中国建设银行
China Construction Bank
中國建設銀行股份有限公司
China Construction Bank Corporation
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board") of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007, prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The audit committee and external auditors of the Bank have reviewed the interim results.

SUMMARY OF INTERIM RESULTS 2007

	Six months ended 30 June 2007	Six months ended 30 June 2006	**Change**
Current period	*(In millions of RMB)*		*+/(-)%*
Operating income	**99,786**	70,864	40.81
Profit before tax	**50,542**	32,814	54.03
Net profit	**34,255**	23,223	47.50
Net profit attributable to shareholders of the Bank	**34,221**	23,223	47.36
Per share	*(In RMB)*		*+/(-)%*
Net asset value per share	**1.45**	1.36	6.62
Earnings per share	**0.15**	0.10	50.00
Interim cash dividend per share approved before the balance sheet date	**0.067**	—	N/A
Special cash dividend per share approved after the balance sheet date	**0.072716**	—	N/A

SUMMARY OF INTERIM RESULTS 2007

	Six months ended 30 June 2007	Six months ended 30 June 2006	Change
Profitability indicators	(%)		+/(-)
Annualised return on average assets[1]	**1.18**	0.95	0.23
Annualised return on average equity[2]	**20.88**	15.67	5.21
Net interest spread	**3.01**	2.59	0.42
Net interest margin	**3.11**	2.70	0.41
Net fee and commission income to operating income	**12.69**	8.85	3.84
Cost-to-income ratio	**37.35**	41.65	(4.30)

	30 June 2007	31 December 2006	Change
As at period end	*(In millions of RMB)*		*+/(-)%*
Total equity attributable to shareholders of the Bank	**325,609**	330,109	(1.36)
Issued and paid-up capital	**224,689**	224,689	—
Total assets	**6,117,791**	5,448,511	12.28
Capital adequacy indicators	*(%)*		*+/(-)*
Core capital adequacy ratio[3]	**9.43**	9.92	(0.49)
Capital adequacy ratio[3]	**11.34**	12.11	(0.77)
Total equity to total assets	**5.32**	6.06	(0.74)
Asset quality indicators	(%)		+/(-)
Non-performing loan ratio	**2.95**	3.29	(0.34)
Allowances to non-performing loans	**90.67**	82.24	8.43
Allowances to total loans	**2.68**	2.70	(0.02)

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

2 Calculated by dividing net profit attributable to shareholders of the Bank by the average of total equity attributable to shareholders of the Bank as at the beginning and end of the period and then multiplying two.

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

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007

(Expressed in millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2007	2006
Interest income	**130,897**	100,476
Interest expense	**(41,684)**	(35,191)
Net interest income	**89,213**	65,285
Fee and commission income	**13,271**	6,782
Fee and commission expense	**(611)**	(508)
Net fee and commission income	**12,660**	6,274
Net trading gain	**247**	129
Dividend income	**76**	192
Net income arising from investment securities	**549**	672
Other operating loss, net	**(2,959)**	(1,688)
Operating income	**99,786**	70,864
Operating expenses	**(37,275)**	(29,516)
	62,511	41,348
Provisions for impairment losses on		
— loans and advances to customers	**(11,648)**	(8,318)
— others	**(321)**	(216)
Impairment losses	**(11,969)**	(8,534)
Profit before tax	**50,542**	32,814
Income tax	**(16,287)**	(9,591)
Net profit	**34,255**	23,223
Attributable to:		
Shareholders of the Bank	**34,221**	23,223
Minority interests	**34**	—
Net profit	**34,255**	23,223

	Six months ended 30 June	
	2007	2006
Cash dividends attributable to shareholders of the Bank		
Final cash dividend attributable to the year ended 31 December 2005 and approved during the six months ended 30 June 2006	**—**	3,370
Final cash dividend attributable to the year ended 31 December 2006 and approved during the six months ended 30 June 2007	**20,671**	—
Interim cash dividend attributable to and approved during the six months ended 30 June 2007	**15,054**	—
Special cash dividend approved after the balance sheet date	**16,339**	—
	52,064	3,370
Basic and diluted earnings per share (in RMB)	**0.15**	0.10

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 30 June 2007
(Expressed in millions of RMB)

	As at 30 June 2007	As at 31 December 2006
Assets		
Cash and balances with central banks	**679,141**	539,673
Amounts due from banks and non-bank financial institutions	**94,746**	82,185
Loans and advances to customers	**3,080,870**	2,795,976
Trading debt securities	**11,018**	5,616
Investment securities	**2,123,023**	1,903,776
Interest in associate	**112**	103
Property and equipment	**51,449**	53,037
Goodwill	**1,689**	1,743
Deferred tax assets	**4,395**	2,701
Derivatives	**12,638**	14,514
Other assets	**58,710**	49,187
Total assets	**6,117,791**	5,448,511
Liabilities		
Amounts due to central banks	**1,306**	1,256
Amounts due to banks and non-bank financial institutions	**549,400**	243,968
Deposits from customers	**5,048,285**	4,721,256
Certificates of deposit issued	**10,017**	6,957
Current tax liabilities	**14,586**	17,897
Deferred tax liabilities	**36**	25
Other liabilities and provisions	**124,248**	84,316
Derivatives	**4,252**	2,715
Subordinated bonds issued	**39,923**	39,917
Total liabilities	**5,792,053**	5,118,307
Equity		
Share capital	**224,689**	224,689
Reserves	**100,920**	105,420
Total equity attributable to shareholders of the Bank	**325,609**	330,109
Minority interests	**129**	95
Total equity	**325,738**	330,204
Total equity and liabilities	**6,117,791**	5,448,511

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007

(Expressed in millions of RMB)

	Share capital	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Investment revaluation reserve	General reserve	Exchange reserve	Retained earnings	Minority interests	Total equity
As at 1 January 2007	**224,689**	**42,091**	**11,133**	**—**	**(1,226)**	**10,343**	**(13)**	**43,092**	**95**	**330,204**
Net profit for the six months	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**34,221**	**34**	**34,255**
Net change in fair value of available-for-sale investments	**—**	**—**	**—**	**—**	**(2,602)**	**—**	**—**	**—**	**—**	**(2,602)**
Net loss realised on disposal of available-for-sale investments	**—**	**—**	**—**	**—**	**85**	**—**	**—**	**—**	**—**	**85**
Effect of change in tax rate	**—**	**—**	**—**	**—**	**(145)**	**—**	**—**	**—**	**—**	**(145)**
Appropriations to statutory surplus reserve fund and general reserve	**—**	**—**	**3,355**	**—**	**—**	**21,022**	**—**	**(24,377)**	**—**	**—**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**—**	**(334)**	**—**	**—**	**(334)**
Profit distributions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(35,725)**	**—**	**(35,725)**
As at 30 June 2007	**224,689**	**42,091**	**14,488**	**—**	**(3,888)**	**31,365**	**(347)**	**17,211**	**129**	**325,738**
As at 1 January 2006	224,689	42,091	4,334	2,167	(823)	10,332	6	4,783	98	287,677
Net profit for the six months	—	—	—	—	—	—	—	23,223	—	23,223
Net change in fair value of available-for-sale investments	—	—	—	—	(2,389)	—	—	—	—	(2,389)
Net loss realised on disposal of available-for-sale investments	—	—	—	—	104	—	—	—	—	104
Transfers in/(out)	—	—	2,167	(2,167)	—	—	—	—	—	—
Appropriations to general reserve	—	—	—	—	—	9	—	(9)	—	—
Exchange differences	—	—	—	—	—	—	(8)	—	—	(8)
Profit distributions	—	—	—	—	—	—	—	(3,370)	—	(3,370)
As at 30 June 2006	224,689	42,091	6,501	—	(3,108)	10,341	(2)	24,627	98	305,237
As at 1 January 2006	224,689	42,091	4,334	2,167	(823)	10,332	6	4,783	98	287,677
Net profit for the year	—	—	—	—	—	—	—	46,322	(3)	46,319
Net change in fair value of available-for-sale investments	—	—	—	—	(632)	—	—	—	—	(632)
Net loss realised on disposal of available-for-sale investments	—	—	—	—	229	—	—	—	—	229
Transfers in/(out)	—	—	2,167	(2,167)	—	—	—	—	—	—
Appropriations to statutory surplus reserve fund and general reserve	—	—	4,632	—	—	11	—	(4,643)	—	—
Exchange differences	—	—	—	—	—	—	(19)	—	—	(19)
Profit distributions	—	—	—	—	—	—	—	(3,370)	—	(3,370)
As at 31 December 2006	224,689	42,091	11,133	—	(1,226)	10,343	(13)	43,092	95	330,204

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007

(Expressed in millions of RMB)

	Six months ended 30 June	
	2007	2006
Operating activities		
Profit before tax	**50,542**	32,814
Adjustments for:		
— dividend income	**(76)**	(192)
— revaluation gain on investments and derivatives	**(198)**	(11)
— net gain on disposal of investments, property and equipment, and other assets	**(641)**	(716)
— unrealised foreign exchange loss	**3,401**	2,358
— depreciation charges and amortisation	**3,854**	3,527
— provisions for impairment losses	**11,969**	8,534
— interest expense on subordinated bonds issued	**954**	930
	69,805	47,244
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with central banks	**(143,094)**	20,217
Increase in amounts due from banks and non-bank financial institutions	**(18,456)**	(1,321)
Increase in loans and advances to customers	**(300,994)**	(359,213)
Increase in other operating assets	**(3,386)**	(5,157)
Increase in amounts due to central banks	**50**	—
Increase in amounts due to banks and non-bank financial institutions	**307,291**	59,789
Increase in deposits from customers	**332,028**	485,520
Increase in certificates of deposit issued	**3,320**	628
Income tax paid	**(20,601)**	(7,667)
Increase in other operating liabilities	**3,259**	10,665
Net cash from operating activities	**229,222**	250,705

	Six months ended 30 June	
	2007	2006
Investing activities		
Proceeds from disposal and redemption of investments	**532,752**	308,988
Dividend received	**76**	198
Proceeds from disposal of property and equipment, and other assets	**166**	103
Payments on acquisition of investments	**(768,829)**	(665,617)
Payments on acquisition of property and equipment, and other assets	**(2,051)**	(1,821)
Net cash used in investing activities	**(237,886)**	(358,149)
Financing activities		
Interest paid on subordinated bonds issued	**(126)**	(108)
Net decrease in cash and cash equivalents	**(8,790)**	(107,552)
Cash and cash equivalents as at 1 January	**167,489**	280,757
Effect of exchange rate changes on cash held	**(531)**	(676)
Cash and cash equivalents as at 30 June	**158,168**	172,529
Cash flows from operating activities include:		
Interest received	**121,103**	96,356
Interest paid, excluding interest expense on subordinated bonds issued	**(37,953)**	(30,087)

Notes:

1. The interim results announcement is prepared on a basis consistent with the accounting policies adopted in the preparation of the financial statements of the Group for the year ended 31 December 2006.

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

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

4. **Net interest income**

	Six months ended 30 June	
	2007	2006
Interest income arising from:		
Balances with central banks	**4,923**	3,366
Amounts due from banks and non-bank financial institutions	**1,475**	2,776
Loans and advances to customers		
— corporate loans	**69,849**	55,338
— personal loans	**19,726**	13,455
— discounted bills	**2,700**	2,825
Investment debt securities	**32,091**	22,644
	130,764	100,404
Financial assets at fair value through profit and loss	**133**	72
Total interest income	**130,897**	100,476
Interest expense arising from:		
Amounts due to banks and non-bank financial institutions	**(4,167)**	(2,169)
Deposits from customers	**(36,375)**	(31,968)
Subordinated bonds issued	**(954)**	(930)
Others	**(188)**	(124)
Total interest expense	**(41,684)**	(35,191)
Net interest income	**89,213**	65,285

5. Net fee and commission income

	Six months ended 30 June	
	2007	2006
Fee and commission income:		
Agency fees for securities, foreign currency dealing and insurance services	**5,864**	1,623
Bank card fees	**2,299**	1,733
Remittance, settlement and account management fees	**1,579**	1,289
Consultancy and advisory fees	**1,366**	843
Commission on trust business	**1,219**	674
Guarantee fees	**417**	277
Payment and collection services fees	**182**	122
Others	**345**	221
Total fee and commission income	**13,271**	6,782
Fee and commission expenses:		
Bank card transaction fees	**(293)**	(223)
Inter-bank transaction fees	**(130)**	(81)
Others	**(188)**	(204)
Total fee and commission expenses	**(611)**	(508)
Net fee and commission income	**12,660**	6,274

6. Other operating loss, net

	Six months ended 30 June	
	2007	2006
Net foreign exchange loss	**(3,568)**	(2,421)
Net gain on disposal of property and equipment	**29**	21
Net gain on disposal of repossessed assets	**89**	135
Others	**491**	577
	(2,959)	(1,688)

7. Operating expenses

	Six months ended 30 June	
	2007	2006
Staff costs		
— salaries, bonuses and staff welfare expenses	**13,407**	10,850
— contributions to defined contribution retirement schemes	**1,466**	1,192
— housing allowance	**897**	801
— supplementary retirement benefits	**385**	97
— staff termination costs	**12**	24
— others	**2,506**	1,789
	18,673	14,753
Premises and equipment expenses		
— depreciation charges	**3,356**	3,043
— rent and property management expenses	**1,521**	1,210
— utilities	**516**	442
— maintenance	**338**	282
— others	**326**	294
	6,057	5,271
Other general and administrative expenses	**6,382**	4,836
Business tax and surcharges	**5,665**	4,172
Amortisation expense	**498**	484
	37,275	29,516

8. Income tax

(a) Recognised in the consolidated income statement

	Six months ended 30 June	
	2007	2006
Current tax		
— Mainland China	**17,209**	9,550
— Hong Kong	**101**	36
— overseas	**2**	7
	17,312	9,593
Deferred tax		
— effect of change in tax rate on deferred tax	**265**	—
— deferred tax recognised in current period	**(1,268)**	(2)
	(1,003)	(2)
Overprovision in prior year	**(22)**	—
Total income tax	**16,287**	9,591

(b) Reconciliation of profit before tax to income tax

	Six months ended 30 June	
	2007	2006
Profit before tax	**50,542**	32,814
Expected PRC income tax charged at statutory tax rate of 33%	**16,679**	10,829
Non-deductible expenses		
— staff costs	**111**	68
— impairment losses	**709**	18
— effect of change in tax rate on deferred tax	**265**	—
— others	**35**	51
	1,120	137
Non-taxable income		
— interest income from PRC government bonds	**(1,434)**	(1,317)
— others	**(56)**	(58)
	(1,490)	(1,375)
	16,309	9,591
Overprovision in prior year	**(22)**	—
Total income tax	**16,287**	9,591

9. Earnings per share

Basic earnings per share for the six months ended 30 June 2007 and 2006 have been computed by dividing the net profit attributable to shareholders of the Bank by 224,689 million shares, being the shares that were in issue during the six months.

There was no difference between basic and diluted earnings per share as there were no potential dilutive shares outstanding during the six months ended 30 June 2007 and 2006.

10. Loans and advances to customers

(a) Analysed by nature

	As at 30 June 2007	As at 31 December 2006
Corporate loans	**2,323,807**	2,112,751
Personal loans	**695,368**	599,340
Discounted bills	**145,590**	160,738
Finance leases	**802**	780
Gross loans and advances to customers	**3,165,567**	2,873,609
Less: Allowances for impairment losses	**(84,697)**	(77,633)
Net loans and advances to customers	**3,080,870**	2,795,976

(b) Movements of allowances for impairment losses

	Six months ended 30 June 2007			
		Allowances for impaired loans and advances		
	Allowances for loans and advances which are collectively assessed	**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	**22,133**	**13,930**	**41,570**	**77,633**
Write-offs	**—**	**(74)**	**(3,258)**	**(3,332)**
Transfers out	**—**	**(1)**	**(314)**	**(315)**
Recoveries	**—**	**—**	**47**	**47**
Charge for the period				
— reclassification	**—**	**(6,750)**	**6,750**	**—**
— new impairment allowances charged to income statement	**4,026**	**472**	**8,931**	**13,429**
— impairment allowances released to income statement	**—**	**—**	**(1,781)**	**(1,781)**
Unwinding of discount	**—**	**—**	**(984)**	**(984)**
As at 30 June	**26,159**	**7,577**	**50,961**	**84,697**

	Year ended 31 December 2006			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January	19,429	13,234	30,422	63,085
Write-offs	—	(174)	(3,155)	(3,329)
Transfers out	—	(27)	(479)	(506)
Acquisition of subsidiary	122	—	31	153
Recoveries	—	—	129	129
Charge for the year				
— new impairment allowances charged to income statement	2,582	897	19,917	23,396
— impairment allowances released to income statement	—	—	(4,399)	(4,399)
Unwinding of discount	—	—	(896)	(896)
As at 31 December	22,133	13,930	41,570	77,633

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

	As at 30 June 2007				
	Loans and advances for which allowances are collectively assessed	**Impaired loans and advances for which allowances are collectively assessed**	**Impaired loans and advances for which allowances are individually assessed**	**Total**	**Gross impaired loans and advances as a % of gross total loans and advances**
Gross loans and advances to					
— financial institutions	**3,117**	**—**	**—**	**3,117**	**—**
— non-financial institutions	**3,069,040**	**10,780**	**82,630**	**3,162,450**	**2.95%**
	3,072,157	**10,780**	**82,630**	**3,165,567**	**2.95%**
Less: Allowances for impairment losses on loans and advances to					
— financial institutions	**(16)**	**—**	**—**	**(16)**	
— non-financial institutions	**(26,143)**	**(7,577)**	**(50,961)**	**(84,681)**	
	(26,159)	**(7,577)**	**(50,961)**	**(84,697)**	
Net loans and advances to					
— financial institutions	**3,101**	**—**	**—**	**3,101**	
— non-financial institutions	**3,042,897**	**3,203**	**31,669**	**3,077,769**	
	3,045,998	**3,203**	**31,669**	**3,080,870**	

	As at 31 December 2006				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances to					
— financial institutions	259	—	—	259	—
— non-financial institutions	2,778,951	35,976	58,423	2,873,350	3.29%
	2,779,210	35,976	58,423	2,873,609	3.29%
Less: Allowances for impairment losses on loans and advances to					
— financial institutions	(2)	—	—	(2)	
— non-financial institutions	(22,131)	(13,930)	(41,570)	(77,631)	
	(22,133)	(13,930)	(41,570)	(77,633)	
Net loans and advances to					
— financial institutions	257	—	—	257	
— non-financial institutions	2,756,820	22,046	16,853	2,795,719	
	2,757,077	22,046	16,853	2,795,976	

(d) Analysed by economic sector

Loans and advances to customers and the balance secured by collaterals analysed by economic sector concentrations at the balance sheet date are presented in the table below:

	As at 30 June 2007			As at 31 December 2006		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Operations in Mainland China						
Corporate loans including finance leases						
— manufacturing	**564,902**	**18.34**	**217,801**	510,427	18.21	198,746
— transportation, storage and postal services	**350,015**	**11.36**	**166,436**	326,715	11.66	155,076
— production and supply of electric power, gas and water	**349,036**	**11.33**	**84,541**	318,493	11.36	75,068
— real estate	**326,234**	**10.59**	**269,729**	302,290	10.79	243,707
— construction	**106,792**	**3.47**	**36,620**	96,580	3.45	32,965
— water, environment and public utility management	**106,510**	**3.46**	**45,675**	92,173	3.29	38,369
— education	**86,734**	**2.82**	**23,962**	77,458	2.76	19,547
— wholesale and retail trade	**81,987**	**2.66**	**38,525**	73,526	2.62	35,445
— leasing and commercial services	**70,006**	**2.27**	**26,151**	63,659	2.27	23,211
— mining	**65,384**	**2.12**	**9,829**	55,909	2.00	8,454
— telecommunications, computer services and software	**34,370**	**1.12**	**2,685**	38,962	1.39	2,515
— others	**112,113**	**3.64**	**58,676**	101,769	3.63	52,121
Corporate loans	**2,254,083**	**73.18**	**980,630**	2,057,961	73.43	885,224
Personal loans	**680,571**	**22.10**	**641,864**	585,085	20.88	542,619
Discounted bills	**145,403**	**4.72**	**1,218**	159,368	5.69	1,426
Total loans and advances to customers	**3,080,057**	**100.00**	**1,623,712**	2,802,414	100.00	1,429,269

	As at 30 June 2007			As at 31 December 2006		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Operations outside Mainland China						
Corporate loans including finance leases						
— real estate	**18,003**	**21.05**	**14,234**	15,292	21.48	11,942
— telecommunications, computer services and software	**12,278**	**14.36**	**596**	4,393	6.17	1,682
— manufacturing	**10,523**	**12.31**	**3,020**	9,903	13.91	1,877
— transportation, storage and postal services	**9,429**	**11.03**	**7,334**	8,448	11.87	6,120
— production and supply of electric power, gas and water	**5,502**	**6.43**	**4,695**	3,081	4.33	2,438
— leasing and commercial services	**3,734**	**4.37**	**2,853**	3,686	5.18	3,348
— wholesale and retail trade	**3,440**	**4.02**	**2,373**	5,005	7.03	2,026
— others	**7,617**	**8.91**	**4,374**	5,762	8.09	3,443
Corporate loans	**70,526**	**82.48**	**39,479**	55,570	78.06	32,876
Personal loans	**14,797**	**17.30**	**14,398**	14,255	20.02	13,832
Discounted bills	**187**	**0.22**	**76**	1,370	1.92	1,262
Total loans and advances to customers	**85,510**	**100.00**	**53,953**	71,195	100.00	47,970
Total gross loans and advances to customers	**3,165,567**			2,873,609		

(e) ***Analysed by geographical segment***

Loans and advances to customers and the balance secured by collaterals analysed by geographical sector concentrations at the balance sheet date are presented in the table below:

	As at 30 June 2007			As at 31 December 2006		
	Gross loan balance	**%**	**Balance secured by collaterals**	Gross loan balance	%	Balance secured by collaterals
Yangtze River Delta	**791,854**	**25.01**	**443,160**	714,373	24.86	386,639
Pearl River Delta	**456,400**	**14.42**	**278,116**	399,229	13.89	240,548
Bohai Rim	**588,256**	**18.58**	**256,034**	549,755	19.13	218,515
Central	**507,517**	**16.03**	**258,695**	463,670	16.14	227,095
Western	**517,820**	**16.36**	**295,597**	469,428	16.34	268,608
Northeastern	**190,770**	**6.03**	**91,283**	177,771	6.19	86,622
Head office	**27,440**	**0.87**	**827**	28,188	0.98	1,242
Outside Mainland China	**85,510**	**2.70**	**53,953**	71,195	2.47	47,970
Gross loans and advances to customers	**3,165,567**	**100.00**	**1,677,665**	2,873,609	100.00	1,477,239

11. Investments

	As at 30 June 2007	As at 31 December 2006
Receivables	**520,103**	546,357
Held-to-maturity debt securities	**1,131,235**	1,038,713
Available-for-sale		
— debt securities	**462,467**	309,089
— equity investments	**9,218**	9,617
	471,685	318,706
Investment securities	**2,123,023**	1,903,776
Trading debt securities	**11,018**	5,616
Total	**2,134,041**	1,909,392

12. Deposits from customers

	As at 30 June 2007	As at 31 December 2006
Demand deposits		
— corporate customers	**1,945,249**	1,781,875
— personal customers	**925,048**	834,809
	2,870,297	2,616,684
Time deposits		
— corporate customers	**778,376**	715,743
— personal customers	**1,399,612**	1,388,829
	2,177,988	2,104,572
Total	**5,048,285**	4,721,256

13. Profit distributions

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

	Six months ended 30 June 2007	Year ended 31 December 2006	Six months ended 30 June 2006
Appropriations to			
— statutory surplus reserve fund	**3,355**	4,632	—
— general reserve	**21,022**	11	9
	24,377	4,643	9

(b) Dividends payable to equity shareholders of the Bank attributable to the period/year

	Six months ended 30 June 2007	Year ended 31 December 2006	Six months ended 30 June 2006
Interim cash dividend approved before the balance sheet date of RMB0.067 per ordinary share	**15,054**	—	—
Special cash dividend approved after the balance sheet date of RMB0.072716 per ordinary share	**16,339**	—	—
Final cash dividend approved after the balance sheet date of RMB0.092 per ordinary share	**—**	20,671	—
	31,393	20,671	—

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

	Six months ended 30 June 2007	Year ended 31 December 2006	Six months ended 30 June 2006
Final cash dividend RMB0.092 per ordinary share (2006: RMB0.015 per ordinary share)	**20,671**	3,370	3,370

14. Commitments and contingent liabilities

(a) Credit commitments

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

	As at 30 June 2007	As at 31 December 2006
Contractual amounts		
Loan commitments		
— with an original maturity of under one year	**35,254**	28,370
— with an original maturity of one year or over	**227,885**	209,167
	263,139	237,537
Guarantees and letters of credit	**319,817**	250,944
Acceptances	**145,822**	112,678
Credit card commitments	**71,603**	53,810
Others	**44,508**	6,306
	844,889	661,275

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

	As at 30 June 2007	As at 31 December 2006
Credit risk weighted amounts of contingent liabilities and commitments	**401,793**	303,508

The credit risk weighted amounts refer to the amounts as computed in accordance with the rules set out by the CBRC and depend on the status of the counterparties and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

The credit risk weighted amounts stated above have been taken into account the effects of bilateral netting arrangements.

(b) ***Capital commitments***

The Group had the following authorised capital commitments in respect of purchase of property and equipment at the balance sheet date:

	As at 30 June 2007	As at 31 December 2006
Purchase of property and equipment		
— contracted for	**1,473**	1,978
— not contracted for	**11,778**	982
Total	**13,251**	2,960

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

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

	As at 30 June 2007	As at 31 December 2006
Within one year	**1,666**	1,710
After one year but within five years	**3,785**	3,511
After five years	**1,571**	1,463
Total	**7,022**	6,684

(d) ***Outstanding litigations and disputes***

As at 30 June 2007, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB2,752 million (as at 31 December 2006: RMB2,566 million). Provisions of RMB1,336 million (as at 31 December 2006: RMB1,637 million) have been made for the estimated losses of such litigations based upon the opinions of the Group's internal and external legal counsel. The Group considers that the provisions made are reasonable and adequate.

(e) ***Underwriting obligations***

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

	As at 30 June 2007	As at 31 December 2006
Underwriting obligations	**350**	1,540

(f) ***Redemption obligations***

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

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

	As at 30 June 2007	As at 31 December 2006
Redemption obligations	**86,873**	92,243

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

The Group has assessed and made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with its accounting policies. Except for the provisions made against outstanding litigation and disputes, the Group has not made other material provisions in respect of the above commitments and contingent liabilities at the balance sheet date.

15. Segment reporting

(a) ***Business segments***

The Group comprises the following main business segments:

Corporate banking

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

Personal banking

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

Treasury business

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

Others and unallocated

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

	Six months ended 30 June 2007					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expense)	58,225	(2,729)	32,669	1,048	—	89,213
Internal net interest (expense)/income	(7,471)	27,019	(18,239)	(1,309)	—	—
Net interest income/(expense)	50,754	24,290	14,430	(261)	—	89,213
Net fee and commission income	3,121	7,905	1,264	370	—	12,660
Net trading gain	—	—	247	—	—	247
Dividend income	—	—	—	76	—	76
Net gain arising from investment securities	—	—	134	415	—	549
Other operating income/(loss)	98	1	(3,608)	550	—	(2,959)
Operating income	53,973	32,196	12,467	1,150	—	99,786
Operating expenses						
— depreciation and amortisation	(1,435)	(2,113)	(260)	(46)	—	(3,854)
— others	(14,511)	(15,780)	(1,901)	(1,229)	—	(33,421)
	(15,946)	(17,893)	(2,161)	(1,275)	—	(37,275)
	38,027	14,303	10,306	(125)	—	62,511
Provisions for impairment losses	(10,043)	(1,605)	(139)	(182)	—	(11,969)
Profit/(loss) before tax	27,984	12,698	10,167	(307)	—	50,542
Capital expenditure	730	1,075	132	26	—	1,963
	As at 30 June 2007					
Segment assets	2,727,699	701,348	2,553,995	165,719	(30,970)	6,117,791
Segment liabilities	2,831,542	2,633,095	87,342	271,044	(30,970)	5,792,053

	Six months ended 30 June 2006					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expense)	48,032	(6,842)	24,359	(264)	—	65,285
Internal net interest (expense)/income	(10,003)	24,225	(13,581)	(641)	—	—
Net interest income/(expense)	38,029	17,383	10,778	(905)	—	65,285
Net fee and commission income	2,538	3,138	517	81	—	6,274
Net trading gain	—	—	71	58	—	129
Dividend income	—	—	—	192	—	192
Net gain arising from investment securities	—	—	49	623	—	672
Other operating income/(loss)	62	—	(2,449)	699	—	(1,688)
Operating income	40,629	20,521	8,966	748	—	70,864
Operating expenses						
— depreciation and amortisation	(1,590)	(1,739)	(189)	(9)	—	(3,527)
— others	(12,258)	(10,873)	(1,105)	(1,753)	—	(25,989)
	(13,848)	(12,612)	(1,294)	(1,762)	—	(29,516)
	26,781	7,909	7,672	(1,014)	—	41,348
Provisions for impairment losses	(6,636)	(1,662)	—	(236)	—	(8,534)
Profit/(loss) before tax	20,145	6,247	7,672	(1,250)	—	32,814
Capital expenditure	457	722	71	20	—	1,270
	As at 30 June 2006					
Segment assets	2,507,040	524,388	2,039,287	124,902	(29,375)	5,166,242
Segment liabilities	2,328,124	2,360,347	66,229	135,680	(29,375)	4,861,005

(b) Geographical segments

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

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

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

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

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

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

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

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

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

	Six months ended 30 June 2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
External net interest income	15,783	7,208	9,403	8,901	9,816	2,663	34,080	1,359	—	89,213
Internal net interest income/(expense)	3,340	4,438	4,882	4,232	3,221	2,469	(22,065)	(517)	—	—
Net interest income	19,123	11,646	14,285	13,133	13,037	5,132	12,015	842	—	89,213
Net fee and commission income	2,324	2,171	2,220	2,219	1,986	971	564	205	—	12,660
Net trading gain/(loss)	19	31	82	11	4	18	(38)	120	—	247
Dividend income	1	—	21	17	21	3	10	3	—	76
Net gain arising from investment securities	—	—	146	—	—	—	375	28	—	549
Other operating income/(loss)	81	87	102	124	146	33	(3,787)	255	—	(2,959)
Operating income	21,548	13,935	16,856	15,504	15,194	6,157	9,139	1,453	—	99,786
Operating expenses										
— depreciation and amortisation	(733)	(511)	(577)	(692)	(577)	(274)	(479)	(11)	—	(3,854)
— others	(6,562)	(4,743)	(5,353)	(6,028)	(5,699)	(2,524)	(2,038)	(474)	—	(33,421)
	(7,295)	(5,254)	(5,930)	(6,720)	(6,276)	(2,798)	(2,517)	(485)	—	(37,275)
	14,253	8,681	10,926	8,784	8,918	3,359	6,622	968	—	62,511
Provisions for impairment losses	(1,980)	(1,937)	(2,649)	(2,055)	(1,762)	(1,156)	(405)	(25)	—	(11,969)
Profit before tax	12,273	6,744	8,277	6,729	7,156	2,203	6,217	943	—	50,542
Capital expenditure	287	154	395	228	316	134	368	81	—	1,963
	As at 30 June 2007									
Segment assets	1,235,305	942,380	1,098,708	924,715	867,349	404,550	2,769,963	100,001	(2,225,180)	6,117,791
Segment liabilities	1,227,442	937,691	1,092,854	920,671	862,912	402,894	2,473,752	99,017	(2,225,180)	5,792,053
Off-balance sheet credit commitments	230,670	115,536	170,132	119,329	131,928	35,720	13,849	27,725	—	844,889

	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Overseas	Elimination	Total
	Six months ended 30 June 2006									
External net interest income	10,965	4,825	6,993	6,616	6,739	1,899	26,544	704	—	65,285
Internal net interest income/(expense)	2,941	3,341	4,519	3,121	2,985	1,787	(18,207)	(487)	—	—
Net interest income	13,906	8,166	11,512	9,737	9,724	3,686	8,337	217	—	65,285
Net fee and commission income	1,318	1,081	1,159	1,089	854	403	306	64	—	6,274
Net trading gain	—	—	—	—	—	—	71	58	—	129
Dividend income	1	4	3	163	8	1	—	12	—	192
Net gain arising from investment securities	45	4	138	89	159	67	122	48	—	672
Other operating income/(loss)	146	81	81	156	231	21	(2,432)	28	—	(1,688)
Operating income	15,416	9,336	12,893	11,234	10,976	4,178	6,404	427	—	70,864
Operating expenses										
— depreciation and amortisation	(670)	(467)	(518)	(619)	(529)	(262)	(454)	(8)	—	(3,527)
— others	(5,291)	(3,545)	(4,780)	(4,693)	(4,547)	(2,048)	(960)	(125)	—	(25,989)
	(5,961)	(4,012)	(5,298)	(5,312)	(5,076)	(2,310)	(1,414)	(133)	—	(29,516)
	9,455	5,324	7,595	5,922	5,900	1,868	4,990	294	—	41,348
Provisions for impairment losses	(248)	(930)	(3,152)	(1,509)	(1,666)	(870)	(133)	(26)	—	(8,534)
Profit before tax	9,207	4,394	4,443	4,413	4,234	998	4,857	268	—	32,814
Capital expenditure	136	93	65	233	229	254	252	8	—	1,270
	As at 30 June 2006									
Segment assets	1,009,774	742,423	953,243	795,470	758,929	360,065	2,142,940	83,012	(1,679,614)	5,166,242
Segment liabilities	1,003,799	739,138	949,360	791,607	755,265	358,743	1,860,581	82,126	(1,679,614)	4,861,005
Off-balance sheet credit commitments	195,698	89,758	132,207	111,740	93,137	35,668	16,740	15,579	—	690,527

16. Capital adequacy ratio

The Group's regulatory capital positions calculated in accordance with the guidelines issued by the CBRC as at 30 June 2007 and 31 December 2006 were as follows:

	As at 30 June 2007	As at 31 December 2006
Core capital adequacy ratio *(note (i))*	**9.43%**	9.92%
Capital adequacy ratio *(note (ii))*	**11.34%**	12.11%
Components of capital base		
Core capital:		
— share capital	**224,689**	224,689
— capital reserve	**42,464**	40,852
— surplus reserve and general reserve	**45,853**	21,476
— retained earnings *(note (iii))*	**17,211**	22,421
— minority interests	**129**	95
	330,346	309,533
Supplementary capital:		
— general provision for doubtful debts	**31,848**	28,736
— revaluation reserve *(note (iv))*	**(4,608)**	—
— term subordinated bonds	**40,000**	40,000
	67,240	68,736
Total capital base before deductions	**397,586**	378,269
Deductions:		
— goodwill	**(1,689)**	(1,743)
— unconsolidated equity investments	**(1,947)**	(2,131)
Total capital base after deductions	**393,950**	374,395
Risk weighted assets *(note (v))*	**3,475,432**	3,091,089

Notes:

(i) Core capital adequacy ratio is calculated by dividing the net amount of core capital after deductions of 100% of goodwill and 50% of unconsolidated equity investments by risk weighted assets. The core capital as at 30 June 2007 was before the deduction of the special cash dividend of RMB16,339 million to all shareholders prior to the A-share issuance. The core capital adequacy ratio would have been 8.96% should the above proposed cash dividend be deducted from core capital.

(ii) The capital adequacy ratio is calculated by dividing the total capital base after deductions by risk weighted assets. The capital as at 30 June 2007 was before the deduction of the special cash dividend of RMB16,339 million to all shareholders prior to the A-share issuance. The capital adequacy ratio would have been 10.87% should the above proposed cash dividend be deducted from capital.

(iii) Retained earnings have been deducted by the dividend declared after the balance sheet date, except for the special cash dividend.

(iv) As at 30 June 2007, the reserves arising from changes in fair value of available-for-sale debt securities are included in supplementary capital while which were included in the core capital for the calculation of capital adequacy ratio as at 31 December 2006.

(v) The balances of risk weighted assets include 12.5 times of the market risk capital.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

1. Liquidity ratios

	As at 30 June 2007	**Average for six months ended 30 June 2007**	As at 30 June 2006	Average for six months ended 30 June 2006
RMB current assets to RMB current liabilities	**40.54%**	**39.80%**	43.34%	45.42%
Foreign currency current assets to foreign currency current liabilities	**215.15%**	**207.76%**	211.08%	177.63%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC. Prior to 1 July 2006, the Bank disclosed its liquidity ratios calculated in accordance with the formula promulgated by the PBC. Comparative figures have been restated to conform with current period's presentation.

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

2. Currency concentrations

	As at 30 June 2007			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**425,409**	**62,813**	**40,983**	**529,205**
Spot liabilities	**(187,496)**	**(68,175)**	**(26,469)**	**(282,140)**
Forward purchases	**168,232**	**22,949**	**13,299**	**204,480**
Forward sales	**(304,019)**	**(4,447)**	**(29,153)**	**(337,619)**
Net option position	**(85,655)**	**—**	**—**	**(85,655)**
Net long/(short) position	**16,471**	**13,140**	**(1,340)**	**28,271**
Net structural position	**1**	**439**	**31**	**471**

	As at 31 December 2006			
	US Dollars	HK Dollars	Others	Total
Spot assets	427,605	58,808	37,250	523,663
Spot liabilities	(173,449)	(53,402)	(24,991)	(251,842)
Forward purchases	153,315	11,839	14,607	179,761
Forward sales	(206,302)	(3,481)	(22,733)	(232,516)
Net option position	(175,615)	—	—	(175,615)
Net long position	25,554	13,764	4,133	43,451
Net structural position	—	301	11	312

3. Rescheduled loans and advances to customers

	As at 30 June 2007		As at 31 December 2006	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances to customers	**3,548**	**0.11%**	3,384	0.12%
Less:				
— rescheduled loans and advances to customers but overdue more than 90 days	**(2,425)**	**(0.08%)**	(1,929)	(0.07%)
Rescheduled loans and advances to customers overdue not more than 90 days	**1,123**	**0.03%**	1,455	0.05%

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2007, amid the strengthening macroeconomic adjustment and control measures in domestic market, the Group capitalised on the opportunities brought about by China's robust economy and the booming capital market, and achieved steady growth in both assets and liabilities and notable improvement in profitability by actively expanding its businesses while strengthening its internal management and risk controls.

— The operating income was RMB99,786 million, an increase of 40.81% compared to the same period last year. Net interest income grew by 36.65% as a result of business growth and a larger net interest spread; net fee and commission income rose by 101.79%, largely attributable to the substantial growth of fees from securities agency services.

— Net profit reached RMB34,255 million, representing an increase of 47.50% compared with the same period in 2006.

— Annualised return on average assets was 1.18% and annualised return on average equity was 20.88%, an increase of 0.23 and 5.21 percentage points respectively over the same period last year.

— Earnings per share rose by RMB0.05 to RMB0.15 over the same period last year.

— As at 30 June 2007, the Group's total assets amounted to RMB6,117,791 million and total liabilities amounted to RMB5,792,053 million, representing an increase of 12.28% and 13.16% respectively over the end of last year.

— Gross loans and advances to customers amounted to RMB3,165,567 million, an increase of 10.16% over the end of last year. The rise of loans and advances was largely driven by the strong growth of infrastructure loans, personal loans and loans to small businesses, which altogether accounted for RMB210,143 million, or 71.98% of the increase of gross loans and advances.

— Non-performing loan ("NPL") ratio was 2.95%, a decrease of 0.34 percentage points over the end of last year, mainly due to the improvement of credit risk monitoring, stringent lending criteria and effective write-offs and disposals of non-performing loans.

— Capital adequacy ratio was 11.34%, with the core capital adequacy ratio at 9.43%, 0.77 and 0.49 percentage points lower than the end of last year respectively. This was largely due to the expansion of on-balance sheet assets and off-balance sheet businesses, which led to an increase in risk-weighted assets.

INCOME STATEMENT ANALYSIS

In the first half of 2007, the Group recorded profit before tax of RMB50,542 million, an increase of RMB17,728 million, or 54.03% over the same period last year. The increase was mainly attributable to rises in net interest income and net fee and commission income, which together brought about a 40.81% increase in operating income, outweighing the 26.29% increase in operating expenses and the 40.25% increase in provisions for impairment losses compared with the same period last year. A net profit of RMB34,255 million was recorded, representing an increase of RMB11,032 million or 47.50% over the same period last year. As the new enterprise income tax rate will become effective in 2008, the Group adjusted the brought forward deferred tax items and recognised newly derived deferred tax items based on the reduced income tax rate of 25%. As a result, the income tax expense for the current period increased by RMB974 million, causing the increase in net profit to be lower than that in profit before tax.

Apart from the efforts of the Group to actively expand various businesses, the significant increase in profit before tax in the first half of 2007 was also attributable to external factors such as the adjustment of benchmark interest rates for loans and deposits by the PBC, customers' willingness to withdraw their time deposits at an earlier date, and to make more demand deposits amid the soaring domestic capital market, and the significant increase in the sales of mutual funds. In the second half of the year, with a more volatile capital market, the increase in interest rates for deposits, alongside the decrease in individual income tax rate on the interest generated from deposits, more savings deposits may be placed with banks, and the fund agency business may develop at a slower pace, resulting in a stable growth of the Group's operating income and profit before tax for the second half of the year.

Net interest income

In the first half of 2007, the Group's net interest income was RMB89,213 million, an increase of RMB23,928 million or 36.65% over the same period last year.

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

	Six months ended 30 June 2007			Six months ended 30 June 2006		
	Average Balance	**Interest income/ expense**	**Average annualised yield/cost (%)**	Average Balance	Interest income/ expense	Average annualised yield/cost (%)
	(In millions of RMB, except percentages)					
Assets						
Gross loans and advances to customers	**3,034,621**	**92,275**	**6.08**	2,680,177	71,618	5.34
Investments in debt securities	**2,038,082**	**32,224**	**3.16**	1,597,707	22,716	2.84
Balances with central banks	**576,699**	**4,923**	**1.71**	403,968	3,366	1.67
Amounts due from banks and non-bank financial institutions	**93,803**	**1,475**	**3.14**	154,559	2,776	3.59
Total interest-earning assets	**5,743,205**	**130,897**	**4.56**	4,836,411	100,476	4.15
Total allowances for impairment losses	**(82,029)**			(68,191)		
Non-interest-earning assets	**163,617**			146,453		
Total assets	**5,824,793**	**130,897**		4,914,673	100,476	
Liabilities						
Deposits from customers	**4,893,269**	**36,375**	**1.49**	4,278,608	31,968	1.49
Amounts due to banks and non-bank financial institutions	**424,559**	**4,167**	**1.96**	183,237	2,169	2.37
Subordinated bonds issued	**39,936**	**954**	**4.78**	39,909	930	4.66
Other interest-bearing liabilities	**9,961**	**188**	**3.77**	5,967	124	4.16
Total interest-bearing liabilities	**5,367,725**	**41,684**	**1.55**	4,507,721	35,191	1.56
Non-interest-bearing liabilities	**124,038**			89,014		
Total liabilities	**5,491,763**	**41,684**		4,596,735	35,191	
Net interest income		**89,213**			65,285	
Net interest spread			**3.01**			2.59
Net interest margin			**3.11**			2.70

Higher yields on gross loans and advances to customers, investments in debt securities and balances with central banks over the same period last year were partly offset by the decrease in the yield on the amounts due from banks and non-bank financial institutions and the reduced proportion of average balance of loans and advances to customers in total interest-earning assets, resulting in a rise of 41 basis points in the overall yield on interest-earning assets over the same period last year to 4.56%.

Compared with the same period last year, the cost of deposits from customers remained stable, and the cost of subordinated bonds issued rose. These factors were offset by the reduction in the cost of the amounts due to banks and non-bank financial institutions and the greater proportion of its average balance in interest-bearing liabilities, leading to a reduction of one basis point in the overall cost of interest-bearing liabilities compared with the same period last year.

Average yield for interest-earning assets rose while the average cost for interest-bearing liabilities fell, and as a result, net interest spread rose by 42 basis points to 3.01% compared with the same period last year. The net interest income for the period increased by 36.65%, higher than the 18.75% growth of total interest-earning assets, thus causing the net interest margin to move up by 41 basis points to 3.11%.

The following table shows the effect of the movement of the average balances and the average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2007 versus the first half of 2006.

	Change in interest income/expense due to volume movement[1]	**Change in interest income/ expense due to interest rates movement**	**Change in interest income/ expense**
		(In millions of RMB)	
Assets			
Gross loans and advances to customers	10,740	9,917	20,657
Investments in debt securities	6,951	2,557	9,508
Balances with central banks	1,476	81	1,557
Amounts due from banks and non-bank financial institutions	(953)	(348)	(1,301)
Change in interest income	18,214	12,207	30,421
Liabilities			
Deposits from customers	4,407	—	4,407
Amounts due to banks and non-bank financial institutions	2,374	(376)	1,998
Subordinated bonds issued	—	24	24
Other interest-bearing liabilities	76	(12)	64
Change in interest expense	6,857	(364)	6,493
Change in net interest income	11,357	12,571	23,928

1. Changes caused by both average balances and average interest rates have been allocated to change in interest income or expense due to volume movement.

The net interest income increased by RMB23,928 million, in which RMB11,357 million was due to the movement of the average balances of assets and liabilities, and RMB12,571 million was due to the movement of average yields or costs, i.e. the contributions to the increase of net interest income from volume movement and from interest rates movement were 47.46% and 52.54% respectively.

Interest income

The Group's interest income in the first half of 2007 was RMB130,897 million, an increase of RMB30,421 million or 30.28% over the same period last year. This was largely attributable to the increase in the balances of and average yields on loans and advances to customers as well as investment in debt securities.

Interest income from loans and advances to customers

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

	Six months ended 30 June 2007			Six months ended 30 June 2006		
	Average balance	**Interest income**	**Average annualised yield (%)**	Average balance	Interest income	Average annualised yield (%)
	(In millions of RMB, except percentages)					
Corporate loans	**2,157,657**	**68,540**	**6.35**	1,894,568	54,362	5.74
Personal loans	**633,716**	**18,912**	**5.97**	480,597	13,453	5.60
Discounted bills	**165,374**	**2,657**	**3.21**	263,066	2,824	2.15
Operations outside Mainland China	**77,874**	**2,166**	**5.56**	41,946	979	4.67
Loans and advances to customers	**3,034,621**	**92,275**	**6.08**	2,680,177	71,618	5.34

Interest income from loans and advances to customers increased to RMB92,275 million by RMB20,657 million or 28.84% over the same period last year, mainly as a result of the rapid expansion of various lending businesses other than discounted bills, and an increase in the average yield on loans. The increase in the average yield on loans and advances to customers over the same period last year was largely due to the following factors: As the PBC raised the benchmark lending rates four times since 2006 and the Group continued to enhance its product-pricing abilities, the average yields on corporate loans, personal loans and discounted bills increased by 61, 37 and 106 basis points respectively over the same period last year; and there was an increase of 89 basis points in the average yield on operations outside Mainland China because of increase in the market interest rates of US dollars and other major currencies. Meanwhile, the decrease in the proportion of the average balance of discounted bills, which had a lower average yield, and the increase in the proportion of average balances of corporate loans and personal loans in that of total loans, also helped to push up the average yield on loans and advances to customers.

Interest income from investments in debt securities

Interest income from investments in debt securities was RMB32,224 million, representing an increase of RMB9,508 million or 41.86% over the same period last year. In this amount, the interest income from investment debt securities was RMB32,091 million, and that from financial assets at fair value through profit and loss was RMB133 million. The increase in interest income from investments in debt securities was mainly attributable to the increase of 27.56% in the average balance of investments in debt securities, as well as the rise in the yields on both RMB and foreign currency-denominated debt securities investments. The average yield on investments in debt securities reached 3.16%, an increase of 32 basis points compared with the same period last year.

Interest income from balances with central banks

Interest income from balances with central banks amounted to RMB4,923 million, a rise of 46.26% over the same period last year. The rise was mainly because the average balance of the statutory deposit reserve increased by 56.39% as compared with the same period last year, as the PBC lifted the reserve requirement ratio eight times consecutively since the second half of 2006. In addition, while maintaining adequate liquidity, the Group managed to keep the surplus deposit reserve, which had a lower yield, at a relatively low level. The average surplus deposit reserve ratio dropped by 11 basis points over the same period last year, which also contributed to the rise in the average yield on balances with central banks.

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

Interest income from amounts due from banks and non-bank financial institutions decreased to RMB1,475 million by RMB1,301 million, or 46.87% over the same period last year. This was mainly due to the Group's proactive efforts to adjust its asset structure and the decrease of approximately RMB90 billion in the average balance of money market placements denominated in foreign currencies (mainly in US dollars) over the same period last year.

Interest Expense

In the first half of 2007, interest expense amounted to RMB41,684 million, an increase of RMB6,493 million or 18.45% over the same period last year. This was primarily due to an increase in the average balance of deposits from customers.

Interest expense on deposits from customers

Interest expense on deposits from customers was RMB36,375 million, an increase of RMB4,407 million or 13.79% over the same period last year, mainly as a result of the increase in the average balance of deposits from customers. After the PBC raised the benchmark interest rates for deposits in the second half of 2006, the cost for deposits rose remarkably. Based on this trend, the cost of deposits should have continued to rise after the PBC raised the benchmark deposit rates twice in the first half of 2007, but it turned out that the average cost for deposits from customers remained stable compared with the same period last year, and eight basis points lower than in the second half of 2006. The reasons are as follows: Owing to the boom of capital market, some customers chose to withdraw their time deposits at an earlier date to invest in the capital market, leading to a substantial decrease in the cost of deposits. Meanwhile, a portion of time deposits were converted to demand deposits. The proportion of average balance of time deposits in that of deposits from customers fell by 2.39 and 1.85 percentage points respectively, compared with the first half of 2006 and the year of 2006. Moreover, the duration of time deposits became shorter. The above structural changes in deposits also pulled down the funding cost of deposits. These particular factors are closely related to the capital market condition in the first half of the year, and may change over time. If the stock market becomes more volatile in the second half of the year, the above factors are not expected to sustain, which may lead to a higher cost of deposits from customers than in the first half of the year.

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

Interest expense on amounts due to banks and non-bank financial institutions was RMB4,167 million, a rise of 92.12% over the same period last year, largely due to the increase in the average balance of amounts due to banks and non-bank financial institutions. Cost of amounts due to banks and non-bank financial institutions fell 41 basis points over the same period last year, primarily because the Group took measures to manage its liabilities, and the proportion of the average balance of demand deposits in amounts due to banks and non-bank financial institutions increased by 17 percentage points to 92% over the same period last year.

Net Fee and Commission Income

In the first half of 2007, net fee and commission income of RMB12,660 million was recorded, with an increase of RMB6,386 million or 101.79% over the same period last year. The ratio of net fee and commission income to operating income further improved by 3.84 percentage points to 12.69% over the same period last year. By exploiting the competitive edge of its distribution network, the Group provided a wide variety of fee-based business products and services to its customers. Capitalising on the excellent market opportunities, the Group achieved sound development in the fee and commission based businesses by improving the performance measurement and incentive system, and devoting more resources to them.

In the first half of the year, the fee and commission income arising from the fund agency business, which was closely related to the boom of the domestic stock market, soared by RMB3,777 million, or 2,622.92% over the first half of 2006, accounting for 58.21% of the increase in the total fee and commission income. After excluding this increase, the net fee and commission income increased by 41.58%. The growth of the income from fund agency business may stabilise if the stock market and fund sales cool down in the second half of the year.

Agency fees from securities, foreign currency dealing and insurance services rose by RMB4,241 million or 261.31%, mostly driven by the growth of income from fund agency business.

Bank card fees recorded a rise of RMB566 million or 32.66%, largely due to a rise in the number of bank cards issued and substantial increases in spending through bank cards and transaction amount through self-service facilities. In particular, the total spending amount of bank cards reached RMB208.4 billion, up 74.10% over the same period last year.

Remittances, settlement and account management fees rose by RMB290 million or 22.50%, mainly as a result of the rapid growth of the corporate account services and international settlement business.

Consultancy and advisory fees increased by RMB523 million or 62.04%, mainly due to the rapid increases in the project pricing advisory service and financial advisory service, in which income from project pricing advisory service grew by 65.75%.

Commission on trust business rose by RMB545 million or 80.86%, largely as a result of a significant increase of 246.13% in the income from custodial services for securities investment funds, setting our leading position in this area in the PRC market.

Guarantee fees increased by RMB140 million or 50.54%, and in particular the income from international guarantee services grew rapidly by 118.77%.

Other Net Operating Loss

In the first half of 2007, the Group recorded other net operating loss of RMB2,959 million comprising the following components: a net foreign exchange loss of RMB3,568 million mainly due to the appreciation of the RMB and the cost of derivatives; a net gain of RMB29 million on the disposal of property and equipment; a net income of RMB89 million from sales of repossessed assets; and other income of RMB491 million, which included rents from other entities and individuals, etc.

The specific composition of foreign exchange exposures as at 30 June 2007 and the respective profit and loss for the first half of 2007 are set out below:

	Composition of foreign exchange exposures[1] as at 30 June 2007			Foreign exchange gain/ (loss) for six months ended 30 June 2007
	On-balance sheet	**Off-balance sheet**	**Total**	
	(In millions of RMB)			
Capital injection of US$22,500 million	85,655	(85,655)	—	(1,221)
Exercised foreign exchange option of US$11,250 million				
— hedged foreign currency assets				(823)
— foreign exchange option contract for hedging purpose				453
Outstanding foreign exchange option of US$11,250 million				
— foreign currency assets hedged by the foreign exchange option	85,655		85,655	(2,152)
— foreign exchange option contract for hedging purpose		(85,655)	(85,655)	1,301
Derivatives	153,945	(153,945)	—	(1,361)
Others	7,465	20,806	28,271	(986)
Net foreign exchange exposures[2]	247,065	(218,794)	28,271	
Net foreign exchange loss				(3,568)

1. The foreign exchange exposures are expressed in RMB. Positive figures represent long positions of foreign currency, and negative figures represent short positions of foreign currency.

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

Net foreign exchange loss arising from the capital injection

According to an agreement the Bank entered into with Central SAFE Investments Limited ("Huijin") on 12 January 2005, the Bank purchased an option from Huijin under which the Bank may exchange a maximum of US$22,500 million into RMB with Huijin at a predetermined exchange rate of US$1: RMB8.2769. The option can be exercised in twelve equal monthly instalments in 2007. As at 30 June 2007, the Group had exercised an accumulated amount of US$11,250 million, and US$11,250 million remained outstanding.

In the first half of 2007, the net foreign exchange loss related to the capital injection of US$22,500 million was RMB1,221 million. In this amount, the foreign exchange loss of the hedged assets of US$11,250 million related to the option already exercised was RMB823 million, and the net gain from the exercise of the option was RMB453 million; the foreign exchange loss arising from the US$11,250 million assets related to the outstanding option was RMB2,152 million, and the net gain resulting from the change in fair value of the outstanding option was RMB1,301 million.

Derivatives

To take advantage of broader investment channels of foreign currency funds and higher foreign currency market rates compared with the RMB market rates, the Group took the initiative to develop its foreign exchange operations. Meanwhile, the Group engaged in relevant derivatives transactions in order to mitigate the foreign exchange risk involved in these operations. In the first half of 2007, the cost of such derivatives transactions totalled RMB1,361 million.

Other net foreign exchange loss

Other net foreign exchange loss of the Group was RMB986 million, including a net foreign exchange loss of RMB840 million arising from the foreign currency-denominated operating funds held for foreign exchange operations, and a net loss of RMB146 million arising from the revaluation of other foreign exchange exposures.

As the market yields on USD-denominated assets were higher than the yields on RMB-denominated assets, the net foreign exchange loss above has been compensated by the additional interest income arising from the foreign currency assets that are mainly denominated in US dollars.

Operating Expenses

In the first half of 2007, the Group continued to strengthen its cost control, and the cost-to-income ratio was further reduced to 37.35% with improved cost efficiency.

The total operating expenses for the first half of the year increased by RMB7,759 million or 26.29% to RMB37,275 million compared with the same period last year. Staff costs went up by 26.57%, mainly as a result of the increase in the performance-linked salaries with the improvement of operating results, the provision for the employee stock incentive plan, as well as the higher standard of supplementary retirement benefits. Among these, the provision for the employee stock incentive plan was RMB610 million, accounting for 3.27% of the total staff cost. Property and equipment expenses rose by 14.91% over the first half of 2006, largely due to the increase in the rent and property management expenses, utilities and maintenance costs. Business tax and surcharges rose by 35.79%, as a result of increased taxable income. Other operating expenses grew by 29.32% because the Group continued to strengthen branch transformation and marketing efforts in the first half of the year, leading to the increase in advertising and business development expenses compared to the same period in 2006.

In the second half of the year, the staff costs linked with the operating results and business development may continue to rise with the growth of the operating results and the businesses that are strongly encouraged with incentive policies, leading to the rise of the cost-to-income ratio in the second half compared with the first half of this year. However, the overall cost-to-income ratio will be controlled within the level of 2006.

Provisions for Impairment Losses

	Six months ended 30 June 2007	Six months ended 30 June 2006
	(In millions of RMB)	
Loans and advances to customers	**11,648**	8,318
Available-for-sale securities	**87**	27
Held-to-maturity debt securities	**77**	—
Property and equipment	**—**	37
Others	**157**	152
Total provisions for impairment losses	**11,969**	8,534

In the first half of 2007, the Group's provisions for impairment losses totalled RMB11,969 million, an increase of RMB3,435 million over the first half of 2006. Among these, impairment provision for loans and advances to customers rose by RMB3,330 million, while that for other assets rose by RMB105 million to RMB321 million.

The allowances for impairment losses on loans and advances as at 30 June 2007 was RMB84,697 million, an increase of RMB7,064 million over the end of last year. The ratio of allowances to total loans was 2.68%, two basis points lower than at the end of last year; and the ratio of allowances to NPLs was 90.67%, 8.43 percentage points higher than at the end of last year. The increase in the provisions was mainly because the Group provided more allowances for exposures to certain borrowers in industries involving high energy consumption and high emissions as the government further strengthened macroeconomic control measures on these sectors, which were subject to higher operating costs and credit risks as a result of adjustments in resource prices, and tax and environmental policies.

Income Tax

In the first half of 2007, the Group's income tax increased by RMB6,696 million to RMB16,287 million compared with the same period last year. Besides the growth of pre-tax profit, the rise was also caused by the Group's adjustment of its brought forward deferred tax items and recognition of newly derived deferred tax items based on the reduced income tax rate of 25%, as the new enterprise income tax rate will come into effect in 2008. This resulted in an increase of RMB974 million in the income tax expense for the current period.

As the interest income arising from PRC government bonds was not taxable, the effective tax rate was 32.22% in the first half of 2007, lower than the statutory rate of 33.00%.

BALANCE SHEET ANALYSIS

Assets

As at 30 June 2007, the Group's total assets amounted to RMB6,117,791 million, representing an increase of RMB669,280 million or 12.28% compared with the end of last year. Among these, the growth rates of gross loans and advances to customers and investments securities were 10.16% and 11.52% respectively. As the PBC raised the deposit reserve requirement ratio five times consecutively during the first half of the year, the cash and balances with central banks grew by RMB139,468 million or 25.84% over the end of last year, with its proportion in total assets up by 1.20 percentage points. As at 30 June 2007, the loan to deposit ratio was 62.71%, 1.84 percentage points higher than the end of last year.

Loans and advances to customers

The following table shows the composition of loans and advances to customers by product type as at the dates indicated.

	As at 30 June 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate loans	**2,254,083**	**71.21**	2,057,961	71.62
Short-term loans	**787,249**	**24.87**	743,701	25.88
Medium to long-term loans	**1,466,834**	**46.34**	1,314,260	45.74
Personal loans	**680,571**	**21.50**	585,085	20.36
Residential mortgage loans	**474,037**	**14.97**	428,039	14.90
Personal consumer loans	**79,703**	**2.52**	72,620	2.52
Other loans[1]	**126,831**	**4.01**	84,426	2.94
Discounted bills	**145,403**	**4.59**	159,368	5.55
Operations outside Mainland China	**85,510**	**2.70**	71,195	2.47
Gross loans and advances to customers	**3,165,567**	**100.00**	2,873,609	100.00

1. Primarily consist of individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

As at 30 June 2007, the Group's gross loans and advances to customers were RMB3,165,567 million, an increase of RMB291,958 million or 10.16% compared with the end of last year. Through its active adjustment of credit structure, the Group met the credit demand of key customers, and the strategic products achieved satisfactory growth.

— The corporate loans of RMB2,254,083 million showed a rise of RMB196,122 million, or 9.53% over the end of last year. The infrastructure loans increased by 11.98% to RMB796,713 million compared with the end of 2006, with the increase accounting for 43.47% of the corporate loans' increase. Small business loans on which we attached great importance, rose by RMB29.4 billion, or 15.24% over the end of last year. In the face of the surging credit demand of the market, we further optimised the customer structure of corporate loans by selecting the best possible customers and implementing stringent lending criteria, and the loans extended to customers with internal credit ratings of A or above increased by 2.39 percentage points to 85.96% compared with the end of last year.

— Personal loans rose by RMB95,486 million, or 16.32% to RMB680,571 million compared with the end of last year. They accounted for 21.50% of the gross loans and advances to customers, representing an increase of 1.14 percentage points. The residential mortgage loans, one of the Group's strategic development priorities, rose by RMB45,998 million, or 10.75% compared with the end of 2006, enabling us to retain our leading position in the PRC market. Personal consumer loans grew by RMB7,083 million, or 9.75% over the end of last year. Other loans rose by RMB42,405 million, or 50.23% over the end of 2006, largely due to the rapid growth of home equity loans and personal business loans.

— The balance of discounted bills was RMB145,403 million, representing a drop of RMB13,965 million against the end of 2006, which was chiefly due to the initiatives taken by the Group to improve the yield of assets and support the development of its strategic businesses. The Group proactively controlled the growth of bill discounting business, in particular inter-bank discounting with relatively low yield.

— Loans and advances to customers outside Mainland China rose by 20.11% to RMB85,510 million compared to the end of last year. The expansion of loan business was mainly because the Group invested more resources to the overseas branches, and the branches actively expanded business with increasing marketing efforts.

Investments

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

	As at 30 June 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Debt investments[1]	**1,604,720**	**75.20**	1,353,418	70.88
Receivables	**520,103**	**24.37**	546,357	28.62
Equity investments[2]	**9,218**	**0.43**	9,617	0.50
Total investments	**2,134,041**	**100.00**	1,909,392	100.00

1. Consist of held-to-maturity debt securities, available-for-sale debt securities and trading debt securities.

2. Represent available-for-sale equity investments.

Strong growth was achieved in the Group's investments in debt securities, among which held-to-maturity debt securities and available-for-sale debt securities grew by RMB92,522 million and RMB153,378 million, or 8.91% and 49.62% respectively over the end of last year. Receivables decreased by RMB26,254 million, mainly because some designated central bank bills subscribed in previous years matured during the period.

As at 30 June 2007, the U.S. sub-prime mortgage loan backed securities held by the Bank was US$1,062 million by nominal value, all with ratings of AA or above. As at 30 June 2007, the Group's allowance for impairment losses on these U.S. sub-prime mortgage loan backed securities was RMB139 million. These securities are expected to have limited impact on the Group's operating results for the year.

Liabilities

As at 30 June 2007, the Group's total liabilities amounted to RMB5,792,053 million, an increase of RMB673,746 million, or 13.16% over the end of 2006. Customer deposits remained the major source of funding, but its growth rate slowed down to 6.93% with an increase of RMB327,029 million compared with the end of 2006. The proportion of customer deposits in total liabilities dropped by 5.08 percentage points to 87.16%, mainly because part of the deposits from customers were attracted by the booming domestic stock market. Amounts due to banks and non-bank financial institutions increased by RMB305,432 million or 125.19% compared with the end of 2006, with its share in total liabilities rising by 4.72 percentage points to 9.49%, mainly driven by the significant increase in deposits from securities and fund management companies.

Despite the slowdown of the deposit growth, the Group's liquidity was unaffected owing to the substantial growth of placements from banks and non-bank financial institutions, as the Bank enjoys close relationships with the securities and fund management companies. In the first half of 2007, the RMB average liquidity ratio, i.e. the current assets to current liabilities ratio, was 39.80%, 5.62 percentage points lower than in the first half of last year.

Deposits from customers

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

	As at 30 June 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate deposits	**2,687,909**	**53.24**	2,466,284	52.23
Demand deposits	**1,942,355**	**38.47**	1,778,715	37.67
Time deposits	**745,554**	**14.77**	687,569	14.56
Personal deposits	**2,305,462**	**45.67**	2,207,442	46.76
Demand deposits	**921,813**	**18.26**	830,402	17.59
Time deposits	**1,383,649**	**27.41**	1,377,040	29.17
Operations outside Mainland China	**54,914**	**1.09**	47,530	1.01
Total deposits from customers	**5,048,285**	**100.00**	4,721,256	100.00

As at 30 June 2007, the Group's deposits from customers were RMB5,048,285 million, an increase of RMB327,029 million or 6.93% over the end of last year. The growth rate of domestic corporate deposits was 8.99%, higher than the 4.44% growth of personal deposits, leading to a drop in the proportion of personal deposits in total deposits from customers by 1.09 percentage points to 45.67%. This was largely because more savings deposits from residents were attracted by the stock market boom. Also as a result of the boom, demand deposits gained in popularity among our customers. The domestic demand deposits rose by 9.78% over the end of last year, much higher than the 3.13% increase in time deposits. The proportion of domestic demand deposits in the deposits from customers rose by 1.48 percentage points to 56.74%.

Shareholders' Equity

As at 30 June 2007, the ratio of total equity to total assets for the Group was 5.32%. The Bank's shareholders have approved the issuance of A-shares and long-term subordinated bonds to raise capital. The Bank will issue no more than 9 billion A-shares, subject to approval of relevant regulators. The long-term subordinated bonds will be no more than RMB40 billion, subject to approval of relevant regulators. The entire proceeds will be used to supplement the Bank's capital and enhance its capital adequacy level. The Bank believes that the A-share issuance will provide it with a new financing channel, support its sustained development and enhance its competitiveness, thus bringing benefits to the Bank and its shareholders as a whole.

The Board has resolved to declare an interim cash dividend of RMB0.067 per share and a special cash dividend of RMB0.072716 per share, totalling approximately RMB31,393 million.

Capital Adequacy Ratio

According to the guidelines issued by the CBRC, on a consolidated basis the Group's capital adequacy ratio and core capital adequacy ratio were 11.34% and 9.43% respectively as at 30 June 2007, declining by 0.77 and 0.49 percentage points respectively over the end of 2006. This was mainly due to the combined effect of the following three factors: As a result of the increase in the profit for the first half of the year, the core capital increased by RMB20,813 million after deduction of the interim dividend; As the increase in the general reserve for doubtful debts was offset by the decrease in revaluation reserve, the supplementary capital decreased by RMB1,496 million; As a result of the fast growth of on-balance sheet assets and off-balance sheet businesses, the risk-weighted assets increased by RMB384,343 million.

LOAN QUALITY ANALYSIS

Distribution of Loans by Grading

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

	As at 30 June 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Normal	**2,840,126**	**89.72**	2,513,322	87.46
Special mention	**232,031**	**7.33**	265,888	9.25
Substandard	**28,214**	**0.89**	29,261	1.02
Doubtful	**51,138**	**1.62**	55,983	1.95
Loss	**14,058**	**0.44**	9,155	0.32
Gross loans and advances to customers	**3,165,567**	**100.00**	2,873,609	100.00
Non-performing loans	**93,410**		94,399	
Non-performing loan ratio		**2.95**		3.29

In the first half of 2007, the Group took active measures to deal with the risk impacts brought about by the government's macroeconomic adjustment and control measures. It set strict lending criteria, applied industry limits to tightly control credit exposures to different industries, and actively improved its credit structure by expanding small business loans and personal credit business. The risk monitoring and early warning mechanism was further strengthened with enhanced risk management on credit customers, and efforts were made to closely monitor and mitigate risks associated with large credit customers on a per account basis. Groups of experts worked together to find solutions to large NPLs, and with strengthened efforts in recoveries and write-offs of existing NPLs, asset quality was further improved. As at 30 June 2007, the NPLs of the Group was RMB93,410 million, a decrease of RMB989 million over the end of 2006, while the NPL ratio dropped by 0.34 percentage points to 2.95%.

Distribution of Loans and NPLs by Product Type

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

	As at 30 June 2007			As at 31 December 2006		
	Loans	**NPLs**	**% of NPLs to loans**	Loans	NPLs	% of NPLs to loans
	(In millions of RMB, except percentages)					
Corporate loans	**2,254,083**	**82,330**	**3.65**	2,057,961	83,844	4.07
Short-term loans	**787,249**	**50,198**	**6.38**	743,701	52,831	7.10
Medium to long-term loans	**1,466,834**	**32,132**	**2.19**	1,314,260	31,013	2.36
Personal Loans	**680,571**	**10,780**	**1.58**	585,085	10,378	1.77
Residential mortgage loans	**474,037**	**6,284**	**1.33**	428,039	5,843	1.37
Personal consumer loans	**79,703**	**2,463**	**3.09**	72,620	2,424	3.34
Other loans[1]	**126,831**	**2,033**	**1.60**	84,426	2,111	2.50
Discounted bills	**145,403**	**—**	**—**	159,368	—	—
Operations outside Mainland China	**85,510**	**300**	**0.35**	71,195	177	0.25
Total	**3,165,567**	**93,410**	**2.95**	2,873,609	94,399	3.29

1. Primarily consist of individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

In the first half of 2007, the Group further improved its customer structure and loan structure, leading to the continued improvement in the quality of corporate and personal loans. As at 30 June 2007, the NPL ratios for corporate and personal loans fell 0.42 and 0.19 percentage points respectively, compared with those at the end of 2006.

Distribution of Loans and NPLs by Industry

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

	As at 30 June 2007				As at 31 December 2006			
	Loans	**% of total**	**NPLs**	**% of NPLs to loans**	Loans	% of total	NPLs	% of NPLs to loans
	(In millions of RMB, except percentages)							
Corporate loans	**2,254,083**	**71.21**	**82,330**	**3.65**	2,057,961	71.62	83,844	4.07
Manufacturing	**564,902**	**17.85**	**28,245**	**5.00**	510,427	17.76	28,791	5.64
Transportation, storage and postal services	**350,015**	**11.06**	**6,036**	**1.72**	326,715	11.37	4,932	1.51
Production and supply of electric power, gas and water	**349,036**	**11.03**	**4,756**	**1.36**	318,493	11.08	4,348	1.37
Real estate	**326,234**	**10.31**	**16,688**	**5.12**	302,290	10.52	18,290	6.05
Construction	**106,792**	**3.37**	**3,483**	**3.26**	96,580	3.36	3,755	3.89
Water, environment and public utility management	**106,510**	**3.36**	**1,137**	**1.07**	92,173	3.21	1,400	1.52
Education	**86,734**	**2.74**	**1,315**	**1.52**	77,458	2.69	1,234	1.59
Wholesale and retail trade	**81,987**	**2.59**	**8,908**	**10.87**	73,526	2.56	8,170	11.11
Leasing and commercial services	**70,006**	**2.21**	**2,729**	**3.90**	63,659	2.22	3,119	4.90
Mining	**65,384**	**2.06**	**465**	**0.71**	55,909	1.95	672	1.20
Telecommunications, computer services and software	**34,370**	**1.09**	**1,273**	**3.70**	38,962	1.36	1,452	3.73
Others	**112,113**	**3.54**	**7,295**	**6.51**	101,769	3.54	7,681	7.55
Personal loans	**680,571**	**21.50**	**10,780**	**1.58**	585,085	20.36	10,378	1.77
Discounted bills	**145,403**	**4.59**	**—**	**—**	159,368	5.55	—	—
Operations outside Mainland China	**85,510**	**2.70**	**300**	**0.35**	71,195	2.47	177	0.25
Total	**3,165,567**	**100.00**	**93,410**	**2.95**	2,873,609	100.00	94,399	3.29

In the first half of 2007, the Bank implemented strict lending criteria for industries, and expedited the disposal of the NPLs. As a result, the mix of loans by industry improved further and the overall loan quality continued to strengthen. In particular, the NPL ratios for the manufacturing and real estate industries, which used to have higher NPL ratios, dropped substantially.

SEGMENT INFORMATION

The Group's major business segments are corporate banking, personal banking, treasury operations, and others and unallocated which include equity investments and overseas operations. The following table sets forth, in the periods indicated, the operating income of each business segment:

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate banking	**53,973**	**54.09**	40,629	57.33
Personal banking	**32,196**	**32.27**	20,521	28.96
Treasury operations	**12,467**	**12.49**	8,966	12.65
Others and unallocated	**1,150**	**1.15**	748	1.06
Operating income	**99,786**	**100.00**	70,864	100.00

Corporate Banking

Corporate banking is one of the Group's pillar businesses. For the first half of 2007, the corporate banking achieved operating income of RMB53,973 million, an increase of RMB13,344 million, or 32.84% over the same period in 2006. The profit before tax was RMB27,984 million, with an increase of RMB7,839 million or 38.91% over the same period in 2006.

The development of corporate banking was achieved through the following initiatives:

— *Further strengthening our advantage in established medium to long-term loans:* In the first half of 2007, with the tightening macroeconomic control measures and strong credit demand from customers in the PRC market, we focused on our established products and continued to improve our customer structure. As a result, the medium to long-term loans increased by RMB152,574 million, and the infrastructure loans rose by RMB85,257 million over the end of last year. The loans extended to customers with internal credit ratings of A or above accounted for 85.96% of the corporate loans, 2.39 percentage points higher than at the end of 2006.

— *Significant progress in marketing to key institutional customers:* Progress was made in marketing to valued institutional customers including universities and hospitals with the efforts of our special marketing teams. We continued to enjoy a competitive edge in the cooperation between banks and securities companies, and have entered into cooperation with 87.96% of domestic securities companies to provide independent custodial services for the stock trading settlement funds. Furthermore, we continued to dominate in the fiscal agency services, and gained opportunities to provide services such as the government business card.

— *Continued efforts to push forward small enterprise business:* We actively explored ways to establish a specialised and standardised small enterprise credit business model, with pilot small enterprise business centres at all three levels of the head office, tier-1 branches and tier-2 branches, forming relatively independent business units for performance assessment. The brands of "Quick Finance" and "Road to Growth" were further enhanced. The development of small enterprise business has enhanced our pricing and earning ability, and strengthened our influence in the market. As at 30 June 2007, the Bank's loans to small businesses reached RMB222,357 million, up 15.24% compared to the end of last year, representing 9.86% of the corporate loans.

— *Promotion of key corporate fee-based business products:* In the first half of 2007, the Group's net fee and commission income from corporate banking increased by 22.97% to RMB3,121 million. Financial advisory, corporate purchases and sales of foreign exchange, guarantee, and settlement services for corporates were four key products, generating 59% of the net fee and commission income from corporate banking. In the first half of the year, with improved operating process for the lower risk guarantee businesses, strengthened marketing efforts and innovative guarantee products, the guarantee fees amounted to RMB414 million, 50.55% higher than in the same period in 2006. The Bank is the only domestic commercial bank that has the qualification to provide project pricing assessment services. With the enhanced brand image and strengthened marketing efforts in collaboration with the assets and liabilities businesses, the commission income from the project pricing advisory services reached RMB346 million, 65.75% higher than in the same period last year. In the first half of 2007, we underwrote commercial bills of RMB20,450 million, and issued trust certificates of RMB12,440 million backed by trust loans.

Personal Banking

To increase the share of personal banking business in the Group is one of the Group's most important objectives of operating transformation. For the first half of 2007, the segment realised an operating income of RMB32,196 million, an increase of RMB11,675 million or 56.89% compared with the same period last year. Profit before tax rose by RMB6,451 million to RMB12,698 million, 103.27% higher than in the same period last year.

The development of personal banking was achieved through the following initiatives:

— *Substantial improvements in personal loan process and service quality:* In the first half of 2007, the Bank rolled out the result of pilot branch transformation, leading to both service quality improvement and product sales growth. The promotion of the personal loan centres has bolstered the centralised and specialised management of personal loan products. The launch of the new personal loan system raised our management efficiency and risk control capability. As at 30 June 2007, the residential mortgage loans amounted to RMB474,037 million, an increase of RMB45,998 million over the end of 2006, maintaining the first place in the PRC market.

— *Further lifting credit card brand image and market influence:* In the first half of 2007, more series of credit cards have been launched, and our brand edge and market influence of the three major types of cards, which include those targeting at specific groups, the co-branded affinity cards and those aiming at strategic alliance, were further strengthened. As one of the key areas for strategic collaboration with Bank of America Corporation, credit card related consultancy and cooperation had already started. As at 30 June 2007, 2.49 million new dual currency Long credit cards had been issued, with the total number of credit cards issued reaching 8.83 million. A total of RMB32,364 million was spent by our cardholders during the period, representing a 93.80% growth over the first half of 2006. Credit card loans amounted to RMB6,154 million, rising by 32.29% compared with the end of 2006.

— *Seizing market opportunities for rapid growth of agency services such as fund agency business:* In the first half of 2007, the net fee and commission income from personal banking was RMB7,905 million, an increase of RMB4,767 million or 151.91% compared with the first half of 2006. With the residents' growing enthusiasm for investment together with the booming domestic stock market, the Bank cooperated with well-managed fund companies to wage ongoing and targeted marketing campaigns in a timely manner, and continued to enrich our fund products. The income arising from personal banking fund agency business soared by RMB3,746 million, or 2,926.56% to RMB3,874 million, and became a major growth point of the net fee and commission income.

Treasury Operations

In the first half of the year, we studied domestic and overseas financial market trends carefully, and adopted a proactive investment portfolio management strategy. We accelerated the pace of product innovation, and continued to expand our customer-driven deals and wealth management business. With an enhanced internal control mechanism, a strong operating result was achieved. In the first half of 2007, the operating income from treasury operations amounted to RMB12,467 million, with an increase of RMB3,501 million or 39.05% over the same period last year. Profit before tax was RMB10,167 million, an increase of RMB2,495 million or 32.52% compared with the same period in 2006.

The development of treasury operations was achieved through the following initiatives:

— *Strengthened portfolio management and improved return on investments:* The Bank developed a quantitative asset allocation model, implemented a dynamic investment portfolio management strategy, and strove to raise the yield with timely adjustment in the asset structure and increased high-yield products in the portfolio. In the first half of 2007, the average yield on investments in debt securities was 3.16%, up 32 basis points over the first half of 2006.

— *Strong growth of customer-driven transactions with intensive marketing efforts:* The Bank actively promoted products and carried out marketing activities in accordance with the market demand, and the income from customer-driven transactions amounted to RMB1,322 million. The volume of customer-driven foreign exchange transactions reached US$81,036 million, an increase of 48.55% compared with the same period last year. In this amount, the volume of purchases and sales of foreign exchange reached US$72,263 million, an increase of 47.68%; while that of customer-driven foreign exchange trading was US$8,710 million, an increase of 56.56% compared to the same period last year.

Operations outside Mainland China

The Bank has branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, and Seoul, with representative offices in London and New York. In Hong Kong, the Bank has two wholly-owned subsidiary banks—China Construction Bank (Asia) Corporation Limited ("CCB (Asia)"), and China Construction Bank (Asia) Limited. Currently, the Bank's application for the establishment of a representative office in Sydney of Australia has been approved by the CBRC and the Australian Prudential Regulation Authority. The application for the establishment of an overseas branch in Ho Chi Minh City of Vietnam has also been approved by the CBRC.

In the first half of 2007, the operating income from operations outside Mainland China was RMB1,453 million, an increase of RMB1,026 million or 240.28% compared to the same period last year. The profit before tax for the period was RMB943 million, an increase of RMB675 million or 251.87% compared with the same period in 2006. The increases in the operating income and profit before tax were largely due to the contribution from CCB (Asia), the acquisition of which was completed on 29 December 2006.

LOOKING AHEAD

In the second half of 2007, China's national economy and social development will remain positive. However, the trend of economic growth turning from speedy to overheated will be more obvious. We anticipate that the government will further fine-tune and execute the macro-economic adjustment policies and strengthen measures to adjust the structure of economic sectors. During this process, banks would face challenges in enhancing operating management and preventing risks. Meanwhile, the factors such as greater volatility in capital markets, higher benchmark deposit rates and lower individual income tax rate on deposits interest, which all have direct relationships with banks' deposit business and agency businesses such as sales of mutual funds, would affect the growth of our future operating income and pre-tax profit.

Accordingly, we will closely monitor and keep track of policy changes and market movements to enhance our ability to foresee and identify new market opportunities and potential risks, and to adopt appropriate measures in advance. We will continue to drive business transformation and structural adjustments, and expedite the development of personal banking business and small enterprise business while continuing to strengthen our advantages in the established businesses. We will further improve our customer structure by choosing the best possible prospective customers. To improve our income structure, we will accelerate the development of financial products and businesses that are conducive to the business transformation. The collaboration between domestic branches and overseas branches will be strengthened to support overseas development. We will continuously improve the infrastructure of operational management and incentive mechanism, and strengthen our efforts in product innovation. The continuous improvement in risk management processes, tools and methods will also help to enhance our risk management level.

FURTHER INFORMATION

DIVIDENDS

The Board was authorised by the shareholders at the Bank's 2006 annual general meeting held on 13 June 2007 to deal with the matters related to the declaration of interim dividend of 2007, which should be 45% of the net profit of the Bank for the six months ended 30 June 2007. In accordance with the above authorisation, the Board resolved at the Board meeting held on 24 August 2007 to declare a cash interim dividend of RMB0.067 per share (inclusive of applicable tax) for the six months ended 30 June 2007. The total amount is approximately RMB15,054 million.

The Board was authorised by the shareholders at the Bank's 2007 first extraordinary general meeting held on 23 August 2007 to deal with the matters related to the declaration of a special cash dividend, which should be the accumulated undistributed profits of the Bank as at 30 June 2007 (after deduction of 2007 interim dividend). The amount of such accumulated undistributed profits shall be the lesser of the amounts calculated in accordance with the PRC GAAP and International Financial Reporting Standards. In accordance with the above authorisation, the Board resolved at the Board meeting held on 24 August 2007 to declare a special cash dividend of RMB0.072716 per share (inclusive of applicable tax). The total amount is approximately RMB16,339 million.

The payment of the above dividends shall be made to shareholders whose names appear on the H-Share register of the Bank on Thursday, 4 October 2007. According to the Articles of Association of the Bank, dividends will be denominated and declared in RMB. Dividends on H-shares for the Bank's promoters will be paid in RMB, and those for other shareholders will be paid in Hong Kong dollars. The relevant exchange rate will be the middle rate of RMB to Hong Kong dollar exchange rate as announced by the PBC on the date of declaration of dividend by the Board (RMB0.96921 equivalent to HK$1). Therefore, the interim cash dividend is HK$0.06912847 per H-share and the special cash dividend is HK$0.07502605 per H-share.

The Bank has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to such Receiving Agent the above dividends declared for payment to holders of H-shares. The above dividends will be paid by the Receiving Agent and relevant cheques will be dispatched by our H-share registrar, Computershare Hong Kong Investor Services Limited, on around 10 October 2007 to holders of H-shares entitled to receive such dividends by ordinary post at their own risk.

CLOSURE OF REGISTER OF MEMBERS

The Bank's H-Share register will be closed from Friday, 28 September 2007 to Thursday, 4 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividends mentioned above, holders of H-shares whose transfers have not been registered must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30

p.m. on Thursday, 27 September 2007. The address of Computershare Hong Kong Investor Services Limited is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30 June 2007, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any shares of the Bank.

CORPORATE GOVERNANCE PRACTICES

Our Bank is committed to maintaining a high level of corporate governance. We have complied with the code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, and have substantially complied with the recommended best practices set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having specifically enquired with our directors and supervisors, the Bank confirms that all directors and supervisors have, during the six months ended 30 June 2007, complied with the provisions of this code of practice in relation to securities transactions by directors and supervisors.

AUDIT COMMITTEE

The audit committee has reviewed the accounting policies and practices adopted by the Bank and discussed affairs of internal control and financial reporting (including reviewing our unaudited consolidated interim financial information) with the senior management.

By order of the Board
China Construction Bank Corporation
Zhang Jianguo
Vice Chairman, Executive Director and President

24 August 2007

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

* *The appointment is subject to approval of the CBRC.*