expressed in millions of Renminbi unless otherwise stated)

32 Derivatives (continued)

The replacement costs and credit risk weighted amounts in respect of these derivatives are as follows. These amounts have taken into account the effects of bilateral netting arrangements.

Replacement costs

	30 June 2008	31 December 2007
Interest rate derivatives	**758**	947
Currency derivatives	**3,375**	1,093
Credit derivatives	**17**	9
Total	**4,150**	2,049

Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market. Replacement cost is a close approximation of the credit risk for these derivative contracts as at the balance sheet date.

Credit risk weighted amounts

	30 June 2008	31 December 2007
Interest rate derivatives	**510**	261
Currency derivatives	**1,492**	1,166
Credit derivatives	**36**	29
Total	**2,038**	1,456

The credit risk weighted amount has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparty and the maturity characteristics of the instrument.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk:** the loss resulting from customer or counterparty default and arising on credit exposure in all forms, including settlement risk.

— **Market risk:** the exposure to market variables such as interest rates, exchange rates and equity markets.

— **Liquidity risk:** where the Group is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

— **Operational risk:** the risk arising from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Compliance and Audit Department also performs regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures.

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

In respect of the loan portfolio, the Group adopts a risk-based loan classification methodology and classifies loans into five categories: normal, special-mention, substandard, doubtful and loss, in accordance with the guidelines issued by the PBOC and the CBRC.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

The core definitions of the five categories of loans and advances are set out below:

Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' abilities to service their loans are in question as they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or no principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realisable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue. In general, unsecured loans with principal or interest overdue for more than 90 days and secured loans with principal or interest overdue for more than 180 days are classified at substandard or below.

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancement is represented by the carrying amount of each financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	30 June 2008	31 December 2007
Balances with central banks	**144,719**	119,028
Amount due from banks and non-bank financial institutions	**30,863**	26,655
Balances under resale agreements	**44,745**	118,046
Loans and advances to customers	**623,192**	565,866
Trading debt securities	**4,614**	6,500
Investment debt securities	**244,517**	152,893
Derivatives	**4,150**	2,049
Other financial assets	**5,170**	4,434
Subtotal	**1,101,970**	995,471
Credit commitments	**324,081**	260,586
Maximum credit risk exposure	**1,426,051**	1,256,057

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure

	30 June 2008			
	Loans and advances to customers note(i)	Amount due from banks and other financial institutions note(ii)	Balances under resale agreements	Investments
Impaired				
— Individually assessed				
Carrying amount	8,581	169	—	41
Allowance for impairment	(5,810)	(146)	—	(23)
Net balance	2,771	23	—	18
— Collectively assessed				
Carrying amount	621	—	—	—
Allowance for impairment	(431)	—	—	—
Net balance	190	—	—	—
Past due but not impaired				
Carrying amount	4,320	—	—	—
Within which				
— Less than 90 days	3,520	—	—	—
— 90–365 days	770	—	—	—
— Over 365 days	30	—	—	—
Allowance for impairment (collectively assessed)	(157)	—	—	—
Net balance	4,163	—	—	—
Neither past due nor impaired				
Carrying amount	620,290	30,840	44,745	249,589
Allowance for impairment (collectively assessed)	(4,222)	—	—	—
Net balance	616,068	30,840	44,745	249,589
Net balance of total assets	623,192	30,863	44,745	249,607

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure (continued)

	31 December 2007			
	Loans and advances to customers note(i)	Amount due from banks and other financial institutions note(ii)	Balances under resale agreements	Investments
Impaired				
— Individually assessed				
Carrying amount	8,004	171	—	31
Allowance for impairment	(5,421)	(146)	—	(15)
Net balance	2,583	25	—	16
— Collectively assessed				
Carrying amount	488	—	—	—
Allowance for impairment	(299)	—	—	—
Net balance	189	—	—	—
Past due but not impaired				
Carrying amount	2,737	—	—	—
Within which				
— Less than 90 days	2,524	—	—	—
— 90–365 days	213	—	—	—
— Over 365 days	—	—	—	—
Allowance for impairment (collectively assessed)	(65)	—	—	—
Net balance	2,672	—	—	—
Neither past due nor impaired				
Carrying amount	563,979	26,630	118,046	159,832
Allowance for impairment (collectively assessed)	(3,557)	—	—	—
Net balance	560,422	26,630	118,046	159,832
Net balance of total assets	565,866	26,655	118,046	159,848

Notes: (i) As at 30 June 2008, the above loans and advances which were overdue but not impaired and which were subject to individual assessment were RMB1,464 million (as at 31 December 2007: RMB377 million). The covered portion and uncovered portion of these loans and advances were RMB736 million (as at 31 December 2007: RMB116 million) and RMB728 million (as at 31 December 2007: RMB261 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB944 million (as at 31 December 2007: RMB210 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(ii) The allowances for impairment losses for amounts due from banks and other financial institutions are individually assessed.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the balance sheet date:

	30 June 2008			31 December 2007		
		%	Loans and advances secured by collaterals		%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	**159,237**	**25.2**	**45,865**	145,272	25.3	40,942
— Transportation, storage and post services	**61,469**	**9.7**	**18,605**	62,856	10.9	19,193
— Production and supply of electric power, gas and water	**54,017**	**8.5**	**8,670**	44,392	7.7	7,729
— Real estate	**50,558**	**8.0**	**37,637**	41,741	7.3	28,733
— Wholesale and retail	**48,300**	**7.6**	**20,026**	42,239	7.3	17,394
— Water, environment and public utility management	**33,694**	**5.3**	**7,760**	28,324	4.9	5,704
— Rent and business services	**33,413**	**5.3**	**11,324**	34,793	6.1	10,036
— Construction	**22,999**	**3.6**	**5,011**	22,199	3.9	4,721
— Public management and social organizations	**10,291**	**1.6**	**807**	8,131	1.4	1,156
— Financing	**2,133**	**0.3**	**369**	1,512	0.3	306
— Other customers	**39,344**	**6.2**	**4,727**	34,061	5.9	4,576
Subtotal	**515,455**	**81.3**	**160,801**	465,520	81.0	140,490
Personal loans	**82,051**	**13.0**		76,089	13.2	
Discounted bills	**36,306**	**5.7**		33,599	5.8	
Gross loans and advances to customers	**633,812**	**100.0**		575,208	100.0	
Less: Impairment allowances	**(10,620)**			(9,342)		
Net loans and advances to customers	**623,192**			565,866		

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the balance sheet date: (continued)

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

	30 June 2008				
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**	**Impairment charged to income statement during the year**	**Impaired loan written off during the year**
Manufacturing	**4,158**	**2,838**	**1,266**	**289**	**—**

	31December2007				
	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances	Impairment charged to income statement during the year	Impaired loan written off during the year
Manufacturing	4,051	2,833	1,026	1,366	848
Transportation, storage and posting	65	50	456	196	30

(iv) Loans and advances to customers and the balance secured by collaterals analysed by geographical sector risk concentrations at the balance sheet date:

	30 June 2008			31 December 2007		
		%	**Loans Secured by Collaterals**		%	Loans Secured by Collaterals
Yangtze River Delta	**194,771**	**30.7**	**71,195**	182,058	31.7	66,350
Bohai Rim (including Head Office)	**185,238**	**29.2**	**58,703**	167,329	29.1	51,896
Pearl River Delta and West Strait	**97,427**	**15.4**	**41,459**	90,358	15.7	39,085
Central	**69,309**	**10.9**	**23,049**	60,410	10.5	19,529
Western	**64,443**	**10.2**	**31,529**	55,780	9.7	27,991
Northeastern	**22,215**	**3.5**	**8,839**	19,065	3.3	6,631
Hong Kong	**409**	**0.1**	**228**	208	0.0	10
Total	**633,812**	**100.0**	**235,002**	575,208	100.0	211,492

See Note 31(b) for the definitions of geographical segments.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers and the balance secured by collaterals analysed by geographical sector risk concentrations at the balance sheet date: (continued)

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

	30 June 2008			31 December 2007		
	Impaired loans and advances	**Individual impairment allowances**	**Collective impairment allowances**	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances
Yangtze River Delta	**1,366**	**677**	**1,368**	852	488	1,160
Bohai Rim (including Head Office)	**4,010**	**2,611**	**1,639**	4,114	2,720	1,307
Pearl River Delta and West Strait	**1,580**	**946**	**693**	1,877	1,057	581
Central	**711**	**581**	**495**	772	638	381
western	**904**	**604**	**421**	452	201	337
	8,571	**5,419**	**4,616**	8,067	5,104	3,766

(b) Market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments, as well as from balance sheet or structural positions. Market risk arises from adverse movement in market rates including interest rates, foreign exchange rates and stock prices etc. as well as their volatility. Market risk would arise from both the Group's trading and non-trading business. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Group's exposure to the volatility inherent in financial instruments.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures, setting risk exposure limits and approving new products. The Budget and Finance Department is responsible for the day-to-day tasks of managing market risk, including formulating procedures to identify, assess, measure and control market risks. The Treasury and Capital Markets Department is responsible for managing the Group's investment portfolios, conducting proprietary and customer-driven transactions, implementing market risk management policies and rules and ensuring that risk levels are within set limits.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(b) Market risk (continued)

The use of derivatives for proprietary trading and their sale to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

Sensitivity analysis and foreign currency exposure analysis are the key methods used by the Group to measure and monitor the market risk of its trading business with Value-at-Risk ("VaR") as a supplementary method. Gap analysis is the key method used by the Group to monitor the market risk of its non-trading business.

The Group applies a wide range of sensitivity analyses to assess the potential impact on the Group's earnings as a result of a set of forward-looking movements in market prices and the result is regularly reviewed.

Foreign currency exposure analysis is a method to measure the effect on the Group's net earnings by foreign exchange rate changes. The Group calculates individual foreign currency exposure for both net spot and net forward positions. All the individual foreign currency exposures are then aggregated to form an overall exposure. Foreign currency exposure limits are set for individual currencies as well as the overall level. The Group also distinguishes between trading and non-trading foreign currency exposures.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The Group's Treasury and Capital Markets Department calculates interest rate VaR using historical movement in market rates and prices, at 99% confidence level, with a 10-day holding period on its foreign currency denominated investments.

Gap analysis is a technique to project future cash flows in order to quantify the differences, for a range of future dates, between assets and liabilities.

Currently, the Group is upgrading its present market risk management information system to monitor its overall market risk through new Assets and Liability Management (ALM) and Fund Transfer Pricing (FTP) systems.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(c) Interest rate risk

The Group's interest rate exposures mainly comprise those originating in its commercial banking structural interest rate exposure, and trading positions. The Budget and Finance Department is responsible for overall interest rate risk management.

The structural interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. The Budget and Finance Department manages the structural interest rate risk primarily through gap analysis and interest rate sensitivity analysis.

The majority of interest rate risk from the Group's trading positions arises from the Treasury's investment portfolios. Sensitivity related limits such as Price Value of a Basis Point (PVBP) and duration, as well as stop loss limits and concentration limit, are the main tools adopted by the Budget and Finance Department to manage trading interest rate risk.

Interest rate risk limits are determined by the Market Risk Committee, which is comprised of senior management. The Budget and Finance Department monitors interest rate risk and reports to the Market Risk Committee on both a regular and ad hoc basis as the need arises.

The following tables indicate the effective interest rates for the year and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities at the balance sheet date.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(c) Interest rate risk (continued)

	30 June 2008						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.69%	**148,195**	**3,476**	**144,719**	**—**	**—**	**—**
Amounts due from banks and other financial institutions	2.41%	**30,863**	**—**	**30,283**	**580**	**—**	**—**
Balances under resale agreements	3.74%	**44,745**	**—**	**33,490**	**10,707**	**548**	**—**
Loans and advances to customers (note (ii))	7.20%	**623,192**	**—**	**393,574**	**221,137**	**6,163**	**2,318**
Investments	3.69%	**249,607**	**476**	**102,431**	**88,961**	**38,892**	**18,847**
Others	—	**20,568**	**20,568**	**—**	**—**	**—**	**—**
Total assets		**1,117,170**	**24,520**	**704,497**	**321,385**	**45,603**	**21,165**
Liabilities							
Amounts due to banks and other financial institutions	1.77%	**136,703**	**—**	**120,789**	**15,269**	**—**	**645**
Balances under repurchase agreements	2.89%	**11,393**	**—**	**11,387**	**6**	**—**	**—**
Deposits from customers	2.30%	**849,464**	**6,552**	**615,254**	**202,010**	**20,423**	**5,225**
Subordinated debts/bonds issued	5.30%	**12,000**	**—**	**6,000**	**—**	**—**	**6,000**
Others		**17,452**	**17,452**	**—**	**—**	**—**	**—**
Total liabilities		**1,027,012**	**24,004**	**753,430**	**217,285**	**20,423**	**11,870**
Asset-liability gap		**90,158**	**516**	**(48,933)**	**104,100**	**25,180**	**9,295**

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(c) Interest rate risk (continued)

		31 December 2007					
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.59%	123,369	4,341	119,028	—	—	—
Amounts due from banks and other financial institutions	2.79%	26,655	—	26,252	403	—	—
Balances under resale agreements	4.01%	118,046	—	116,616	991	439	—
Loans and advances to customers (note (ii))	6.11%	565,866	—	360,040	192,181	12,017	1,628
Investments	3.38%	159,848	455	55,796	44,936	40,709	17,952
Others	—	17,402	17,402	—	—	—	—
Total assets		1,011,186	22,198	677,732	238,511	53,165	19,580
Liabilities							
Amounts due to banks and other financial institutions	1.66%	97,248	—	95,845	764	—	639
Balances under repurchase agreements	4.84%	15,754	—	15,704	50	—	—
Deposits from customers	1.98%	787,211	8,168	675,275	84,183	15,536	4,049
Subordinated debts/bonds issued	4.90%	12,000	—	6,000	—	—	6,000
Others	—	14,882	14,882	—	—	—	—
Total liabilities		927,095	23,050	792,824	84,997	15,536	10,688
Asset-liability gap		84,091	(852)	(115,092)	153,514	37,629	8,892

Notes: (i) Effective interest rate represents the annualised ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB6,512 million as at 30 June 2008 (as at 31 December 2007: RMB5,102 million). Overdue amounts represent loans, of which the whole or part of the principals was overdue, or interest was overdue for more than 90 days but for which principal was not yet due.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(c) Interest rate risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 30 June 2008 and 31 December 2007.

	30 June 2008		31 December 2007	
	Change in interest rates (in basis point)		Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
Increase/(decrease) in annualized net interest income (in millions of RMB)	**291**	**(291)**	—	—

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing, commercial bank operations and foreign currency capital related structural exposures. The foreign currency exposures arising in branch daily operations are aggregated to Treasury and Capital Markets Department through back to back transactions.

The Treasury and Capital Markets Department manages the currency risk within the limits approved by the Market Risk Committee by closing the exposure positions through external market transactions.

The Group manages other currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(d) Currency risk (continued)

The exposures at the balance sheet date were as follows:

	30 June 2008			
	RMB	**USD**	**Others**	**Total**
Assets				
Cash and balances with central bank	**144,221**	**3,594**	**380**	**148,195**
Amounts due from banks and other financial institutions	**13,567**	**14,617**	**2,679**	**30,863**
Balances under resale agreements	**44,658**	**87**	**—**	**44,745**
Loans and advances to customers	**593,111**	**29,033**	**1,048**	**623,192**
Investments	**212,231**	**32,290**	**5,086**	**249,607**
Others	**18,973**	**574**	**1,021**	**20,568**
Total assets	**1,026,761**	**80,195**	**10,214**	**1,117,170**
Liabilities				
Amounts due to banks and other financial institutions	**119,719**	**15,838**	**1,146**	**136,703**
Balances under repurchase agreements	**5,660**	**5,733**	**—**	**11,393**
Deposits from customers	**802,947**	**35,530**	**10,987**	**849,464**
Subordinated debts/bonds issued	**12,000**	**—**	**—**	**12,000**
Others	**15,433**	**1,738**	**281**	**17,452**
Total liabilities	**955,759**	**58,839**	**12,414**	**1,027,012**
Net on-balance sheet position	**71,002**	**21,356**	**(2,200)**	**90,158**
Credit commitments	**260,305**	**53,417**	**10,359**	**324,081**
Derivatives (note(i))	**16,590**	**(16,306)**	**1,787**	**2,071**

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(d) Currency risk (continued)

	31 December 2007			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	120,141	2,859	369	123,369
Amounts due from banks and other financial institutions	15,876	7,552	3,227	26,655
Balances under resale agreements	117,877	169	—	118,046
Loans and advances to customers	535,998	28,598	1,270	565,866
Investments	119,882	34,843	5,123	159,848
Others	14,540	2,179	683	17,402
Total assets	924,314	76,200	10,672	1,011,186
Liabilities				
Amounts due to banks and other financial institutions	94,335	1,466	1,447	97,248
Balances under repurchase agreements	8,461	7,293	—	15,754
Deposits from customers	735,558	42,236	9,417	787,211
Subordinated debts/bonds issued	12,000	—	—	12,000
Others	13,198	1,309	375	14,882
Total liabilities	863,552	52,304	11,239	927,095
Net on-balance sheet position	60,762	23,896	(567)	84,091
Credit commitments	213,043	39,505	8,038	260,586
Derivatives (note(i))	17,181	(17,052)	342	471

Note: (i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 30 June 2008 and 31 December 2007, the results of the Group's interest rate sensitivity analysis on the assets and liabilities at the same date.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(d) Currency risk (continued)

	30 June 2008		31 December 2007	
	Change in foreign currency exchange rate (in basis point)		Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(7)**	**7**	(9)	9

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows for the Group to meet all financial commitment and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings in full amounts as they mature, or to meet other obligations for payments, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis according to the Group's liquidity objectives by the Treasury under the direction of the Asset and Liability Committee. It is responsible for ensuring that the Group has adequate liquidity for RMB and foreign currency operations.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(e) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the balance sheet date.

	30 June 2008						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central bank	32,409	—	—	—	—	115,786	148,195
Amounts due from banks and other financial institutions	15,791	14,468	603	1	—	—	30,863
Balances under resale agreements	—	33,490	10,707	548	—	—	44,745
Loans and advances to customers	2,305	127,192	288,529	111,372	88,975	4,819	623,192
Investment securities (note (ii))	10,533	71,394	75,496	54,297	37,410	477	249,607
Others	6,433	1,405	1,390	533	367	10,440	20,568
Total assets	67,471	247,949	376,725	166,751	126,752	131,522	1,117,170
Liabilities							
Amounts due to banks and other financial institutions	117,136	3,653	15,269	—	645	—	136,703
Balances under repurchase agreements	—	11,387	6	—	—	—	11,393
Deposits from customers	444,357	195,114	186,709	19,396	3,888	—	849,464
Subordinated debts/bonds issued	—	—	—	6,000	6,000	—	12,000
Others	2,479	8,106	2,823	2,653	777	614	17,452
Total liabilities	563,972	218,260	204,807	28,049	11,310	614	1,027,012
(Short)/Long position	(496,501)	29,689	171,918	138,702	115,442	130,908	90,158

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(e) Liquidity risk (continued)

	31 December 2007						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central bank	37,886	—	—	—	—	85,483	123,369
Amounts due from banks and other financial institutions	15,327	10,900	403	—	—	25	26,655
Balances under resale agreements	—	116,616	991	439	—	—	118,046
Loans and advances to customers	1,838	115,898	256,261	108,397	79,865	3,607	565,866
Investment securities (note (ii))	4,350	31,064	32,149	55,065	36,749	471	159,848
Others	648	2,378	2,209	991	303	10,873	17,402
Total assets	60,049	276,856	292,013	164,892	116,917	100,459	1,011,186
Liabilities							
Amounts due to banks and other financial institutions	94,075	1,770	764	—	639	—	97,248
Balances under repurchase agreements	3,592	12,112	50	—	—	—	15,754
Deposits from customers	409,691	249,362	98,883	25,226	4,049	—	787,211
Subordinated debts/bonds issued	—	—	—	6,000	6,000	—	12,000
Others	1,533	7,858	2,003	1,437	1,703	348	14,882
Total liabilities	508,891	271,102	101,700	32,663	12,391	348	927,095
(Short)/Long position	(448,842)	5,754	190,313	132,229	104,526	100,111	84,091

Notes: (i) For cash and balances with the central bank, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For amounts due from banks and non-bank financial institutions, loans and advances to customers, receivables and debt securities within investments, the indefinite period amount represents the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For financial assets at fair value through profit or loss and available-for-sale investments, the remaining term to maturity does not represent the Group's intended holding period.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(f) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address comprehensively the operational risk inherent in all key products, activities, processes and systems. Key controls include:

— authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;

— the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;

— systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;

— promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;

— the Accounting Department was appointed to be responsible for overseeing that cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

— the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;

— the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and

— the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

(Expressed in millions of Renminbi unless otherwise stated)

33 Financial risk management (continued)

(f) Operational risk (continued)

In addition to the above, the Bank's Compliance and Audit Department, which directly reports to the Internal Audit Committee, examines and independently evaluates its risk management policies and procedures and internal controls. The Internal Audit Committee is under the direct supervision of the Executive Management Committee led by the President of the Bank.

The Internal Audit Committee determines the frequency and priority of audits of the Bank's different operating units and branches based on their assessment of the level of risk of those units and branches.

34 Capital management

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with "Regulation Governing Capital Adequacy of Commercial Banks" issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong Special Administrative Region of the PRC or other regions and countries. The capital of the Bank is analysed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and minority interests, after the deduction of dividends declared after the balance sheet date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions and subordinated debts/bonds.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on- and off-balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Bank is fully compliant with legal and regulatory requirements.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Bank's sound operations and risk management capability. The Bank's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Bank's operating situations.

The Bank considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

(Expressed in millions of Renminbi unless otherwise stated)

34 Capital management (continued)

The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The capital adequacy ratios and the related components of the Bank as at 30 June 2008 and 31 December 2007 calculated based on the financial statements under relevant accounting rules and regulations in the PRC were as follows:

	30 June 2008	31 December 2007
Core capital adequacy ratio	**12.34%**	13.14%
Capital adequacy ratio	**14.28%**	15.27%
Components of capital base		
Core capital:		
— Share capital	**39,033**	39,033
— Capital reserve (note(i))	**36,916**	36,916
— Investment revaluation reserve	**(351)**	(89)
— Surplus reserve and general reserve	**4,560**	4,560
— Retained earnings	**10,034**	1,620
— Fair value change in trading assets	**(1,236)**	(101)
	88,956	81,939
Supplementary capital:		
— General provision for loans and advances	**4,379**	3,621
— Fair value change of trading financial assets	**1,236**	101
— Subordinated debts/bonds	**8,400**	9,600
Total supplementary capital	**14,015**	13,322
Total capital base before deductions	**102,971**	95,261
Deductions:		
— Unconsolidated equity investments	**90**	90
Total capital base after deductions	**102,881**	95,171
Core capital base after deductions (note(i))	**88,911**	81,894
Risk weighted assets	**720,466**	623,300

Note: (i) According to relevant regulation, 50 percent unconsolidated non-bank financial institutes' investments should be deducted when we calculate core capital base.

35 Fair value

(a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

Amounts due from central bank, banks and other financial institutions

Amounts due from central bank, banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

(Expressed in millions of Renminbi unless otherwise stated)

35 Fair value (continued)

(a) Financial assets (continued)

Loans and advances to customers

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale investments and trading debt securities are stated at fair value in the balance sheet. The following table summarises the carrying values and the fair values of held-to-maturity debt securities which are not presented on the balance sheet at their fair values.

	Carrying values		Fair values	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
Held-to-maturity debt securities	**166,436**	109,391	**165,622**	108,958

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the balance sheet date except for subordinated bonds, of which the carrying values and fair values are presented as below:

	Carrying values		Fair values	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
Subordinated bonds	**6,000**	6,000	**5,695**	5,667

36 Related parties

CITIC Group, the majority shareholder of the Bank, is a state-owned company established in the PRC in 1979. CITIC Group's core businesses include operations in the financial, industrial and service industries in the PRC and internationally. The Group's related party transactions are those transactions between the Group and CITIC Group and its subsidiaries, which include CIFH, the other shareholder of the Bank.

(Expressed in millions of Renminbi unless otherwise stated)

36 Related parties (continued)

(a) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Interest rates on loans and deposits are required to be set in accordance with the benchmark rates set by the PBOC.

Transactions during the relevant periods and the corresponding balances outstanding at the balance sheet dates are as follows:

	Six months ended 30 June 2008		
	Ultimate holding company	**Fellow subsidiaries**	**Subsidiaries** (note(i))
Interest income	**21**	**130**	**13**
Fee and commission income and other income	**—**	**9**	**—**
Interest expense	**(186)**	**(523)**	**(7)**
Other service fees	**—**	**(12)**	**—**
	Six months ended 30 June 2007		
	Ultimate holding company	Fellow subsidiaries	Subsidiaries (note(i))
Interest income	18	44	12
Fee and commission income and other income	—	3	—
Interest expense	(60)	(182)	—
Other service fees	—	(16)	(8)

(Expressed in millions of Renminbi unless otherwise stated)

36 Related parties (continued)

(a) Related party transactions (continued)

	30 June 2008		
	Ultimate holding company	**Fellow subsidiaries**	**Subsidiaries** (note(i))
Net loans and advances to customers	**380**	**3,044**	**—**
Net amounts due from banks and other financial institutions	**—**	**177**	**748**
Investments	**318**	**544**	**87**
Balances under resale agreements	**—**	**—**	**69**
Other assets	**5**	**9**	**3**
Deposits from customers	**9,719**	**2,583**	**—**
Amounts due to banks and other financial institutions	**645**	**22,845**	**—**
Other liabilities	**19**	**43**	**—**
Off-balance sheet transactions			
Guarantees and letters of credit	**293**	**594**	**—**
Acceptances	**—**	**276**	**—**
Guarantees given by related parties for the Group's loans to third parties	**—**	**2,239**	**—**

	31 December 2007		
	Ultimate Holding company	Fellow subsidiaries	Subsidiaries (note(i))
Net loans and advances to customers	380	2,417	—
Net amounts due from banks and other financial institutions	—	247	519
Investments	316	578	87
Balances under resale agreements	—	—	—
Other assets	5	9	4
Deposits from customers	5,191	3,328	3
Amounts due to banks and other financial institutions	—	33,554	—
Other liabilities	20	46	—
Off-balance sheet transactions			
Guarantees and letters of credit	308	21	—
Acceptances	—	190	—
Guarantees given by related parties for the Group's loans to third parties	—	1,026	—

Notes: (i) The related party transactions between the Bank and the subsidiaries are eliminated on consolidation.

(ii) The Bank sold wealth management products, which are managed by CITIC Trust, to its retail and corporate customers. During the six months ended 30 June 2008, on behalf of the customers, CITIC Trust purchased from the Bank loans and advances to customers of RMB20,508 million; on behalf of the customers, CITIC Trust sold part of these loans of RMB19,630 million to the Bank before the period end.

(Expressed in millions of Renminbi unless otherwise stated)

36 Related parties (continued)

(b) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, Supervisors and Executive Officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. In the opinion of the Directors, other than those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 30 June 2008 to Directors, Supervisors and Executive Officers amounted to RMB24.98 million (as at 31 December 2007: RMB26 million).

The compensations in respect of Directors, Supervisors and Executive Officers during the six months ended 30 June 2008 amounted to RMB21.02 million (six months ended 30 June 2007: RMB10 million).

(c) Contributions to defined contribution retirement schemes

The Group participates in defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China.

The Group has also established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group.

The Group is also required to make contributions to the Mandatory Provident Fund Scheme for its employees in Hong Kong at the rate set up by the local laws and regulations.

(d) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations (“state-owned entities”).

(Expressed in millions of Renminbi unless otherwise stated)

36 Related parties (continued)

(d) Transactions with other state-owned entities in the PRC (continued)

Transactions with other state-owned entities include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions 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 and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

37 Comparative figures

Certain comparative figures have been re-classified to conform with current period's presentation.

38 Events after the Balance Sheet Date

Up to the date of this report, the Group had no material events for disclosure after the balance sheet date.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

(a) Reconciliation between the interim financial report prepared under International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and relevant accounting rules and regulations in the PRC ("PRC GAAP")

	Note	Six months ended 30 June **2008**	2007
Net Profit			
Net profit attributable to shareholders of the Bank under IAS 34		**8,429**	3,223
Adjustments for depreciation and disposal arising from fixed assets and other assets revaluation	(i)	**(12)**	(18)
Net profit attributable to shareholders of the Bank shown in the financial statements under PRC GAAP		**8,417**	3,205

	Note	30 June 2008	31 December 2007
Equity			
Equity attributable to shareholders of the Bank under IAS 34		**90,153**	84,086
Adjustments for difference arising from fixed assets and other assets revaluation	(i)	**38**	50
Equity attributable to shareholders of the Bank shown in the financial statements under PRC GAAP		**90,191**	84,136

Note: (i) Adjustments for difference arising from fixed assets and other assets revaluation

Pursuant to the relevant PRC rules and regulations with respect to the restructuring of China CITIC Bank, the fixed assets and other assets (including equity investment, repossessed assets and intangible assets) of the Bank as at 31 December 2005 were revalued by China Enterprise Appraisal Company Limited on a depreciated replacement cost or a comparable market basis as appropriate. The revalued amount was adopted for these assets as deemed cost from the date of revaluation and thereafter, with the revaluation surplus being recognised in the capital reserve. The depreciation and amortization of these assets is calculated to write off the deemed cost over the estimated useful life.

In the interim financial report prepared under IAS 34, such assets are carried at cost less impairment losses and the revaluation surplus was not recorded accordingly, except for the property of the Bank, which is stated in the balance sheet at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Increases in the carrying amount arising on the revaluation of each property are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement. These revaluations are performed on a regular basis.

As the depreciation of equipment and amortization of other assets in the financial statements under PRC GAAP are calculated on deemed cost after revaluation, it is different from those under IAS 34, which are calculated on historical cost.

(Expressed in millions of Renminbi unless otherwise stated)

(b) Liquidity ratios

	30 June 2008	31 December 2007
RMB current assets to RMB current liabilities	**47.25%**	38.90%
Foreign currency current assets to foreign currency current liabilities	**129.25%**	110.01%

The above liquidity ratios were calculated based on the financial statements under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

(c) Currency concentrations

	30 June 2008			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**80,195**	**2,582**	**7,632**	**90,409**
Spot liabilities	**(58,839)**	**(2,933)**	**(9,481)**	**(71,253)**
Forward purchases	**111,944**	**4,433**	**24,863**	**141,240**
Forward sales	**(128,263)**	**(4,246)**	**(23,250)**	**(155,759)**
Net option position	**13**	**—**	**(13)**	**—**
Net long/(short) position	**5,050**	**(164)**	**(249)**	**4,637**

	31 December 2007			
	US Dollars	HK Dollars	Others	Total
Spot assets	76,200	2,184	8,488	86,872
Spot liabilities	(52,304)	(3,419)	(7,820)	(63,543)
Forward purchases	54,847	2,558	13,012	70,417
Forward sales	(71,982)	(1,311)	(13,834)	(87,127)
Net option position	83	—	(83)	—
Net long/(short) position	6,844	12	(237)	6,619

(d) 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.

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

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

(Expressed in millions of Renminbi unless otherwise stated)

(d) Cross-border claims (continued)

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical areas is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a region or 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.

	30 June 2008			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**12,473**	**—**	**796**	**13,269**
— of which attributed to Hong Kong	**8,602**	**—**	**457**	**9,059**
Europe	**15,707**	**54**	**37**	**15,798**
North and South America	**9,674**	**11,747**	**880**	**22,301**
Total	**37,854**	**11,801**	**1,713**	**51,368**

	31 December 2007			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	3,529	40	794	4,363
— of which attributed to Hong Kong	1,676	—	449	2,125
Europe	11,972	53	39	12,064
North and South America	12,160	17,682	583	30,425
Total	27,661	17,775	1,416	46,852

(e) Overdue loans and advances to customers by geographical segments

	30 June 2008		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Impaired Loans**
Yangtze River Delta	**194,771**	**938**	**1,366**
Bohai Rim (include Head Office)	**185,238**	**3,906**	**4,010**
Pearl River Delta and West Strait	**97,427**	**1,534**	**1,580**
Central	**69,309**	**727**	**711**
Western	**64,443**	**459**	**904**
Northeastern	**22,215**	**905**	**631**
Hong Kong	**409**	**—**	**—**
Total	**633,812**	**8,469**	**9,202**

(Expressed in millions of Renminbi unless otherwise stated)

(e) Overdue loans and advances to customers by geographical segments (continued)

	31 December 2007		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired Loans
Yangtze River Delta	182,058	833	852
Bohai Rim (including Head Office)	167,329	3,711	4,114
Pearl River Delta and West Strait	90,358	1,846	1,877
Central	60,410	781	772
Western	55,780	367	452
Northeastern	19,065	442	425
Hong Kong	208	—	—
Total	575,208	7,980	8,492

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss (see Note 33(a) of the Group's interim financial report for the core definitions of the loan classification)); or

— collectively: that is portfolios of homogeneous loans and advances (including retail loans and advances which are graded substandard, doubtful or loss).

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	30 June 2008	31 December 2007
Gross amounts due from banks and other financial institutions which have been overdue	**169**	171
As a percentage of total gross amounts due from banks and other financial institutions	**0.55%**	0.64%

Note: All overdue amounts have been overdue over 12 months.

(Expressed in millions of Renminbi unless otherwise stated)

(f) Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

(ii) Gross amounts of overdue loans and advances to customers

	30 June 2008	31 December 2007
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**1,186**	438
— between 6 and 12 months	**626**	696
— over 12 months	**6,657**	6,846
Total	**8,469**	7,980
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.19%**	0.08%
— between 6 and 12 months	**0.10%**	0.12%
— over 12 months	**1.05%**	1.19%
Total	**1.34%**	1.39%

— The above analysis represents loans and advances overdue for more than 90 days as required by the Hong Kong Monetary Authority.

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

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

— As at 30 June 2008, the loans and advances to customers of RMB7,052 million (as at December 31 2007: RMB7,403 million) and RMB1,417 million (as at December 31 2007: RMB577 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB1,158 million (as at December 31 2007: RMB1,365 million) and RMB5,894 million (as at December 31 2007: RMB6,038 million) respectively.

— The fair value of collaterals held against these individually assessed loans and advances was RMB1,352 million (as at December 31 2007: RMB1,675 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB5,137 million (as at December 31 2007: RMB5,171 million).

(Expressed in millions of Renminbi unless otherwise stated)

(g) Rescheduled amounts due from banks and other financial institutions and rescheduled loans and advances to customers

(i) Rescheduled amounts due from banks and other financial institutions

The Group does not have any rescheduled amounts due from banks and other financial institutions as at 30 June 2008 and 31 December 2007.

(ii) Rescheduled loans and advances to customers

	30 June 2008		31 December 2007	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	**4,699**	**0.74%**	5,303	0.92%
Less:				
— rescheduled loans and advances but overdue more than 90 days	**2,832**	**0.45%**	2,799	0.48%
— Rescheduled loans and advances overdue less than 90 days	**1,867**	**0.29%**	2,504	0.44%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. Rescheduled loans and advances are required to be graded at a minimum of substandard and subject to an observation period of six months, until when no upgrade to a higher loan classification is considered.

(h) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland. As of 30 June 2008, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individual. Analyses of various types of exposures by counterparty have been disclosed in the notes to the interim financial report.

List of Domestic and Overseas Affiliates

As of the end of June, 2008, the Bank had 505 branch outlets in total, including 28 Tier-one branches, 18 Tier-two branches, 458 sub-branch outlets and one finance company.

No.	Administrative region	Number of Branches	Major branches/office	Address	Tel & Fax
1	Beijing	1	Head Office	Address: Tower C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 SWIFT BIC: CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Or 65550802 Hotline: 95558
		35	Beijing Branch	Address: Tower A, Investment Plaza, No.27, Jinrong Street, Xicheng District, Beijing Postal Code: 100032	Tel: 010-66219988 Fax: 010-66211770
2	Tianjin	17	Tianjin Branch	Address: No.14, Nanjing Road, Hexi District, Tianjin Postal Code: 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	11			
	Shijiazhuang	9	Shijiazhuang Branch	Address: No.209, East Xinhua Road, Shijiazhuang, Hebei Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	2	Tangshan Branch	Address: No.46, West Xinhua Road, Tangshan, Hebei Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738600
4	Liaoning Province	48			
	Shenyang	14	Shenyang Branch	Address: No.336, Daxi Road, Shenhe District, Shenyang, Liaoning Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	18	Dalian Branch	Address: No.29, Renmin Road, Zhongshan District, Dalian, Liaoning Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	5	Anshan Branch	Address: No.35, Wuyi Road, Tiedong District, Anshan, Liaoning Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: No.11, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Postal Code: 113006	Tel: 0413-7589324 Fax: 0413-7587608
	Huludao	6	Huludao Branch	Address: No.55, Xinhua Avenue, Lianshan District, Huludao, Liaoning Postal Code: 125001	Tel: 0429-2802681 Fax: 0429-2800885

No.	Administrative region	Number of Branches	Major branches/office	Address	Tel & Fax
5	Shanghai	26	Shanghai Branch	Address: No.61, East Nanjing Road, Shanghai Postal Code: 200002	Tel: 021-23029000 Fax: 021-23029001
6	Jiangsu Province	70			
	Nanjing	19	Nanjing Branch	Address: No.348, Zhongshan Road, Nanjing, Jiangsu Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	14	Wuxi Branch	Address: No.112, Renmin Road, Wuxi, Jiangsu Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	7	Changzhou Branch	Address: Boai Building, No.72, Boai Road, Changzhou, Jiangsu Postal Code: 213003	Tel: 0519-8108833 Fax: 0519-8107020
	Yangzhou	10	Yangzhou Branch	Address: No.171, Weiyang Road, Yangzhou, Jiangsu Postal Code: 225009	Tel: 0514-7890717 Fax: 0514-7890526
	Taizhou	3	Taizhou Branch	Address: No.39, North Qingnian Road, Taizhou, Jiangsu Postal Code: 225300	Tel: 0523-6215818 Fax: 0523-6243344
	Suzhou	17	Suzhou Branch	Address: No.258, Zhuhui Road, Suzhou, Jiangsu Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
7	Zhejiang Province	55			
	Hangzhou	20	Hangzhou Branch	Address: No.88, Yanan Road, Hangzhou, Zhejiang Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	8	Wenzhou Branch	Address: No.12, East Renmin Road, Wenzhou, Zhejiang Postal Code: 325000	Tel: 0577-88858616 Fax: 0577-88817687
	Jiaxing	7	Jiaxing Branch	Address: No.111, Zhongshan Road, Jiaxing, Zhejiang Postal Code: 314000	Tel: 0573-2097693 Fax: 0573-2093454
	Shaoxing	8	Shaoxing Branch	Address: No.289, West Renmin Road, Shaoxing, Zhejiang Code: 312000	Tel: 0575-5227222 Fax: 0575-5137782
	Ningbo	12	Ningbo Branch	Address: No.36, Zhenming Road, Haishu District, Ningbo Postal Code: 315010	Tel: 0574-87733226 Fax: 0574-87733060
8	Anhui Province				
	Hefei	10	Hefei Branch	Address: No.560, Meiling Avenue, Hefei, Anhui Postal Code: 230001	Tel: 0551-2622426 Fax: 0551-2625750

No.	Administrative region	Number of Branches	Major branches/office	Address	Tel & Fax
9	Fujian Province	26			
	Fuzhou	12	Fuzhou Branch	Address: No.99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	8	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No.81, West Hubin Road, Xiamen, Fujian Postal Code: 361004	Tel: 0592-2389008 Fax: 0592-2396363
	Quanzhou	5	Quanzhou Branch	Address: Building of the People's Bank of China, Fengze Street, Quanzhou, Fujian Postal Code: 362000	Tel: 0595-22148612 Fax: 0595-22148222
	Putian	1	Putian Branch	Address: 1 & 2/F, Phoenix Tower, No. 81 Licheng Avenue, Chengxiang District, Putian Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
10	Shandong Province	52			
	Jinan	11	Jinan Branch	Address: CITIC Plaza, No.150, Leyuan Street, Jinan, Shandong Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	15	Qingdao Branch	Address: No.22, Mid Hong Kong Road, Qingdao, Shandong Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: No.109, West Xincun Road, Zhangdian District, Zibo, Shandong Postal Code: 255032	Tel: 0533–2212123 Fax: 0533–2212123
	Yantai	6	Yantai Branch	Address: No.207, Shengli Road, Zhifu District, Yantai, Shandong Postal Code: 264001	Tel: 0535-6612888 Fax: 0535-6611032
	Weihai	10	Weihai Branch	Address: No.2, North Qingdao Road, Weihai, Shandong Postal Code: 264200	Tel: 0631-5313999 Fax: 0631-5314076
	Jining	3	Jining Branch	Address: No.10, Jianshe Road, Jining, Shandong Postal Code: 272000	Tel: 0537-2338888 Fax: 0573-2338888
11	Henan Province Zhengzhou	15	Zhengzhou Branch	Address: No.26, North Jingsan Road, Zhengzhou, Henan Postal Code: 450008	Tel: 0371-65792500 Fax: 0371-65792900
12	Hubei Province Wuhan	16	Wuhan Branch	Address: No.747, Construction Avenue, Hankou, Wuhan, Hubei Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222

No.	Administrative region	Number of Branches	Major branches/office	Address	Tel & Fax
13	Hunan Province Changsha	11	Changsha Branch	Address: No.456, Wuyi Avenue, Changsha, Hunan Postal Code: 410011	Tel: 0731-4582177 Fax: 0731-4582199
14	Guangdong Province	58			
	Guangzhou	20	Guangzhou Branch	Address: No.233, North Tianhe Road, Guangzhou, Guangdong Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	4	Foshan Branch	Address: No.91, South Fenjiang Road, Foshan, Guangdong Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83981101
	Shenzhen	23	Shenzhen Branch	Address: Building 5–7, CITIC Tower, CITIC Plaza, No.1093, Mid Shenzhen Road, Shenzhen, Guangdong Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	11	Dongguan Branch	Address: Building 1, Legend of Star River, East Road, Dongcheng District, Dongguan, Guangdong Postal Code: 523072	Tel: 0769-22667888 Fax: 0769-22667999
15	Chongqing	12	Chongqing Branch	Address: Building B, Chongqing International Trade Center, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-89037373 Fax: 023-89037227
16	Sichuan Province Chengdu	17	Chengdu Branch	Address: Attached Building of Huneng Building, No.47, 4th Session, South Renmin Road, Chengdu, Sichuan Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunan Province Kunming	9	Kunming Branch	Address: Fulin Square, Baoshan Street, Kunming, Yunnan Postal Code: 650021	Tel: 0871-3648555 Fax: 0871-3648667
18	Shaanxi Province Xi'an	14	Xi'an Branch	Address: No.89, North Changan Road, Xian, Shaanxi Postal Code: 710061	Tel: 029-87820122 Fax: 029-87817025
19	Shanxi Province Taiyuan	1	Taiyuan Branch	Address: Building A, King Office Building, No.9, Fuxi Street, Taiyuan, Shanxi Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000

No.	Administrative region	Number of Branches	Major branches/office	Address	Tel & Fax
20	Jiangxi Province Nanchang	1	Nanchang Branch	Address: Tower A, Building 16, Hengmao Internantional Huacheng, No. 333 South Plaza Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
21	Inner Mongolia Autonomous Region Hohhot	1	Hohhot Branch	Address: No. 68, Xinhua Street, Hohhot Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
22	Guangxi Zhuang Ethnic Group Autonomous Region Nanning	1	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning Postal Code: 530000	Tel: 0771-5569881 Fax: 0771-5569889
23	Hong Kong Special Administrative Region	1	China Investment and Finance Limited (HK)	Address: Room 2106, 21/F, Tower 2, Lippo Center, No.89, Queensway, Hong Kong	Tel: 852-25212353 Fax: 852-28017399

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