中信银行

CHINA CITIC BANK

中信銀行股份有限公司

China CITIC Bank Corporation Limited

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

(Stock Code: 998)

Interim Results Announcements
For the Six Months ended 30 June 2007

The Board of Directors (the "Board") of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") is pleased to announce the unaudited consolidated results (the "Interim Results") for the six months ended 30 June 2007 ("Report period") prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standards ("IAS") 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board. The Audit and Related Party Transactions Control Committee of the Board of the Bank has reviewed and adopted the Interim Results.

1. FINANCIAL HIGHLIGHTS

Operating Performance

RMB million

ITEM	**For the six months ended June 30, 2007**	For the six months ended June 30, 2006	For the year ended December 31, 2006	Compared to the same period last year *(%)*
Operating income	**11,915**	8,016	17,927	48.64%
Profit before taxation	**5,610**	3,129	7,002	79.29%
Net profit attributable to shareholders	**3,223**	1,767	3,858	82.40%
Per share				
Basic earning per share *(RMB)*	**0.095**	0.057	0.12	66.67%
Diluted earning per share *(RMB)*	**0.095**	0.057	0.12	66.67%
Net asset per share *(RMB)*	**2.32**	0.95	1.02	144.21%
Net operating cash flow per share *(RMB)*	**0.98**	(0.43)	(0.24)	—

Scale Indicators

RMB million

ITEM	**June 30, 2007**	December 31, 2006	December 31, 2005	June 30, 2007 compared to previous year end *(%)*
Total assets	**868,431**	706,723	594,602	22.88%
Loans and advances to customers	**535,519**	463,167	370,260	15.62%
Total liabilities	**789,573**	675,029	571,377	16.97%
Deposits from customers	**666,424**	618,412	530,573	7.76%
Shareholders' equity	**78,853**	31,689	23,220	148.83%
Total net operating cash flow	**33,414**	(7,574)	(7,650)	—

Profitability Indicators

ITEM	**For the six months ended June 30, 2007**	For the year ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended June 30, 2007 compared to previous year *(%)*
Return on average asset *(annualized)*	**0.82%**	0.59%	0.57%	0.23
Return on average equity *(annualized)*	**11.66%**	14.05%	13.42%	-2.39
Cost/income	**35.61%**	39.67%	36.65%	-4.06
Net interest spread	**2.82%**	2.53%	2.37%	0.29
Net interest margin	**2.96%**	2.62%	2.46%	0.34

Asset Quality Indicators

ITEM	**June 30, 2007**	December 31, 2006	June 30, 2006	June 30, 2007 compared to previous year end *(%)*
Non-performing loan (NPL) ratio	**1.84%**	2.50%	2.92%	-0.66
Provision coverage	**85.19%**	84.62%	84.97%	0.57
Allowance/total loans	**1.56%**	2.11%	2.48%	-0.55

Capital Adequacy Indicators

ITEM	**June 30, 2007**	December 31, 2006	June 30, 2006	June 30, 2007 compared to previous year end *(%)*
Capital adequacy ratio	**15.99%**	9.41%	9.52%	6.58
Core capital adequacy ratio	**13.78%**	6.57%	6.31%	7.21
Total equity/total assets	**9.08%**	4.48%	4.55%	4.60

Differences between domestic and international accounting standards

The following table shows the reconciliation in net assets and net profits attributable to shareholders of the Bank due to the differences between domestic and international accounting standards.

RMB million

	Net assets		**Net profits**	
	June 30, 2007	December 31, 2006	**For the six months ended June 30, 2007**	For the year ended December 31, 2006
Amounts based on International Financial Reporting Standards	**78,853**	31,689	**3,223**	1,767
Differences arising from the re-valuation of fixed and other assets	**118**	136	**(18)**	(50)
Amounts based on the Accounting Standards for Business Enterprises of the People's Republic of China	**78,971**	31,825	**3,205**	1,717

2. REPORT OF THE BOARD OF DIRECTORS

Economy, Finance and Regulatory Environment

In the first half of 2007, the Chinese economy continued to maintain its fast and steady growth momentum with a GDP growth rate of 11.5%. The profit of domestic enterprises rose dramatically and large-scale industrial enterprises saw a profit increase of more than 40%. The fixed assets investment maintained its trend of high-speed development with a period-to-period growth rate of 25.9%. During this period, export kept on expanding, economic structure was optimised, while people's income increased and consumption demand was strong.

In the first half of 2007, the government strengthened its macro-economic regulatory measures to control the excess liquidity in the financial sector. To this end, the People's Bank of China ("PBOC") raised the required deposit reserves five times to the current 11.5% and raised the benchmark interest rate twice by 0.54% and 0.45% in connection with one-year deposit and loan rate, respectively. Meanwhile PBOC issued directional instruments and provided window guidance in an attempt to tighten the liquidity in the banking system and credit scale.

The change of economic, finance and regulatory environment has imposed more stringent requirements on the operation and management of commercial banks. In response to that, the Bank seized the favorable opportunities of rapid economic growth to accelerate the business expansion and achieved the result of steady growth in business scale and profit. The Bank actively took advantage of good opportunity created by integrated operation policy and engaged in providing the best financial service solution to corporate clients, and supplying more wealth management products and services to individual clients. In particular, the bullish stock market in China has resulted in the Bank providing various innovative wealth management products to consolidate and expand the relationship with individual clients. These efforts received good market response and promoted the fast growth of non-interest income. On the other hand, the Bank took initiative in implementing the macro-economic regulatory measures and strengthened the prospective analysis of macro economy and regulatory measures in order to respond in time. The Bank further improved the liquidity management in a scientific way, took reasonable control of the credit scale, and enhanced the efficiency of capital utilization. Thus, we effectively prevented the economic operational risk, and mitigated the impact of macro-economic and regulatory measures on the Bank.

Financial Statement Analysis

Overview

In the first half of 2007, the Bank had a sound financial position, As of June 30, 2007, total assets of the Bank reached RMB868.431 billion, an increase of RMB161.708 billion or 22.88% compared to previous year end. Total liabilities stood at RMB789.573 billion, an increase of RMB114.544 billion or 16.97% compared to previous year end. Shareholders' equity (excluding minority interests) totaled RMB78.853 billion, an increase of RMB47.164 billion or 148.83% compared to previous year end.

The Bank achieved a net profit of RMB3.223billion in the first half of 2007, a period-on-period increase of RMB1.456 billion or 82.40% compared to the corresponding period last year.

Income Statement Analysis

Unit: RMB million

	For the six months ended June 30, 2007	For the six months ended June 30, 2006	For the year ended December 31, 2006
Net interest income	**11,256**	7,344	16,473
Net non-interest income	**659**	672	1,454
Operating income	**11,915**	8,016	17,927
Provisions for impairment losses	**(1,162)**	(944)	(1,666)
General and administrative expenses	**(5,143)**	(3,943)	(9,259)
Profit before taxation	**5,610**	3,129	7,002
Income tax	**(2,387)**	(1,362)	(3,144)
Net profit	**3,223**	1,767	3,858
Attributable to:			
Shareholders of the Bank	**3,223**	1,767	3,858
Minority interests	**—**	—	—

Net Interest Income

The net interest income of the Bank was affected by the difference between interest-earning asset yield and interest-bearing liability cost as well as the average balance of the interest-earning assets and interest-bearing liabilities. In the first half of 2007, the Bank achieved a net interest income of RMB11.256 billion, a period-on-period increase of RMB3.912 billion or 53.27%.

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

Unit: RMB million

Items	**Six months ended June 30, 2007**			Six months ended June 30, 2006			Year ended December 31, 2006		
	Average Balance	**Interest**	**Average Interest Rate** *(%)*	Average Balance	Interest	Average Interest Rate *(%)*	Average Balance	Interest	Average Interest Rate *(%)*
Interest-earning assets									
Loans and advances to customers	**506,005**	**14,655**	**5.79**	417,154	10,740	5.15	437,124	23,288	5.33
Investment in securities	**136,604**	**2,209**	**3.23**	103,221	1,585	3.07	103,329	3,477	3.37
Due from central bank	**76,174**	**596**	**1.57**	57,377	410	1.43	62,446	964	1.54
Due from banks and other financial institutions	**42,939**	**663**	**3.09**	20,069	285	2.84	26,165	715	2.73
Sub-total	**761,722**	**18,123**	**4.76**	597,821	13,020	4.36	629,064	28,444	4.52
Interest-bearing liabilities									
Deposits from customers	**613,536**	**5,772**	**1.88**	539,539	5,240	1.94	551,871	10,790	1.96
Due to banks and other financial institutions	**81,060**	**817**	**2.01**	25,600	280	2.18	38,898	745	1.91
Other [(1)]	**12,079**	**278**	**4.60**	6,437	156	4.85	9,330	436	4.67
Sub-total	**706,675**	**6,867**	**1.94**	571,576	5,676	1.99	600,099	11,971	1.99
Net interest income		**11,256**			7,344			16,473	
Net interest spread [(2)]			**2.82**			2.37			2.53
Net interest margin [(3)]			**2.96**			2.46			2.62

Note:

(1) This includes payables to PBOC and subordinated debt and bonds issued.

(2) This equals the difference between average yield of interest-earning assets and average cost of interest-bearing liabilities.

(3) This is calculated based on net interest income / Average balance of interest-earning assets.

The following table illustrates changes in the Bank's net interest income arising from changes in scale factor and interest rate factor. Variances caused by changes in both scale factor and interests rate factor are attributed to changes in interest rate factor.

Unit: Renminbi million

	Six months ended June 30, 2007 compared to six months ended June 30, 2006			Year 2006 compared to year 2005		
	Volume	**Interest rate**	**Total**	Volume	Interest rate	Total
Assets						
Loans and advances to customers	**2,288**	**1,627**	**3,915**	4,827	662	5,489
Investment in securities	**512**	**112**	**624**	141	327	468
Due from central bank	**134**	**52**	**186**	241	10	251
Due from banks and other financial institutions	**325**	**53**	**378**	(35)	143	108
Changes of interest income	**3,259**	**1,844**	**5,103**	5,174	1,142	6,316
Liabilities						
Deposits from customers	**718**	**(186)**	**532**	1,757	521	2,278
Due to banks and other financial institutions	**605**	**(68)**	**537**	83	16	99
Others	**137**	**(15)**	**122**	151	(25)	126
Changes of interest expense	**1,460**	**(269)**	**1,191**	1,991	512	2,503
Changes of net interest income	**1,799**	**2,113**	**3,912**	3,183	630	3,813

Interest income

The Bank's interest income was RMB18.123 billion in the first half of 2007, a period-on-period increase of RMB5.103 billion or 39.19%. The growth of interest income is mostly attributable to the size expansion of interest-earning assets (especially loans and advances to customers) as well as the increase of average interest rate of interest-earning assets. The average balance of interest-earning assets increased by RMB163.901 billion, or 27.42%, from RMB597.821 billion as of June 30, 2006 to RMB761.722 billion as of June 30, 2007. The average interest rate of interest-earning assets climbed from 4.36% in the first half of 2006 to 4.76% in the first half of 2007, up 0.40 percentage points.

Interest income from loans and advances to customers

Interest income from loans and advances to customers has been the biggest portion of the Bank's interest income. It accounted for 80.86% of the Bank's total interest income in the first half of 2007.

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

Unit: Renminbi million

	Six months ended June 30, 2007			Six months ended June 30, 2006			Year ended December 31, 2006		
	Average balance	**Interest income**	**Average yield**	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	**401,582**	**12,128**	**6.04**	321,105	8,849	5.51	340,606	19,320	5.67
Discounted bills	**53,297**	**987**	**3.70**	56,768	788	2.78	54,750	1,571	2.87
Personal loans	**51,126**	**1,540**	**6.02**	39,281	1,103	5.62	41,768	2,397	5.74
Total loans and advances to customers	**506,005**	**14,655**	**5.79**	417,154	10,740	5.15	437,124	23,288	5.33

The Bank achieved a loan and advance interest income of RMB14.655 billion in the first half of 2007 which represented an increase of 36.45% from RMB10.74 billion in the first half of 2006. The major reason was the increase of average balance and the other reason was that the average yield of loans increased from 5.15% to 5.79%.

The growth of average yield is mainly due to (1) upward adjustment of the benchmark interest rate of customer loans by PBOC in August 2006, March 2007, and May 2007; (2) the Bank's measures to control low-yield discounted bills business, while expand the high-yield loan business; (3) the Bank's enhancement of management on product price determination.

Interest income from investment in securities

In the first half of 2007, the Bank achieved an interest income of RMB2.209 billion from investment in securities, a period-on-period increase of RMB0.624 billion or 39.37%. The main reason is that the average balance of debt securities soared by 32.34% from RMB103.221 billion in the first half of 2006 to RMB136.604 billion in the first half of 2007, and the average yield of securities increased from 3.07% in the first half of 2006 to 3.23% in the first half of 2007. The increase in average balance is primarily due to the continuous increase in each type of deposits and funds raised in the intial public offering of the Bank. The Bank invested the funds not used as loans in debt securities, which have higher yield than deposits with the banks and other financial institutions. The increase in average yield of debt securities is primarily due to the following factors:(1) the increase in interest rates by PBOC led to the increase of Renminbi market return rate. The floating rate bonds and rolling investment yield of the Bank continued to increase;(2) the Bank flexibly adjusted the strategies of debt securities investment such as extending dollar duration, enhancing the degree of dynamic operation, keeping the strategy of short duration investment in Renminbi debt securities, and managing interest rate risk while increasing yield.

Interest income from receivables from central bank

The Bank achieved an interest income of RMB0.596 billion from receivables from the central bank in the first half of 2007, a period-on-period increase of RMB0.186 billion or 45.37%. The increase is mainly due to the increases of average balance and average yield, in which, the average balance of the deposit with the central bank climbed from RMB57.377 billion in the first half of 2006 to RMB76.174 billion in the first half of 2007. It is mainly due to:(1) the statutory deposit reserve ratio was raised to 11.5% at the end of the reported term from 7.5% in July 2006; and (2) statutory deposit reserve balance increased as a result of increasing customer deposits. Average yield climbed from 1.43% in the first half of 2006 to 1.57% in the first half of 2007 because, with a precondition of ensuring liquidity of the Bank, the proportion of average balance of excess deposit reserve in the average balance with the central bank was lower than that in the same period last year.

Interest income from receivables from banks and other financial institutions

The Bank achieved an interest income of RMB663 million from receivables from banks and other financial institutions in the first half of 2007, which increased by 132.63% from RMB285 million in the first half of 2006. The primary reason is that the average balance went up by RMB22.870 billion and the average yield went up from 2.84% to 3.09%, in which, the increased average yield of receivables from banks and other financial institutions is due to the increase of interest rate in Renminbi market. The growth of average balance reflected the increase of different kinds of deposits of the Bank and the cash flow of the Bank was abundant after funds raised in the initial public offering of the Bank was collected.

Interest Expense

In the first half of 2007, the Bank's interest expense was RMB6.867 billion, a period-on-period increase of RMB1.191 billion or 20.98%. The growth is attributable to the size expansion of interest-bearing liabilities. The decrease of the average cost of interest-bearing liabilities offset the increase of interest expense. The average balance of interest-bearing liabilities of the Bank increased by 23.64% from RMB571.576 billion in the first half of 2006 to RMB706.675 billion in the first half of 2007, and the average cost of interest-bearing liabilities dropped from 1.99% in the first half of 2006 to 1.94% in the same period of 2007.

Interest expense for customer deposits

Customer deposits have been the main capital source of the Bank. The proportions of customer deposit interest expense in the total interest expense of the Bank in the first half of 2007 and the same period of 2006 were 84.05% and 92.32% respectively.

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

Unit: Renminbi million

	Six months ended June 30, 2007			Six months ended June 30, 2006			Year ended December 31, 2006		
	Average balance	**Interest expense**	**Average Cost (%)**	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposit									
Time	**270,132**	**3,530**	**2.61**	260,088	3,452	2.65	252,889	6,854	2.71
Demand	**257,602**	**1,259**	**0.98**	201,035	959	0.95	214,347	2,116	0.99
Sub-total	**527,734**	**4,789**	**1.81**	461,123	4,411	1.91	467,236	8,970	1.92
Personal deposit									
Time	**67,782**	**916**	**2.70**	67,508	788	2.33	72,299	1,727	2.39
Demand	**18,020**	**67**	**0.75**	10,908	41	0.75	12,336	93	0.75
Sub-total	**85,802**	**983**	**2.29**	78,416	829	2.11	84,635	1,820	2.15
Total customer deposits	**613,536**	**5,772**	**1.88**	539,539	5,240	1.94	551,871	10,790	1.96

The interest expense for customer deposits was RMB5.772 billion in the first half of 2007 which increased by 10.15% from RMB5.240 billion in the first half of 2006. The increase is mainly due to RMB73.997 billion increase in the average balance of customer deposits, which is partially offset by the decrease (6 basis points) in deposit cost.

The decrease in average cost of deposits is primarily due to the fact that the proportion of RMB negotiated deposit daily balance (average cost of which was higher than other deposits) in the daily corporate deposits dropped from 10.37% in the first half of 2006 to 7.59% in the first half of 2007 and the increase of the proportion of demand deposits, which is partially offset by the increase of benchmark interest rate in March and May 2007 by PBOC.

Payables to banks and other financial institutions

The interest expense for payables to banks and other financial institutions was RMB0.817 billion in the first half of 2007 which increased by 191.79% from RMB0.280 billion in the first half of 2006. The growth is primarily due to the fact that the average balance of payables to banks and other financial institutions increased by 216.64% and the average cost of payables to banks and other financial institutions decreased from 2.18% to 2.01%. The increase of average balance reflects that the deposits of some securities firms increased because of the active capital market activities. The decrease of average cost is primarily due to the increased proportion of the balances with other financial institutions which are of lower cost of funding.

Other borrowings

In the first half of 2007, the Bank's interest expense for the borrowings from the central bank and bonds issued was RMB0.278 billion, a period-on-period increase of RMB0.122 billion or 78.21%. The growth is mainly due to the increase of average balance. The average balance increased by 87.65% from RMB6.437 billion in the first half of 2006 to RMB12.079 billion in the first half of 2007. At the same time, the average interest rate dropped from 4.85% in the first half of 2006 to 4.60% in the first half 2007.

Net interest margin and net interest spread

The Bank's net interest margin rose from 2.46% in the first half of 2006 to 2.96% in the first half of 2007.

The Bank's net interest spread in the first half of 2007 was 2.82%, increased from 2.37% in the same period in 2006. It is mainly because the Bank's average yield of interest-earning assets went up while average cost of interest-bearing liabilities went down.

Net non-interest income

In the first half of 2007, the Bank achieved a net non-interest income of RMB0.659 billion, a period-on-period decrease of RMB13 million. The proportion of the non-interest net income in the first half of 2007 and the first half of 2006 in the Bank's operating income was 5.53% and 8.38%, respectively.

If the effect brought by the exchange losses of RMB503 million in the first half of 2007 and RMB50 million in the first half of 2006 are excluded respectively, the net non-interest operating income in the first half of 2007 was RMB1.162 billion, a period-on-period increase of RMB440 million or 60.94%. The proportion of the net non-interest operating income in the first half of 2007 in the Bank' operating income increased to 9.36% from 8.95% in the first half of 2006.

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Net fee and commission income	**605**	326	759
Net gain/(loss) from trading securities	**(77)**	235	454
Net gain/(loss) from trading investment securities	**42**	5	45
Other operating income	**89**	106	196
Total net non-interest income	**659**	672	1,454

Net fee and commission income

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Net fee and commission income			
Agency fees	**158**	88	186
Bank card fees	**148**	77	199
Guarantee fees	**144**	94	215
Consulting, advising, and wealth management products income	**132**	16	61
Settlement fees	**111**	101	214
Others	**22**	26	90
Sub-total	**715**	402	965
Fee and commission expense	**(110)**	(76)	(206)
Net fee and commission income	**605**	326	759

In the first half of 2007, the Bank achieved a net fee and commission income of RMB0.605 billion, a period-on-period increase of RMB0.279 billion or 85.58%, in which, the fees of the Bank in the first half of 2007 was RMB0.715 billion, a period-on-period increase of 77.86%. The increase was mainly attributable to the Bank's intensified efforts to drive the growth of intermediary business. As a result, significant growth was recorded in agency business, bank card fees, consulting, advising and wealth management products income.

The agency fee income was RMB0.158 billion in the first half of 2007, increased by RMB0.070 billion over RMB 0.088 billion in the first half of 2006. The growth is mainly attributable to the increase in sales of products and services such as treasury bonds, investment funds, and insurance. Agency fee income of investment funds recorded a relatively larger increase and the period-on-period increase was RMB0.051 billion.

The Bank's bank card business income was RMB0.148 billion in the first half of 2007, increased by RMB0.071 billion or 92.21% over RMB0.077 billion in the first half of 2006. The growth is mainly attributable to the intensified efforts of the Bank on promoting bank card business, which is in line with market changes and customer demand, and the increase usage of bank cards leads to the increase of transaction volume.

The Bank's guarantee fee income was RMB0.144 billion in the first half of 2007, increased by 53.19% over RMB0.094 billion in the first half of 2006. The proportion of the guarantee fee income in the total fee income in the first half of 2007 was 20.14%. The continued growth of guarantee fee income in the period stated above reflects the increase of business volume, which results from the increase of market needs for such services.

In the first half of 2007, the Bank achieved a consulting, advising, and wealth management service income of RMB0.132 billion, over RMB0.016 billion in the first half of 2006. The reasons for the fast increase of the above business is due to the fact that the Bank made great efforts on the development of investment banking business such as financial advisory and the fast development of wealth management product business.

The proportion of the Bank's settlement fees in the total fee income in the first half of 2007 was 15.52%. Most of the Bank's settlement fees were international settlement fees and the international settlement fees in the first half of 2007 were RMB0.1 billion, a period-on-period increase of 9.87%. The increase of the international settlement fees is primarily due to the increase of settlement business volume.

The Bank's fee and commission expense was RMB0.110 billion in the first half of 2007, increased by 44.74% over RMB0.076 billion in the first half of 2006. The growth is mainly attributable to: (1) the increase of transaction volume in bank cards. Therefore, the corresponding expenses paid increased; and (2) the Bank's foreign exchange transaction volume increased. Therefore, the transaction expenses paid to Chinese foreign exchange trading centre increased accordingly.

Net trading (loss)/income

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Net gains from foreign exchange transactions	**46**	219	503
Bonds	**(23)**	16	10
Derivative instruments	**(173)**	(317)	(60)
Financial liabilities at fair value through income statement	**73**	317	1
Total	**(77)**	235	454

The Bank suffered a net trading loss of RMB77 million in the first half of 2007, a period-on-period decline of RMB312 million. The principal reason was that the appreciation of Renminbi led to an increase of net loss of foreign exchange by RMB 0.453 billion, apart from that, the net gain from the transactions reached RMB 0.580 billion, a period-on-period increase of RMB0.295 billion or 103.51%.

In the first half of 2007, the Bank achieved a net gain from foreign exchange transactions of RMB46 million, declined by RMB0.173 billion over RMB0.219 billion in the first half of 2006. If the exchange loss of RMB0.503 billion in the first half of 2007 and RMB 0.05 billion in the first half of 2006 which were resulted from the financing were excluded, the net gains from foreign exchange transactions of the Bank in the first half of 2007 was RMB0.549 billion, a period-on-period increase of RMB0.280 billion or 104.09%.

In the first half of 2007, the Bank suffered a net loss of RMB0.123 billion from trading bonds, derivative instruments and financial liabilities at fair value through income statement, declined by RMB0.139 billion over a net gain of RMB16 million in the first half of 2006. The loss primarily arose from the revaluation loss of market value of bonds and derivatives which were held with the purpose of trading.

Net income/(loss) from investment in securities

In the first half of 2007, the Bank achieved a net income from investing securities of RMB42 million, which increased by RMB37 million over RMB5 million in the first half of 2006.

Other operating income, net

The Bank's other operating income was RMB89 million in the first half of 2007, decreased by RMB17 million from RMB 0.106 billion in the first half of 2006.

Provision for Impairment losses on loans

The following table shows the various impairment losses in the period.

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Loans and advances to customers	**1,144**	819	1,481
Off-balance sheet credit asset	**22**	44	54
Investment in securities	**—**	11	(4)
Due from banks and other financial institutions	**—**	—	(3)
Others	**(4)**	70	138
Total provisions for impairment losses on loans	**1,162**	944	1,666

Provision for impairment losses mainly included impairment loss on loans and impairment loss on other assets. The Bank's impairment loss increased from 0.944 billion in the first half of 2006 to RMB1.162 billion in the first half of 2007, a period-on-period increase of 23.09%.

General and administrative expenses

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Staff cost	**1,603**	1,156	2,914
Property and equipment expenses and amortization	**966**	704	1,595
Other general and administrative expenses	**1,674**	1,078	2,602
Sub-total	**4,243**	2,938	7,111
Business tax and surcharges	**900**	630	1,398
CITIC group management fee	**—**	375	750
Total general and administrative expenses	**5,143**	3,943	9,259
Income-cost ratio	**43.16%**	49.19%	51.65%
Adjusted income-cost ratio (excluding CITIC management fee, business tax and surcharge)	**35.61%**	36.65%	39.67%

In the first half of 2007, the Bank's general and administrative expenses totaled RMB5.143 billion, a period-on-period increase of RMB1.200 billion or 30.43%, The growth mainly resulted from the fact that the Bank increased the input to human resources, which led to an increase in average salary, bonus and welfare cost per employee in response to the market competition for talents. Also, the business development expense increased along with the expansion of business scale. However, since we are exempted from management fees to the CITIC group this year, the increase of general and administrative expenses has been partially offset.

In the first half of 2007, the Bank's income-cost ratio stood at 35.61%, down by 1.04 percentage points compared to the first half of 2006 (excluding the payment of CITIC group management fee), thanks to the efficient cost control and rapid growth of operational income.

The Bank's business tax and surcharges in the first half of 2007 was RMB0.900 billion, a period-on-period increase of 42.86%. The growth resulted from the increase of taxable income.

Income tax analysis

Unit: Renminbi million

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
Profit before tax	**5,610**	3,129	7,002
Chinese income tax calculated			
at a statutory rate 33%	**1,851**	1,033	2,311
Tax impact on non-deductible expenses:			
– Staff cost	**365**	257	654
– Other	**287**	173	375
Tax impact on non-taxable income:			
– Interest income from			
Chinese government bonds	**(100)**	(92)	(168)
– Others	**(16)**	(9)	(28)
Income tax	**2,387**	1,362	3,144

In the first half of 2007, the Bank's income tax expense was RMB2.387 billion, a period-on-period increase of RMB1.025 billion or 75.26%. The Bank's effective tax rate was 42.55% and declined by 0.98 percentage points, compared to 43.53% in the first half of 2006.

According to the new Income Tax Law of the People's Republic of China passed at National People's Congress in March 2007, corporate income tax rate will be reduced to 25% as of January 1, 2008. As of June 30, 2007, the Bank expected that the deferred income assets will be reduced by RMB275 million. According to relevant rules, such impact has been recognized as an income tax expense in the first half of 2007.

On August 6, 2007, the State Administration of Taxation (SAT) replied to the Bank (in SAT Circular [2007] 866) that it, in accordance with the Notice on the Policy Adjustment Concerning Pre-tax Deduction of Salaries issued by the Ministry of Finance and the SAT, approved in principle the Bank can deduct the staff costs that are available as deductible expenses by taking reference to the policies granted to those offshore listed financial corporations and the tax deductible amount for staff costs will be linked to staff's work efficiency. The particulars of the deductions of the income tax expense will be based on the actual staff costs to be incurred in 2007 and will be decided upon by the SAT and the Ministry of Finance.

Balance sheet analysis

Unit: Renminbi million

	As of June 30, 2007	As of December 31, 2006	As of December 31, 2005
Total loans and advances to customers	**535,519**	463,167	370,260
Provision for impairment losses	**(8,377)**	(9,786)	(12,230)
Net loans and advances to customers	**527,142**	453,381	358,030
Investment in securities	**170,242**	104,424	104,416
Cash and due from central banks	**96,446**	90,620	84,453
Due from banks and other financial institutions , net	**59,973**	43,250	31,352
Other assets [(1)]	**14,628**	15,048	16,351
Total assets	**868,431**	706,723	594,602
Customer deposits	**666,424**	618,412	530,573
Due to banks and other financial institutions	**99,529**	36,166	28,021
Issued subordinated bonds	**12,000**	12,000	6,000
Other liabilities [(2)]	**11,620**	8,451	6,783
Total liabilities	**789,573**	675,029	571,377

(1) includes property and equipment, deferred income tax assets, interest receivable, repossessed assets, derivative which its fair value is positive, land use right, intangible assets, and other assets.

(2) includes due to central bank, current tax liabilities, deferred income tax liabilities, and other liabilities.

Most assets of the Bank are in the form of loans and advances to customers. As of June 30, 2007, the loans and advances to customers deducting impairment losses accounted for 60.70% of the total assets of the Bank.

As of June 30, 2007, the Bank's customer loans and advances accumulated to RMB535.519 billion, up by 15.62% over the RMB463.167 billion as of December 31, 2006.

Loan business

Loans by types of customers

Unit: Renminbi million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*	Balance	Proportion *(%)*
Corporate loans	**432,903**	**80.9**	369,156	79.7	282,275	76.3
Personal loans	**56,885**	**10.6**	48,375	10.4	37,834	10.2
Discounted bills	**45,731**	**8.5**	45,636	9.9	50,151	13.5
Total loans and advances to customers	**535,519**	**100.0**	463,167	100.0	370,260	100.0

Corporate loans have been the largest proportion of loans provided by the Bank. Corporate loans of the Bank reached RMB432.903 billion as of June 30, 2007, an increase of 17.27% amounting to RMB63.747 billion compared to RMB369.156 billion as of December 31, 2006.

As of June 30, 2007, the Bank's personal loan amounts to RMB56.885 billion, an increase of RMB8.510 billion, or 17.59%, compared to RMB48.375 billion as of December 31, 2006.

Discounted bills is an important part in total loans of the Bank, and it is also an important instrument of liquidity management. Discounted bills of the Bank reached RMB45.731 billion as of June 30, 2007, which is roughly equal to the corresponding balance as of December 31, 2006.

Loans and advances to customers by geographical location

Unit: Renminbi million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*	Balance	Proportion *(%)*
Yangtze River Delta	**173,544**	**32.4**	146,784	31.7	120,026	32.4
Bohai Rim [(1)]	**156,118**	**29.2**	138,310	29.9	115,706	31.2
Pearl River Delta and West Strait	**81,217**	**15.2**	68,230	14.7	52,885	14.3
Central region	**53,756**	**10.0**	46,704	10.1	36,255	9.8
Western region	**51,531**	**9.6**	43,820	9.5	32,029	8.7
Northeast region	**19,107**	**3.6**	19,141	4.1	13,207	3.6
Hong Kong	**246**	**—**	178	—	152	—
Total loans and advances to customers	**535,519**	**100.0**	463,167	100.0	370,260	100.0

(1) including headquarter.

The Bank has been placing strong emphasis the east coast regions where the economy is most developed, such as Yangtze River Delta, Bohai region, and Pearl River Delta. As of December 31, 2005, December 31, 2006 and June 30, 2007, the proportions of total loans in these three areas in the Bank's total loans and advances to customers were 77.9%, 76.3%, and 76.8%, respectively.

Breakdown of Loans by Sectors

Unit: Renminbi million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
		(%)		*(%)*		*(%)*
Manufacturing	**134,317**	**31.0**	108,539	29.4	81,537	28.9
Transport, Storage and Postal Service	**45,278**	**10.5**	35,933	9.7	23,633	8.4
Power, gas and water	**38,723**	**9.0**	38,022	10.3	26,559	9.4
Wholesale and retail	**38,290**	**8.8**	33,468	9.1	29,902	10.5
Real Estate	**36,322**	**8.4**	28,796	7.8	22,957	8.1
Leasing and commercial service	**35,451**	**8.2**	29,375	8.0	18,566	6.6
Hydraulic, environmental and public utilities	**28,285**	**6.5**	26,915	7.3	20,811	7.4
Construction	**25,189**	**5.8**	23,364	6.3	15,963	5.7
Finance	**3,589**	**0.8**	3,107	0.8	9,188	3.3
Public and social organizations	**11,911**	**2.8**	10,468	2.8	7,858	2.8
Others	**35,548**	**8.2**	31,169	8.5	25,301	8.9
Sub-total of Corporate loans	**432,903**	**100.0**	369,156	100.0	282,275	100.0

As of December 31, 2005 and 2006, and June 30, 2007, the proportion of the top five industries which loaned most in the Bank's total loans was 65.3%, 66.5% and 67.7%, respectively. In order to improve the integrated quality of the Bank's assets, the Bank actively optimized and adjusted credit structures. And the emphases of credit policies from 2005 have been on "excellent industry, excellent corporation" and "mainstream market, mainstream customer".

Currency Composition of Loan

Unit: RMB million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
		(%)		*(%)*		*(%)*
RMB	**506,523**	**94.6**	444,812	96.0	349,536	94.4
Foreign Currencies	**28,996**	**5.4**	18,355	4.0	20,724	5.6
Total	**535,519**	**100.0**	463,167	100.0	370,260	100.0

Breakdown by Ways of Guarantee

Unit: RMB million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Credit Loans	**140,056**	**26.15**	129,411	27.94	92,253	24.92
Secured Loans	**169,779**	**31.71**	142,321	30.73	113,348	30.61
Mortgage Loans and Pledge Loans	**179,953**	**33.60**	145,799	31.48	114,508	30.93
Subtotal	**489,788**	**91.46**	417,531	90.15	320,109	86.46
Discounted bills	**45,731**	**8.54**	45,636	9.85	50,151	13.54
Total	**535,519**	**100.00**	463,167	100.00	370,260	100.00

Concentration Degree of Borrowers

In accordance with applicable Chinese banking laws and regulations, the loan of the Bank to any single borrower is limited to be not more than 10% of regulatory capital of the Bank. The Bank defines single borrower as a clear legal entity. Therefore, one borrower may be a related party of another borrower.

The following form gives the information of loans of the biggest ten single borrowers as of June 30, 2007.

Unit: RMB million

			June 30, 2007	
	Industry	**Amount**	**As percentage to the Total Amount of Loans**	**As percentage to Regulatory Capital**
Borrower A	Information Transmission, Computer Service and Software Industry	3,000	0.56%	3.32%
Borrower B	Public management and social organization	2,450	0.46%	2.71%
Borrower C	Transportation, Warehousing and Postal Services	2,425	0.45%	2.68%
Borrower D	Transportation, Warehousing and Postal Services	2,400	0.45%	2.65%
Borrower E	Electricity, Gas, and Water Production and Supply	2,360	0.44%	2.61%
Borrower F	Manufacture	2,318	0.43%	2.56%
Borrower G	Electricity, Gas, and Water Production and Supply	2,300	0.43%	2.54%
Borrower H	Manufacture	2,250	0.42%	2.49%
Borrower I	Transportation, Warehousing and Postal Services	2,000	0.37%	2.21%
Borrower J	Transportation, Warehousing and Postal Services	1,950	0.37%	2.16%
Total		23,453	4.38%	25.93%

Due Dates of Loan Portfolio

The following form gives information about loan products as of June 30, 2007 based on the remaining period prior to the due dates.

Unit: RMB million

	Due Within One Year	Due Within One to Five Years	Due in at least Five Years	Overdue [1]	No Specific Repayment Date [2]	Total
Corporate loans	289,525	93,266	38,232	927	10,953	432,903
Discounted bills	45,731	—	—	—	—	45,731
personal loans	10,127	12,852	30,673	1,919	1,314	56,885
Loans and advances to customers	345,383	106,118	68,905	2,846	12,267	535,519

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

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

Analysis of Loan Quality

Five-Category Classification of Loans

The amount of NPLs of the Bank totaled RMB9.833billion as of June 30, 2007 based on the regulatory classification standard of loans, a decrease of RMB1.732 billion compared to that as of the previous year end with a non-performing loan rate of 1.84%, 0.66 percentage points lower than that as of December 31, 2006.

Unit: RMB million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*	Balance	Proportion *(%)*
Normal	**514,082**	**96.00**	440,352	95.07	339,708	91.75
Special mention	**11,604**	**2.16**	11,250	2.43	15,241	4.11
Substandard	**2,119**	**0.40**	1,981	0.43	2,685	0.73
Doubtful	**7,459**	**1.39**	7,404	1.60	8,781	2.37
Loss	**255**	**0.05**	2,180	0.47	3,845	1.04
Total loans and advances to customers	**535,519**	**100.00**	463,167	100.00	370,260	100.00
Performing loans	**525,686**	**98.16**	451,602	97.50	354,949	95.86
NPL	**9,833**	**1.84**	11,565	2.50	15,311	4.14

Change of provisions for impairment losses

The following form shows the movement of provisions for impairment losses of the Bank in the respective duration of time as specified.

Unit: RMB million

	By June 30, 2007	By December 31, 2006
Balance at the Beginning of the Period	**9,786**	12,230
Accrual of the Period/Year (1)	**1,144**	1,481
Unwinding of discount (2)	**(104)**	(210)
Transfer Out (3)	**(21)**	(153)
Write-offs	**(2,428)**	(3,685)
Recoveries of loans and advances previously written off	**—**	123
Closing Balance	**8,377**	9,786

Notes:

(1) Equals to net provision for impairment losses in the consolidated income statement of the Bank.

(2) Equals to accretion of loan value for which provision for impairment losses was provided in the past. The Bank recognized such accretion as interest income.

(3) Includes release of provisions for impairment losses arising from the transfer of non-performing loan assets to repossessed assets.

Balance of provisions for impairment losses has decreased from RMB9.786 billion as of December 31, 2006 to RMB8.377 billion as of June 30, 2007. The main reason for this is due to loan write-offs.

The coverage rates of provisions for impairment losses on the total amount of NPL and total amount of loans of the clients have been 85.19% and 1.56% respectively as of June 30, 2007. The coverage rates of provisions for impairment losses on the total amount of NPL and total amount of loans and advances to customers had been 84.62% and 2.11% respectively as of December 31, 2006.

Composition of Clients of NPLs

Unit: RMB million

	June 30, 2007			December 31, 2006			December 31, 2005		
	Balance	**Percentage (%)**	**NPL Rate (%)**	Balance	Percentage (%)	NPL Rate (%)	Balance	Percentage (%)	NPL Rate (%)
Corporate Loans	**9,383**	**95.4**	**2.17**	11,151	96.4	3.02	14,918	97.4	5.28
Personal Loans	**450**	**4.6**	**0.79**	414	3.6	0.85	393	2.6	1.04
Discounted bills	**—**	**—**	**—**	—	—	—	—	—	—
Total	**9,833**	**100.0**	**1.84**	11,565	100.0	2.50	15,311	100.0	4.14

NPL by geographical locations

Unit: RMB million

	June 30, 2007			December 31, 2006			December 31, 2005		
	Amount	**Percentage**	**NPL Rate**	Amount	Percentage	NPL Rate	Amount	Percentage	NPL Rate
		(%)	*(%)*		*(%)*	*(%)*		*(%)*	*(%)*
Yangtze River Delta	**821**	**8.4**	**0.47**	756	6.5	0.52	925	6.0	0.77
Bohai Rim (1)	**5,235**	**53.2**	**3.35**	5,091	44.0	3.68	6,029	39.4	5.21
Pearl River Delta and West Strait	**2,077**	**21.1**	**2.56**	3,977	34.4	5.83	6,467	42.3	12.23
Central region	**841**	**8.6**	**1.56**	816	7.1	1.75	754	4.9	2.08
Western region	**434**	**4.4**	**0.84**	497	4.3	1.13	660	4.3	2.06
Northeast region	**425**	**4.3**	**2.22**	428	3.7	2.24	476	3.1	3.60
Hong Kong	**—**	**—**	**—**	—	—	—	—	—	—
Total	**9,833**	**100.0**	**1.84**	11,565	100.0	2.50	15,311	100.0	4.14

(1) Includes the headquarter.

NPL Distribution Based on Industries

Unit: RMB million

	June 30, 2007			December 31, 2006			December 31, 2005		
	Amount	**Percentage**	**NPL Rate**	Amount	Percentage	NPL Rate	Amount	Percentage	NPL Rate
		(%)	*(%)*		*(%)*	*(%)*		*(%)*	*(%)*
Manufacturing	**4,115**	**43.9**	**3.06**	4,780	42.9	4.40	5,041	33.8	6.18
Transportation, Warehousing, and Postal Services	**95**	**1.0**	**0.21**	156	1.4	0.43	523	3.5	2.21
Electricity, Gas and Water Production and Supply	**12**	**0.1**	**0.03**	16	0.1	0.04	110	0.7	0.41
Wholesale and Retail	**1,641**	**17.5**	**4.29**	2,383	21.4	7.12	2,956	19.8	9.89
Real Estate Development	**944**	**10.1**	**2.60**	1,330	11.9	4.62	2,274	15.2	9.91
Lease and Commercial Service	**540**	**5.8**	**1.52**	829	7.4	2.82	1,203	8.1	6.48
Water, Environment and Public Facility Management	**18**	**0.2**	**0.06**	18	0.2	0.07	24	0.2	0.12
Architecture	**31**	**0.3**	**0.12**	48	0.4	0.21	129	0.9	0.81
Banking	**860**	**9.2**	**23.96**	240	2.2	7.72	355	2.4	3.86
Public Social Unit	**37**	**0.4**	**0.31**	102	0.9	0.97	106	0.7	1.35
Other Clients (1)	**1,090**	**11.5**	**3.07**	1,249	11.2	4.01	2,197	14.7	8.69
Total NPL	**9,383**	**100.0**	**2.17**	11,151	100.0	3.02	14,918	100.0	5.28

(1) Clients in this sector include agriculture, forestry, animal husbandry, mining, hotel, food and beverage, resident service, education, sanitation, social security and welfare, culture, sports and entertainment, telecommunications and international organization; also include loans offered by Hong Kong branch of the Bank.

The Bank tries to reduce credit loans to industries, which have high NPL rates. Overall corporate NPL rate decreased in general for each industry.

Investment in securities

Unit: Renminbi million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
		(%)		*(%)*		*(%)*
Held-to-maturity debt securities	**115,366**	**67.8**	68,196	65.3	67,727	64.9
Available-for-sale debt securities	**48,020**	**28.2**	31,166	29.9	31,564	30.2
Bonds measured at fair value through income statement	**6,404**	**3.7**	4,725	4.5	4,813	4.6
Total debt securities	**169,790**	**99.7**	104,087	99.7	104,104	99.7
Available-for-sale equity investment	**452**	**0.3**	337	0.3	312	0.3
Total investment	**170,242**	**100.0**	104,424	100.0	104,416	100.0

Debt securities

Unit: Renminbi million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
		(%)		*(%)*		*(%)*
Government	**26,993**	**15.9**	23,106	22.2	26,162	25.1
People's Bank of China	**67,794**	**39.9**	23,721	22.8	27,417	26.4
Policy banks	**26,340**	**15.5**	24,917	23.9	18,660	17.9
Banks and other financial institutions	**19,588**	**11.6**	15,650	15.1	15,428	14.8
Public sector overseas	**13,922**	**8.2**	8,988	8.6	9,172	8.8
Enterprise sector	**15,153**	**8.9**	7,705	7.4	7,265	7.0
Total debt tools	**169,790**	**100.0**	104,087	100.0	104,104	100.0

	At June 30, 2007		At December 31, 2006		At December 31, 2005	
	Balance	**Proportion**	Balance	Proportion	Balance	Proportion
		(%)		*(%)*		*(%)*
Domestic	**131,852**	**77.7**	74,760	71.8	71,616	68.8
Overseas	**37,938**	**22.3**	29,327	28.2	32,488	31.2
Total debt tools	**169,790**	**100.0**	104,087	100.0	104,104	100.0

Equity Investment

As of June 30, 2007, the Bank's equity investments that were available for sale included: (i) the Bank's subsidiary - China Investment and Finance Limited with equity investment amount of RMB0.338 billion; and (ii) the equity investment in China UnionPay with investment amount of RMB0.114 billion.

Liability Business

Customer Deposits

Unit: RMB million

Corporate deposits	**June 30, 2007**	December 31, 2006	December 31, 2005
Demand Deposits	**286,399**	260,971	232,933
Time Deposits	**287,618**	251,580	226,388
Contracted	**32,070**	46,080	48,180
Not Contracted	**255,548**	205,500	178,208
Subtotal	**574,017**	512,551	459,321
Personal deposits			
Demand Deposits	**25,518**	26,053	10,110
Time Deposits	**66,889**	79,808	61,142
Subtotal	**92,407**	105,861	71,252
Total customer deposits	**666,424**	618,412	530,573

The total amount of customer deposits reached RMB666.424 billion as of June 30, 2007, an increase of RMB48.012 billion compared to RMB618.412 billion as of December 31, 2006. There has been an increase in corporate deposits compared to previous year end, but contracted deposits decreased by RMB14.010 billion from RMB46.08 as of December 31, 2006 to RMB 32.070 billion as of June 30, 2007. This is mainly because the Bank took the initiative to reduce contracted deposits whose average cost is higher than that of overall corporate deposits. The percentage of personal deposits over the total amount of deposits decreased as of June 30, 2007 when compared to June 30, 2006, because the Bank made efforts to develop personal wealth management products and commissioned wealth management deposits had exceeded RMB40 billion.

Currency Composition of Customer Deposits

Unit: RMB million

	June 30,2007		December 31,2006		December 31,2005	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*	Balance	Proportion *(%)*
RMB	**615,552**	**92.4**	562,106	90.9	463,068	87.3
Foreign Currencies	**50,872**	**7.6**	56,306	9.1	67,505	12.7
Total	**666,424**	**100.0**	618,412	100.0	530,573	100.0

Customer Deposits by Geographical Locations

The Bank classifies deposits based on the locations of banks which accept deposits. The district where the depositor is in is closely related to the location of the bank which collects the deposit. The following table shows the geographical distribution of customers.

Unit: RMB million

	June 30, 2007		December 31, 2006		December 31, 2005	
	Amount	**Proportion** *(%)*	Amount	Proportion *(%)*	Amount	Proportion *(%)*
Bohai Rim [1]	**238,871**	**35.9**	218,259	35.3	208,142	39.3
Yangtze River Delta	**197,355**	**29.6**	179,751	29.1	146,579	27.6
Pearl River Delta and West Straits	**96,731**	**14.5**	89,082	14.4	72,855	13.7
Central Region	**63,860**	**9.6**	59,844	9.7	47,214	8.9
Western Region	**47,428**	**7.1**	48,181	7.8	39,204	7.4
Northeastern Region	**22,179**	**3.3**	23,295	3.7	16,579	3.1
Total Deposit	**666,424**	**100.0**	618,412	100.0	530,573	100.0

(1) Includes the headquarter.

Deposit Breakdown by Remaining Term before the Maturity Date

The following table shows deposit breakdown by remaining term before maturity date as of June 30, 2007

Unit: RMB million

	Overdue/Demand deposit		**3-month time deposit**		**3-12 month time deposit**		**1-5 year time deposit**		**Time deposit longer than 5 years**		**Total**	
	Amount	**Ratio** *(%)*	**Amount**	**Ratio** *(%)*	**Amount**	**Ratio** *(%)*	**Amount**	**Ratio** *(%)*	**Amount**	**Ratio** *(%)*	**Amount**	**Ratio** *(%)*
Corporate deposits	294,873	44.24	139,090	20.87	95,685	14.36	39,169	5.88	5,200	0.78	574,017	86.13
Personal deposits	27,095	4.07	36,786	5.52	24,671	3.70	3,854	0.58	1	0.00	92,407	13.87
Total	321,968	48.31	175,876	26.39	120,356	18.06	43,023	6.46	5,201	0.78	666,424	100.00

Shareholders' Equity

Unit: RMB million

	June 30, 2007	December 31, 2006	December 31, 2005
Shareholders' Equity	**78,853**	31,689	23,220
Minority Interests	**5**	5	5
Total	**78,858**	31,694	23,225

Shareholders' Equity Change in the Reporting Period

Unit: RMB million

	Equity Capital	Capital Reserves	Investment Revaluation Reserve	Property Revaluation Reserve	Retained Earnings	Minority Interests	Total Equity
December 31, 2006	31,113	(391)	(14)	102	879	5	31,694
Shares issued	7,920	36,916	—	—	—	—	44,836
Net Profit	—	—	—	—	3,223	—	3,223
Net Change in Fair Value of Available- for-Sale Investments	—	—	(169)	—	—	—	(169)
Profit appropriation	—	—	—	—	(726)	—	(726)
June 30, 2007	39,033	36,525	(183)	102	3,376	5	78,858

Major Off-Balance Sheet Items

As at June 30, 2007, major off-balance sheet items and their balances are as follows:

Unit: RMB million

	June 30, 2007	December 31, 2006
Bank Acceptance	**171,907**	132,000
Guarantee Issued	**27,040**	23,930
Issued Letters of Credit	**27,931**	25,536
Loan Commitment	**15,869**	14,106
Total	**242,747**	195,572

Supplementary Financials of the three years prior to the end of the reporting period

The Bank submitted multi-operational ratios of to the People's Bank of China (PBOC) and China Banking Regulatory Commission (CBRC) in 2004 and 2005 in accordance with Commercial Bank Asset Liability Ratio Management, Regulation, Detection Indicators and Inspection Method (Inspection Method) promulgated by PBOC in 1996 and other relevant regulations. Details are as the follows:

Regulatory Index		Regulatory Standard	December 31 2005	2004
Capital Adequacy ratio (%)		≥8	8.11	NA
Core Capital Adequacy ratio (%)		≥4	5.72	NA
Liquidity Ratio (%)	RMB	≥25	60.69	61.28
	Foreign Currency	≥60	68.00	74.52
Deposit Loan Ratio (%)	RMB	≤75	66.43	71.86
	Foreign Currency	≤85	37.77	35.90
Proportions of Inter-Bank Borrowing and Lending (%)	Proportion of Borrowing	≤4	—	—
	Proportion of Lending	≤8	0.08	0.14
NPL Rate (%) Based on the criteria of "Five-Category" Classification		—	4.14	6.29
Provision Coverage Ratio (%)		≥60	79.88	77.58
Percentage of the Loan of the Single largest Customer of Regulatory Capital [(1)] (%)		≤10	8.49	13.59
Percentage of the loan of the ten major customers of the Regulatory Capital (%)		≤50	46.41	66.94

(1) Regulatory capital of the Bank as of December 31 of 2004 and 2005 was calculated in accordance with guidelines of CBRC.

Core Indicators for Risk Surveillance by Commercial Banks (provisional) (Core Indicator (provisional)) which came into force on January 1, 2006, amended Inspection Method and introduced several new ratios. The following table shows the ratios of the Bank as of June 30, 2007 and December 31, 2006 calculated in accordance with Core Indicator (provisional).

	December 31,2006			Data of The Bank (%)	
Risk Level Indicator	**Primary Indicator**	**Secondary Indictor**	**Standard requirements** *(%)*	**June 30, 2007**	December 31, 2006
Risk Level					
Liquidity Risk	Liquidity Ratio		≥25	**RMB: 42.70 Foreign Currency: 225.78**	RMB: 38.66 Foreign Currency: 99.98
	Core Liabilities Ratio		≥60	**54.91**	56.17
	Liquidity Gap Ratio		≥(10)	**9.71**	10
Credit Risk	Non-Performing Assets Ratio		≤4	**1.07**	2.45
	NPL Ratio		≤5	**1.84**	2.50
	Credit Concentration to a Single Group Customer		≤15	**3.51**	6.9
	Loan Concentration to a Single Customer		≤10	**3.32**	6.7
	Overall Credit Exposure to Connected Parties		≤50	**2.29**	10.12
Market Risk	Cumulative Foreign Currency Exposure Ratio		≤20	**1.82**	6.19
Risk Cushion					
Profitability	Cost to Income Ratio		≤45	**35.79**	43.85
	Return on assets		≥0.6	**0.81**	0.61
	Return on capital		≥11	**11.57**	13.07
Reserve Adequacy	Allowance Adequacy Ratio for Asset Impairment		>100	**177.92**	160.84
	Allowance Adequacy Ratio for Loan Impairment		>100	**182.02**	148.21
Capital Adequacy	Capital Adequacy Ratio		≥8	**15.99**	9.41
	Core Capital Adequacy Ratio		≥4	**13.78**	6.57

Capital Adequacy Rate (CAR)

The Bank calculates and discloses capital adequacy rate in accordance with Management Methods of Capital Adequacy Rate of Commercial Banks (Decree No2 of China Banking Supervision and Regulation Commission (2004))promulgated by Banking Regulatory Commission on February 23, 2004. Since 2005, the Bank has calculated market risk capital in accordance with Notice of Office of China Banking Supervision and Regulation Commission on the Issuing of Required Calculation Form and Calculation Statement of Market Risk Capital of Commercial Banks (BRC Issuance No. 374 [2004]).

Since 2001, the bank has taken various initiatives to improve CAR. CITIC Group injected RMB2.5 billion, RMB8.6 billion and RMB7.4 billion to the bank in 2004, 2005 and 2006, respectively. In addition, the Bank issued RMB6 billion worth of subordinate debts in 2004 and subordinate bonds in 2006 with face value of RMB 6 billion each. At the end of April 2007, the Bank went public successfully both in Shanghai and Hong Kong and raised RMB44.8 billion.

As of June 30, 2007, capital adequacy ratio of the Bank was 15.99%, an increase of 6.58 percentage points compared to the previous year end; core capital adequacy ratio was 13.78%, an increase of 7.21 percentage points compared to the previous year end; net capital of the Bank was RMB90.452 billion as of June 30, 2007, an increase of RMB46.041 billion compared to the previous year end. Net core capital had totaled RMB77.904 billion, increasing by RMB46.956 billion compared to the previous year end. Total weighted capital of the Bank was RMB565.789billion (market risk excluded), an increase of RMB93.832 billion compared to the previous year end. Market risk capital of the Bank was RMB330 million and conversion risk capital was RMB4.12 billion.

Unit: RMB million

	June 30, 2007	December 31, 2006	December 31, 2005
Core Capital:			
Paid up ordinary share capital	**39,033**	31,113	26,661
Reserves	**38,974**	(7)	(5,321)
Total core capital	**78,007**	31,106	21,340
Supplementary capital:			
Allowance for bad debts	**2,933**	2,663	2,961
Subordinate debt (1)	**9,780**	10,800	6,000
Negative revaluation of investment	**(165)**	—	—
Total supplementary capital	**12,548**	13,463	8,961
Total capital base before deduction	**90,555**	44,569	30,301
Deductions:			
Unconsolidated equity investments	**103**	158	142
Total capital base after deductions	**90,452**	44,411	30,159
Risk-weighted assets	**565,789**	471,957	372,000
Core capital adequacy ratio	**13.78%**	6.57%	5.72%
Capital adequacy ratio	**15.99%**	9.41%	8.11%

(1) Refers to RMB6 billion subordinate debt issued by the Bank in 2004 and RMB6 billion subordinate bonds issued by the Bank in 2006.

Segment Reporting

Segment report by geographic region

Currency unit: RMB million

	Six months ended June 30, 2007									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Elimination	total
Net interest income	3,387	1,587	3,109	1,005	935	377	860	(4)	—	11,256
Net non interest income	256	81	348	67	44	20	(171)	14	—	659
Operating income	3,643	1,668	3,457	1,072	979	397	689	10	—	11,915
General and administrative cost	(1,494)	(743)	(1,138)	(426)	(381)	(132)	(826)	(3)	—	(5,143)
Impairment losses charge	(271)	(104)	(343)	(127)	(50)	(35)	(232)	—	—	(1,162)
Profit/(loss) before taxation	1,878	821	1,976	519	548	230	(369)	7	—	5,610
	June 30, 2007									
Segment assets	269,328	124,276	317,158	80,753	70,070	45,925	596,231	1,281	(636,591)	868,431
Segment liabilities	299,521	138,059	403,613	86,179	65,592	40,139	391,878	1,183	(636,591)	789,573
Off-balance sheet credit commitments	82,760	27,201	64,397	32,946	17,164	8,202	10,077	—	—	242,747

	Six months ended June 30, 2006									
	Yangtze River Delta	Pearl River Delta and West Straits	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Elimination	total
Net interest income	2,334	1,006	2,186	703	671	236	208	—	—	7,344
Net non interest income	215	65	209	46	32	(12)	101	16		672
Operating income	2,549	1,071	2,395	749	703	224	309	16	—	8,016
General and administrative expenses	(986)	(486)	(843)	(280)	(264)	(100)	(981)	(3)	—	(3,943)
Impairment losses charge	(66)	49	(473)	(129)	(198)	(89)	(38)	—	—	(944)
Profit/(loss) before tax	1,497	634	1,079	340	241	35	(710)	13	—	3,129
	December 31, 2006									
Segment assets	203,715	104,489	261,135	68,851	59,631	32,561	264,594	1,107	(289,360)	706,723
Segment liabilities	200,377	108,868	262,736	68,438	58,904	31,953	232,103	1,010	(289,360)	675,029
Off-balance sheet credit commitments	64,557	20,318	54,203	26,801	14,593	6,688	8,412	—	—	195,572

Yangtze River Delta, Pear River Delta and West Strait, and Bohai Rim have always been the most important contributors to the Bank's revenue and profit, accounting for 81.84% of the total assets as of June 30, 2007 and 83.33% of the total profit before taxation in the first half of 2007. Branches in Central China, Western China and Northeastern China have been rapidly developing in 2007. The contribution to profit before taxation of the Bank from those places increased by 3.43 percentage points in the six months ended June 30, 2007 when compared to the same period in 2006.

Segment report by business segment

Currency unit: RMB million

	Six months ended June 30, 2007				
	Corporate banking	**Personal banking**	**Treasury business**	**Others and unallocated items**	**total**
Net interest income/(expense)	**9,118**	**1,694**	**849**	**(405)**	**11,256**
Net non interest income/(expense)	**679**	**245**	**243**	**(508)**	**659**
Operating income/(expense)	**9,797**	**1,939**	**1,092**	**(913)**	**11,915**
General and administrative expenses	**(3,143)**	**(1,542)**	**(269)**	**(189)**	**5,143**
Impairment losses charge	**(1,108)**	**(54)**	**—**	**—**	**(1,162)**
Profit/ (loss) before taxation	**5,546**	**343**	**823**	**(1,102)**	**5,610**
	Jun 30, 2007				
Segment assets	**554,804**	**68,203**	**239,706**	**5,718**	**868,431**
Segment liabilities	**578,831**	**93,513**	**112,084**	**5,145**	**789,573**
Off-balance sheet credit commitments	**232,670**	**10,077**	**—**	**—**	**242,747**

	Six months ended June 30, 2006				
	Corporate banking	Personal banking	Treasury business	Others and unallocated	total
Net interest income/(expense)	6,008	993	573	(230)	7,344
Net non interest income	394	73	157	48	672
Operating income/(expense)	6,402	1,066	730	(182)	8,016
General and administrative expenses	(2,154)	(912)	(228)	(649)	(3,943)
Impairment losses charge	(881)	(24)	(11)	(28)	(944)
Profit/(loss) before taxation	3,367	130	491	(859)	3,129

	December 31, 2006				
Segment assets	462,757	58,695	179,180	6,091	706,723
Segment liabilities	515,135	106,826	48,706	4,362	675,029
Off-balance sheet credit commitments	187,160	8,412	—	—	195,572

The Bank has been able to maintain a leading position in the corporate banking sector. For the six months ended June 30, 2007, corporate banking contributed a profit before taxation of RMB5.546 billion to the Bank. Since the Bank has been increasing its focus on private banking sector, the personal banking business grew quickly in the first half of 2007, with a profit before taxation of up by 163.85% compared to the same period last year. In the first 6 months of 2007, the world experienced a depression in debt market, and China faced excess liquidity in its domestic market. With the PBOC tightening the liquidity using different types of measures, the Bank accurately captured the market and government policy trends, and flexibly adjusted its investment structures, thereby effectively controlling portfolio risks and leading to a 67.62% growth in operating profit contributed by treasury business in the first half of 2007 when compared to the same period last year.

Business Review

(1) Corporate Banking Services

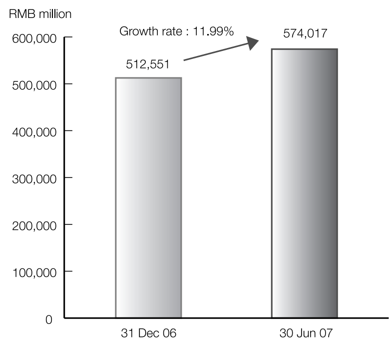
The Bank always attaches great importance to developing the corporate banking services. In the first half of 2007, guided by the development strategy of "constructing the mainstream medium and small size joint stock commercial bank in corporate business regionally" and the client policy of seeking "high quality industries and high quality enterprises" and pursuing "mainstream markets and mainstream customers", the Bank continued to develop a business platform of corporate financing, investment banking, industry finance and small enterprise financing business and kept on strengthening the cross-selling with other financial subsidiaries of CITIC Group. The Bank made full use of its excellent assets business, aggressive loan business diversified intermediary business and flexible off-balance-sheet business to develop its corporate banking services steadily and rapidly. Thus, the integrated competitive advantage of the Bank was further consolidated and improved.

Corporate Deposits

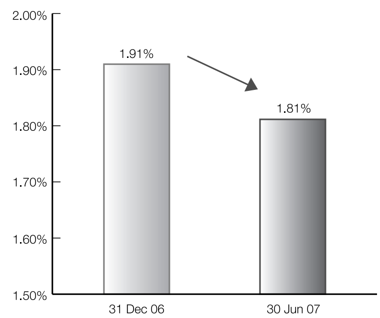
The Bank continued to enhance the marketing of corporate deposits sector, which maintained a relatively rapid growth rate. In the first half of 2007, due to the fast development of corporate Internet Banking, cash management business, and third party depository business, the Bank enjoyed large amounts of current deposits and therefore the interest cost had been further reduced. At the same time, the negotiated loan of RMB 14.01 billion absorbed in previous years matured and the liability business structure was further optimized. As of June 30, 2007, deposit balance of the Bank reached RMB 574.017 billion, increased by 11.99% compared to 2006 year end; the proportion of average daily balance of current deposit climbed to 48.81%, 2.93% higher than last year; the capital cost of corporate deposit was reduced to 1.81%.

By June 30, 2007, the analysis of our deposit balance was as follows:

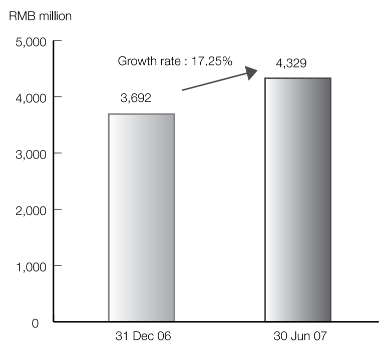
Balance of corporate deposits



Cost of capital for corporate deposit



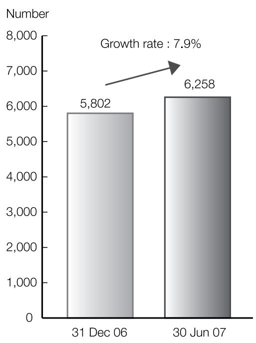
Corporate Loans



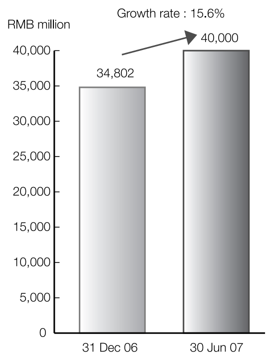
The Bank implemented the differentiated business management and service policy. The loans of the Bank were extended to the following main industries: manufacturing industry; transport storage and postal service industry; electric power, fuel gas and water production and supply industry. The assets business was developing steadily. As of June 30, 2007, the balance of corporate loans was RMB432.9 billion (excluding discounted bills), representing an increase of 17.3% from the end of last year.

As a strategic adjustment for optimizing assets business structure, the Bank made active efforts to carry out the business of credit extension to the small enterprises in areas with big market potential and good credit environment. We extended the original 4 pilot branches to 7 official branches, including the business operational department of the headquarters and the branches in Hangzhou, Nanjing, Suzhou, Ningbo, Fuzhou and Xiamen. In response to the growth cycle and business operation features of small enterprises, the Bank introduced the financing program of "CITIC • Partner for Small Business Growth" to provide series of innovative products and services, which further improved the quality of financial services for small enterprises. The Bank had expanded the small enterprises business unit, with the number of credited clients reaching 6,258, up by 7.9% compared to 2006 year end; moreover, the credit balance reached RMB40 billion, increasing by 15.6% compared to 2007 year end; and NPL ratio was as low as 1.37%.

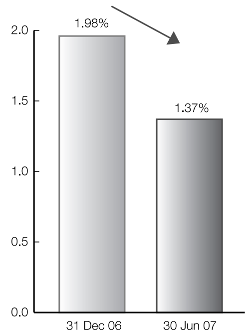
Number of small enterprises receiving credit extension



Balance of credit extension to small enterprises



NPL ratio of credit extension to small enterprises

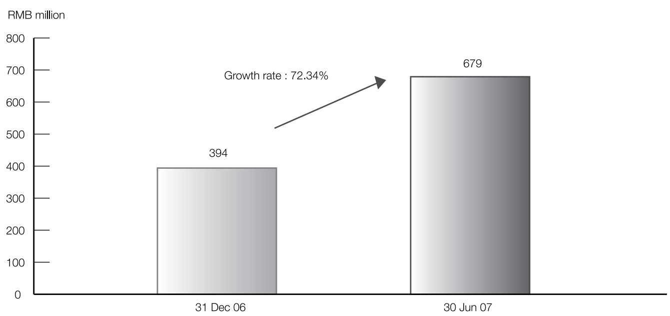


The logistics finance business of the Bank continued to maintain its leading position in the industry, with the number of automobile-financing cooperative distributors reaching 1,003, and the steel-financing cooperative distributors hitting 247. The Bank has issued bank acceptance note, which was worth RMB 41.4 billion, to the automobile distributors and steel distributors.

Non-Interest Income Products and Services

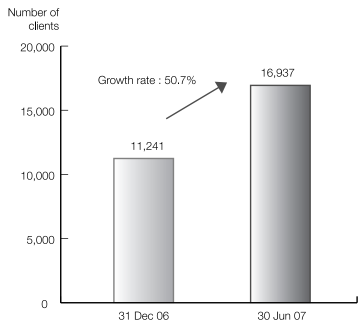
The Bank continued to advance the business diversification and strive for increasing the proportion of non-interest income. In the first half of 2007, while continuing to maintain the advantage of traditional non-interest income business, such as domestic and international settlement and guarantee, etc, the Bank made vigorous efforts to develop investment banking services, such as the short-term financing bonds, assets management and financial advisory; internet banking and cash management; and the government-oriented financial services, etc. at the same time, the Bank continued to strengthen the cross-selling with other financial subsidiaries of CITIC Group, which largely promoted the development of various banking services, including the investment banking, etc. By the end of June 2007, net non-interest income of corporate banking had reached RMB679 million, accounting for 58.43% of the total net operating non-interest income, up by 72.34% compared to the same period last year.

net non-interest income from corporate banking

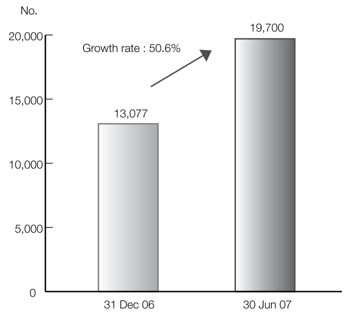


Internet Banking and Cash Management Services As a comprehensive banking business platform which provided cash management, investment services, etc. to the conglomerate customers, the Bank put a strong emphasis on the development of corporate internet banking platform, constantly improved the functionalities of the platform, and strengthened the marketing of corporate internet banking services to corporate customers. By June 30, 2007, the Bank had 16,937 internet banking clients and 19,700 accounts, up 50.7% and 50.6% respectively compared to previous year end. Also, as of June 30, 2007, transaction amount of corporate internet banking clients reached RMB1,159.5 billion, an increase of 657.3% compared to the same period last year. Substitution rate of internet banking transaction amount reached 21.2%, up by 12.6 percentage points compared to previous year. In addition, we have provided group account cash management services to 231 conglomerate customers, among which 112 conglomerate customers were added in the first half of 2007.

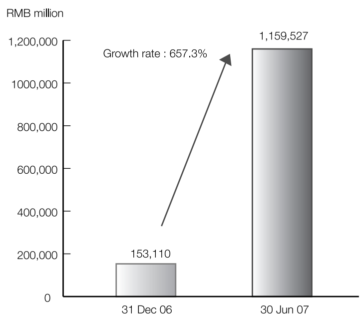
Number of Internet Banking Clients



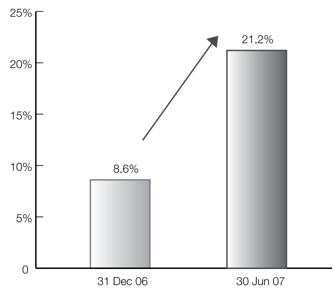
Accounts Number of Internet Banking Clients



Realized Transaction Amount of Internet Banking



Substitution ratio of Internet-Based Transaction Amount of the Company



International settlement business the international settlement business of the Bank includes the international letter of credit, international trade remittance, export collection, import collection, letter of guarantee etc. The rich array of products offered by the Bank and the flexible use and combination of those products were able to meet the customers' needs. As of June 30, 2007, the Bank reached the international settlement business amount of US$ 43.3 billion, increased by 23% compared to the same period last year. The market share increased from 4.8% of previous year end to 5.1% as of current period end.

Within the period covered by this report, the "New-Generation International Business System" (EE System) and International Business internet banking V4.0 and SWIFT Message Processing System were put into operation. The Bank is the only domestic PRC bank that provides the value-added services, such as SIM message notification, fax advice, etc in EE system. Our customers may receive the real-time customized information, such as the accounts settlement, etc. The international business internet banking V4.0 provided powerful real-time inquiry function for business processes and details, which realized the quick and safe transmission of business application and business inquiry between banks and enterprises. The advanced technology platform will provide strong support to the international business expansion of the Bank. It further enhanced our competitive advantage while increasing the operational efficiency.

Investment banking The investment banking business of the Bank regards strategic clients as the key service targets and structured finance business as the business basis. The investment banking business of the Bank laid emphasis on the development of loan syndication, export credit, off-balance-sheet financing products, etc. Meanwhile, the investment banking made big efforts to develop innovative products such as the bonds underwriting, financial advisor, assets management, etc. with the emphasis on the direct financing business to consolidate and foster the growth areas of investment banking business. In order to further push forward the development of investment banking business and construct more highly-efficient and perfect investment banking system, the Bank will establish an investment banking center in charge of the planning, management and systematic marketing of the investment banking business of the Bank as a whole. As of Jun 30, 2007, the Bank recorded an investment banking income of RMB 90 million, accounting for 13.3% of the net non-interest income to corporate business.

The Bank is one of the first few domestic PRC commercial banks underwriting short-term financing bonds. Since the Chinese government approved the business of underwriting short-term financing bonds in May 2005, the Bank laid strong emphasis on expanding this business area. So far, the Bank has underwritten the short-term financing bonds with a total amount of RMB 49.56 billion for 27 enterprises, ranking the 4th among the domestic PRC banks and the 2nd among other nation-wide domestic PRC commercial banks in respect of underwriting amount.

In the first half of 2007, structured financing business grew rapidly with the asset amount reaching RMB 13.291 billion, increasing by 53.8% compared to the same period last year. The Bank participated in a number of relatively influential bank syndication projects, including the bank loan syndication project with project size exceeding US$ 1.00 billion for China Oil & Gas Fund, and a bank syndication loan project of RMB 60 billion for Shanghai World Expo Land Holding Co., Ltd. In addition, our export credit projects for military equipment sector and electric wire and cable business had exceeded US$130 million in total.

Government Focused Financial Services: The Bank has formed a long-term and good cooperation with the government authorities. The Bank acted as the agent for 29 central government authorities for collecting non-tax income and provided the business of depositary of the funds to the State Administration of Taxation. By the end of June 2007, the Bank has opened 240 accounts for the funds under depositary. The Bank intensified the stability of the deposit and lowered the cost of the capital.

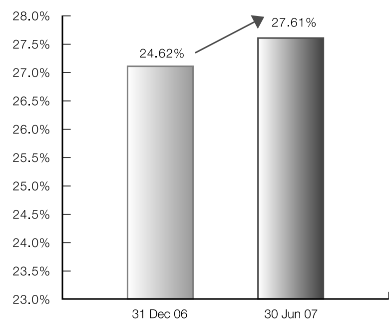
(2) Retail Banking

In the first half of 2007, the retail banking business of the Bank maintained fast growth momentum, and the liabilities business was adjusted flexibly in response to the market changes. The assets business grew steadily under the sound risk control, the non-interest income increased dramatically, the overall business structure became more reasonable.

Retail Asset Management

In the first half of 2007, the Bank actively responded to the market changes and greatly put forward the development and sales of wealth management products through product innovation in order to attract customers and obtain more profit via all-round provision of financial services. By the end of June 2007, the balance of retail asset management (savings deposit + wealth management products) totaled RMB 139.89 billion, up by RMB 28.16 billion over previous year end, an increase of 25.2%. Meanwhile, the proportion of balance of retail demand deposits over total savings deposits increased and the cost of retail deposits was relatively lower.

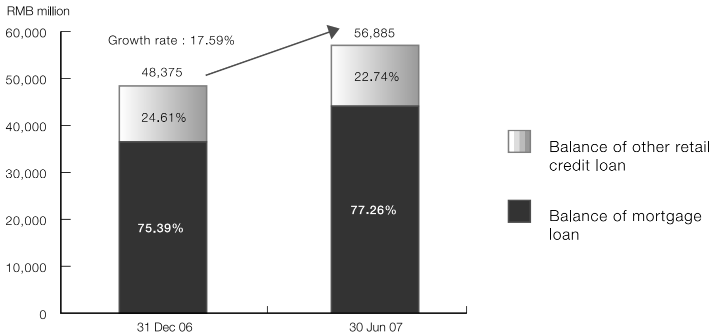
Proportion of balance of retail current deposits



Retail Consumer Credit

By June 30, 2007, the balance of retail consumer credit of the Bank was RMB 56.885 billion, up by 17.6% compared to the previous year end, in which the balance of housing mortgage loan was RMB 43.948 billion, up by 20.5% compared to the previous year end and accounting for 77.3% in retail consumer credit, up by 1.9 percentage points compared to the previous year end.

Retail Consumer Credit Balance

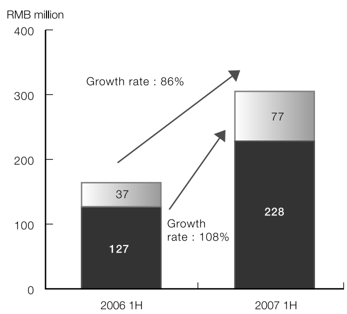


In the first half of 2007, the Bank further strengthened the establishment of branch-level personal loan management center. The Bank had set up personal loan management centers in branches and in the localities of the branches. This move effectively reinforced centralized risk control functions. Meanwhile, the Bank increased in efforts to market the retail assets business and carried out the publicity of the "CITIC Home" program for housing mortgage loan. The Bank made active efforts to develop new products and functions, such as the housing mortgage credit extension, self-service loan and optimisation of loan repayment, etc. and carried out the marketing activities supported by business assessment plan.

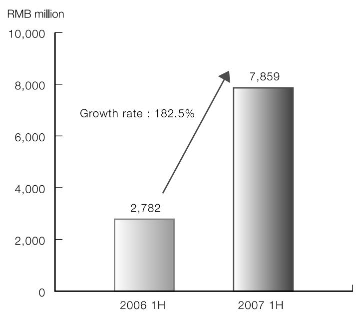
Credit Card

Since this year, our credit card business developed rapidly. The client scale further expanded. The credit card business had entered into a continued profit cycle since December 2006 when it started to generate profits. The accumulated number of credit cards issued by the Bank exceeded 3 million at the end of June, in which 77.2 thousand cards were issued in the first half of 2007, up by 108.5% compared to the same period of last year; in the first half of 2007, the accumulated trading volume of the Bank's credit cards reached RMB 7.86 billion, up by 182.5% compared to the same period of last year; the balance of credit card loans and business revenues maintained a significant growth of RMB 2.157 billion and RMB 166 million, 3.29 times and 2.94 times, respectively, of that of the same period of last year.

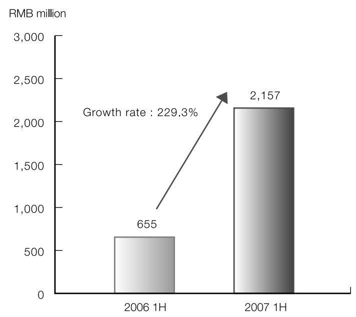
Aggregate Number of Credit Cards Issued



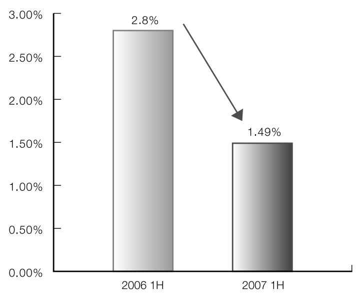
Total Trade Volume of Credit Cards



Balance of Credit Card Loan



Bad Credit Card Ratio



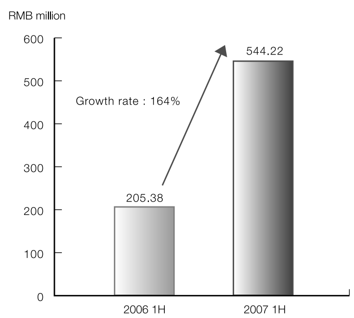
The Bank centralized the resources for fostering the credit card installment business and cross-selling business as the important profit-making areas, the income structure was further optimized and earning capacity improved continuously. By the end of the report period, the NPL ratio of credit card loan and bad debts was further reduced compared to the same period last year, the assets quality maintained a good level. At the end of January 2007, the Bank obtained CBRC's approval to prepare for the establishment of a credit card institution.

In the first half of 2007, the Bank achieved new progress in credit card product innovation and clients development. In May 2007, the Bank introduced the CITIC magic platinum card to their female clients, in return the Bank became the credit issuing bank in PRC with the richest variety of female credit card products series and supporting services. In June, the Bank joined with "Coca Cola" successfully in issuing the first co-branded credit card – China Citic Bank-Coca Cola Co-Branded Credit Card". In the first half of 2007, the Bank has issued new card products such as China Citic Bank-Volkswagen Co-Branded Credit Card" and "China CITIC Bank – China Automobile Network Co-Branded Credit Card", etc. As a result, the Bank achieved a breakthrough in penetrating the target group of customers who owned cars.

Since this year, the core competitiveness of the customer services of credit card of the Bank has been further enhanced. In May, the platinum credit card service updated in an all-round way. Following the successful passage of the annual check by ISO international Certification, the credit card call center of the Bank once again won the honorable title of "China Best Call Center 2007" awarded by Client Relationship Management Committee under China Information Promotion Union.

Wealth Management

Sales of wealth management products



In the first half of 2007, the Bank, to meet the increasing demand of customer financing, introduced a series of wealth management products relating to securities, trust, funds, foreign exchange, QDII and other investment fields by leveraging on the advantages of overall financial platform of CITIC Group. In the first half of 2007, the Bank sold a total of 89 local and foreign currency wealth managements products, the sales being RMB 54.422 billion, up by 164% compared to the same period of last year, in which the sales of RMB wealth management products are RMB 48.299 billion, 696.3% of that of the same period of last year; the sales of foreign currency denominated wealth management products were US$ 804 million, 119.6% of that of the same period of last year. Wealth management products not only met the financing needs of vast customers, but also created lots of non-interest income and become the largest source of non-interest income in retail banking.

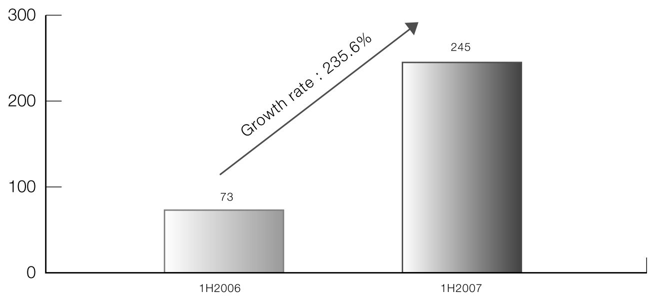
By the end of June 2007, the number of VIP clients of the Bank reached 48,476, representing an increase of 9,950 clients, up 25.8% compared to previous year end. The number of the client managers serving these VIP clients* has exceeded 1,000. At the same time, the Bank introduced the 12 types of value-added services for VIP clients, which included golf, airport boarding, legal consulting and automobile rescuing services, etc, and successfully hosted the 2nd "China CITIC Bank Teenager Golf Challenge", the Bank was appraised as "Chinese Teenager Golf Best Enterprise 2006~2007" by the magazine "Golf Master". Private banking service for high-end clients was launched in August 2007.

* VIP clients: Clients with assets over RMB500,000 under management by the Bank

Non-Interest Income

The Bank actively advanced the development of non-interest income business, and the non-interest income of retail banking of the Bank experienced rapid growth. At the end of June, 2007, the net non-interest income of the Bank reached RMB 245 million, representing 21.08% of the operating non-interest income of the Bank, up by 235.6% compared to the same period of last year, among which the income of bank card commission reached RMB 148 million, up by 92.21% than the same period of last year; the income of fund agent fee reached RMB 53 million, up by 5,330% compared to the same period of last year; the income of wealth planning fee reached RMB 56 million, up by 1,674% compared to the same period of last year.

Retail non-Interest Income Analysis



Channel Construction and Service Quality Management

In the first half of 2007, the Bank kept on accelerating the construction of electronic retail banking. Now the Internet banking system has been updated successfully, the flow of transaction and its efficiency continued to improve and high-end clients doubled. In addition, the telephone banking system of the Bank had been updated; its main function had been expanded from inquiry to the external sales calling and online trading. Overall e-banking transactions accounted for 70% of the total transaction of the Bank. At the same time, the Bank strengthened the training to the service quality and standard of the counter service personnel; introduces the third-party system of investigating into the "secret clients" and "client satisfaction survey" and found out and rectified the service problem. Owing to the excellent performance of the Bank in its efforts to strengthen the channel construction of the branches and improve service quality, the Bank won the "Channel Innovation New Achievement Award" in the contest of "Asia-Pacific Retail Finance Service Excellent Award" hosted by "Asian Bankers".

(3) Business of Money and Capital Market

The Bank engaged in the business of proprietary trading, and provided capital products and services to corporate and individual customers. In terms of foreign exchange capital business, the Bank maintained a leading position in the domestic commercial banking sector. As of June 30, 2007, the net non-interest income of the Bank's money and capital market business is RMB 243 million, accounting for 20.91% of net operating non-interest income of the Bank, up 54.78% from the same period of last year.

The Bank conducted investment business covering domestic and foreign currency bonds, monetary market and derivative products; trading business covering foreign exchange trading, foreign exchange swap, foreign exchange settlement and sales, foreign currency option trading, foreign currency bond and derivative trading and home currency bond trading; agency business covering foreign exchange trading, foreign exchange swap, foreign currency option, foreign exchange settlement and sales, foreign currency bonds and derivatives, and home currency bonds. The Bank employed a wealth of well-experienced dealers and risk management personnel of money and capital market business. While seeking profits, the Bank kept capital risk under control.

In the first half of 2007, in response to the domestic interest rate and exchange rate reform and the development trends of the direct financing market and under the circumstances of heightened market volatility, the Bank has effectively managed risks, increased marketing efforts and actively developed money and capital market business for customer accounts. Consequently, it has achieved higher growth in terms of trading volume, customer quantity and profits.

(1) **Trading volume and profits of foreign exchange grew rapidly.** As of June 30, 2007, the trading volume of foreign exchange settlement and sale reached US$ 30.6 billion, up by 24.3% compared with the same period of last year; the trading volume of market making for foreign exchange increased rapidly.

(2) **Bond underwriting, a traditional strength of the Bank, made a breakthrough in 2007.** In June 2007, regardless of a series of negative factors, the Bank jointly led the issuance of financial bonds of RMB 12 billion for China Mingsheng Bank in success, thus become the second commercial bank leading an issuance of financial bonds for other financial institutions after ICBC.

Design and development of capital products, pricing capability and risk management were our major strength in discretionary account management. In response to the fast growing domestic foreign exchange and accelerating market-orientation of interest rate, the Bank continuously put the business forward by strengthening foreign exchange product design and enhancing the marketing of interest rate derivatives. Since the beginning of 2007, faced with the increasing competition in retail financing products, the Bank has strengthened the R&D of structured financing products and put forward a series of financing products such as credit linked products, stock linked products and fund linked products which received good market response. Later, the Bank put forward fund linked overseas financing products to reflect the regulatory authority's intensions to adjust investment scope of overseas discretionary account management by commercial banks.

In the first half of 2007, in the face of sophisticated interest rate and credit market condition, the Bank has successfully ensured the safety and profitability of RMB and foreign currency bond assets and minimized the adverse impact of market change on its bond investment.

(4) Information Technology

Considering the importance of information technology to the business development and management in the first half of 2007, the Bank accelerated the construction of 3rd-generation information system, providing technical support for various businesses and management tasks.

Regarding the transaction processing system, the Bank has centralized the data of 8 branches (the concentration of the data of whole branches was scheduled to be accomplished in August 2007), the new version national concentrated international business system has been put into operation throughout the Bank.

Regarding the electronic channel, the new version of call center system and telephone banking system has been put into use. The corporate and retail banking version 5.0 was under development.

In respect of management information system, the development of corporate strategic client management system and client rating system has been accomplished. The management accounting and other items were being implemented. In respect of security emergency response mechanism, the Bank has upgraded the performance of back-up function in case of disaster, perfected the contingency flow and carried out the system switch drill for many times.

The Bank attached great importance to the effective information management and intensified IT management. In the first half of 2007, the Bank strengthened the construction of information technology organization system and institutions, conducted the information technology risk assessment and electronic banking risk assessment and other independent audit.

(5) Progress on Cooperation with Banco Bilbao Vizcaya Argentaria SA (BBVA)

After the Bank was successfully listed on both A-share and H-share capital market, the Bank and its strategic investor BBVA conducted active consultation and preparations for the next-step cooperation and defined the key contents and means of cooperation. The corporate banking service cooperation covered the investment banking, strategic clients management, loan for small business, cash management and client relationship management system, etc. In terms of international business, the two parties will provide better settlement, liquidation and trade financing services to the clients in South America and China. The retail banking cooperation includes the personal banking, wealth management and automobile finance. The capital market business cooperation covers the capital products trading, capital risk control, and appraisal and pricing technique. The risk management cooperation will be guided by the objective of "being one of the first domestic banks implementing the New Basle Capital Accord". The information technology cooperation includes the information technology system and data warehouse, etc relating to the business. In respect of training, studying and exchanging of human resource, the two parties will establish working teams to jointly discuss and formulate the annual training plan between the two.

Risk Management

Summary

Sound risk management is guarantee for a sustainable, healthy and fast development of the Bank. By adhering to the principle of prudential risk management, the Bank committed itself to building an independent, all-round, vertical and professional risk management system and fostering a risk management culture of "seeking genuine risk-free benefits" and practicing the risk management strategy of "high quality industries and enterprises" and "mainstream market and customers" for active control of the business risks at all levels. The Bank made continuous efforts to enhance the risk management level.

In the first half of 2007, in face of increasingly complex macro economic situation and gradually tightened macro control, the Bank adopted a series of measures to continue improving and strengthening risk management for the purpose of further improving its risk management ability and optimizing its credit extension structure. As a result, the NPL maintained the trend of "double drops" and the credit assets quality continued to improve significantly, following the fundamental improvement in 2006.

Risk Management Framework

The Board of Directors of the Bank and its subordinated risk management committee, audit and related party transactions control committee, and the risk management committee (including the credit risk subcommittee, market risk subcommittee and operational risk subcommittee) and internal audit committee under the management level formed the main structure of risk management. The Bank has established the risk officer system and appointed chief risk officer in the headquartesr of the Bank, and assigned the risk officers to the branches of the Bank.

(1) Credit Risk Management

The credit risk means the risk of inability to fulfill the obligation prescribed in the agreement by the borrower or the opposite party of the transaction. The main credit risk of the Bank lies in the loan portfolio, investment portfolio, guarantee, pledge and other off and on-balance-sheet risk exposures, etc.

The procedure for the credit risk management can be divided into three steps: (1) credit extension and analysis; (2) Credit examination and approval; (3) Loan release operation and post-credit management.

Corporate Credit Extension

In the first half of 2007, the Bank, in active response to the state macro economic policy adjustment, adjusted its credit portfolio and put forward the business principle of "highlighting high quality industries and enterprises, steady growth, optimal combination, enhancing economic benefits, concentrating on key business development, law-compliance operation, active innovation and intensifying the advantages" for defining the industries, areas, products and clients of the credit extension and controlling the credit extended to the high energy-consuming, highly polluted, resources wasting and industries with over-capacity. In the first half of 2007, the Bank focused on actively adjusting credit portfolio and guarding against macro economic adjustment risk. It formulated 2007 general credit policy to conduct quantitative assessment for approximately 100 industries and around 20 regions as well as credit policies for 9 industries and 8 industry entry criteria to strengthen policy guidance and optimize loan extension.

The bank has strengthened structure adjustment, accelerating entry and exit and optimizing client structure. The Bank had 3,099 newly entered clients in the first half of 2007, accounting for about 20% of the total number of clients as at the beginning of the year; there were 723 voluntary-exits or compressed non-bad accounts, accounting for 6% of the number of clients as at the beginning of the year.

The Bank actively extended the loan reviewing process to different industries, by combining risk factors of different industries, the Bank established 5 loan reviewing teams for the sectors of traffic communications and energy, heavy industry, light industry, real estate, innovative products and financial institutions in accordance with the features of the risks of these sectors so that the level of loan reviewing can be further improved.

The Bank adopted a series of measures to continuously strengthen credit management. It has set out to establish an independent credit management department to strengthen post-credit management. In response to the increasing risk of the group clients, the Bank intensified the classification of group clients and exercised the uniform credit extension and stepped up the efforts to deal with and defuse the risk and set up the independent group client management office at the headquarter and branches of the Bank. These efforts and measures further strengthened the credit risk management on the group clients and prevented the over credit extension to the group clients. In the first half of 2007, the Bank conducted focused monitoring on over 300 key group clients. It strengthened grant center management by putting major and complicated projects under the centralized acceptance of the independent grant center and strengthening grant operation risk control. The Bank also continuously perfecting the risk management system for retail business and improving authorization management system and the approval system with dedicated staff in charge. The Bank strengthened the retail bank risk management and checked the key clients after the credit was granted, revealed the risk and formed the practice of reporting the risk. The Bank strengthened the management on housing mortgage loan in order to prevent any fraud mortgage.

The Bank attached importance to the improvement of risk management technology level. To this end, the Bank steadily pushed forward the cooperation with Moody's Corporation for constructing the business credit rating system. The system was designed in accordance with the requirements of internal rating method of "Basel Capital Accord II", the main part included 21 scoring cards and one PD measurement pattern. The System coverd over 90% of the corporate clients of the Bank and set 15 ratings, ratings from 1-12 were normal clients and the ratings from 13-15 were the breaching clients. The technical level of the System took leading position among the domestic peers; the system had been put into use throughout the Bank since the end of June. The Bank had started project cooperation with BBVA in implementing New Basel Capital Accord, and with in this year will formulate and implement the first domestic programs for New Basel Capital Accord In China prior to 2013.

The corporate credit management system of the Bank had been put into operation in a lump in November 2006. The System covered the assets business of the corporate clients and the whole process of assets business management. The successful operation of the System provided a powerful foundation management platform for the entire Bank. In the first half of 2007, the Bank advanced all-round application of the system and perfection of relevant functions and the development of follow-up interfaces and relevant systems, etc. By the end of June, the System had been applied to the entire workflow of the Bank.

Personal Loan

The Bank kept on perfecting the retail bank risk management system, improving the authorization management and approval policy. The Bank strengthened the retail banking risk management and checked the key clients after the credit was granted, revealed the risk and formed the practice of reporting the risk. The Bank strengthened the management on housing mortgage loan in order to prevent any fraud mortgage.

(2) Market Risk Management

Market risk is the risk of off and on-balance-sheet loss resulting from the fall of market price, and can be attributed to the fluctuations of interest rate, exchange rate, stock price and commodity price and other observable market variables. When managing the market risk, the Bank practiced strict authorization quota management system to control the loss of potential market risk within the acceptable level so as to ensure the stability of the yields.

The market risk committee of the Bank was responsible for formulating the market risk management policies and flow, approving new products and the limit of risks. The planning and finance department of the Bank was responsible for the daily work of market risk management. The capital market of the Bank was responsible for executing the market risk management policies and flow to ensure that the risk level was under the level set by the market risk committee.

Interest Rate Risk Management

Interest rate risk is the unfavorable fluctuations of interest rate against the financial conditions of the Bank. The interest rate risk of the Bank comes from the mismatch between the revaluation period with the assets and liabilities of the Bank, as a result, interest income or the value of the assets is likely to be affected by the current interest rate fluctuation.

The Bank evaluated the interest rate risk of its balance sheet through gap analysis, and then correspondingly adjusted the frequency of re-pricing, and resets the maturity levels of corporate deposits, so as to reduce the mismatch of maturity in re-pricing.

For the capital market business, the Bank, based on duration analysis, adopted the interest rate sensitivity, pressure testing and scene simulation and other means for measuring and supervising the interest rate risk, and set up risk-based limits, including rate sensitivity, duration and exposure. The Bank supervised and managed the execution of the limits. The capital market business of the Bank was traded through derivatives, such as swap, deferred futures and option, etc. to hedge the interest rate risk exposure of the balance sheet and investment mix of the Bank. The Bank, by relying on the advanced risk management system and independent internal control platform, was able effectively monitor and report the market risk.

Unit: RMB million

Analysis on interest gap:

Item	Non- interest bearing	Within 3 months	3 months- 1 year	1-5 years	Over 5 years
Total assets	17,960	489,675	306,604	33,787	20,405
Total liabilities	16,335	597,222	122,667	44,466	8,883
Interest gap	1,625	(107,547)	183,937	(10,679)	11,522

Exchange Rate Risk Management

The exchange rate mainly comes from the mismatch of currencies of on and off-balance sheet assets and liabilities and the mismatch of foreign currency position resulting from foreign exchange trading.

The foreign exchange exposure of the Bank is placed under the concentrated management by capital market department. The foreign exchange position of all branches must have back-to-back trades with the head office of the Bank. The capital market department of the Bank, through trading on the market or derivatives trading, controls exchange rate risk exposure within the limit set by the market risk commission. Considering the big pressure of RMB revaluation, since the end of 2004, the Bank took the following measures for strengthening the exchange rate risk management:

- The Bank set up the trading system at the headquarter and branches so that the head office can gather the positions of the whole Bank and impose the concentrated management;

- The Bank set up the high-efficient price transmission mechanism at the headquarter, branches and sub-branches for exercising effective management on the exchange rate;
- The Bank controlled the foreign exchange exposure of the whole Bank within the limit set by market risk commission and monitor the foreign exchange exposure on real time.

Unit: RMB million

Analysis on foreign exchange exposure:

Item	**USD**	**HKD**	**Others**	**Total**
On-balance net position	26,605	(2,892)	826	24,539
Off-balance net position	10,785	2,507	(882)	12,410
Total	37,390	(385)	(56)	36,949

As the scale of trading account was quite small, we mainly appeal to stop-loss limit, total volume control and periodical valuation, etc. to effectively lower the possibility of loss caused by the uncertainties of the market in terms of market risk management.

(3) Liquidity Risk Management

The objective of liquidity management of the Bank is to follow the set target of the assets and liabilities and guidelines of the liquid risk management, fulfill the obligation of payment of the Bank and satisfy the needs of the investment and loan, at the same time keep the appropriate financing ability to ensure that the needed capital can be acquired at reasonable costs.

The Bank adopts the concentrated management of the risk mode featuring uniform management and level-based responsibilities. The contents of liquidity management include: set liquidity management objective of the Bank, identify, measure and dynamically supervise the liquidity risk through duration exposure analysis, and set up reasonable current assets mix through diversified assets arrangements, such as the deposit at the central bank, central bank notes, short-term national debts, financial bonds, bank acceptance, etc, and uses the financing on monetary market and currency swaps and other tools to acquire necessary liquidity support. The Bank implements the orderly and active liquidity risk management strategy through periodical assessment, pressure testing and emergency response plan, etc.

In the first half of 2007, in the amidst of frequent unveiling of monetary policies, the successive listing of domestic commercial banks and emerging financing market and various changes and impacts, the liquidity risk management of the Bank was steady and high efficient, which created good basic conditions for the development of the business of assets and liabilities of the whole bank. By the end of the report period, the relevant indicators reflecting the liquidity status is set out as follows:

Liquid Supervision Indicators:

		Supervision Standard	**June 30, 2007**	December 31, 2006	December 31, 2005
Liquid Ratio (%) (1)	RMB	≥25.0	**42.70**	38.66	60.69
	Foreign Currency	≥60.0	**225.78**	99.98	68.00
Deposit-Loan Ratio (%) (2)	Total of home and foreign currency	≤75.0	**73.69**	68.11	63.33
Call Loans Ratio (%)	Ratio of loan from other banks (3)	≤4.0	**—**	0.34	—
	Ratio of loans to other banks (4)	≤8.0	**1.07**	0.46	0.08

Notes:

(1) The term-end balance of current assets is divided by the term-end balance of current liabilities

(2) The term-end balance of the loan is divided by term-end balance of the deposit • term-end balance of loans (not including the discounted note) • deposit balance (not including fiscal deposit and outward remittance);

(3) Inter-bank borrowing and other financial institutions RMB capital balance is divided by RMB deposit balance;

(4) Inter-bank offered and other financial institution RMB capital balance (the reserve fund is deducted) is divided by RMB deposit balance.

(4) Internal Control and Operation Risk Management

Internal Control

The Bank all along adhered to the principle of "internal control first" in the continuous improvement of internal control, and constructed three defense lines of internal control composed of business lines, functional department and internal audit from the levels of system, culture and technology for healthy development of the business and accomplishment of the business objective.

Regarding the internal control system, the Bank perfected the internal control management framework composed of internal control decision-making level, construction execution level and supervision and appraisal level, thoroughly review and perfect the rules and regulations regime and defined the duties and responsibilities of the departments and jobs in the internal control management. At the same time, the Bank perfected the job check and balance mechanism, such as separation of incompatible jobs, compulsory vacation, job shift and economic responsibilities audit during the office term, etc and increased frequency and coverage of internal control examination to ensure the effective execution of internal control system.

Regarding the internal control culture, the Bank made vigorous efforts to carry out the law-compliance education and advocated law-compliance business operation idea; perfected the assessment mechanism and increased the contents of law-compliance assessment; formulated the codes of behaviours for the employees to improve the employees' professional ethnics; set up stern accountability system for investigating into the acts violating the rules and regulations of internal control.

Regarding the internal control technology, the Bank actively developed and popularized credit management information system, financial management system, assets and liabilities system and client rating system for continuous improvement of the digitalized and electronic level of internal control.

Operation Risk

In the first half of 2007, the Bank proceeded from some key points, such as recruiting and removing accounting staff, perfecting bank-enterprise accounts checking, advancing the concentrated management of accounting, etc, for preventing the operation risk. At the same time, the Bank continues to check the accounting over the counter for consolidating the foundation of risk prevention. Recently, China Banking Regulatory Commission promulgated the Guideline for Operation Risk Management of Commercial Banks. The Bank is making active efforts to put the Guideline in place and to build up operation risk management system in compliance to the operational level of the Bank so as to better prevent the operation risk.

Internal Audit

The Bank improved the independence, authority and efficiency of internal audit by way of enhancing the management mode, report procedures, operation flow and technical means. The audit personnel of the Bank were placed under joint supervision by the headquarters and the branches, a centralized management system was established whereby all the auditing assignments would be dispatched by the headquarters, and those assignments dispatched by branches would be supplementary. The headquarters of the Bank formulated the uniform audit plan and standards, delivered the uniform audit report and rectification; The Bank popularized on-spot audit operation system to realize the flow-based, standard and paperless operation. The Bank made great efforts to develop non-spot audit system and further developed the means of technology

Stepping up the efforts to conduct on-spot checking. In the first half of 2007, the Bank, guided by the objective of "preventing the case and operational risk", carried out a large-scale accounting and on-spot financial audit, the coverage of this audit had reached 100% of the Bank's operational outlets, which significantly lowered the operational risk of the Bank.

Reform of the rectification measures by intensifying the inspections. The Bank set up a file storage for keeping the problems discovered through auditing and established the mechanism for continuous tracing of the rectification measures by assigning dedicated person, strengthening the rectification measure and tightening the accountability system. In recent years, the percentage of discovered problems which has been successfully rectified has risen to over 85%, showing remarkable improvement of the Bank in preventing operation risk effectively.

Capital Management

The Bank, in accordance with the relevant laws and regulations promulgated by China Banking Regulatory Commission and in view of the development objective of the Bank, pushed forward the construction of capital management system of the Bank step by step so that the capital of the Bank could achieve the goal of maximizing the rewards for the shareholders through introducing "economic profit" and "venture capital return rate", while ensuring the compliance of the regulatory requirements, expectation of credit rating agencies and self risks compensation.

Investments

(1) Use of proceeds

According to the Reply of CBRC on CITIC Bank Co., Ltd.'s Listing and Issuing Stocks domestically and abroad and the Circular of CSRC on Approving the Initial Public Offer of CITIC Bank Co., Ltd. and the Circular of CSRC on Approving CITIC Bank Co., Ltd. to Issue Oversea-listed Shares for Foreign Investors, the Bank, during the report period, issued 2.302 billion A shares at RMB 5.80 per share and 5.618 billion H shares at HK$ 5.86 per share; after the exchange rate adjustment, the issue prices of A share and H share were the same. The proceeds from the IPO of A shares and H shares (excluding listing fees) were about RMB 44.836 billion in total.

All funds raised have been used to enrich the Bank's capital fund, and improve the Bank's capital adequacy ratio and the capacity of risk resistance.

(2) The progress and earning situation of material investments with Non-raised funds

The Bank has not undertaken any significant investments with Non-raised funds within the Report period.

Outlook

In the second half of 2007, we believe the Chinese economy will maintain the fast growth momentum, the economic structure will be further adjusted, and the infrastructure industries will continue to grow quickly. Looking at the situation as a whole, the Bank's operation environment is still steady and is conducive for us to maintain high profitability. Centering on the objective of maximizing the value of the shareholders and building a bank striving for leading position among the Chinese and overseas commercial banks, the Bank will adopt the following measures to ensure accomplishment of our development targets set at the beginning of the year. First, the Bank will further consolidate the existing advantages of its corporate business, international business and capital business, expand the sources of non-interest income, increase efforts to develop the strategic clients, lower the capital cost and improve the quality of corporate business; Second, the Bank will further strengthen its late-development advantage. To achieve this, the Bank will maintain the fast development of retail banking by accelerating the development of private banking, VIP financing, and credit card business, so as to further increase the operational percentage of the retail sector. Third, the Bank will further popularize the usage of credit management system and the system of customer rating to increase overall risk management level. Fourth, the Bank will further utilize the special advantages of the integrated financial platform of CITIC Group, and the emphasis will be put on the businesses of third-party depositary, short-term financing bonds, asset securitization, financial advisor and medium and long-term financing for the enterprises, etc. The Bank will strengthen the cooperation with other financial subsidiaries of the Group in product development, cross-selling sales and business extension sharing, etc and overall services to the strategic clients. Fifth, we will deepen the substantive reform. The Bank will advance the technology-intensive development mode in an all-round way from Internet banking, telephone banking and self-service banking. Sixth, we will push forward the expansionary development and accelerate the pace of building up new braches and subsidiaries, explore new development opportunities in the deregulated fields of investment banking, financial lease, automobile finance, supplementary pension and financial corporation, etc. Seventh, we should enhance the value of the shareholders, strengthen the cooperation with strategic investors and relations with the investors and effectively utilize capital.

3. OTHER SIGNIFICANT ISSUES

1. Profit Distributions and Implementation of the Plan for Transferring Reserve Funds into Share Capital or Plan for Issuing New Shares during the Report Period

(1) Profit distribution in 2006

According to resolutions of the interim shareholders meeting of the Bank convened on March 8, 2007, the distributable profits realized during the period from December 31, 2005 to the establishment date December 31, 2006 were transferred to CITIC Group in cash according to relevant regulations of the Ministry of Finance and provisions stipulated in the Sponsor's Agreement. This distribution plan has been implemented.

(2) Profit distribution policies from 1 January 2007 to the listing date of the Bank

According to resolutions of the interim shareholders meeting of the Bank convened on March 8, 2007, the distributable profits realized during the period from January 1, 2007 to the listing date of the Bank (April 27, 2007) will be shared by both the old and new shareholders. This distribution plan has not been implemented.

(3) Profit distribution in the first 6-month period of 2007

The Bank has no distribution plan in the first 6-month period of 2007.

2. Repurchase, Sale or Redemption of Shares

The Bank issued 4,885,479,000 H shares in the Hong Kong Stock Exchange on 27 April 2007, with the over-allotment option exercised on 30 April where 732,821,000 additional H shares were issued.

The Bank issued 2,301,932,654 new A shares since 4 April 2007, and the Bank's A-shares were listed for trading on the Shanghai Stock Exchange on 27 April 2007.

Save for the above, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of the Bank's shares.

3. Shareholding in Other Companies

As of the end of report period, the following table sets out shareholding of the Bank in other companies:

Name of company	Initial investment costs *(RMB Yuan)*	Number of shares held	Shareholding percentage	Book value at the end of the period
China UnionPay Co., Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00

4. Appointment and dismissal of auditors

The Bank appointed KPMG Huazhen and KPMG as its auditors.

5. Audit and Related Party Transactions Control Committee

The Bank has set up the Audit and Related Party Transactions Control Committee according to relevant laws and regulations of the places where it is listed. The major responsibilities of the Audit and Related Party Transactions Control Committee are to inspect the internal and external audit of the Bank, audit the financial reports, implementation of internal control systems, and its efficiency and compliance. All members of the Audit and Related Party Transactions Control Committee are Non-executive Directors, most of which are Independent Non-executive Directors. Dr. Ai Hongde is the Chairman. Other members include Mr. Ju Weimin, Dr. Xie Rong, Dr. Bai Chongen, Mr. Wang Xiangfei and Dr. John Dexter Langlois. The Audit Related Party Transactions Control Committee had checked the accounting policies and practices adopted by the Bank together with the senior management, and discussed matters concerning internal control and financial reports, including reviewing the unaudited condensed consolidated interim financial information of the Bank.

6. Directors', Supervisors', and Senior Managers' Interests in shares, underlying shares, and Debentures

During the report period, any interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange which were hold by the Directors, Supervisors, and Senior Managers are as follows:

Director's Name	Name of the Associated Corporation Holding Shares	Type of Interests	Types of the shares holding /number	Percentage of shareholding to all the issued shares of associated corporation
Kong Dan	CIFH	Personal Interests	1,600,000 (L) HK$1/share Ordinary Stock	0.03%
Dou Jianzhong	CIFH	Personal Interests	700,000 shares (L) HK$1/share ordinary Stock	0.01%
Chan Hui Dor Lam Doreen	CIFH	Personal Interests	4,524,689 shares (L) HK$1/share Ordinary Stock	0.08%

(L) stands for long position

Except for the above disclosure, the Directors, Supervisors, and Senior Managers of the Bank had no interests or short positions in the shares, underlying shares or debentures of the Bank or any associated corporation within the period covered by the report.

7. Compliance with the Codes of Corporate Governance Practices provided by Hong Kong Stock Exchange

The Bank endeavoured to establish good corporate governance mechanism, and believed that it is crucial to adopt international leading corporate governance to safeguard the rights and interests of shareholders. The Bank has organized the corporate governance structure consisting of the Board of Directors, Board of Supervisors and senior management, based on which, it has established and formed a set of integrated internal control system. The structure of internal control management of the Bank consists of three levels, namely the decision-making level, the development and execution level and the supervision and appraisal level. This structure has integrated the leadership of principal leaders of banks at various levels and functional departments and the participation of all staff of the Bank.

The Board of Directors of the Bank reports to the shareholders' general meeting. Subordinated to the Board of Directors, the Bank has set up a number of special committees, including the Strategy Development Committee, the Audit and Related Party Transaction Committee, the Risk Management Committee, and the Nomination and Compensation Committee. These committees exercise their powers and functions upon the authorization of the Board of Directors. The Board of Supervisors also reports to the shareholders' general meeting, and is obliged and entitled to supervise the Board of Directors and senior management, examine the financial activities of the Bank and check the decisions of the Bank.

The Bank has conducted an analysis between the requirements of the Codes of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules and the Bank's internal rules and practices. The Bank has been in compliance with the code provisions except for the following deviation:

(1). According to A.1.3 of the "CG Code", a 14-day notice shall be given for each regular Board Meeting, whereas a 10-day notice is prescribed in the articles of associations. We adopted the 10-day prior notice for regular Board Meeting in the articles of association of the Bank because it is held that 10-day notice is sufficient according to PRC law.

Given the changes in outside business environment, regulatory requirements, and the business scope and scale of the Bank, the improvement of internal control of the Bank is endless. The Bank will follow the requirements of external regulatory authorities on listed companies, and continuously optimize its internal control management according to the standards of world's leading banks.

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

The Bank has adopted Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to regulate the securities transactions conducted by Directors and Supervisors. The Bank had specially inquired all Directors and Supervisors on this issue, and all Directors and Supervisors have confirmed that they have complied with provisions set out in the said Model Code throughout the report period.

9. Compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standards No. 34

The interim financial report of the first half of 2007 is in compliance with the requirement of "interim report" in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standards No. 34.

10. Interim Report

The Interim Report is available in both Chinese and English. To get a copy of the Interim Report based on international accounting standards, please write to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Hopewell Center, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong. For copies of the Interim Report based on PRC accounting standard, please find at business locations of the Bank. The Interim Report is also available (in both English and Chinese) at the following websites: www,bank.ecitic.com, www.sse.com.cn, www.hkex.com.hk.

4. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Unaudited consolidated income statements for the six months ended 30 June 2007

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2007	2006
Interest income	**18,123**	13,020
Interest expense	**(6,867)**	(5,676)
Net interest income	**11,256**	7,344
Fee and commission income	**715**	402
Fee and commission expense	**(110)**	(76)
Net fee and commission income	**605**	326
Net trading (loss) / gain	**(77)**	235
Net gain from investment securities	**42**	5
Other operating income	**89**	106
Operating income	**11,915**	8,016
General and administrative expenses	**(5,143)**	(3,943)
Provisions for impairment losses on		
– loans and advances to customers	**(1,144)**	(819)
– others	**(18)**	(125)
Profit before taxation	**5,610**	3,129
Income tax	**(2,387)**	(1,362)
Net profit	**3,223**	1,767
Attributable to:		
Shareholders of the Bank	**3,223**	1,767
Minority interests	**—**	—
Net profit	**3,223**	1,767
Profit appropriations	**726**	600
Earning per share attributable to shareholders of the Bank		
– Basic and diluted *(Renminbi)*	**0.09**	0.06

Unaudited consolidated balance sheets as at 30 June 2007

(Expressed in millions of Renminbi unless otherwise stated)

	30 June 2007	31 December 2006
Assets		
Cash and balances with central bank	**96,446**	90,620
Amounts due from banks and other financial institutions	**59,973**	43,250
Loans and advances to customers	**527,142**	453,381
Trading assets	**6,404**	4,725
Derivatives	**695**	452
Investment securities	**163,838**	99,699
Property and equipment	**8,615**	8,745
Deferred tax assets	**1,003**	2,210
Other assets	**4,315**	3,641
Total assets	**868,431**	706,723
Liabilities		
Amounts due to central bank	**99**	201
Amounts due to banks and other financial institutions	**99,529**	36,166
Trading liabilities	**1,424**	79
Derivatives	**1,050**	576
Deposits from customers	**666,424**	618,412
Current tax liabilities	**1,105**	1,230
Deferred tax liabilities	**6**	141
Other liabilities and provisions	**7,936**	6,224
Subordinated debts/bonds issued	**12,000**	12,000
Total liabilities	**789,573**	675,029
Equity		
Share capital	**39,033**	31,113
Reserves	**36,444**	(303)
Retained earnings	**3,376**	879
Total equity attributable to shareholders of the Bank	**78,853**	31,689
Minority interests	**5**	5
Total equity	**78,858**	31,694
Total equity and liabilities	**868,431**	706,723

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2007

(Expressed in millions of Renminbi unless otherwise stated)

	Share capital / owners' equity	Capital reserve	Surplus reserve	Investment revaluation reserve	Properties revaluation reserve	Retained earnings	Minority interests	Total equity
As at 1 January 2007	31,113	(391)	—	(14)	102	879	5	31,694
Share issued	7,920	36,916	—	—	—	—	—	44,836
Net profit	—	—	—	—	—	3,223	—	3,223
Net change in fair value of available-for-sale investments	—	—	—	(164)	—	—	—	(164)
Realised on disposal of available-for-sale investments	—	—	—	(5)	—	—	—	(5)
Profit appropriation	—	—	—	—	—	(726)	—	(726)
As at 30 June 2007	39,033	36,525	—	(183)	102	3,376	5	78,858
As at 1 January 2006	26,661	—	—	181	2,772	(6,394)	5	23,225
Capital injection	5,000	—	—	—	—	—	—	5,000
Net profit	—	—	—	—	—	1,767	—	1,767
Net change in fair value of available-for-sale investments	—	—	—	(42)	—	—	—	(42)
Realised on disposal of available-for-sale investments	—	—	—	3	—	—	—	3
Transfer of revaluation gain realised through disposal	—	—	—	—	(11)	11	—	—
Transfer of welfare payable to capital reserve	—	102	—	—	—	—	—	102
Profit distribution	—	—	—	—	—	(600)	—	(600)
As at 30 June 2006	31,661	102	—	142	2,761	(5,216)	5	29,455
As at 1 January 2006	26,661	—	—	181	2,772	(6,394)	5	23,225
Capital injection	7,400	—	—	—	—	—	—	7,400
Net profit	—	—	—	—	—	3,858	—	3,858
Net change in fair value of available-for-sale investments	—	—	—	(14)	—	—	—	(14)
Revaluation gain of bank premises	—	—	—	—	123	—	—	123
Transfer of revaluation gain realised through disposal	—	—	—	—	(21)	21	—	—
Transfer of welfare payable to capital reserve	—	102	—	—	—	—	—	102
Profit appropriation	—	—	—	—	—	(3,000)	—	(3,000)
Shares issued upon incorporation and elimination of owner's capital, reserves and accumulated losses as at 31 December 2005	(2,948)	(493)	—	(181)	(2,772)	6,394	—	—
As at 31 December 2006	31,113	(391)	—	(14)	102	879	5	31,694

Unaudited consolidated cash flow statement for the six months ended 30 June 2007

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2007	2006
Operating activities		
Profit before taxation	**5,610**	3,129
Adjustments for:		
– Revaluation loss / (gain) on investments and derivatives	**140**	(49)
– Net loss / (gain) on disposal of fixed assets	**2**	(9)
– Unrealised foreign exchange loss / (gain)	**468**	(45)
– Impairment losses	**1,162**	944
– Depreciation and amortisation	**358**	348
– Interest expense on subordinated debts/bonds issued	**276**	151
	8,016	4,469
Changes in operating assets and liabilities:		
Decrease in balances with central bank	**1,469**	10,813
(Increase) / decrease in amounts due from banks and other financial institutions	**(11,523)**	4,111
Increase in loans and advances to customers	**(74,927)**	(72,839)
(Increase)/ decrease in other operating assets	**(686)**	360
Decrease in amounts due to central bank	**(102)**	(80)
Increase / (decrease) in amounts due to banks and other financial institutions	**63,363**	(730)
Increase in deposits from customers	**48,012**	40,422
Income tax paid	**(1,375)**	(1,093)
Increase in other operating liabilities	**1,167**	1,326
Net cash flows from operating activities	**33,414**	(13,241)
Investing activities		
Proceeds from disposal and redemption of investments	**122,468**	93,016
Proceeds from disposal of property and equipment, land use rights, and other assets	**2**	272
Payments on acquisition of investments	**(143,513)**	(97,874)
Payments on acquisition of property and equipment, and land use rights	**(230)**	(280)
Net cash used in investing activities	**(21,273)**	(4,866)

Financing activities		
Proceeds from share issuance, including interest income received and net of cost of issuing shares paid	**44,993**	—
Proceeds from capital injection	**—**	5,000
Interest paid on subordinated debts/bonds issued	**(503)**	(253)
Proceeds from debts issue	**—**	6,000
Profit paid to CITIC Group	**(726)**	(600)
Net cash from financing activities	**43,764**	10,147
Net increase / (decrease) in cash and cash equivalents	**55,905**	(7,960)
Cash and cash equivalents as at 1 January	**53,027**	70,130
Effect of exchange rate changes on cash and cash equivalents	**(175)**	(11)
Cash and cash equivalents as at 30 June	**108,757**	62,159
Cash flows from operating activities include:		
Interest received	**17,810**	11,650
Interest paid, excluding interest expense on subordinated debts/bonds issued	**(6,224)**	(5,158)

Basis of preparation

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The interim financial report, which was authorised for issuance by the Board of Directors on 22 August 2007, reflect the unaudited financial position of the Group as at 30 June 2007 and the unaudited results of operations and cash flows of the Group for the six months then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 December 2006.

By order of the Board of
China CITIC Bank Corporation Limited
KONG Dan
Chairman

Beijing, The PRC
22 August 2007

As at the date of this announcement, the executive directors of the Company are Dr. CHEN Xiaoxian and Mr. WU Beiying; the non-executive directors of the Company are Mr. KONG Dan, Mr. CHANG Zhenming, Mr. WANG Chuan, Mr. DOU Jianzhong, Mr. JU Weimin, Mr. ZHANG Jijing, Ms. CHAN Hui Dor Lam Doreen and Mr. José Ignacio GOIRIGOLZARRI; and the independent non-executive directors of the Company are Dr. BAI Chong-En, Dr. John Dexter LANGLOIS, Mr. WANG Xiangfei, Dr. XIE Rong and Dr. AI Hongde.