中国建设银行
China Construction Bank

中國建設銀行股份有限公司
China Construction Bank Corporation

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

(Stock Code: 939)

Interim Results Announcement
For the Six Months ended 30 June 2008

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the interim results of the Bank and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008. This results announcement is prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules"). The financial statements of the Group for the six months ended 30 June 2008 prepared in accordance with the International Financial Reporting Standards have been audited by KPMG, and a standard unqualified opinion has been issued. The audit committee of the Bank has reviewed the interim results.

SUMMARY OF INTERIM RESULTS 2008

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2008**	Six months ended 30 June 2007	**Change** *(%)*
Current period			
Operating income	**135,736**	99,773	36.04
Profit before tax	**75,655**	50,542	49.69
Net profit	**58,692**	34,255	71.34
Net profit attributable to shareholders of the Bank	**58,667**	34,221	71.44
Per share *(In RMB)*			
Basic and diluted earnings per share	**0.25**	0.15	66.67
Profitability indicators *(%)*			**Change** *+/(-)*
Annualised return on average assets[1]	**1.72**	1.18	0.54
Annualised return on average equity[2]	**26.36**	19.80	6.56
Net interest spread	**3.16**	3.01	0.15
Net interest margin	**3.29**	3.11	0.18
Net fee and commission income to operating income	**14.86**	12.69	2.17
Cost-to-income ratio	**34.03**	37.36	(3.33)
Loan-to-deposit ratio	**61.19**	62.89	(1.70)

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

2. Calculated by dividing net profit attributable to shareholders of the Bank by the monthly average of total equity attributable to shareholders of the Bank for the period and then multiplying two.

(Expressed in millions of RMB unless otherwise stated)	**30 June 2008**	31 December 2007	**Change** *(%)*
As period-end			
Net loans and advances to customers	**3,445,965**	3,183,229	8.25
Total assets	**7,057,706**	6,598,177	6.96
Deposits from customers	**5,781,573**	5,329,507	8.48
Total liabilities	**6,602,308**	6,175,896	6.90
Total equity attributable to shareholders of the Bank	**454,030**	420,977	7.85
Issued and paid-up capital	**233,689**	233,689	—
Per share *(In RMB)*			
Net assets per share	**1.95**	1.81	7.73
Capital adequacy indicators *(%)*			**Change** +/(-)
Core capital adequacy ratio[1]	**10.08**	10.37	(0.29)
Capital adequacy ratio[1]	**12.06**	12.58	(0.52)
Total equity to total assets	**6.45**	6.40	0.05
Asset quality indicators *(%)*			
Non-performing loan ratio	**2.21**	2.60	(0.39)
Allowances to non-performing loans	**117.23**	104.41	12.82
Allowances to total loans	**2.59**	2.72	(0.13)

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

CONSOLIDATED INCOME STATEMENT

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

	Six months ended 30 June	
	2008	2007
Interest income	**172,193**	130,897
Interest expense	**(61,113)**	(41,684)
Net interest income	**111,080**	89,213
Fee and commission income	**20,926**	13,271
Fee and commission expense	**(758)**	(611)
Net fee and commission income	**20,168**	12,660
Net trading gain	**1,292**	247
Dividend income	**75**	76
Net income arising from investment securities	**1,646**	549
Other operating income/(loss), net	**1,475**	(2,972)
Operating income	**135,736**	99,773
Operating expenses	**(46,193)**	(37,275)
	89,543	62,498
Provisions for impairment losses on		
— loans and advances to customers	**(11,458)**	(11,648)
— others	**(2,448)**	(321)
Impairment losses	**(13,906)**	(11,969)
Share of profit in associates and jointly controlled entities	**18**	13

	Six months ended 30 June	
	2008	2007
Profit before tax	**75,655**	50,542
Income tax	**(16,963)**	(16,287)
Net profit	**58,692**	34,255
Attributable to:		
Shareholders of the Bank	**58,667**	34,221
Minority interests	**25**	34
Net profit	**58,692**	34,255
Cash dividends payable to shareholders of the Bank		
Interim cash dividend attributable to and approved during the six months ended 30 June 2007	**—**	15,054
Special cash dividend approved after the balance sheet date	**—**	16,339
	—	31,393
Basic and diluted earnings per share *(in RMB)*	**0.25**	0.15

CONSOLIDATED BALANCE SHEET

as at 30 June 2008

(Expressed in millions of RMB unless otherwise stated)

	As at 30 June 2008	As at 31 December 2007
Assets		
Cash and balances with central banks	**1,083,136**	967,374
Amounts due from banks and non-bank financial institutions	**125,201**	102,393
Trading investments	**76,495**	29,819
Positive fair value of derivatives	**27,821**	14,632
Loans and advances to customers	**3,445,965**	3,183,229
Investment securities	**2,156,255**	2,171,991
Interests in associates and jointly controlled entities	**1,722**	1,099
Property and equipment	**58,341**	58,287
Goodwill	**1,525**	1,624
Deferred tax assets	**2,486**	35
Other assets	**78,759**	67,694
Total assets	**7,057,706**	6,598,177
Liabilities		
Amounts due to central banks	**1,362**	50,973
Amounts due to banks and non-bank financial institutions	**601,073**	606,061
Trading liabilities	**7,519**	10,809
Negative fair value of derivatives	**15,824**	7,952
Deposits from customers	**5,781,573**	5,329,507
Certificates of deposit issued	**11,456**	9,284
Current tax liabilities	**16,792**	28,022
Deferred tax liabilities	**5**	771
Other liabilities and provisions	**126,771**	92,589
Subordinated bonds issued	**39,933**	39,928
Total liabilities	**6,602,308**	6,175,896
Equity		
Share capital	**233,689**	233,689
Reserves	**220,341**	187,288
Total equity attributable to shareholders of the Bank	**454,030**	420,977
Minority interests	**1,368**	1,304
Total equity	**455,398**	422,281
Total equity and liabilities	**7,057,706**	6,598,177

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

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

	Share capital	Capital reserve	Surplus reserve	Investment revaluation reserve	General reserve	Exchange reserve	Retained earnings	Minority interests	Total equity
As at 1 January 2008	**233,689**	**90,241**	**17,845**	**16,408**	**31,548**	**(918)**	**32,164**	**1,304**	**422,281**
Net profit for the six months	**—**	**—**	**—**	**—**	**—**	**—**	**58,667**	**25**	**58,692**
Net change in fair value of available-for-sale investments	**—**	**—**	**—**	**(10,981)**	**—**	**—**	**—**	**—**	**(10,981)**
Net gain realised on disposal of available-for-sale investments	**—**	**—**	**—**	**(237)**	**—**	**—**	**—**	**—**	**(237)**
Amortization of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	**—**	**—**	**—**	**359**	**—**	**—**	**—**	**—**	**359**
Impairment losses of available-for-sale investments	**—**	**—**	**—**	**1,524**	**—**	**—**	**—**	**—**	**1,524**
Appropriations to surplus reserve and general reserve	**—**	**—**	**—**	**—**	**15,025**	**—**	**(15,025)**	**—**	**—**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(1,089)**	**—**	**—**	**(1,089)**
Capital injection of minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**62**	**62**
Dividends declared during the period	**—**	**—**	**—**	**—**	**—**	**—**	**(15,190)**	**(23)**	**(15,213)**
As at 30 June 2008	**233,689**	**90,241**	**17,845**	**7,073**	**46,573**	**(2,007)**	**60,616**	**1,368**	**455,398**
As at 1 January 2007	224,689	42,091	11,133	(1,226)	10,343	(13)	43,092	95	330,204
Net profit for the six months	—	—	—	—	—	—	34,221	34	34,255
Net change in fair value of available- for-sale investments	—	—	—	(2,602)	—	—	—	—	(2,602)
Net loss realised on disposal of available-for-sale investments	—	—	—	85	—	—	—	—	85
Effect of change in tax rate	—	—	—	(145)	—	—	—	—	(145)
Appropriations to surplus reserve and general reserve	—	—	3,355	—	21,022	—	(24,377)	—	—
Exchange differences	—	—	—	—	—	(334)	—	—	(334)
Dividends declared during the period	—	—	—	—	—	—	(35,725)	—	(35,725)
As at 30 June 2007	224,689	42,091	14,488	(3,888)	31,365	(347)	17,211	129	325,738
As at 1 January 2007	224,689	42,091	11,133	(1,226)	10,343	(13)	43,092	95	330,204
Net profit for the year	—	—	—	—	—	—	69,053	89	69,142
Net change in fair value of available-for-sale investments	—	—	—	15,899	—	—	—	—	15,899
Net loss realised on disposal of available-for-sale investments	—	—	—	53	—	—	—	—	53
Amortization of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	—	—	—	454	—	—	—	—	454
Impairment losses of available-for-sale investments	—	—	—	1,373	—	—	—	—	1,373
Effect of change in tax rate	—	—	—	(145)	—	—	—	—	(145)
Shares issued	9,000	48,119	—	—	—	—	—	—	57,119
Minority interests of a new subsidiary	—	—	—	—	—	—	—	1,120	1,120
Appropriations to surplus reserve and general reserve	—	—	6,712	—	21,205	—	(27,917)	—	—
Exchange differences	—	—	—	—	—	(905)	—	—	(905)
Others	—	31	—	—	—	—	—	—	31
Dividends declared during the year	—	—	—	—	—	—	(52,064)	—	(52,064)
As at 31 December 2007	233,689	90,241	17,845	16,408	31,548	(918)	32,164	1,304	422,281

CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2008	2007
Operating activities		
Profit before tax	**75,655**	50,542
Adjustments for:		
— dividend income	**(75)**	(76)
— revaluation gain on trading investments and derivatives	**(335)**	(198)
— net gain on disposal of investments, property and equipment and other assets	**(1,730)**	(628)
— unwinding of discount	**(802)**	(984)
— share of profit in associate and jointly controlled entity	**(18)**	(13)
— unrealised foreign exchange loss	**3,469**	3,401
— depreciation charges and amortisation	**4,487**	3,854
— provisions for impairment losses	**13,906**	11,969
— interest expense on subordinated bonds issued	**1,005**	954
	95,562	68,821
Changes in operating assets and liabilities:		
Increase in balances with central banks	**(109,325)**	(143,094)
Increase in amounts due from banks and non-bank financial institutions	**(68,702)**	(18,456)
Increase in loans and advances to customers	**(286,807)**	(300,994)
Increase in other operating assets	**(64,857)**	(2,402)
(Decrease)/increase in amounts due to central banks	**(49,611)**	50
(Decrease)/increase in amounts due to banks and non-bank financial institutions	**(838)**	307,291
Increase in deposits from customers	**462,930**	332,028
Increase in certificates of deposit issued	**2,828**	3,320
Income tax paid	**(28,318)**	(20,601)
Increase in other operating liabilities	**22,021**	3,259
Net cash (used in)/from operating activities	**(25,117)**	229,222

	Six months ended 30 June	
	2008	2007
Investing activities		
Proceeds from disposal and redemption of investment securities	**475,349**	532,752
Dividend received	**75**	76
Investment in a subsidiary	**62**	—
Proceeds from disposal of property and equipment and other assets	**410**	166
Payments on acquisition of investment securities	**(481,849)**	(768,829)
Payments on acquisition of jointly controlled entities	**(415)**	—
Payments on acquisition of property and equipment and other assets	**(4,473)**	(2,051)
Net cash used in investing activities	**(10,841)**	(237,886)
Financing activities		
Dividend paid by subsidiaries to minority shareholder	**(23)**	—
Interest paid on subordinated bonds issued	**(158)**	(126)
Net cash used in financing activities	**(181)**	(126)
Effect of exchange rate changes on cash and cash equivalents held	**(1,095)**	(531)
Net decrease in cash and cash equivalents	**(37,234)**	(9,321)
Cash and cash equivalents as at 1 January	**180,508**	167,489
Cash and cash equivalents as at 30 June	**143,274**	158,168
Cash flows from operating activities include:		
Interest received	**157,631**	121,103
Interest paid, excluding interest expense on subordinated bonds issued	**(48,482)**	(37,953)

Notes:

1. The condensed consolidated interim financial information contained in this results announcement has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2007.

2. Unless otherwise stated, the financial figures are expressed in millions of RMB.

3. For the purpose of this results announcement, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

4. **Net interest income**

	Six months ended 30 June	
	2008	2007
Interest income arising from:		
Balances with central banks	**9,228**	4,930
Amounts due from banks and non-bank financial institutions	**3,080**	1,468
Trading investments	**371**	133
Loans and advances to customers		
— corporate loans and advances	**90,365**	69,849
— personal loans and advances	**26,343**	19,726
— discounted bills	**3,930**	2,700
Investment securities	**38,876**	32,091
Total interest income	**172,193**	130,897
Interest expense arising from:		
Amounts due to central banks	**(55)**	(24)
Amounts due to banks and non-bank financial institutions	**(6,190)**	(4,143)
Trading financial liabilities	**(191)**	(542)
Deposits from customers	**(53,491)**	(35,833)
Certificates of deposit issued	**(181)**	(188)
Subordinated bonds issued	**(1,005)**	(954)
Total interest expense	**(61,113)**	(41,684)
Net interest income	**111,080**	89,213

5. Net fee and commission income

	Six months ended 30 June	
	2008	2007
Fee and commission income arising from:		
Fees for agency services	**6,190**	6,046
Consultancy and advisory fees	**3,562**	1,366
Bank card fees	**3,258**	2,299
Commission on trust and fiduciary activities	**2,603**	1,219
Settlement and clearing fees	**2,238**	1,579
Credit commitment fees	**1,024**	193
Guarantee fees	**703**	224
Others	**1,348**	345
Total fee and commission income	**20,926**	13,271
Fee and commission expenses arising from:		
Bank card transaction fees	**(414)**	(293)
Inter-bank transaction fees	**(141)**	(130)
Others	**(203)**	(188)
Total fee and commission expenses	**(758)**	(611)
Net fee and commission income	**20,168**	12,660

6. Other operating income/(loss), net

	Six months ended 30 June	
	2008	2007
Net foreign exchange gain/(loss)	**759**	(3,568)
Net gain on disposal of property and equipment	**84**	29
Net gain on disposal of repossessed assets	**28**	89
Others	**604**	478
	1,475	(2,972)

7. Operating expenses

	Six months ended 30 June	
	2008	2007
Staff costs		
— Salaries, bonuses and allowances	**15,592**	12,535
— Defined contribution retirement schemes and annuity	**2,091**	1,817
— Other social insurance and welfare	**2,632**	2,428
— Housing fund	**1,220**	1,077
— Labour union expenses and employee education expenses	**539**	419
— Supplementary retirement benefits	**—**	288
— Staff termination costs	**19**	12
	22,093	18,576
Premises and equipment expenses		
— Depreciation charges	**3,986**	3,356
— Rent and property management expenses	**1,718**	1,521
— Maintenance	**599**	338
— Utilities	**596**	516
— Others	**326**	326
	7,225	6,057
Amortisation expenses	**501**	498
Business tax and surcharges	**7,717**	5,665
Audit fees	**82**	61
Other general and administrative expenses	**8,575**	6,418
	46,193	37,275

8. Income tax

(a) Recognised in the consolidated income statement

	Six months ended 30 June	
	2008	2007
Current tax		
— Mainland China	**17,215**	17,209
— Hong Kong	**155**	101
— Other countries and regions	**14**	2
	17,384	17,312
Adjustments on income tax for prior years	**(296)**	(22)
Deferred tax recognised in current period	**(125)**	(1,003)
Total income tax	**16,963**	16,287

The provision for Mainland China 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. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(b) ***Reconciliation between tax expense and accounting profit:***

	Six months ended 30 June	
	2008	2007
Profit before tax	**75,655**	50,542
Income tax calculated at statutory tax rate	**18,914**	16,679
Non-deductible expenses		
— Staff costs	**—**	111
— Provisions for impairment losses and bad debt write-off	**5**	709
— Others	**161**	35
	166	855
Non-taxable income		
— Interest income from PRC government bonds	**(1,593)**	(1,434)
— Others	**(228)**	(56)
	(1,821)	(1,490)
Total	**17,259**	16,044
Effect of change in tax rate on deferred tax	**—**	265
Adjustments for prior years	**(296)**	(22)
Income tax expenses	**16,963**	16,287

9. Earnings per share

Basic earnings per share for the six months ended 30 June 2008 have been computed by dividing the net profit attributable to shareholders of the Bank of RMB58,667 million (for the six months ended 30 June 2007: RMB34,221 million) by 233,689 million shares (for the six months ended 30 June 2007: 224,689 million shares), being the shares that were in issue during the six months.

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.

10. Trading investments

	As at 30 June 2008	As at 31 December 2007
Debt securities *(Note 10(a))*	**73,567**	27,593
Equity investments *(Note 10(b))*	**2,806**	1,973
Funds *(Note 10(b))*	**122**	253
Total	**76,495**	29,819

(a) Debt securities

	As at 30 June 2008	As at 31 December 2007
Issued by entities in Mainland China		
— Government	**600**	485
— The People's Bank of China ("PBC")	**56,754**	12,148
— Policy banks	**7,126**	5,539
— State-owned enterprises	**1,437**	992
— Joint-stock enterprises	**3,270**	4,364
Issued by overseas entities		
— Governments	**43**	267
— Banks and non-bank financial institutions	**3,901**	3,061
— Public sector entities	**11**	12
— Others	**425**	725
Total	**73,567**	27,593
Listed	**1,547**	1,900
Unlisted	**72,020**	25,693
Total	**73,567**	27,593

(b) Equity investments and funds

	As at 30 June 2008	As at 31 December 2007
Issued by entities in Mainland China		
— Banks and non-bank financial institutions	**36**	33
— Joint-stock enterprises	**2,270**	1,731
Issued by overseas entities		
— Banks and non-bank financial institutions	**51**	—
— Others	**571**	462
Total	**2,928**	2,226
Listed	**658**	1,148
Unlisted	**2,270**	1,078
Total	**2,928**	2,226

11. Loans and advances to customers

(a) Analysed by nature

	As at 30 June 2008	As at 31 December 2007
Corporate loans and advances		
— Loans	**2,621,937**	2,428,527
— Finance leases	**2,020**	812
	2,623,957	2,429,339
Personal loans and advances		
— Residential mortgages	**584,180**	542,562
— Personal consumer loans	**70,108**	67,096
— Credit cards	**14,464**	10,176
— Others	**127,467**	119,754
	796,219	739,588
Discounted bills	**117,361**	103,230
Gross loans and advances to customers	**3,537,537**	3,272,157
Less: Allowances for impairment losses	**(91,572)**	(88,928)
— Individual assessment	**(42,708)**	(48,215)
— Collective assessment	**(48,864)**	(40,713)
Net loans and advances to customers	**3,445,965**	3,183,229

(b) Movements of allowances for impairment losses

	Six months ended 30 June 2008			
	Allowances for loans and advances	**Allowances for impaired loans and advances**		
	which are collectively assessed	**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	**35,785**	**4,928**	**48,215**	**88,928**
Charge for the period	**7,321**	**935**	**7,649**	**15,905**
Release during the period	**—**	**—**	**(4,447)**	**(4,447)**
Unwinding of discount	**—**	**—**	**(802)**	**(802)**
Transfers out	**—**	**(1)**	**(6,574)**	**(6,575)**
Write-offs	**—**	**(107)**	**(1,425)**	**(1,532)**
Recoveries	**—**	**3**	**92**	**95**
As at 30 June	**43,106**	**5,758**	**42,708**	**91,572**

	Year ended 31 December 2007			
	Allowances for loans and advances	Allowances for impaired loans and advances		
	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January	22,133	13,930	41,570	77,633
Reclassification	—	(6,750)	6,750	—
Charge for the year	13,652	—	18,305	31,957
Release during the year	—	(1,601)	(10,250)	(11,851)
Unwinding of discount	—	—	(1,939)	(1,939)
Transfers out	—	(31)	(490)	(521)
Write-offs	—	(620)	(5,825)	(6,445)
Recoveries	—	—	94	94
As at 31 December	35,785	4,928	48,215	88,928

(c) Analysed by assessment method of allowances for impairment losses

	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 30 June 2008				
Gross loans and advances to customers	**3,459,424**	**9,111**	**69,002**	**3,537,537**
Allowances for impairment losses	**(43,106)**	**(5,758)**	**(42,708)**	**(91,572)**
Net loans and advances to customers	**3,416,318**	**3,353**	**26,294**	**3,445,965**
As at 31 December 2007				
Gross loans and advances to customers	3,186,987	7,925	77,245	3,272,157
Allowances for impairment losses	(35,785)	(4,928)	(48,215)	(88,928)
Net loans and advances to customers	3,151,202	2,997	29,030	3,183,229

(d) Analysed by economic sector

	As at 30 June 2008			As at 31 December 2007		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Operations in Mainland China						
Corporate loans and advances						
— manufacturing	**634,805**	**18.60**	**250,044**	592,502	18.68	232,985
— production and supply of electric power, gas and water	**408,726**	**11.98**	**107,423**	377,285	11.90	89,264
— transportation, storage and postal services	**399,572**	**11.71**	**191,668**	370,732	11.69	179,538
— real estate	**333,177**	**9.76**	**277,676**	317,780	10.02	263,802
— water, environment and public utility management	**125,993**	**3.69**	**63,510**	106,693	3.36	48,991
— leasing and commercial services	**114,665**	**3.36**	**45,644**	92,968	2.93	35,327
— construction	**109,920**	**3.22**	**38,049**	101,467	3.20	35,026
— wholesale and retail trade	**96,244**	**2.82**	**52,350**	89,289	2.82	47,415
— education	**79,580**	**2.33**	**25,715**	78,153	2.46	23,670
— mining	**78,146**	**2.29**	**13,717**	69,666	2.20	12,453
— telecommunications, computer services and software	**29,474**	**0.86**	**4,662**	35,846	1.13	3,564
— others	**112,403**	**3.30**	**61,784**	112,376	3.55	59,277
Total corporate loans and advances	**2,522,705**	**73.92**	**1,132,242**	2,344,757	73.94	1,031,312
Personal loans and advances	**772,613**	**22.64**	**733,629**	723,805	22.82	686,672
Discounted bills	**117,225**	**3.44**	**846**	102,826	3.24	1,467
Total loans and advances to customers in Mainland China	**3,412,543**	**100.00**	**1,866,717**	3,171,388	100.00	1,719,451

	As at 30 June 2008			As at 31 December 2007		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Overseas operations						
Corporate loans and advances						
— transportation, storage and postal services	**24,538**	**19.63**	**11,789**	19,393	19.25	8,326
— manufacturing	**21,776**	**17.42**	**5,789**	16,722	16.59	4,645
— wholesale and retail trade	**14,538**	**11.63**	**7,532**	5,841	5.80	4,338
— real estate	**14,183**	**11.35**	**8,739**	18,530	18.39	13,524
— production and supply of electric power, gas and water	**6,172**	**4.94**	**2,556**	7,089	7.03	4,832
— telecommunications, computer services and software	**4,925**	**3.94**	**857**	4,155	4.12	512
— leasing and commercial services	**1,765**	**1.41**	**1,501**	3,563	3.54	2,510
— others	**13,355**	**10.68**	**6,598**	9,289	9.22	5,046
Total corporate loans and advances	**101,252**	**81.00**	**45,361**	84,582	83.94	43,733
Personal loans and advances	**23,606**	**18.89**	**23,192**	15,783	15.66	15,366
Discounted bills	**136**	**0.11**	**—**	404	0.40	21
Total loans and advances to customers by overseas operations	**124,994**	**100.00**	**68,553**	100,769	100.00	59,120
Total gross loans and advances to customers	**3,537,537**		**1,935,270**	3,272,157		1,778,571

(e) Analysed by geographical sector

Loans and advances to customers and the balance secured by collaterals analyzed by geographical segment concentrations on the balance sheet date are presented in the table below:

	As at 30 June 2008			As at 31 December 2007		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Yangtze River Delta	**878,081**	**24.82**	**519,225**	816,085	24.95	473,215
Bohai Rim	**638,658**	**18.05**	**289,033**	602,943	18.43	269,153
Western	**582,522**	**16.47**	**335,859**	530,805	16.22	307,825
Central	**561,755**	**15.88**	**297,823**	519,388	15.87	274,282
Pearl River Delta	**510,245**	**14.42**	**321,193**	473,478	14.47	296,142
Northeastern	**212,324**	**6.00**	**103,033**	199,106	6.08	97,964
Head office	**28,958**	**0.82**	**551**	29,583	0.90	870
Overseas	**124,994**	**3.54**	**68,553**	100,769	3.08	59,120
Gross loans and advances to customers	**3,537,537**	**100.00**	**1,935,270**	3,272,157	100.00	1,778,571

(f) Rescheduled loans and advances to customers

	30 June 2008		31 December 2007	
		% of gross loans and advances		% of gross loans and advances
Rescheduled loans and advances to customers	**3,495**	**0.10%**	3,648	0.11%
Less:				
— Overdue rescheduled loans and advances for more than 90 days	**(2,274)**	**(0.06%)**	(2,471)	(0.08%)
Overdue rescheduled loans and advances for not more than 90 days	**1,221**	**0.04%**	1,177	0.03%

12. Investment securities

	As at 30 June 2008	As at 31 December 2007
Debt securities classified as receivables *(Note 12(a))*	**551,859**	551,336
Held-to-maturity debt securities *(Note 12(b))*	**1,133,461**	1,191,035
Available-for-sale		
— debt securities *(Note 12(c))*	**449,140**	395,051
— equity investments *(Note 12(d))*	**21,795**	34,569
	470,935	429,620
Total	**2,156,255**	2,171,991

(a) Debt securities classified as receivables

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China.

	As at 30 June 2008	As at 31 December 2007
Government		
— special government bond	**49,200**	49,200
— others	**530**	530
The PBC	**189,893**	189,871
Policy banks	**48,953**	48,953
Cinda	**247,000**	247,000
Banks and non-bank financial institutions	**14,987**	15,122
Joint-stock enterprises	**1,369**	1,369
	551,932	552,045
Less: Allowances for impairment losses	**(73)**	(709)
Total	**551,859**	551,336

The movement of allowances for impairment losses is as follows:

As at 1 January	**709**	600
(Write back)/charge for the six months/year	**(636)**	109
As at 30 June/31 December	**73**	709

(b) Held-to-maturity debt securities

	As at 30 June 2008	As at 31 December 2007
Issued by entities in Mainland China		
— Government	**321,244**	316,432
— The PBC	**392,954**	442,456
— Policy banks	**292,172**	250,575
— Banks and non-bank financial institutions	**20,406**	18,915
— State-owned enterprises	**6,276**	6,134
— Joint-stock enterprises	**2,908**	4,071
Issued by overseas entities		
— Governments	**21,629**	24,176
— Policy banks	**3,860**	2,111
— Banks and non-bank financial institutions	**53,744**	79,733
— Public sector entities	**21,445**	48,174
— Others	**2,474**	3,300
Gross balances	**1,139,112**	1,196,077
Less: Allowances for impairment losses	**(5,651)**	(5,042)
Total	**1,133,461**	1,191,035

The movement of allowances for impairment losses is as follows:

As at 1 January	**5,042**	207
Charge for the six months/year	**989**	4,853
Write-offs	**(50)**	(18)
Effect of exchange difference	**(330)**	—
As at 30 June/31 December	**5,651**	5,042

	As at 30 June 2008	As at 31 December 2007
Listed	**56,129**	77,877
Unlisted	**1,077,332**	1,113,158
Total	**1,133,461**	1,191,035
Market value of listed debt securities	**52,517**	78,861

(c) ***Available-for-sale debt securities***

	As at 30 June 2008	As at 31 December 2007
Issued by entities in Mainland China		
— Government	**29,346**	29,296
— The PBC	**274,183**	177,308
— Policy banks	**43,320**	44,587
— Banks and non-bank financial institutions	**1,986**	2,794
— State-owned enterprises	**12,027**	6,144
— Joint-stock enterprises	**4,348**	20,332
Issued by overseas entities		
— Governments	**14,491**	17,105
— Central banks	**439**	280
— Policy banks	**1,541**	1,610
— Banks and non-bank financial institutions	**53,899**	64,585
— Public sector entities	**6,998**	22,035
— Others	**6,562**	8,975
Total	**449,140**	395,051

	As at 30 June 2008	As at 31 December 2007
Listed	**39,755**	50,024
Unlisted	**409,385**	345,027
Total	**449,140**	395,051

(d) Available-for-sale equity investments

	As at 30 June 2008	As at 31 December 2007
Debt equity swap investments	**20,036**	32,858
Other equity investments	**1,759**	1,711
Total	**21,795**	34,569
Listed	**16,341**	28,437
Unlisted	**5,454**	6,132
Total	**21,795**	34,569

13. Deposits from customers

	As at 30 June 2008	As at 31 December 2007
Demand deposits		
— Corporate customers	**2,130,469**	2,130,411
— Personal customers	**1,036,637**	1,000,525
	3,167,106	3,130,936
Time deposits		
— Corporate customers	**1,021,282**	858,045
— Personal customers	**1,593,185**	1,340,526
	2,614,467	2,198,571
Total	**5,781,573**	5,329,507

14. Profit distributions

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

	Six months ended 30 June 2008	Year ended 31 December 2007	Six months ended 30 June 2007
Appropriations to			
— Statutory surplus reserve fund	**—**	6,712	3,355
— General reserve	**15,025**	21,205	21,022
	15,025	27,917	24,377

(b) Cash dividends payable to shareholders of the Bank attributable to the period/ year

	Six months ended 30 June 2008	Year ended 31 December 2007	Six months ended 30 June 2007
Interim cash dividend declared of RMB0.067 per ordinary share	**—**	15,054	15,054
Special cash dividend declared of RMB0.072716 per ordinary share	**—**	16,339	16,339
Final cash dividend proposed of RMB0.065 per ordinary share	**—**	15,190	—
	—	46,583	31,393

(c) Dividends payable to shareholders of the Bank attributable to the previous year, approved and paid during the period/ year

	Six months ended 30 June 2008	Year ended 31 December 2007	Six months ended 30 June 2007
Final cash dividend RMB0.065 per ordinary share (2007: RMB0.092 per ordinary share)	**15,190**	20,671	20,671

15. Commitments and contingent liabilities

(a) Credit commitments

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

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

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

	As at 30 June 2008	As at 31 December 2007
Loan commitments		
— with an original maturity under one year	**53,293**	53,973
— with an original maturity of one year or over	**228,499**	213,543
Credit card commitments	**132,239**	99,086
	414,031	366,602
Bank acceptances	**172,724**	143,166
Financial guarantees	**180,528**	124,772
Non-financial guarantees	**315,699**	246,135
Sight letters of credit	**41,259**	34,486
Usance letters of credit	**71,209**	45,156
Others	**9,515**	9,242
	1,204,965	969,559

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.

	As at 30 June 2008	As at 31 December 2007
Credit risk-weighted amounts of contingent liabilities and commitments	**661,796**	479,813

(b) ***Capital commitments***

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

	As at 30 June 2008	As at 31 December 2007
Contracted for	**6,121**	1,791

(c) ***Operating lease commitments***

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

	As at 30 June 2008	As at 31 December 2007
Within one year	**2,007**	1,838
After one year but within two years	**1,757**	1,444
After two years but within three years	**1,401**	1,282
After three years but within five years	**1,859**	1,616
After five years	**1,639**	1,437
Total	**8,663**	7,617

(d) ***Outstanding litigation and disputes***

As at 30 June 2008, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,495 million (as at 31 December 2007: RMB2,557 million). Provisions have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsel. The Group considers that the provisions made are reasonable and adequate.

(e) ***Underwriting obligations***

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

	As at 30 June 2008	As at 31 December 2007
Underwriting obligations	**670**	10,950

(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 PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

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

	As at 30 June 2008	As at 31 December 2007
Redemption obligations	**97,590**	71,423

(g) ***Provision against commitments and contingent liabilities***

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

16. Off balance sheet exposure of derivatives

Notional amounts analysed by type of contract

	As at 30 June 2008	As at 31 December 2007
Interest rate contracts	**202,612**	121,169
Currency contracts	**656,353**	584,108
Precious metal contracts	**—**	67
Equity instrument contracts	**34**	36
Total	**858,999**	705,380

17. Segment reporting

The Group manages its business both by business segments and geographical segments. Accordingly, both business and geographical segment information is presented as the Group's primary segment reporting formats.

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

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and 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".

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

(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 finance, deposit taking activities, agency services, consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

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

Treasury business

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

Others and unallocated

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

	Six months ended 30 June 2008					
	Corporate banking	**Personal banking**	**Treasury business**	**Others and unallocated**	**Elimination**	**Total**
External net interest income/(expenses)	**71,185**	**(6,352)**	**45,012**	**1,235**	**—**	**111,080**
Internal net interest (expenses)/income	**(9,801)**	**34,739**	**(24,151)**	**(787)**	**—**	**—**
Net interest income/(expenses)	**61,384**	**28,387**	**20,861**	**448**	**—**	**111,080**
Net fee and commission income	**7,864**	**8,062**	**3,880**	**362**	**—**	**20,168**
Net trading gain	**9**	**63**	**836**	**384**	**—**	**1,292**
Dividend income	**—**	**—**	**—**	**75**	**—**	**75**
Net income arising from investment securities	**—**	**—**	**758**	**888**	**—**	**1,646**
Other operating income	**98**	**—**	**253**	**1,124**	**—**	**1,475**
Operating income	**69,355**	**36,512**	**26,588**	**3,281**	**—**	**135,736**
Operating expenses						
— depreciation and amortisation	**(1,503)**	**(2,702)**	**(231)**	**(51)**	**—**	**(4,487)**
— others	**(18,372)**	**(20,052)**	**(1,555)**	**(1,727)**	**—**	**(41,706)**
	(19,875)	**(22,754)**	**(1,786)**	**(1,778)**	**—**	**(46,193)**
	49,480	**13,758**	**24,802**	**1,503**	**—**	**89,543**
Provisions for impairment losses	**(9,364)**	**(2,107)**	**(2,269)**	**(166)**		**(13,906)**
Share of profit in associates and jointly controlled entities	**—**	**—**	**—**	**18**	**—**	**18**
Profit before tax	**40,116**	**11,651**	**22,533**	**1,355**	**—**	**75,655**
Capital expenditure	**1,498**	**2,694**	**230**	**51**	**—**	**4,473**

	As at 30 June 2008					
	Corporate banking	**Personal banking**	**Treasury business**	**Others and unallocated**	**Elimination**	**Total**
Segment assets	**2,978,088**	**856,908**	**3,059,538**	**—**	**(25,452)**	**6,869,082**
Interests in associates and jointly controlled entities	**—**	**—**	**—**	**1,722**	**—**	**1,722**
Unallocated assets	**—**	**—**	**—**	**186,902**	**—**	**186,902**
Total assets	**2,978,088**	**856,908**	**3,059,538**	**188,624**	**(25,452)**	**7,057,706**
Segment liabilities	**3,283,180**	**2,997,192**	**142,704**	**—**	**(25,452)**	**6,397,624**
Unallocated liabilities	**—**	**—**	**—**	**204,684**	**—**	**204,684**
Total liabilities	**3,283,180**	**2,997,192**	**142,704**	**204,684**	**(25,452)**	**6,602,308**
Off-balance sheet credit commitments	**1,063,551**	**141,414**	**—**	**—**	**—**	**1,204,965**

	Six months ended 30 June 2007					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expenses)	58,225	(2,729)	32,669	1,048	—	89,213
Internal net interest (expenses)/income	(7,471)	27,019	(18,239)	(1,309)	—	—
Net interest income/(expenses)	50,754	24,290	14,430	(261)	—	89,213
Net fee and commission income	3,121	7,905	1,264	370	—	12,660
Net trading gain	—	—	247	—	—	247
Dividend income	—	—	—	76	—	76
Net income arising from investment securities	—	—	134	415	—	549
Other operating income/(loss)	98	1	(3,608)	537	—	(2,972)
Operating income	53,973	32,196	12,467	1,137	—	99,773
Operating expenses						
— depreciation and amortisation	(1,435)	(2,113)	(260)	(46)	—	(3,854)
— others	(14,511)	(15,780)	(1,901)	(1,229)	—	(33,421)
	(15,946)	(17,893)	(2,161)	(1,275)	—	(37,275)
	38,027	14,303	10,306	(138)	—	62,498
Provisions for impairment losses	(10,043)	(1,605)	(139)	(182)	—	(11,969)
Share of profit in associates	—	—	—	13	—	13
Profit/(loss) before tax	27,984	12,698	10,167	(307)	—	50,542
Capital expenditure	730	1,075	132	26	—	1,963

	As at 31 December 2007					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
Segment assets	2,748,782	786,851	2,960,545	—	(30,786)	6,465,392
Interests in associates	—	—	—	1,099	—	1,099
Unallocated assets	—	—	—	131,686	—	131,686
Total assets	2,748,782	786,851	2,960,545	132,785	(30,786)	6,598,177
Segment liabilities	3,218,771	2,673,979	178,398	—	(30,786)	6,040,362
Unallocated liabilities	—	—	—	135,534	—	135,534
Total liabilities	3,218,771	2,673,979	178,398	135,534	(30,786)	6,175,896
Off-balance sheet credit commitments	861,646	107,913	—	—	—	969,559

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities directly under the central government, and three subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul, and subsidiaries operating in Hong Kong.

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

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

— “Yangtze River Delta” refers to the following areas serviced by the tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

— “Pearl River Delta” refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

— “Bohai Rim” refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

— the “Central” region refers to the following areas serviced by the tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

— the “Western” region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

— the “Northeastern” region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	Six months ended 30 June 2008									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
External net interest income	18,535	8,320	10,233	10,842	11,812	2,943	47,106	1,289	—	111,080
Internal net interest income/(expenses)	2,453	5,198	5,750	4,408	3,161	2,804	(23,627)	(147)	—	—
Net interest income	20,988	13,518	15,983	15,250	14,973	5,747	23,479	1,142	—	111,080
Net fee and commission income	4,952	3,334	3,424	3,122	2,818	1,189	1,186	143	—	20,168
Net trading gain	218	210	138	26	31	45	185	439	—	1,292
Dividend income	—	—	1	21	2	—	38	13	—	75
Net income arising from investment securities	—	22	409	308	19	—	755	133	—	1,646
Other operating income	69	55	61	157	161	48	425	499	—	1,475
Operating income	26,227	17,139	20,016	18,884	18,004	7,029	26,068	2,369	—	135,736
Operating expenses										
— depreciation and amortisation	(828)	(572)	(698)	(780)	(679)	(328)	(571)	(31)	—	(4,487)
— others	(8,030)	(5,713)	(6,739)	(7,218)	(6,967)	(3,024)	(3,444)	(571)	—	(41,706)
	(8,858)	(6,285)	(7,437)	(7,998)	(7,646)	(3,352)	(4,015)	(602)	—	(46,193)
	17,369	10,854	12,579	10,886	10,358	3,677	22,053	1,767	—	89,543
Provisions for impairment losses	(1,529)	(696)	(1,687)	(2,517)	(4,180)	(658)	(2,563)	(76)	—	(13,906)
Share of profit in associates and jointly controlled entities	—	—	—	—	—	—	—	18	—	18
Profit before tax	15,840	10,158	10,892	8,369	6,178	3,019	19,490	1,709	—	75,655
Capital expenditure	869	313	544	713	762	427	607	238	—	4,473

	As at 30 June 2008									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
Segment assets	1,329,237	1,127,992	1,213,931	1,052,802	1,024,614	461,290	3,216,624	152,434	(2,525,426)	7,053,498
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,722	—	1,722
	1,329,237	1,127,992	1,213,931	1,052,802	1,024,614	461,290	3,216,624	154,156	(2,525,426)	7,055,220
Unallocated assets										2,486
Total assets										7,057,706
Segment liabilities	1,320,176	1,122,264	1,201,833	1,047,430	1,019,359	459,363	2,805,431	151,873	(2,525,426)	6,602,303
Unallocated liabilities										5
Total liabilities										6,602,308
Off-balance sheet credit commitments	347,780	168,797	244,632	159,059	171,954	70,220	13,942	28,581	—	1,204,965

	Six months ended 30 June 2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
External net interest income	15,783	7,208	9,403	8,901	9,816	2,663	34,080	1,359	—	89,213
Internal net interest income/(expenses)	3,340	4,438	4,882	4,232	3,221	2,469	(22,065)	(517)	—	—
Net interest income	19,123	11,646	14,285	13,133	13,037	5,132	12,015	842	—	89,213
Net fee and commission income	2,324	2,171	2,220	2,219	1,986	971	564	205	—	12,660
Net trading gain/(loss)	19	31	82	11	4	18	(38)	120	—	247
Dividend income	1	—	21	17	21	3	10	3	—	76
Net income arising from investment securities	—	—	146	—	—	—	375	28	—	549
Other operating income/(loss)	81	87	102	124	146	33	(3,787)	242	—	(2,972)
Operating income	21,548	13,935	16,856	15,504	15,194	6,157	9,139	1,440	—	99,773
Operating expenses										
— depreciation and amortisation	(733)	(511)	(577)	(692)	(577)	(274)	(479)	(11)	—	(3,854)
— others	(6,562)	(4,743)	(5,353)	(6,028)	(5,699)	(2,524)	(2,038)	(474)	—	(33,421)
	(7,295)	(5,254)	(5,930)	(6,720)	(6,276)	(2,798)	(2,517)	(485)	—	(37,275)
	14,253	8,681	10,926	8,784	8,918	3,359	6,622	955	—	62,498
Provisions for impairment losses	(1,980)	(1,937)	(2,649)	(2,055)	(1,762)	(1,156)	(405)	(25)	—	(11,969)
Share of profit in associates	—	—	—	—	—	—	—	13	—	13
Profit before tax	12,273	6,744	8,277	6,729	7,156	2,203	6,217	943	—	50,542
Capital expenditure	287	154	395	228	316	134	368	81	—	1,963

	As at 31 December 2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
Segment assets	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	102,812	(2,353,884)	6,597,043
Interests in associates	—	—	—	—	—	—	—	1,099	—	1,099
	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	103,911	(2,353,884)	6,598,142
Unallocated assets										35
Total assets										6,598,177
Segment liabilities	1,305,366	950,489	1,166,755	968,695	917,340	437,124	2,677,440	105,800	(2,353,884)	6,175,125
Unallocated liabilities										771
Total liabilities										6,175,896
Off-balance sheet credit commitments	268,705	134,329	215,944	130,146	131,331	47,022	14,224	27,858	—	969,559

18. Capital adequacy ratio

The Group's consolidated regulatory capital position calculated in accordance with the guidelines issued by the CBRC as at 30 June 2008 and 31 December 2007 were as follows:

	As at 30 June 2008	As at 31 December 2007
Core capital adequacy ratio	**10.08%**	10.37%
Capital adequacy ratio	**12.06%**	12.58%
Components of capital base		
Core capital:		
— share capital	**233,689**	233,689
— capital reserve, investment revaluation reserve and exchange reserve	**80,635**	85,408
— surplus reserve and general reserve	**64,418**	49,393
— retained earnings	**34,534**	16,609
— minority interests	**1,368**	1,304
	414,644	386,403
Supplementary capital:		
— general provision for doubtful debts	**35,720**	33,373
— positive changes in fair value of available-for-sale investments and trading financial instruments	**7,603**	10,527
— long-term subordinated debts	**40,000**	40,000
	83,323	83,900
Total capital base before deductions	**497,967**	470,303
Deductions:		
— goodwill	**(1,525)**	(1,624)
— unconsolidated equity investments	**(6,065)**	(4,687)
— others	**(337)**	(810)
Total capital base after deductions	**490,040**	463,182
Risk-weighted assets	**4,064,888**	3,683,123

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

1. Liquidity ratios

	As at 30 June 2008	**Average for six months ended 30 June 2008**	As at 30 June 2007	Average for six months ended 30 June 2007
RMB current assets to RMB current liabilities	**48.64%**	**44.81%**	40.54%	39.80%
Foreign currency current assets to foreign currency current liabilities	**123.46%**	**111.98%**	215.15%	207.76%

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

The Hong Kong *Banking (Disclosure) Rules* (the "Rule") became effective on 1 January 2007. The Rule requires the disclosure of average liquidity ratio, being the arithmetic mean of each calendar month liquidity ratio. The Group prepared liquidity ratio on a semiannual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 31 December and 30 June.

2. Currency concentrations

	As at 30 June 2008			
	US Dollars (RMB equivalent)	**HK Dollars (RMB equivalent)**	**Others (RMB equivalent)**	**Total (RMB equivalent)**
Spot assets	**354,079**	**72,194**	**46,294**	**472,567**
Spot liabilities	**(167,222)**	**(71,932)**	**(37,024)**	**(276,178)**
Forward purchases	**213,545**	**27,246**	**81,483**	**322,274**
Forward sales	**(376,409)**	**(15,174)**	**(90,513)**	**(482,096)**
Net option position	**1**	**(1)**	**—**	**—**
Net long position	**23,994**	**12,333**	**240**	**36,567**
Net structural position	**—**	**136**	**147**	**283**

	As at 31 December 2007			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	454,533	73,927	46,589	575,049
Spot liabilities	(167,987)	(78,756)	(30,169)	(276,912)
Forward purchases	155,788	21,834	33,183	210,805
Forward sales	(403,066)	(4,925)	(43,025)	(451,016)
Net option position	(4)	—	4	—
Net long position	39,264	12,080	6,582	57,926
Net structural position	31	378	57	466

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the first half of 2008, the PRC economy sustained a steady and rapid growth as the Chinese government took timely measures to alleviate any adverse impacts of the complex economic and financial environment at home and abroad. GDP increased by 10.4% over the same period last year to RMB13.1 trillion.

China's financial sector was generally sound, and PBC continued to adopt stringent monetary policy with open market operations and six consecutive hikes in the statutory deposit reserve rate to a rate of 17.5%. At the end of June 2008, the outstanding broad money M2 increased by 17.4% over the same period last year, 0.3 percentage points higher in growth rate; the narrow money M1 rose by 14.2% over the same period last year, 6.7 percentage points lower in growth rate. Loans made in RMB rose by 14.1% over the same period last year, 2.4 percentage points lower in growth rate. With sustained revaluation, the RMB appreciated by 6.5% cumulatively against the US dollar during the first half of 2008. Trading was active in the money and bond markets. The stock market was volatile, while the foreign exchange market remained stable.

The Group keeps abreast of changes in economic and financial situation, and achieved fruitful results in its on-going business restructuring and transformation.

- Operating income was RMB135,736 million, an increase of 36.04% compared to the same period last year. Net interest income grew by 24.51% to RMB111,080 million and net fee and commission income rose by 59.30% to RMB20,168 million.

- Profit before tax reached RMB75,655 million, up 49.69% from the comparable period, while net profit was RMB58,692 million, an increase of 71.34%.

- Annualised return on average assets and annualised return on average equity were 1.72% and 26.36% respectively, an increase of 0.54 and 6.56 percentage points respectively over the same period last year.

- Basic and diluted earnings per share were RMB0.25, up RMB0.10 over the same period last year.

- Total assets amounted to RMB7,057,706 million, and total liabilities amounted to RMB6,602,308 million, with an increase of 6.96% and 6.90% respectively over the end of last year.

- Gross loans and advances to customers rose by 8.11% over the end of last year to RMB3,537,537 million. Infrastructure loans rose by RMB103,626 million, accounting for 58.23% of the increase in corporate loans.

- Credit asset quality continued to improve with the non-performing loan (NPL) ratio at 2.21%, a decrease of 0.39 percentage point from the end of last year.

INCOME STATEMENT ANALYSIS

In the first half of 2008, the Group recorded a profit before tax of RMB75,655 million, an increase of RMB25,113 million, or 49.69% over the same period last year. The increase was mainly attributable to rises in net interest income and net fee and commission income, which brought about a 36.04% increase in operating income compared to the same period last year, outweighing the 23.92% increase in operating expenses and 16.18% increase in provisions for impairment losses. A net profit of RMB58,692 million was recorded, with an increase of RMB24,437 million, or 71.34%, over the same period last year. As the PRC enterprise income tax rate dropped from 33% to 25% starting from 1 January 2008, the growth rate of the Group's net profit was higher than that of profit before tax.

Net Interest Income

In the first half of 2008, the Group's net interest income was RMB111,080 million, an increase of RMB21,867 million, or 24.51%, over the same period last year.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2008** Average balance	Interest income/ expense	Average annualised yield/cost (%)	Six months ended 30 June 2007 Average balance	Interest income/ expense	Average annualised yield/cost (%)
Assets						
Gross loans and advances to customers	**3,414,782**	**120,638**	**7.07**	3,034,621	92,275	6.08
Investments in debt securities[1]	**2,178,212**	**39,247**	**3.60**	2,038,082	32,224	3.16
Balances with central banks	**989,515**	**9,228**	**1.87**	576,699	4,930	1.71
Amounts due from banks and non-bank financial institutions	**166,618**	**3,080**	**3.70**	93,803	1,468	3.13
Total interest-earning assets	**6,749,127**	**172,193**	**5.10**	5,743,205	130,897	4.56
Total allowances for impairment losses	**(98,287)**			(82,029)		
Non-interest-earning assets	**218,398**			163,617		
Total assets	**6,869,238**	**172,193**		5,824,793	130,897	
Liabilities						
Deposits from customers	**5,501,072**	**53,491**	**1.94**	4,875,773	35,833	1.47
Amounts due to banks and non-bank financial institutions	**724,758**	**6,190**	**1.71**	423,459	4,143	1.96
Subordinated bonds issued	**39,930**	**1,005**	**5.03**	39,936	954	4.78
Other interest-bearing liabilities	**22,761**	**427**	**3.75**	28,557	754	5.28
Total interest-bearing liabilities	**6,288,521**	**61,113**	**1.94**	5,367,725	41,684	1.55
Non-interest-bearing liabilities	**144,363**			124,038		
Total liabilities	**6,432,884**	**61,113**		5,491,763	41,684	
Net interest income		**111,080**			89,213	
Net interest spread			**3.16**			3.01
Net interest margin			**3.29**			3.11

1. These include investments in trading debt securities and investment debt securities. Investment debt securities refer to the available-for-sale debt securities, held-to-maturity debt securities and receivables under the category of the investment securities.

Higher average yields on various interest-earning assets over the same period last year were partly offset by the reduced proportion of the average balances of loans and advances to customers and investments in debt securities in total interest-earning assets. This resulted in a rise of 54 basis points in the overall average yield on interest-earning assets over the same period last year to 5.10%.

Higher average costs on deposits from customers and subordinated bonds issued over the same period last year were partly offset by a decrease in the average cost on the amounts due to banks and non-bank financial institutions and the enlarged proportion of their average balance in total interest-bearing liabilities, resulting in a rise of 39 basis points in the overall average cost on interest-bearing liabilities to 1.94%.

As the increase of the average yield for interest-earning assets was higher than that of the average cost for interest-bearing liabilities, the net interest spread rose by 15 basis points to 3.16% over the same period last year. The net interest income for the period increased by 24.51%, higher than the 17.51% growth of total interest-earning assets, pushing up the net interest margin by 18 basis points to 3.29%.

The following table shows the effects of the movement of the average balances and the average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2008 versus the same period last year.

(In millions of RMB)	**Volume factor**[1]	**Interest rate factor**	**Change in interest income/expense**
Assets			
Loans and advances to customers	13,430	14,933	28,363
Investments in debt securities	2,525	4,498	7,023
Balances with central banks	3,851	447	4,298
Amounts due from banks and non-bank financial institutions	1,346	266	1,612
Change in interest income	21,152	20,144	41,296
Liabilities			
Deposits from customers	6,080	11,578	17,658
Amounts due to banks and non-bank financial institutions	2,573	(526)	2,047
Subordinated bonds issued	—	51	51
Other interest-bearing liabilities	(114)	(213)	(327)
Change in interest expense	8,539	10,890	19,429
Change in net interest income	12,613	9,254	21,867

1. Change caused by both average balances and average interest rates has been allocated to change in interest income or expense due to volume factor.

The net interest income increased by RMB21,867 million over the same period last year, in which RMB12,613 million was due to the movement of the average balances of assets and liabilities, and RMB9,254 million was due to the movement of average yields or costs. The contributions to the increase of net interest income from volume factor and interest rate factor were 57.68% and 42.32%, respectively.

Interest income

The Group's interest income in the first half of 2008 was RMB172,193 million, an increase of RMB41,296 million, or 31.55%, over the same period last year. This was largely attributable to the increase in the average balances of loans and advances to customers and investments in debt securities as well as their respective average yields.

Interest income from loans and advances to customers

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2008**			Six months ended 30 June 2007		
	Average balance	**Interest income**	**Average annualised yield (%)**	Average balance	Interest income	Average annualised yield (%)
Corporate loans	**2,449,333**	**88,131**	**7.20**	2,157,657	68,540	6.35
Personal loans	**743,171**	**26,105**	**7.03**	633,716	18,912	5.97
Discounted bills	**111,608**	**3,928**	**7.04**	165,374	2,657	3.21
Overseas operations	**110,670**	**2,474**	**4.47**	77,874	2,166	5.56
Gross loans and advances to customers	**3,414,782**	**120,638**	**7.07**	3,034,621	92,275	6.08

Interest income from loans and advances to customers surged to RMB120,638 million, an increase of RMB28,363 million, or 30.74%, over the same period last year, mostly as a result of the steady expansion of corporate and personal loan businesses and the increased average yields on domestic loans. The average yield on loans and advances to customers rose by 0.99 percentage point over the same period last year, largely because with the continuing effect in 2008 of the PBC's six consecutive hikes in benchmark lending rates in 2007 and the Group's enhanced bargaining power, the average yields on corporate loans, personal loans and discounted bills climbed by 85 basis points, 106 basis points and 383 basis points respectively over the same period last year.

Interest income from investments in debt securities

Interest income from investments in debt securities was RMB39,247 million, up RMB7,023 million, or 21.79%, over the same period last year. To be more specific, the interest income from investment debt securities grew by 21.14% to RMB38,876 million, while that from trading debt securities grew by 178.95% to RMB371 million. The expanded interest income was mainly due to the fact that with rising yields of RMB investment portfolios, the Group actively adjusted the asset allocations and properly took investment opportunities, which led to a rise of 44 basis points in the average yield to 3.60%; an increase of 6.88% in the average balance of investments in debt securities compared to the same period last year also contributed to the increase of interest income.

Interest income from balances with central banks

Interest income from balances with central banks amounted to RMB9,228 million, a rise of RMB4,298 million, or 87.18%, over the same period last year. The rise was mainly because the average balance of the statutory deposit reserve increased by 67.10% over the same period last year, as the PBC lifted the reserve rate several times to 17.5%.

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

Interest income from amounts due from banks and non-bank financial institutions increased by RMB1,612 million to RMB3,080 million, or 109.81% over the same period last year. This was largely due to a 77.63% rise in the average balance of amounts due from banks and non-bank financial institutions. Furthermore, the average yield for the amounts due from banks and non-bank financial institutions rose by 57 basis points to 3.70% because of rising domestic inter-bank market rates.

Interest expense

In the first half of 2008, the Group's interest expense was RMB61,113 million, an increase of RMB19,429 million, or 46.61%, over the same period last year. This was primarily due to increases in the average balances of deposits from customers and amounts due to banks and non-bank financial institutions, as well as the rising average cost of deposits from customers.

Interest expense on deposits from customers

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2008**			Six months ended 30 June 2007		
	Average balance	**Interest expense**	**Average annualised cost (%)**	Average balance	Interest expense	Average annualised cost (%)
Corporate deposits	**2,948,322**	**25,198**	**1.71**	2,538,670	16,436	1.29
Demand deposits	**2,037,719**	**10,234**	**1.00**	1,778,797	8,227	0.93
Time deposits	**910,603**	**14,964**	**3.29**	759,873	8,209	2.16
Personal deposits	**2,483,475**	**27,464**	**2.21**	2,286,044	18,420	1.61
Demand deposits	**1,034,052**	**3,708**	**0.72**	893,078	3,316	0.74
Time deposits	**1,449,423**	**23,756**	**3.28**	1,392,966	15,104	2.17
Overseas operations	**69,275**	**829**	**2.39**	51,059	977	3.83
Total deposits from customers	**5,501,072**	**53,491**	**1.94**	4,875,773	35,833	1.47

Interest expense on deposits from customers was RMB53,491 million, an increase of RMB17,658 million, or 49.28%, over the same period last year, mainly as a result of the higher average balance as well as rising average cost of the deposits. Under the persisting effect of the PBC's six hikes of benchmark time deposit rate in 2007, the average cost for deposits was 47 basis points higher than that for the same period last year. As the domestic capital market became more volatile and interest spread between time and demand deposits widened since the beginning of this year, the proportion of the average balance of domestic time deposits in total deposits rose 27 basis points over the end of last year. This has limited impact on the average cost of the deposits from customers for the first half of this year, but will push up the cost of deposits in the long run.

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

Interest expense on the amounts due to banks and non-bank financial institutions reached RMB6,190 million, a rise of RMB2,047 million, or 49.41%, over the same period last year. This was largely due to a 71.15% increase in the average balance of the amounts due to banks and non-bank financial institutions. Average cost of the amounts due to banks and non-bank financial institutions fell 25 basis points over the same period last year, primarily because the Group proactively managed its liabilities, and encouraged attraction of low cost funding with methods such as fund transfer pricing. Meanwhile, due to the falling London inter-bank offered rate, the average cost on the foreign currency (mostly USD-denominated) amounts due to banks and non-bank financial institutions dropped significantly over that for the same period last year.

Net Fee and Commission Income

The Group continued to take incentive and disciplinary measures to spur intermediary business development, and intensified its product innovation and market expansion efforts. In the first half of 2008, net fee and commission income was RMB20,168 million, an increase of RMB7,508 million, or 59.30%, over the same period last year. The ratio of net fee and commission income to operating income rose by 2.17 percentage points over the same period last year to 14.86%.

Fees for agency services increased by RMB144 million, or 2.38%, to RMB6,190 million over the same period last year, in which fees for insurance agency services surged by 246.88% to RMB1,651 million, mainly because the insurance agency business developed rapidly as a result of the Group's improved management and business processes.

Consultancy and advisory fees increased by RMB2,196 million, or 160.76%, to RMB3,562 million. In this amount, financial advisory fees surged by 165.10% to RMB2,377 million, while engineering cost advisory fees increased by 122.19% to RMB811 million.

Bank card fees grew by RMB959 million, or 41.71%, to RMB3,258 million, largely due to a rise in the number of cards issued as well as a substantial increase in both consumer spending and transactions through self-service facilities.

Commission on trust and fiduciary business rose by RMB1,384 million, or 113.54%, to RMB2,603 million. The fees from custodial service for securities investment funds climbed by 173.86% to RMB758 million, largely because the number of funds under custody continued to grow with the Group's increased marketing efforts and product mix adjustment.

Settlement and clearing fees climbed by RMB659 million, or 41.74%, to RMB2,238 million, thanks to the rapid growth of the international settlement business, which realised fees of RMB939 million with an increase of 140.98%.

Guarantee and credit commitment fees increased by RMB1,310 million, or 314.15%, to RMB1,727 million, mostly due to the rapid growth in commitment and guarantee services.

Other fees reached RMB1,348 million, an increase of RMB1,003 million, or 290.72%, in which fees for wealth management agency service surged by 12.51 times to RMB414 million.

Other Net Operating Income

In the first half of 2008, the Group recorded other net operating income of RMB1,475 million, in which there was a net foreign exchange gain of RMB759 million, a net gain of RMB84 million on disposal of property and equipment, a net gain of RMB28 million on disposal of repossessed assets, and other income of RMB604 million.

The specific composition of foreign exchange exposures as at 30 June 2008 and the respective profit and loss for the first half of 2008 are set out below.

	As at 30 June 2008 Composition of foreign exchange exposures			**Six months ended 30 June 2008**
(In millions of RMB)	**On-balance sheet**	**Off-balance sheet**	**Total**	**Foreign exchange gain**
Foreign currency assets and proprietary financial derivatives	180,814	(180,814)	—	530
Others	15,575	20,992	36,567	229
Net foreign exchange exposure	196,389	(159,822)	36,567	
Net foreign exchange gain				759

1. Foreign exchange exposures are expressed in RMB. Positive and negative figures represent long and short positions respectively.

2. Financial derivatives represent currency derivatives.

3. The net foreign exchange exposures represent the position shown in "Currency Concentrations" of the unaudited supplementary financial information.

Foreign currency assets and proprietary financial derivatives

The Group actively developed its foreign currency business, with a view to satisfying customers' needs and enhancing the overall yield. In order to minimise the risk associated with foreign exchange, the Group entered into relevant transactions in derivative financial instruments. During the first half of 2008, the net gain on foreign currency assets was RMB530 million, after taking into account the effect of the financial derivatives for hedging purpose. This was mainly because the revaluation gain of cross-currency interest rate swap increased, as the RMB interest rates rose steadily while the interest rates of US dollars fell gradually starting from the second half of 2007.

Other net exchange gain

The net gain from customer-driven forex trading and revaluation of net foreign exchange exposure of the Group was RMB229 million, in which the net gain from customer-driven forex trading reached RMB1,936 million, mainly because of rising net revaluation gain of customer-driven forward forex sales and purchase business.

Operating Expenses

In the first half of 2008, the total operating expenses increased by RMB8,918 million, or 23.92% over the same period last year, to RMB46,193 million. The Group continued to strengthen cost controls, and the cost-to-income ratio was further reduced to 34.03% with improved cost efficiency.

Staff costs went up by 18.93% to RMB22,093 million, lower than the 36.04% increase in operating income. The cost rise was mainly due to the increase in the Group's staff salaries in line with the increase in national average salary level and improved operating results. Premises and equipment expenses rose by 19.28%, largely because of higher utilities costs and property management fees accompanying overall price increases. Business tax and surcharges increased by RMB2,052 million, or 36.22%, in line with higher operating income. Other operating expenses climbed by 31.26%, mainly because the Group strengthened marketing initiatives, which led to increased expenditure in business expansion and advertising.

Provisions for Impairment Losses

(In millions of RMB)	**Six months ended 30 June 2008**	Six months ended 30 June 2007
Loans and advances to customers	**11,458**	11,648
Investments	**2,492**	165
— Available-for-sale financial assets	**2,139**	87
— Held-to-maturity debt securities	**989**	77
— Debt securities classified as receivables	**(636)**	1
Property and equipment	**21**	—
Others	**(65)**	156
Provisions for impairment losses	**13,906**	11,969

In the first half of 2008, the Group's provisions for impairment losses totalled RMB13,906 million, an increase of RMB1,937 million over the same period last year. In this amount, the provisions for impairment losses on loans and advances to customers dropped RMB190 million; those on investments increased by RMB2,327 million; those on repossessed assets included in other provisions were RMB13 million.

Provisions for impairment losses on loans and advances to customers

	Six months ended 30 June 2008			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		
(In millions of RMB)		**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	35,785	4,928	48,215	88,928
Charge for the period	7,321	935	7,649	15,905
Release during the period	—	—	(4,447)	(4,447)
Unwinding of discount	—	—	(802)	(802)
Transfers out	—	(1)	(6,574)	(6,575)
Write-offs	—	(107)	(1,425)	(1,532)
Recoveries	—	3	92	95
As at 30 June	43,106	5,758	42,708	91,572

During the first half of 2008, the Group addressed the impacts of macroeconomic changes and natural disasters as appropriate, and the provisions for impairment losses on loans and advances to customers were RMB11,458 million, in which the provisions for impairment losses due to the disastrous effects of the earthquake were RMB3,486 million. As at 30 June 2008, the balance of the allowances for impairment losses on loans and advances to customers increased by RMB2,644 million to RMB91,572 million over the end of last year, while the ratio of allowances to non-performing loans was 117.23%, up 12.82 percentage points over the end of 2007.

Provisions for impairment losses on investments

Provisions for impairment losses on investments were RMB2,492 million. In this amount, the provisions for impairment losses on available-for-sale financial assets and those on held-to-maturity debt securities increased by RMB2,052 million and RMB912 million respectively over the same period last year, which were mainly because the Group provided US$426 million (equivalent to RMB2,921 million) for its debt securities investments in foreign currency based on their credit position and market factors; an amount of RMB636 million was released from the provisions for impairment losses on debt securities classified as receivables, as a bond which was issued by a non-bank financial institution and acquired in prior years was fully recovered during the period and its impairment allowances were duly released.

Income Tax

In the first half of 2008, the Group's income tax reached RMB16,963 million, RMB676 million higher than the same period last year. The growth rate of 4.15% was much lower than that of profit before tax, as the PRC enterprise tax rate dropped from 33% to 25% starting from 1 January 2008. The Group's effective income tax rate was 22.42%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

BALANCE SHEET ANALYSIS

Assets

As at 30 June 2008, the Group's total assets amounted to RMB7,057,706 million, an increase of RMB459,529 million, or 6.96%, over the end of 2007. Gross loans and advances to customers grew by RMB265,380 million, or 8.11%, while investment securities decreased by RMB15,736 million, mainly because the Group had adjusted the investment structure by reducing debt securities investments in foreign currency. Since the PBC raised the statutory deposit reserve rate consecutively during the first half of the year, the Group's cash and balances with central banks increased by RMB115,762 million, or 11.97%, over the end of last year, with its proportion in total assets up by 0.69 percentage points. The Group's amounts due from banks and non-bank financial institutions climbed by RMB22,808 million, or 22.27%, largely due to the expansion of reverse repos with banks and non-bank financial institutions. Thanks to the growth of customer-driven bond transactions in wealth management, the Group's trading investments soared by RMB46,676 million, or 156.53%.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 30 June 2008 Amount	%	As at 31 December 2007 Amount	%
Corporate loans	**2,522,705**	**71.31**	2,344,757	71.66
Short-term loans	**831,152**	**23.49**	820,908	25.09
Medium to long-term loans	**1,691,553**	**47.82**	1,523,849	46.57
Personal loans	**772,613**	**21.84**	723,805	22.12
Residential mortgages	**567,303**	**16.04**	527,888	16.13
Personal consumer loans	**70,108**	**1.98**	66,573	2.03
Other loans[1]	**135,202**	**3.82**	129,344	3.96
Discounted bills	**117,225**	**3.31**	102,826	3.14
Overseas operations	**124,994**	**3.54**	100,769	3.08
Gross loans and advances to customers	**3,537,537**	**100.00**	3,272,157	100.00

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

As at 30 June 2008, the Group's gross loans and advances to customers rose by 8.11% to RMB3,537,537 million over the end of 2007. In the face of tightened macroeconomic controls, the Group proactively adjusted credit structure, and well met its key customers' needs and achieved growth in strategic products.

Corporate loans reached RMB2,522,705 million, an increase of RMB177,948 million, or 7.59%, over the end of 2007. The Group adopted a differentiated development strategy and adjusted its loan mix and customer base to develop its core business and meet its premium customers' demands. The Group gradually exited from the less profitable or more risky industries. Infrastructure loans climbed 12.25% to RMB949,756 million, with the new infrastructure loans accounting for 58.23% of the corporate loan growth. By selecting the best possible customers and implementing stringent lending criteria, the Group improved its corporate loan customer base, and the proportion of customers with internal credit ratings of A or above went up 0.89 percentage points to 89.50% compared to the end of last year.

Personal loans increased by RMB48,808 million, or 6.74%, over the end of last year to RMB772,613 million, accounting for 21.84% of the gross loans and advances to customers with a decrease of 0.28 percentage points. In this amount, the residential mortgages rose by RMB39,415 million, or 7.47%; personal consumer loans grew by RMB3,535 million, or 5.31%; other loans rose by RMB5,858 million, or 4.53%. Amid strengthened macro-adjustments and volatility of property market in certain areas, the Bank implemented differentiated development strategy for regions, products and customers to meet credit needs of premium personal customers, and took active measures to avoid systemic risk in regional markets.

The balance of discounted bills increased by RMB14,399 million over the end of last year to RMB117,225 million. This was chiefly because the Group expanded discounting business for bills with short maturities in light of growing yield on discounted bills to improve funds return.

Loans and advances to overseas customers rose by RMB24,225 million over the end of 2007 to RMB124,994 million. The rapid growth of these loans was mainly because the Group continued to support its overseas branches in terms of resources, which proactively increased their marketing efforts.

Investments

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

(In millions of RMB, except percentages)	**As at 30 June 2008**		As at 31 December 2007	
	Amount	**%**	Amount	%
Debt instruments[1]	**1,656,168**	**74.18**	1,613,679	73.29
Debt securities classified as receivables	**551,859**	**24.71**	551,336	25.04
Equity instruments[2]	**24,723**	**1.11**	36,795	1.67
Total investments	**2,232,750**	**100.00**	2,201,810	100.00

1. These comprise held-to-maturity debt securities, available-for-sale debt securities and trading debt securities.

2. These comprise equity investments and funds.

As at 30 June 2008, total investments increased by RMB30,940 million to RMB2,232,750 million, or 1.41% compared to the end of 2007. Debt instruments increased by RMB42,489 million, in which trading debt securities and available-for-sale debt securities increased by RMB45,974 million and RMB54,089 million respectively; held-to-maturity debt securities decreased by RMB57,574 million from the end of 2007, mainly due to the reduction in foreign currency debt investments. Receivables grew by RMB523 million to RMB551,859 million. Equity investments dropped by RMB12,072 million, primarily because of a reduction in the fair value of the listed shares held through debt equity swap (including those subject to selling restrictions).

Debt securities investments in foreign currency

As at 30 June 2008, the carrying amount of foreign currency debt securities investment portfolio held by the Group was US$28,085 million (or RMB192,545 million).

As at 30 June 2008, the nominal value of US sub-prime mortgage loan backed securities held by the Group was US$273 million (or RMB1,873 million), accounting for 0.97% of the foreign currency debt securities investment portfolio. Based on the Bloomberg composite rating, the percentages of securities with a rating of AAA, AA, and A were 78.91%, 9.75% and 1.91% respectively.

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

(In millions of US dollars)	**Allowances for impairment losses**	**Carrying amount[1]**
US sub-prime mortgage debts	215	273
First lien debt securities	147	249
Second lien debt securities	68	24
Related residential mortgage collateralised debt obligations (CDO)	456	—
Total	671	273

1. Carrying amount after deducting the allowances for impairment losses.

Given the credit profile and market factors of the US sub-prime mortgage loan backed securities, as at 30 June 2008, the allowances for impairment losses on such debt securities amounted to US$671 million (or RMB4,600 million), an increase of US$41 million (or RMB281 million) compared to the end of 2007.

As at 30 June 2008, the carrying amount of the Alt-A bonds held by the Group was US$357 million (or RMB2,449 million), accounting for 1.27% of the foreign currency debt securities investment portfolio, and 98.95% of the Alt-A bonds had a Bloomberg composite rating of AAA.

As the above debt securities represent only a small proportion of the Group's foreign currency debt securities investment portfolio, market fluctuations for such debt securities will not have significant effect on the Group's earnings.

As at 30 June 2008, the carrying amount of the securities related to Fannie Mae and Freddie Mac held by the Group was US$3,250 million (or RMB22,279 million). In this amount, mortgage backed securities guaranteed by these two companies were US$695 million (or RMB4,764 million), all with a Bloomberg composite rating of AAA; bonds issued by these two companies were US$2,555 million (or RMB17,515 million), and 98.35% of such bonds had a Bloomberg composite rating of AAA.

Liabilities

As at 30 June 2008, the Group's total liabilities were RMB6,602,308 million, an increase of RMB426,412 million, or 6.90%, over the end of 2007. Deposits from customers, the most important source of the Group's funding, grew by RMB452,066 million, or 8.48%, accounting for 87.57% of the total liabilities with an increase of 1.27 percentage points. Amounts due to banks and non-bank financial institutions decreased by RMB4,988 million, with their proportion in total liabilities down 0.71 percentage points to 9.10%. This was mainly because the deposits from banks and non-bank financial institutions dropped by RMB37,374 million over the end of last year with the volatile domestic capital markets. Amounts due to central banks decreased by RMB49,611 million, mainly because the repos conducted with the PBC in 2007 have matured.

Deposits from customers

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

(In millions of RMB, except percentages)	**As at 30 June 2008**		As at 31 December 2007	
	Amount	**%**	Amount	%
Corporate deposits	**3,103,420**	**53.68**	2,945,305	55.27
Demand deposits	**2,126,829**	**36.79**	2,084,193	39.11
Time deposits	**976,591**	**16.89**	861,112	16.16
Personal deposits	**2,609,909**	**45.14**	2,316,321	43.46
Demand deposits	**1,032,169**	**17.85**	997,164	18.71
Time deposits	**1,577,740**	**27.29**	1,319,157	24.75
Overseas operations	**68,244**	**1.18**	67,881	1.27
Total deposits from customers	**5,781,573**	**100.00**	5,329,507	100.00

As at 30 June 2008, the Group's deposits from customers grew by 8.48%, higher than the 6.90% growth of total liabilities. Corporate deposits in the PRC went up 5.37%, against the 12.67% increase of personal deposits. This led to a drop of 1.59 percentage points in the proportion of corporate deposits in total deposits from customers to 53.68%. The decrease was largely because the volatile domestic capital market, coupled with deposit rate hikes, caused an influx of personal deposits as residents had a higher propensity for saving. In addition, with the widening interest spread between demand and time deposits, domestic time deposits surged by 17.16%, much higher than the 2.52% increase in domestic demand deposits. The proportion of domestic time deposits in total deposits went up 3.27 percentage points to 44.18%.

Shareholders' Equity

As at 30 June 2008, the Group's total equity reached RMB455,398 million, an increase of RMB33,117 million compared to the end of 2007. The ratio of total equity to total assets for the Group was 6.45%, a rise of 0.05 percentage points compared to the end of 2007.

Capital Adequacy Ratio

According to the Administrative Measures for Commercial Banks Capital Adequacy Ratios promulgated by the CBRC, as at 30 June 2008, the Group's capital adequacy ratio and core capital adequacy ratio were 12.06% and 10.08% respectively, on a consolidated basis, declining by 0.52 and 0.29 percentage points respectively, over the end of 2007. The decrease in capital adequacy ratio was mainly because the total capital base after deductions increased by 5.80%, while risk-weighted assets climbed by 10.37% largely due to the Group's steady growth of on-balance sheet assets and rapid expansion of off-balance sheet operations.

LOAN QUALITY ANALYSIS

Distribution of Loans by the Five-Category Classification

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

(In millions of RMB, except percentages)	**As at 30 June 2008**		As at 31 December 2007	
	Amount	**%**	Amount	%
Normal	**3,242,220**	**91.65**	2,959,553	90.45
Special mention	**217,204**	**6.14**	227,434	6.95
Substandard	**27,922**	**0.79**	25,718	0.79
Doubtful	**39,536**	**1.12**	48,159	1.47
Loss	**10,655**	**0.30**	11,293	0.34
Gross loans and advances to customers	**3,537,537**	**100.00**	3,272,157	100.00
Non-performing loans	**78,113**		85,170	
Non-performing loan ratio		**2.21**		2.60

In the first half of 2008, the Group made vigorous credit structure adjustments, and further strengthened its risk monitoring and early warning mechanism. Risks associated with large credit customers were mitigated by teams of experts on a per account basis, and innovative methods such as securitization were used to expedite NPL disposals. Credit asset quality continued to improve, and as at 30 June 2008 the Group's NPLs was RMB78,113 million, a decrease of RMB7,057 million from the end of 2007, while the NPL ratio dropped by 0.39 percentage points to 2.21%; the structure of NPLs improved as well.

Distribution of Loans and NPLs by Product Type

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

	As at 30 June 2008			As at 31 December 2007		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL ratio (%)**	Loans	NPLs	NPL ratio (%)
Corporate loans	**2,522,705**	**68,636**	**2.72**	2,344,757	76,877	3.28
Short-term loans	**831,152**	**35,115**	**4.22**	820,908	43,489	5.30
Medium to long-term loans	**1,691,553**	**33,521**	**1.98**	1,523,849	33,388	2.19
Personal Loans	**772,613**	**9,109**	**1.18**	723,805	7,925	1.09
Residential mortgages	**567,303**	**5,079**	**0.90**	527,888	4,222	0.80
Personal consumer loans	**70,108**	**1,925**	**2.75**	66,573	1,966	2.95
Other loans[1]	**135,202**	**2,105**	**1.56**	129,344	1,737	1.34
Discounted bills	**117,225**	**—**	**—**	102,826	—	—
Overseas operations	**124,994**	**368**	**0.29**	100,769	368	0.37
Total	**3,537,537**	**78,113**	**2.21**	3,272,157	85,170	2.60

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

In the first half of 2008, the Group further improved its loan structure and all lines of businesses grew steadily, leading to continued improvement of loan quality. As at 30 June 2008, the NPL ratio for corporate loans fell 0.56 percentage points to 2.72%, compared to that at the end of 2007. Due to factors such as the natural disasters, the NPLs and NPL ratio for personal loans slightly increased over the end of last year, but remained relatively low. The NPL ratio for overseas operations dropped by 0.08 percentage points to 0.29% as the overseas operations developed soundly.

Distribution of Loans and NPLs by Industry

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

(In millions of RMB, except percentages)	**As at 30 June 2008**				As at 31 December 2007			
	Loans	**Percent of total (%)**	**NPLs**	**NPL ratio (%)**	Loans	Percent of total (%)	NPLs	NPL ratio (%)
Corporate loans								
Manufacturing	**634,805**	**17.94**	**20,169**	**3.18**	592,502	18.11	24,834	4.19
Production and supply of electric power, gas and water	**408,726**	**11.55**	**6,857**	**1.68**	377,285	11.53	5,957	1.58
Transportation, storage and postal services	**399,572**	**11.30**	**6,173**	**1.54**	370,732	11.33	5,978	1.61
Real estate	**333,177**	**9.42**	**14,003**	**4.20**	317,780	9.71	15,372	4.84
Water, environment and public utility management	**125,993**	**3.56**	**1,620**	**1.29**	106,693	3.26	1,258	1.18
Leasing and commercial services	**114,665**	**3.24**	**3,201**	**2.79**	92,968	2.84	2,911	3.13
Construction	**109,920**	**3.11**	**2,322**	**2.11**	101,467	3.10	2,582	2.54
Wholesale and retail trade	**96,244**	**2.72**	**6,131**	**6.37**	89,289	2.73	7,816	8.75
Education	**79,580**	**2.25**	**1,273**	**1.60**	78,153	2.39	1,430	1.83
Mining	**78,146**	**2.21**	**448**	**0.57**	69,666	2.13	636	0.91
Telecommunications, computer services and software	**29,474**	**0.83**	**777**	**2.64**	35,846	1.10	1,159	3.23
Others	**112,403**	**3.18**	**5,662**	**5.04**	112,376	3.43	6,944	6.18
Sub-total	**2,522,705**	**71.31**	**68,636**	**2.72**	2,344,757	71.66	76,877	3.28
Personal loans	**772,613**	**21.84**	**9,109**	**1.18**	723,805	22.12	7,925	1.09
Discounted bills	**117,225**	**3.31**	**—**	**—**	102,826	3.14	—	—
Overseas operations	**124,994**	**3.54**	**368**	**0.29**	100,769	3.08	368	0.37
Total	**3,537,537**	**100.00**	**78,113**	**2.21**	3,272,157	100.00	85,170	2.60

In the first half of 2008, the Group refined its lending and exit criteria for industries, tightened credit extension to industries with higher NPL ratios, and stepped up industry structure adjustments. Consequently, the overall loan quality continued to improve. In particular, the NPLs and NPL ratios for the wholesale and retail trade, real estate and manufacturing industries, which used to have higher NPL ratios, continued to decline. The NPLs for some infrastructure industries rose as a result of the earthquake.

BUSINESS OPERATIONS

The Group's main business segments include corporate banking, personal banking, treasury business, and others and unallocated items which comprise equity investment and overseas operation.

The following table lists each segment's profit before tax for the period.

(In millions of RMB, except percentages)	**Six months ended 30 June 2008**		Six months ended 30 June 2007	
	Amount	**%**	Amount	%
Corporate banking	**40,116**	**53.02**	27,984	55.37
Personal banking	**11,651**	**15.40**	12,698	25.12
Treasury business	**22,533**	**29.78**	10,167	20.12
Others and unallocated	**1,355**	**1.80**	(307)	(0.61)
Profit before tax	**75,655**	**100.00**	50,542	100.00

Corporate Banking

For the first half of 2008, the corporate banking achieved operating income of RMB69,355 million, an increase of 28.50% over the same period last year. The profit before tax rose 43.35% to RMB40,116 million, accounting for 53.02% of the profit before tax of the Group. These results are attributable to the following: The yield on credit assets rose due to the improvement of business and income structure; and the net fee and commission income rose by a substantial 151.97% to RMB7,864 million.

Effective adjustment of credit structure. As at 30 June 2008, corporate loans totalled RMB2,522,705 million, a rise of 7.59% compared to the end of 2007, of which infrastructure loans increased by 12.25% to RMB949,756 million, and loans to small businesses increased by 11.16% to RMB249,532 million. The proportion of corporate loans granted to customers with internal credit ratings of A or above increased 0.89 percentage points to 89.50% of our total corporate loan balance. "Green Credit" has been taken up to support energy-saving, emission-cutting and environmentally friendly industries and projects, and the Bank has taken initiatives to retreat from lower-end customers in industries with dubious asset quality and gloomy prospect, and industries with excess capacity, high energy consumption or high pollution. Loans in the "opted-out" category fell by RMB31,876 million.

Rapid growth in net fee and commission income. The net fee and commission income from corporate banking increased by 151.97% to RMB7,864 million, accounting for 38.99% of the total net fee and commission income with an increase of 14.34 percentage points. The major sources of revenues are: commitment, corporate settlement service, insurance agency service and engineering cost advisory service.

- Agency services for institutional customers gained leading market position with innovation. Our independent custodial services for securities settlement funds maintained leading position in domestic market, with an increase of 419.9% in custodial fees over the same period last year; Insurance agency services made substantial progress with innovations such as telephone marketing, with a large increase in insurance agency fees. Fee income from "Safe Deal", our custodial service for trading fund, increased by RMB233 million over the same period last year. The Bank took initiatives to develop public finance agency services, and played an active part in the rolling out project of connection among finance, taxation, treasury and bank systems. The Bank continued to be the largest correspondent bank to provide loan funds settlement services to China Development Bank.

- The market share of the assets under custody rose steadily. The market share of the securities investment funds under custody of the Bank rose by 1.26 percentage points to 24.11%, ranking second in the domestic market. The income from custodial business rose by a substantial 190.72% to RMB846 million.

The snowstorm and earthquake imposed certain effects on the normal operation of some of our corporate customers, but the effects of these natural disasters remain local, and are insignificant to the Bank's overall corporate banking business. Besides, we would play an active role in the infrastructure reconstruction after the disasters happened.

In the second half of the year, we will continue to strengthen business structural adjustment in corporate banking, fully implement the credit exit plan, and give more priority to the development of small enterprise sector. Effective measures will be taken to ensure the sustainable development of our corporate intermediary business. Post-lending monitoring will be strengthened to control credit risk.

Personal Banking

For the first half of 2008, personal banking realised an operating income of RMB36,512 million, an increase of 13.41% over the same period last year; the profit before tax dropped by 8.25% to RMB11,651 million. The operating expenses of the personal banking increased as a result of branch improvements and acquisitions, and affected by natural disasters the provisions for impairment losses rose, while the interest income and fee and commission income increased moderately.

Increase of personal deposits setting record. As a result of the Bank's various marketing initiatives to attract personal deposits, personal deposits reached RMB2,609,909 million as at 30 June 2008, up by a record RMB293,588 million over the end of last year, laying a solid foundation for the liquidity of the Bank.

Personal loans rose steadily. Personal loans grew by 6.74% to RMB772,613 million, accounting for 21.84% of loans and advances to customers, of which personal residential mortgages rose 7.47% to RMB567,303 million and personal consumer loans grew 5.31% to RMB70,108 million. In face of the strengthened macro-adjustment measures, we will keep a close eye on market movement, and pursue differentiated development strategy by region, product and customer so as to prevent systemic risk in regional markets.

New growth in personal intermediary business. As the Bank put more efforts in innovation and marketing, the debit cards and securities agency service continued to be the biggest revenue contributor, with increasing contribution from new growth drivers such as personal wealth management, insurance agency service and personal gold service. In the first half of the year, the total debit cards issued amounted to 247 million, the spending amount rose by 25.93% over the same period last year, and the revenue realised reached RMB2,234 million, an increase of 36.07% over the same period last year. Our insurance agency business realised revenue of RMB1,651 million, an increase of 246.88% over the same period last year.

Retaining leading position in entrusted housing finance business. We cooperated with public housing funds authorities, explored such new products as provident housing fund plus commercial mortgage relay, and promoted co-brand housing fund cards, provident housing fund electronic services, as well as entrusted withdrawal of provident housing funds and repayment of loans therewith. As at 30 June 2008, provident housing fund deposits totalled RMB324,828 million, an increase of RMB34,965 million compared to the end of 2007, with a market share of 61.00%; the balance of provident housing funds loans amounted to RMB264,264 million, an increase of RMB22,014 million, with a market share of 49.35%.

Special quake relief services. After the devastating earthquake in Wenchuan of Sichuan Province, we quickly set up tent or makeshift bank offices to resume business and provide convenient banking services to the affected customers in the quake regions. We also opened "green channels" to provide financial services for relief purposes, which included express donation and remittance services to the quake regions, as well as new service measures such as free remittance, emergency withdrawal, and cross-region loss reporting.

Snowstorm and earthquake exerted visible effect on existing personal loans in the affected areas, but the proportion of such loans in total personal loans was minimal. We will proactively support the rebuilding of the affected regions by following up on new credit demands with sound business scheme.

In the second half of the year, we will continue to strengthen structural adjustment in personal banking, prevent systemic risks in regional markets, support personal mortgage needs for the first self-owned apartment, and expand second-hand housing market with our improved "Safe House Trading" product, driving the steady and healthy development of our residential mortgage loan business.

Treasury Business

For the first half of 2008, treasury business realised an operating income of RMB26,588 million, an increase of 113.27% over the same period last year; profit before tax was RMB22,533 million, with a rise of 121.63%. This was mainly attributable to the rise of yields on portfolios, fast growth of fee and commission income and large reduction in exchange losses.

Financial market business

We carefully studied domestic and overseas macroeconomic environment and inter-bank bond market movements, and adopted a proactive investment portfolio management strategy. In light of the turmoil in international financial market caused by the sub-prime crisis, we put controlling credit risk and ensuring asset safety as a top priority in foreign currency portfolio investment. The yield on portfolio investment for the first half of the year was 3.60%, up 44 basis points over the same period last year.

For the first half of the year, the volume of customer-driven purchases and sales of foreign exchange and foreign exchange trading increased by 65.91% to US$134,443 million, realising revenue of RMB1,721 million with an increase of 70.73%; customer-driven derivative transactions rose by 137.72% to US$9,295 million, realising revenue of RMB588 million with an increase of 287.60%.

During the first half of the year, we issued 171 batches of wealth management products such as "Profit from Exchange", Initial Public Offering (IPO) trust and corporate bonds, raising RMB196,554 million. In May, we launched "CCB Fortune — Donations" series products with a theme of quake relief, which raised RMB103 million and won public recognition.

Investment banking

The Bank developed its investment banking rapidly, continued to push innovative financial advisory services in areas such as IPO and refinancing, mergers and restructuring, equity investment, and project financing, and accelerated efforts to expand debt underwriting business and wealth management products, with revenue of RMB3,203 million, representing an increase of 195.71% over the same period last year.

The Bank underwrote RMB21.8 billion of short-term commercial bills with a market share of 12.46%, and RMB11.5 billion of mid-term commercial papers with a market share of 15.65%.

During the first half of the year, the Bank issued 421 batches of wealth management products with a total amount of RMB289,764 million, an increase of 1,513.56% over the same period last year. In this amount, "Profit from Interest" and "Qiantu Wealth Management" products backed with credit assets were RMB80,641 million, and "Qiantu Wealth Management", "CCB Fortune" and "Profit from Interest" products based on capital market were RMB209,123 million.

Geographical Segments

In the first half of 2008, profits rose for all regions except western China where some provinces were affected by the earthquake. Due to significant demand on relief and reconstruction loans, the corporate loans extended to central and western China increased by 8.16% and 9.74% respectively. Customer deposits grew steadily for all regions. Overseas business made steady progress, and as at 30 June 2008, total assets of our overseas branches and subsidiaries reached RMB154,156 million with profit before tax of RMB1,709 million for the first half of 2008.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2008**		Six months ended 30 June 2007	
	Amount	**%**	Amount	%
Yangtze River Delta	**15,840**	**20.94**	12,273	24.28
Bohai Rim	**10,892**	**14.39**	8,277	16.38
Pearl River Delta	**10,158**	**13.43**	6,744	13.34
Central	**8,369**	**11.06**	6,729	13.31
Western	**6,178**	**8.17**	7,156	14.16
Northeastern	**3,019**	**3.99**	2,203	4.36
Head office	**19,490**	**25.76**	6,217	12.30
Overseas	**1,709**	**2.26**	943	1.87
Profit before tax	**75,655**	**100.00**	50,542	100.00

The table below sets forth the distribution of the Group's loans by geographical segment.

(In millions of RMB, except percentages)	**As at 30 June 2008**		As at 31 December 2007	
	Amount	**%**	Amount	%
Yangtze River Delta	**878,081**	**24.82**	816,085	24.95
Bohai Rim	**638,658**	**18.05**	602,943	18.43
Western	**582,522**	**16.47**	530,805	16.22
Central	**561,755**	**15.88**	519,388	15.87
Pearl River Delta	**510,245**	**14.42**	473,478	14.47
Northeastern	**212,324**	**6.00**	199,106	6.08
Head office	**28,958**	**0.82**	29,583	0.90
Overseas	**124,994**	**3.54**	100,769	3.08
Loans and advances to customers	**3,537,537**	**100.00**	3,272,157	100.00

The table below sets forth the distribution of the Group's deposits by geographical segment.

(In millions of RMB, except percentages)	**As at 30 June 2008**		As at 31 December 2007	
	Amount	**%**	Amount	%
Yangtze River Delta	**1,194,924**	**20.67**	1,101,688	20.67
Bohai Rim	**1,106,971**	**19.15**	1,050,440	19.71
Central	**999,200**	**17.28**	912,844	17.13
Western	**972,286**	**16.82**	870,879	16.34
Pearl River Delta	**888,461**	**15.37**	817,257	15.33
Northeastern	**433,848**	**7.50**	404,778	7.60
Head office	**117,639**	**2.03**	103,861	1.95
Overseas	**68,244**	**1.18**	67,760	1.27
Deposits from customers	**5,781,573**	**100.00**	5,329,507	100.00

PROSPECTS

In the second half of 2008, global economic growth is expected to continue to slow. While China's overall economic and financial conditions are expected to remain stable, inflationary pressure will stay high, with increased uncertainty in the development of capital and property markets.

This situation presents operational opportunities and challenges for commercial banks. On the one hand, the rapid growth of the domestic economy and steady progress of reform in the financial system provide a favourable and stable environment for business development. The higher interest rates and lower income tax rate are also positive for profit growth. On the other hand, commercial banks face a number of challenges: Under the restrictive monetary policy, tightening credit will adversely affect banks' profit growth, and rising deposit reserve rate will put more pressure on banks' liquidity management. Besides, the credit risks with industries subject to the macro-adjustments and certain personal borrowers may increase; the snowstorm and earthquake may cause additional NPLs.

The Group will further analyse the macroeconomic environment, study new issues arising from the market movements, adjust its operational strategy timely, overcome any unfavourable impact of external factors on its operations and strive to realise its operating targets for 2008.

First, the Group will optimise adjustment on its credit asset structure to ensure the orderly and healthy development for its competitive products, key areas and strategic businesses. It will also selectively enter some emerging industries that offer huge potential for development.

Second, it will rigorously expand its debt business by attracting stable and cheap funding sources to ensure ample liquidity and stable operations.

Third, in line with the general trend of the national economy's structural adjustment, the Group will strengthen its efforts to adjust its business structure. It will solidify its achievements in innovative businesses while retaining its competitive edge in traditional commercial banking areas so as to enhance the competitiveness of the entire group.

Fourth, the Group will actively foster new growth areas, pursue product innovation, and develop emerging businesses in connection with small and medium-sized enterprises and personal customers, consumer finance, intermediary business as well as overseas markets.

Fifth, it will promote comprehensive operations by tapping into new business areas to deliver diverse services.

Sixth, the Group will advance cooperation with its strategic investors to ensure the orderly implementation of various projects as planned.

Seventh, it will actively participate in post-earthquake reconstruction efforts, providing a variety of financial services and bringing into full play the Bank's strength in infrastructure and housing construction.

Eighth, the Group will aim for excellence in services during Olympics period by ensuring secure systems, stable operations and efficient services.

FURTHER INFORMATION

Purchase, Sale and Redemption of Shares

During the six months ended 30 June 2008, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any shares of the Bank.

Corporate Governance Practices

The Bank is committed to maintaining a high level of corporate governance. It has complied with the code provisions of the *Code on Corporate Governance Practices* ("Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, and has substantially complied with the recommended best practices set out in the Code.

Directors and Supervisors' Securities Transactions

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules in relation to securities transactions by directors and supervisors.

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

Audit Committee

The audit committee has reviewed the accounting policies and practices adopted by the Bank and considered affairs of internal control and financial reporting (including reviewing the consolidated interim financial information of the Bank).

By order of the Board of Directors
China Construction Bank Corporation
Zhang Jianguo
Vice chairman, executive director and president

22 August 2008

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