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)

ANNOUNCEMENT OF ANNUAL RESULTS 2007

SUMMARY OF RESULTS

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2007. The annual results have been reviewed by the audit committee of the Bank's board of directors.

Financial Highlights

(The financial information contained in this results announcement is prepared on a consolidated basis in accordance with IFRS.)

(Expressed in millions of RMB unless otherwise stated)	**2007**	2006	**Change (%)**
For the year			
Operating income	**220,717**	151,593	45.60
Profit before tax	**100,816**	65,717	53.41
Net profit	**69,142**	46,319	49.27
Net profit attributable to shareholders of the Bank	**69,053**	46,322	49.07
As at 31 December			
Net loans and advances to customers	**3,183,229**	2,795,976	13.85
Total assets	**6,598,177**	5,448,511	21.10
Deposits from customers	**5,340,316**	4,721,256	13.11
Total liabilities	**6,175,896**	5,118,307	20.66
Total equity attributable to shareholders of the Bank	**420,977**	330,109	27.53
Issued and paid-up capital	**233,689**	224,689	4.01
Per share (in RMB)			
Basic and diluted earnings per share	**0.30**	0.21	42.86
Interim cash dividend declared during the year	**0.067**	—	NA
Special cash dividend declared during the year	**0.072716**	—	NA
Final cash dividend proposed after the balance sheet date	**0.065**[1]	0.092	NA
Net assets per share	**1.81**	1.47	23.13

Financial ratios (%)	2007	2006	Change +/(-)
Profitability indicators			
Return on average assets[1]	**1.15**	0.92	0.23
Return on average equity[2]	**19.50**	15.00	4.50
Net interest spread	**3.07**	2.69	0.38
Net interest margin	**3.18**	2.79	0.39
Net fee and commission income to operating income	**14.19**	8.95	5.24
Cost-to-income ratio	**41.83**	43.97	(2.14)
Loan-to-deposit ratio	**61.27**	60.87	0.40
Capital adequacy indicators			
Core capital adequacy ratio[3]	**10.37**	9.92	0.45
Capital adequacy ratio[3]	**12.58**	12.11	0.47
Total equity to total assets	**6.40**	6.06	0.34
Asset quality indicators			
Non-performing loan ratio	**2.60**	3.29	(0.69)
Allowances to non-performing loans	**104.41**	82.24	22.17
Allowances to total loans	**2.72**	2.70	0.02

1. Calculated by dividing net profit by the average of total assets as at the beginning and end of the year.

2. Calculated by dividing net profit attributable to shareholders by the weighted average of total equity attributable to shareholders for the year.

3. Calculated in accordance with the guidelines issued by the China Banking Regulatory Commission ("CBRC") and the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") and other relevant regulations (collectively the "PRC GAAP").

Consolidated Income Statement

For the year ended 31 December 2007
(Expressed in millions of RMB unless otherwise stated)

	2007	2006	**Change (%)**
Interest income	**284,823**	215,189	32.36
Interest expense	**(92,048)**	(74,821)	23.02
Net interest income	**192,775**	140,368	37.34
Fee and commission income	**32,731**	14,627	123.77
Fee and commission expense	**(1,418)**	(1,056)	34.28
Net fee and commission income	**31,313**	13,571	130.73
Net trading gain	**1,197**	619	93.38
Dividend income	**343**	424	(19.10)
Net income arising from investment securities	**1,298**	1,012	28.26
Other operating loss, net	**(6,209)**	(4,401)	41.08
Operating income	**220,717**	151,593	45.60
Operating expenses	**(92,327)**	(66,662)	38.50
	128,390	84,931	51.17
Provisions for impairment losses on			
— loans and advances to customers	**(20,106)**	(18,997)	5.84
— others	**(7,489)**	(217)	3,351.15
Impairment losses	**(27,595)**	(19,214)	43.62
Share of profit in associates	**21**	—	NA

	2007	2006	Change (%)
Profit before tax	**100,816**	65,717	53.41
Income tax	**(31,674)**	(19,398)	63.28
Net profit	**69,142**	46,319	49.27
Attributable to:			
Shareholders of the Bank	**69,053**	46,322	49.07
Minority interests	**89**	(3)	NA
Net profit	**69,142**	46,319	49.27
Cash dividends payable to shareholders of the Bank			
Interim cash dividend declared during the year	**15,054**	—	NA
Special cash dividend declared during the year	**16,339**	—	NA
Final cash dividend proposed after the balance sheet date	**15,190**	20,671	(26.52)
	46,583	20,671	125.35
Basic and diluted earnings per share (in RMB)	**0.30**	0.21	42.86

Consolidated Balance Sheet

As at 31 December 2007
(Expressed in millions of RMB unless otherwise stated)

	2007	2006	**Change (%)**
Assets			
Cash and balances with central banks	**967,374**	539,673	79.25
Amounts due from banks and non-bank financial institutions	**102,393**	82,185	24.59
Trading investments	**29,819**	5,616	430.97
Positive fair value of derivatives	**14,632**	14,514	0.81
Loans and advances to customers	**3,183,229**	2,795,976	13.85
Investment securities	**2,171,991**	1,903,776	14.09
Interests in associates	**1,099**	103	966.99
Property and equipment	**58,287**	53,037	9.90
Goodwill	**1,624**	1,743	(6.83)
Deferred tax assets	**35**	2,701	(98.70)
Other assets	**67,694**	49,187	37.63
Total assets	**6,598,177**	5,448,511	21.10
Liabilities			
Amounts due to central banks	**50,973**	1,256	3,958.36
Amounts due to banks and non-bank financial institutions	**606,061**	243,968	148.42
Negative fair value of derivatives	**7,952**	2,715	192.89
Deposits from customers	**5,340,316**	4,721,256	13.11
Certificates of deposit issued	**9,284**	6,957	33.45
Current tax liabilities	**28,022**	17,897	56.57
Deferred tax liabilities	**771**	25	2,984.00
Other liabilities and provisions	**92,589**	84,316	9.81
Subordinated bonds issued	**39,928**	39,917	0.03
Total liabilities	**6,175,896**	5,118,307	20.66

Equity			
Share capital	**233,689**	224,689	4.01
Reserves	**187,288**	105,420	77.66
Total equity attributable to shareholders of the Bank	**420,977**	330,109	27.53
Minority interests	**1,304**	95	1,272.63
Total equity	**422,281**	330,204	27.88
Total equity and liabilities	**6,598,177**	5,448,511	21.10

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**69,053**	**89**	**69,142**
Net change in fair value of available-for-sale investments	**—**	**—**	**—**	**—**	**15,899**	**—**	**—**	**—**	**—**	**15,899**
Net loss realised on disposal of available-for-sale investments	**—**	**—**	**—**	**—**	**53**	**—**	**—**	**—**	**—**	**53**
Amortization of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	**—**	**—**	**—**	**—**	**454**	**—**	**—**	**—**	**—**	**454**
Impairment losses of available-for-sale investments	**—**	**—**	**—**	**—**	**1,373**	**—**	**—**	**—**	**—**	**1,373**
Effect of change in tax rate	**—**	**—**	**—**	**—**	**(145)**	**—**	**—**	**—**	**—**	**(145)**
Shares issued	**9,000**	**48,119**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**57,119**
Minority interests of a new subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,120**	**1,120**
Appropriations to statutory surplus reserve fund and general reserve	**—**	**—**	**6,712**	**—**	**—**	**21,205**	**—**	**(27,917)**	**—**	**—**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**—**	**(905)**	**—**	**—**	**(905)**
Others	**—**	**31**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**31**
Dividends declared during the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(52,064)**	**—**	**(52,064)**
As at 31 December 2007	**233,689**	**90,241**	**17,845**	**—**	**16,408**	**31,548**	**(918)**	**32,164**	**1,304**	**422,281**
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)
Dividends declared during the year	—	—	—	—	—	—	—	(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

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Expressed in millions of RMB)

	2007	2006
Operating activities		
Profit before tax	**100,816**	65,717
Adjustments for:		
— dividend income	**(343)**	(424)
— revaluation gain on investments and derivatives	**(659)**	(349)
— net gain on disposal of investments, property and equipment and other assets	**(1,472)**	(1,202)
— unwinding of discount	**(1,939)**	(896)
— share of profit in associates	**(21)**	—
— unrealised foreign exchange loss	**8,309**	6,897
— depreciation charges and amortisation	**7,847**	6,994
— provisions for impairment losses	**27,595**	19,214
— interest expense on subordinated bonds issued	**1,942**	1,883
	142,075	97,834
Changes in operating assets and liabilities:		
Increase in balances with central banks	**(456,319)**	(62,519)
Decrease/(increase) in amounts due from banks and non-bank financial institutions	**19,290**	(3,026)
Increase in loans and advances to customers	**(418,159)**	(396,899)
Increase in other operating assets	**(32,133)**	(3,463)
Increase in amounts due to central banks	**49,717**	1,235
Increase in amounts due to banks and non-bank financial institutions	**367,172**	80,930
Increase in deposits from customers	**635,103**	694,470
Increase in certificates of deposit issued	**2,913**	741
Income tax paid	**(24,219)**	(9,257)
Increase in other operating liabilities	**8,874**	12,713
Net cash from operating activities	**294,314**	412,759

	2007	2006
Investing activities		
Proceeds from disposal and redemption of investment securities	**857,744**	663,118
Dividend received	**343**	430
Investment in a new subsidiary	**1,120**	(3,905)
Proceeds from disposal of property and equipment and other assets	**588**	796
Payments on acquisition of investment securities	**(1,128,576)**	(1,166,100)
Payments on acquisition of a new associate	**(1,001)**	—
Payments on acquisition of property and equipment and other assets	**(12,925)**	(10,018)
Net cash used in investing activities	**(282,707)**	(515,679)
Financing activities		
Proceeds from shares issuance	**57,119**	—
Dividend paid	**(52,064)**	(6,638)
Interest paid on subordinated bonds issued	**(1,915)**	(1,872)
Net cash from/(used in) financing activities	**3,140**	(8,510)
Effect of exchange rate changes on cash held	**(1,728)**	(1,838)
Net increase/(decrease) in cash and cash equivalents	**13,019**	(113,268)
Cash and cash equivalents as at 1 January	**167,489**	280,757
Cash and cash equivalents as at 31 December	**180,508**	167,489
Cash flows from operating activities include:		
Interest received	**270,276**	210,070
Interest paid, excluding interest expense on subordinated bonds issued	**(85,525)**	(81,110)

Notes:

1 The IFRS financial statements of the Group for the year ended 31 December 2007 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with IFRS and its interpretations promulgated by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong *Companies Ordinance*. These financial statements also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules").

2 The 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.

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

4 For the purpose of this results announcement, the 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.

5 Net income arising from investment securities

	2007	2006
Net income on sale of available-for sale securities	**1,377**	1,354
Net revaluation loss transferred from equity on disposal	**(79)**	(342)
	1,298	1,012

6 Operating expenses

	2007	2006
Staff costs		
— salaries, bonuses and allowances	**27,762**	20,665
— early retirement expenses	**8,998**	—
— staff welfare and social insurance expenses	**4,029**	3,753
— payments to defined contribution retirement schemes	**2,889**	2,449
— housing fund	**2,329**	1,905
— housing allowance	**1,790**	1,625
— supplementary retirement benefits	**699**	654
— staff termination costs	**68**	99
— others	**1,537**	1,135
	50,101	32,285
Premises and equipment expenses		
— depreciation charges	**6,735**	5,998
— rent and property management expenses	**3,078**	2,507
— maintenance	**1,518**	863
— utilities	**1,167**	1,033
— others	**719**	732
	13,217	11,133
Other general and administrative expenses	**15,560**	13,271
Business tax and surcharges	**12,337**	8,977
Amortisation expense	**1,112**	996
	92,327	66,662

7 Income tax

(a) Recognised in the consolidated income statement

	2007	2006
Current tax		
— Mainland China	**33,916**	21,586
— Hong Kong	**335**	77
— overseas	**22**	15
	34,273	21,678
Deferred tax		
— deferred tax recognised in current year	**(2,670)**	(2,068)
Adjustments for prior years	**71**	(212)
Total income tax	**31,674**	19,398

(b) Reconciliation between tax expense and accounting profit:

	2007	2006
Profit before tax	**100,816**	65,717
Expected PRC income tax charged at statutory tax rate of 33%	**33,269**	21,687
Non-deductible expenses		
— staff costs	**612**	427
— impairment losses	**1,247**	146
— others	**926**	339
	2,785	912
Non-taxable income		
— interest income from PRC government bonds	**(3,677)**	(2,790)
— others	**(980)**	(199)
	(4,657)	(2,989)
	31,397	19,610
Effect of change in tax rate on deferred tax	**206**	—
Adjustments for prior years	**71**	(212)
Actual tax expense	**31,674**	19,398

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

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Bank of RMB69,053 million (2006: RMB46,322 million) and the weighted average of 227,105 million ordinary shares (2006: 224,689 million shares) after adjusting for the share issuance in 2007.

Weighted average number of ordinary shares (in millions of shares)

	2007	2006
Issued ordinary shares at 1 January	**224,689**	224,689
Weighted average of A-share issued during the year *(note)*	**2,416**	—
Weighted average number of ordinary shares at 31 December	**227,105**	224,689

Note: On 25 September 2007, the Bank issued 9,000 million A-shares. The time-weighting factor has been taken into account in arriving at the weighted average number of ordinary shares as at 31 December. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2007 and 2006.

9 Investment securities

	2007	2006
Receivables	**551,336**	546,357
Held-to-maturity debt securities	**1,191,035**	1,038,713
Available-for-sale		
— debt securities	**395,051**	309,089
— equity investments	**34,569**	9,617
	429,620	318,706
Total	**2,171,991**	1,903,776

(a) ***Receivables***

	2007	2006
Due from issuers in Mainland China:		
Government		
— special government bond	**49,200**	49,200
— others	**530**	530
The People's Bank of China ("PBC")	**189,871**	186,631
Policy banks	**48,953**	54,833
Cinda	**247,000**	247,000
Banks and non-bank financial institutions	**15,122**	8,173
Others	**1,369**	590
	552,045	546,957
Less: Impairment allowance	**(709)**	(600)
Total	**551,336**	546,357

The movement of the impairment allowance during the year is as follows:

As at 1 January	**600**	600
Charge for the year	**109**	—
As at 31 December	**709**	600

(b) ***Held-to-maturity debt securities***

	2007	2006
Issued by:		
Governments		
— in Mainland China	**316,432**	247,281
— outside Mainland China	**24,176**	25,636
The PBC	**442,456**	391,853
Policy banks		
— in Mainland China	**250,575**	199,164
— outside Mainland China	**2,111**	7,244
Banks and non-bank financial institutions		
— in Mainland China	**18,915**	17,113
— outside Mainland China	**79,733**	94,930
Public sector entities outside Mainland China	**48,174**	52,230
Others		
— in Mainland China	**10,205**	181
— outside Mainland China	**3,300**	3,288
	1,196,077	1,038,920
Less: Impairment allowance	**(5,042)**	(207)
Total	**1,191,035**	1,038,713

The movement of the impairment allowance during the year is as follows:

As at 1 January	**207**	232
Charge for the year	**4,853**	—
Write-offs	**(18)**	(25)
As at 31 December	**5,042**	207

(c) Available-for-sale debt securities

	2007	2006
Issued by:		
Governments		
— in Mainland China	**29,296**	6,532
— outside Mainland China	**17,105**	24,344
The PBC	**177,308**	141,642
Central banks outside Mainland China	**280**	—
Policy banks		
— in Mainland China	**44,587**	14,240
— outside Mainland China	**1,610**	1,623
Banks and non-bank financial institutions		
— in Mainland China	**2,794**	864
— outside Mainland China	**64,585**	73,874
Public sector entities outside Mainland China	**22,035**	25,174
Others		
— in Mainland China	**26,476**	14,555
— outside Mainland China	**8,975**	6,241
Total	**395,051**	309,089

(d) Available-for-sale equity investments

	2007	2006
Debt equity swap investments (note)	**32,858**	7,550
Other equity investments	**1,711**	2,067
Total	**34,569**	9,617

Note: Certain of these unlisted legal person shares were converted into listed A shares with lock-up period restriction. The fair value of these restricted shares is estimated based on the quoted market price of the corresponding listed shares, adjusted for the impact of the restriction. The adjustment, which is made by reference to historical volatility of the respective shares and the restriction, is estimated by using the Asian Option Model. For the year ended 31 December 2007, the increase in fair value was RMB26,175 million and RMB19,631 million, after adjusting for the effect of deferred tax, was credited to revaluation reserve.

10 Deposits from customers

	2007	2006
Demand deposits		
— corporate customers	**2,130,413**	1,781,875
— personal customers	**1,000,524**	834,809
	3,130,937	2,616,684
Time deposits		
— corporate customers	**863,612**	715,743
— personal customers	**1,345,767**	1,388,829
	2,209,379	2,104,572
Total	**5,340,316**	4,721,256

11 Commitments and contingent liabilities

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits. The Group also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

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

The contractual amounts of commitments and contingent liabilities are set out in the following table by 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.

	2007	2006
Contractual amount		
Loan commitments		
— with an original maturity under one year	**53,973**	28,370
— with an original maturity of one year or over	**213,543**	209,167
	267,516	237,537
Contractual amount		
Guarantees and letters of credit	**450,549**	250,944
Acceptances	**143,166**	112,678
Credit card commitments	**99,086**	53,810
Others	**9,242**	6,306
	969,559	661,275

These commitments and contingent liabilities have off-balance sheet credit risk. Before the commitments are fulfilled or expire, management assess and make 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.

	2007	2006
Credit risk-weighted amounts of contingent liabilities and commitments	**479,813**	303,508

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

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

(b) Capital commitments

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

	2007	2006
Purchase of property and equipment		
— contracted for	**1,791**	1,978
— not contracted for	**1,150**	982
Total	**2,941**	2,960

(c) Operating lease commitments

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

	2007	2006
Within one year	**1,838**	1,710
After one year but within two years	**1,444**	1,241
After two years but within three years	**1,282**	958
After three years but within five years	**1,616**	1,312
After five years	**1,437**	1,463
Total	**7,617**	6,684

(d) Outstanding litigation and disputes

As at 31 December 2007, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,557 million (2006: RMB2,566 million). Provisions have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsel. The Group considers that the provisions made are reasonable and adequate.

(e) ***Underwriting obligations***

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

	2007	2006
Underwriting obligations	**10,950**	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 coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the People's Bank of China. 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:

	2007	2006
Redemption obligations	**71,423**	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 their accounting policies. Except for the provisions made against outstanding litigation and disputes, the Group has not made other provisions in respect of the above commitments and contingent liabilities at the balance sheet date.

12 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, structures deals to offer customised risk management products to suit individual customer needs. These positions are actively managed through entering offsetting deals with external parties to ensure that the Group's net exposures are within acceptable risk levels. The Group also uses derivatives (principally foreign exchange options and swaps, and interest rate swaps) in the management of asset and liability portfolios and structural positions.

	2007			2006		
	Notional amounts	**Fair values**		Notional amounts	Fair values	
		Assets	**Liabilities**		Assets	Liabilities
Interest rate derivatives	**121,169**	**1,322**	**1,403**	115,271	1,107	1,040
Currency derivatives	**584,108**	**13,308**	**6,548**	472,459	13,407	1,675
Precious metal derivatives	**67**	**—**	**1**	—	—	—
Stock options purchased	**36**	**2**	**—**	—	—	—
Total	**705,380**	**14,632**	**7,952**	587,730	14,514	2,715

13 Segment reporting

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

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

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(a) Business segments

The Group comprises the following main business segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, 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 Bank's overall liquidity position, including the issuance of subordinated bonds.

Others and unallocated

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

	2007					
	Corporate banking	**Personal banking**	**Treasury business**	**Others and unallocated**	**Elimination**	**Total**
External net interest income/(expense)	120,508	(4,261)	74,595	1,933	—	192,775
Internal net interest (expense)/income	(11,096)	57,219	(45,018)	(1,105)	—	—
Net interest income	109,412	52,958	29,577	828	—	192,775
Net fee and commission income	7,471	20,344	2,750	748	—	31,313
Net trading gain	4	97	345	751	—	1,197
Dividend income	—	—	—	343	—	343
Net income arising from investment securities	—	—	318	980	—	1,298
Other operating income/(loss)	174	42	(7,873)	1,448	—	(6,209)
Operating income	117,061	73,441	25,117	5,098	—	220,717
Operating expenses						
— depreciation and amortisation	(2,827)	(4,460)	(467)	(93)	—	(7,847)
— others	(34,960)	(40,339)	(4,548)	(4,633)	—	(84,480)
	(37,787)	(44,799)	(5,015)	(4,726)	—	(92,327)
	79,274	28,642	20,102	372	—	128,390
Provisions for impairment losses	(17,883)	(2,496)	(6,755)	(461)	—	(27,595)
Share of profit in associates	—	—	—	21	—	21
Profit before tax	61,391	26,146	13,347	(68)	—	100,816
Capital expenditure	4,656	7,346	769	153	—	12,924
Segment assets	2,748,782	786,851	2,960,545	—	(30,786)	6,465,392
Interests in associates	—	—	—	1,099	—	1,099
Unallocated assets	—	—	—	131,686	—	131,686
Total assets	2,748,782	786,851	2,960,545	132,785	(30,786)	6,598,177
Segment liabilities	3,218,771	2,673,979	178,398	—	(30,786)	6,040,362
Unallocated liabilities	—	—	—	135,534	—	135,534
Total liabilities	3,218,771	2,673,979	178,398	135,534	(30,786)	6,175,896

	2006					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expense)	100,286	(12,453)	51,555	980	—	140,368
Internal net interest (expense)/income	(22,253)	47,937	(24,477)	(1,207)	—	—
Net interest income/(expense)	78,033	35,484	27,078	(227)	—	140,368
Net fee and commission income	5,635	7,182	580	174	—	13,571
Net trading gain	—	—	264	355	—	619
Dividend income	—	—	—	424	—	424
Net income arising from investment securities	—	—	234	778	—	1,012
Other operating income/(loss)	874	557	(6,193)	361	—	(4,401)
Operating income	84,542	43,223	21,963	1,865	—	151,593
Operating expenses						
— depreciation and amortisation	(3,000)	(3,465)	(463)	(66)	—	(6,994)
— others	(28,387)	(26,619)	(3,152)	(1,510)	—	(59,668)
	(31,387)	(30,084)	(3,615)	(1,576)	—	(66,662)
	53,155	13,139	18,348	289	—	84,931
Provisions for impairment losses	(16,513)	(2,484)	—	(217)	—	(19,214)
Profit before tax	36,642	10,655	18,348	72	—	65,717
Capital expenditure	2,399	3,903	359	3,680	—	10,341
Segment assets	2,499,153	621,550	2,199,334	—	(29,562)	5,290,475
Interests in associates	—	—	—	103	—	103
Unallocated assets	—	—	—	157,933	—	157,933
Total assets	2,499,153	621,550	2,199,334	158,036	(29,562)	5,448,511
Segment liabilities	2,450,821	2,503,048	46,481	—	(29,562)	4,970,788
Unallocated liabilities	—	—	—	147,519	—	147,519
Total liabilities	2,450,821	2,503,048	46,481	147,519	(29,562)	5,118,307

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities directly under the central government, and three subsidiaries located in the 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 Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

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

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

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

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

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

	2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Outside Mainland China	Elimination	Total
External net interest income	32,260	15,108	19,267	18,805	20,670	5,712	78,295	2,658	—	192,775
Internal net interest income/(expense)	6,499	9,054	10,024	8,070	6,001	4,922	(43,616)	(954)	—	—
Net interest income	38,759	24,162	29,291	26,875	26,671	10,634	34,679	1,704	—	192,775
Net fee and commission income	5,921	5,147	5,578	5,276	4,836	2,426	1,602	527	—	31,313
Net trading gain/(loss)	102	87	96	33	29	33	(49)	866	—	1,197
Dividend income	2	—	71	103	38	3	119	7	—	343
Net income arising from investment securities	44	162	342	143	159	139	310	(1)	—	1,298
Other operating income/(loss)	224	235	223	357	348	116	(8,468)	756	—	(6,209)
Operating income	45,052	29,793	35,601	32,787	32,081	13,351	28,193	3,859	—	220,717
Operating expenses										
— depreciation and amortisation	(1,486)	(1,040)	(1,178)	(1,395)	(1,194)	(562)	(944)	(48)	—	(7,847)
— others	(13,954)	(10,068)	(11,741)	(13,048)	(12,560)	(5,615)	(16,323)	(1,171)	—	(84,480)
	(15,440)	(11,108)	(12,919)	(14,443)	(13,754)	(6,177)	(17,267)	(1,219)		(92,327)
	29,612	18,685	22,682	18,344	18,327	7,174	10,926	2,640	—	128,390
Provisions for impairment losses	(3,678)	(3,738)	(5,762)	(2,885)	(2,980)	(2,034)	(6,356)	(162)	—	(27,595)
Share of profit in associates	—	—	—	—	—	—	—	21	—	21
Profit before tax	25,934	14,947	16,920	15,459	15,347	5,140	4,570	2,499	—	100,816
Capital expenditure	2,249	1,579	2,353	2,049	2,028	983	1,513	170	—	12,924
Segment assets	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	102,812	(2,353,884)	6,597,043
Interests in associates	—	—	—	—	—	—	—	1,099	—	1,099
	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	103,911	(2,353,884)	6,598,142
Unallocated assets										35
Total assets										6,598,177
Segment liabilities	1,305,366	950,489	1,166,755	968,695	917,340	437,124	2,677,440	105,800	(2,353,884)	6,175,125
Unallocated liabilities										771
Total liabilities										6,175,896
Off-balance sheet credit commitments	268,705	134,329	215,944	130,146	131,331	47,022	14,224	27,858	—	969,559

	2006									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head office	Outside Mainland China	Elimination	Total
External net interest income	24,651	10,619	14,997	14,546	14,996	4,196	54,532	1,831	—	140,368
Internal net interest income/(expense)	6,282	7,274	9,218	6,585	6,233	3,723	(38,058)	(1,257)	—	—
Net interest income	30,933	17,893	24,215	21,131	21,229	7,919	16,474	574	—	140,368
Net fee and commission income	2,852	2,398	2,420	2,367	1,845	914	691	84	—	13,571
Net trading gain	37	35	11	4	10	8	159	355	—	619
Dividend income	1	10	12	316	58	1	24	2	—	424
Net income arising from investment securities	99	—	345	169	176	75	208	(60)	—	1,012
Other operating income/(loss)	352	176	237	252	566	95	(6,233)	154	—	(4,401)
Operating income	34,274	20,512	27,240	24,239	23,884	9,012	11,323	1,109	—	151,593
Operating expenses										
— depreciation and amortisation	(1,348)	(937)	(1,033)	(1,243)	(1,063)	(521)	(822)	(27)	—	(6,994)
— others	(11,742)	(8,194)	(9,878)	(10,796)	(10,351)	(4,740)	(3,538)	(429)	—	(59,668)
	(13,090)	(9,131)	(10,911)	(12,039)	(11,414)	(5,261)	(4,360)	(456)	—	(66,662)
	21,184	11,381	16,329	12,200	12,470	3,751	6,963	653	—	84,931
Provisions for impairment losses	(2,427)	(1,914)	(7,183)	(3,357)	(2,271)	(1,763)	(189)	(110)	—	(19,214)
Profit before tax	18,757	9,467	9,146	8,843	10,199	1,988	6,774	543	—	65,717
Capital expenditure	2,247	1,565	1,667	1,631	1,405	631	1,144	51	—	10,341
Segment assets	1,041,317	797,048	986,165	829,975	791,787	376,834	2,339,757	115,040	(1,832,216)	5,445,707
Interests in associates	—	—	—	—	—	—	—	103	—	103
	1,041,317	797,048	986,165	829,975	791,787	376,834	2,339,757	115,143	(1,832,216)	5,445,810
Unallocated assets										2,701
Total assets										5,448,511
Segment liabilities	1,038,581	796,748	990,054	831,066	791,764	378,238	2,010,107	113,940	(1,832,216)	5,118,282
Unallocated liabilities										25
Total liabilities										5,118,307
Off-balance sheet credit commitments	187,232	95,175	110,860	96,253	104,593	27,563	15,026	24,573	—	661,275

Unaudited Supplementary Financial Information

(a) Liquidity ratios

	As at 31 December 2007	**Average for the year ended 31 December 2007**	As at 31 December 2006	Average for the year ended 31 December 2006
RMB current assets to RMB current liabilities	**40.98%**	**43.52%**	39.05%	43.30%
Foreign currency current assets to foreign currency current liabilities	**100.51%**	**172.01%**	200.36%	185.21%

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

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

(b) Currency concentrations

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

	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

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

— investments in property and equipment and premises, net of accumulated depreciation;

— capital and statutory reserves of overseas branches; and

— investments in overseas subsidiaries and related companies.

(c) Cross-border claims

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

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

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

	2007			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**42,051**	**1,355**	**32,515**	**75,921**
— of which attributed to Hong Kong	**12,706**	**899**	**17,102**	**30,707**
Europe	**57,474**	**—**	**10,064**	**67,538**
North and South America	**114,802**	**68,146**	**49,984**	**232,932**
	214,327	**69,501**	**92,563**	**376,391**

	2006			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	26,317	3,769	24,475	54,561
— of which attributed to Hong Kong	8,550	1,424	7,406	17,380
Europe	61,064	—	9,205	70,269
North and South America	127,769	76,069	56,004	259,842
	215,150	79,838	89,684	384,672

The above cross-border claims are disclosed in accordance with the latest requirements of the HKMA. According to these requirements, "Others" includes the transactions with sovereign. Prior to 2007, these transactions are disclosed in "Public sector entities". Comparative figures have been revised to conform with current year's presentation.

(d) Overdue loans and advances to customers

	2007	2006
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**6,847**	9,798
— between 6 and 12 months	**8,017**	14,295
— over 12 months	**52,159**	53,536
Total	**67,023**	77,629
As a percentage of total loans and advances to customers:		
— between 3 and 6 months	**0.21%**	0.34%
— between 6 and 12 months	**0.25%**	0.50%
— over 12 months	**1.59%**	1.86%
Total	**2.05%**	2.70%

The definition of overdue loans and advances to customers is set out in the unaudited supplementary financial information (e).

There were no overdue loans and advances to financial institutions as at 31 December 2007 and 31 December 2006.

As at 31 December 2007, the loans and advances to customers of RMB56,981 million and RMB10,042 million of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans and advances were RMB13,058 million and RMB43,923 million respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB16,406 million. The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB41,635 million.

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

	2007	2006
Yangtze River Delta	**7,996**	9,599
Pearl River Delta	**9,552**	12,498
Bohai Rim	**18,702**	21,468
Central	**11,710**	12,142
Western	**10,468**	12,954
Northeastern	**6,232**	6,374
Head office	**2,186**	2,439
Overseas	**177**	155
Total	**67,023**	77,629

The above analysis represents loans and advances overdue for more than 90 days as required by the HKMA.

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

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

(f) Rescheduled loans and advances to customers

	2007		2006	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances to customers	**3,648**	**0.11%**	3,384	0.12%
Less: — rescheduled loans and advances to customers but overdue more than 90 days	**(2,471)**	**(0.08%)**	(1,929)	(0.07%)
Rescheduled loans and advances to customers overdue not more than 90 days	**1,177**	**0.03%**	1,455	0.05%

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In 2007 China's economy grew steadily and rapidly. Industrial production growth accelerated. Consumer demand was strong. Household income, corporate profits, and fiscal revenue all increased substantially. Compared with the previous year, GDP rose by 11.4%, and CPI rose by 4.8%.

China's financial industry performed in a sound manner. At the end of 2007, the outstanding broad money M2 increased by 16.7%, while the narrow money M1 rose by 21.0% compared to the previous year. Total deposits with financial institutions increased by 15.2%, while total loans made by financial institutions increased by 16.4% over the previous year. Trading in the money market was active, and market interest rates rose with fluctuations. The issuance of debt securities was brisk with yield rates rising steadily in the bond market. Transactions and financing amount in the stock market hit record highs, and the fund market developed at a fast pace. The appreciation of RMB was accelerated and the RMB appreciated by 6.9% cumulatively against the US dollar in 2007. The scale of innovative products in the foreign exchange market expanded steadily.

While the domestic economy is growing rapidly, problems such as rapid investment growth, excessive liquidity and large trade surplus have not been thoroughly resolved. Meanwhile, the inflationary pressure built up. In light of the situation, the Government implemented a series of macro-adjustment measures. The monetary policy stance gradually shifted from "a sound policy" to "a tight policy". With an aim to absorbing the liquidity in the banking system and containing the growth of money and credit, the PBC raised the benchmark deposit and lending rates for six times, raised the RMB reserve requirement ratios for ten times and absorbed funds of RMB800 billion through open market operations.

Faced with the new market environment and the macro-adjustment policies, the Group actively sought operational transformation and structural adjustment while strengthening risk control, by steadily pushing forward its corporate banking business, accelerating the development of retail banking business and intensively expanding its intermediary businesses, with focus on supporting the development of strategic products and key customers. The Bank also actively promoted product innovation, improved the methods and quality of its service, and strengthened the collaboration between its domestic and overseas branches.

In 2007, the balance sheet of the Group had a steady growth, with income structure continuously improved and operational efficiency gradually raised.

- The Group achieved an operating income of RMB220,717 million, an increase of 45.60% over the previous year. Due to business expansion and the rise in net interest spread, net interest income increased by 37.34% over 2006, amounting to RMB192,775 million. Net fee and commission income increased by 130.73% over 2006, and amounted to RMB31,313 million. The ratio of net fee and commission income to operating income increased to 14.19%.

- The Group achieved a profit before tax of RMB100,816 million with an increase of 53.41%, and a net profit of RMB69,142 million with an increase of 49.27% over the previous year. The growth rate of net profit was lower than that of profit before tax, mainly due to the adjustment in the corporate income tax rate for domestic enterprises effective from 2008, which resulted in a change in the deferred tax items, leading to an increase of RMB1,512 million in income tax expense.

- Return on average assets and return on average equity were 1.15% and 19.50% respectively, an increase of 0.23 percentage points and 4.50 percentage points over the previous year.

- Basic and diluted earnings per share were RMB0.30, a rise of RMB0.09 over the previous year.

- Total assets amounted to RMB6,598,177 million, an increase of 21.10% compared with the previous year. Gross loans and advances to customers increased by 13.87% over the previous year to RMB3,272,157 million, of which the increase in infrastructure loans and personal loans amounted to RMB273,394 million, representing 68.60% of the total loan increment for 2007. The quality of loan assets continued to improve. The non-performing loan ratio was 2.60%, 0.69 percentage points lower than that in 2006.

- Total liabilities amounted to RMB6,175,896 million, an increase of 20.66% compared with the previous year. The growth rate of deposits from customers was 13.11% whereas that for amounts due to banks and non-bank financial institutions was 148.42%.

Income Statement Analysis

In 2007, the Group attained profit before tax of RMB100,816 million, an increase of RMB35,099 million over the previous year. The increase was mainly attributable to rises in net interest income and net fee and commission income, which together brought about a 45.60% increase in operating income, outweighing the 38.50% increase in operating expenses and the 43.62% increase in provisions for impairment losses. Net profit amounted to RMB69,142 million, an increase of RMB22,823 million over the previous year. Effective from 1 January 2008, the corporate income tax rate for domestic enterprises was reduced from 33% to 25%, so the Group adjusted the brought forward deferred tax and recognised deferred tax items of the current period based on the income tax rate of 25%, resulting in an increase of RMB1,512 million in income tax expense and a lower growth rate of net profit than that of profit before tax.

Net Interest Income

In 2007, the net interest income of the Group amounted to RMB192,775 million, an increase of RMB52,407 million or 37.34% over the previous year.

The table below sets forth the Group's average balance of assets and liabilities, related interest income or interest expense, and average yield or average cost during the respective periods.

	Year ended 31 December 2007			Year ended 31 December 2006		
	Average balance	**Interest income/ expense**	**Average yield/cost (%)**	Average balance	Interest income/ expense	Average yield/cost (%)
	(In millions of RMB, except percentages)					
Assets						
Gross loans and advances to customers	**3,140,195**	**198,280**	**6.31**	2,753,100	153,456	5.57
Investment in debt securities[1]	**2,112,620**	**69,610**	**3.29**	1,714,993	50,139	2.92
Balances with central banks	**675,076**	**12,036**	**1.78**	428,701	7,276	1.70
Amounts due from banks and non-bank financial institutions	**137,003**	**4,897**	**3.57**	129,819	4,318	3.33
Total interest-earning assets	**6,064,894**	**284,823**	**4.70**	5,026,613	215,189	4.28
Total allowances for impairment losses	**(86,886)**			(71,551)		
Non-interest-earning assets	**186,750**			153,746		
Total assets	**6,164,758**	**284,823**		5,108,808	215,189	
Liabilities						
Deposits from customers	**5,018,089**	**79,017**	**1.57**	4,424,663	67,811	1.53
Amounts due to banks and non-bank financial institutions	**581,520**	**10,572**	**1.82**	220,636	4,877	2.21
Subordinated bonds issued	**39,929**	**1,942**	**4.86**	39,912	1,883	4.72
Other interest-bearing liabilities	**10,326**	**517**	**5.01**	6,050	250	4.13
Total interest-bearing liabilities	**5,649,864**	**92,048**	**1.63**	4,691,261	74,821	1.59
Non-interest-bearing liabilities	**117,144**			93,545		
Total liabilities	**5,767,008**	**92,048**		4,784,806	74,821	
Net interest income		**192,775**			140,368	
Net interest spread			**3.07**			2.69
Net interest margin			**3.18**			2.79

1. Consists of trading debt securities and investment debt securities. Investment debt securities refer to available-for-sale debt securities, held-to-maturity debt securities and receivables that are included in investment securities.

The average yield on various interest-earning assets increased over the previous year. After being partly offset by the reduced proportion of the average balance of loans and advances to customers in total interest-earning assets, the overall average yield on interest-earning assets increased by 42 basis points to 4.70%.

The average cost of deposits from customers and subordinated bonds issued increased over the previous year, after being partly offset by the decrease in the average cost of amounts due to banks and non-bank financial institutions and the increase in the proportion of its average balance in total interest-bearing liabilities over the previous year, the overall average cost of interest-bearing liabilities increased by four basis points to 1.63%.

The increase in average yield on interest-earning assets was greater than that in average cost of interest-bearing liabilities, resulting in the increase in net interest spread of 38 basis points to 3.07% over the previous year. Since the increase in net interest income of 37.34% was greater than the increase in total interest-earning assets of 20.66%, the net interest margin increased by 39 basis points to 3.18%.

The table below sets forth the effect of the movement of the average balances of the Group's assets and liabilities and movement of average interest rates on the changes in interest income or expense compared with the previous year.

	Volume factor[1]	Interest rate factor	Change in interest income/ expense
	(In millions of RMB)		
Assets			
Gross loans and advances to customers	24,451	20,373	44,824
Investment in debt securities	13,126	6,345	19,471
Balances with central banks	4,417	343	4,760
Amounts due from banks and non-bank financial institutions	267	312	579
Change in interest income	42,261	27,373	69,634
Liabilities			
Deposits from customers	9,436	1,770	11,206
Amounts due to banks and non-bank financial institutions	6,555	(860)	5,695
Subordinated bonds issued	3	56	59
Other interest-bearing liabilities	224	43	267
Change in interest expense	16,218	1,009	17,227
Changes in net interest income	26,043	26,364	52,407

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

Net interest income increased by RMB52,407 million over the previous year, in which RMB26,043 million was due to the movement of the average balances of various assets and liabilities, and RMB26,364 million was due to the movement of average yields or costs, i.e. the contributions of volume and interest rate factors to the increase in net interest income were 49.69% and 50.31% respectively.

Interest income

In 2007, the interest income of the Group amounted to RMB284,823 million, an increase of RMB69,634 million or 32.36% over the previous year, mainly due to the rise in the average balances and average yields of loans and advances to customers as well as investment in debt securities.

Interest income from loans and advances to customers

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

	Year ended 31 December 2007			Year ended 31 December 2006		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
	(In millions of RMB, except percentages)					
Corporate loans	**2,233,272**	**147,232**	**6.59**	1,964,443	116,047	5.91
Personal loans	**673,726**	**40,793**	**6.05**	517,088	29,403	5.69
Discounted bills	**147,505**	**5,403**	**3.66**	227,537	5,456	2.40
Operations outside Mainland China	**85,692**	**4,852**	**5.66**	44,032	2,550	5.79
Gross loans and advances to customers	**3,140,195**	**198,280**	**6.31**	2,753,100	153,456	5.57

Interest income from loans and advances to customers amounted to RMB198,280 million, an increase of RMB44,824 million or 29.21%, mainly due to the steady expansion of various lending businesses other than discounted bills and the increase in the average yield on domestic loans over the previous year. The average yield on loans and advances to customers increased by 0.74 percentage points compared with 2006, mainly because with the continuous increase in the benchmark lending rates set by the PBC and enhanced price negotiation ability of the Group, the average yields of its corporate loans, personal loans and discounted bills rose by 68 basis points, 36 basis points and 126 basis points respectively over the previous year, leading to the increase in the average yield of loans and advances to customers. Meanwhile, the decrease in the proportion of discounted bills and growth in the proportion of personal loans over the previous year also drove up the average yield of loans and advances to customers.

Interest income from investment in debt securities

The interest income from investment in debt securities amounted to RMB69,610 million, an increase of RMB19,471 million or 38.83% over the previous year, of which interest income from investment debt securities was RMB69,160 million, an increase of 38.29% over 2006 whereas interest income from trading debt securities was RMB450 million, an increase of 254.33% over 2006. The growth in the interest income from investment in debt securities was mainly due to an increase of 23.19% in its average balance and an increase of 37 basis points in the average yield of investment in debt securities to 3.29% compared with 2006. The growth in average yield of investment in debt securities was mainly due to a rise in market rates, and an improved mix of debt investment maturities, bond issuers and bond product types as a result of more sophisticated management of the investment portfolio by the Group.

Interest income from balances with central banks

Interest income from balances with central banks was RMB12,036 million, an increase of RMB4,760 million or 65.42%, mainly because the PBC lifted the statutory deposit reserve ratio for ten times in 2007, with a hike from 9% to 14.5%, which led to an increase of 51.74% in the average balance of the statutory deposit reserve over 2006. Meanwhile, the Group fully utilised short-term funds, and the balances under reverse repo agreements increased significantly over the previous year.

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

Interest income from amounts due from banks and non-bank financial institutions was RMB4,897 million, an increase of RMB579 million or 13.41%, mainly due to the increase of 5.53% in the average balance of amounts due from banks and non-bank financial institutions, and the increase in its average yield as a result of the rising market interest rates over the previous year.

Interest expense

In 2007, interest expense of the Group was RMB92,048 million, an increase of RMB17,227 million or 23.02%, mainly due to increases in the average balances in deposits from customers and amounts due to banks and non-bank financial institutions and an increase in the average cost of deposits from customers.

Interest expense on deposits from customers

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

	Year ended 31 December 2007			Year ended 31 December 2006		
	Average balance	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
	(In millions of RMB, except percentages)					
Corporate deposits	**2,670,009**	**37,681**	**1.41**	2,295,178	29,259	1.27
Time deposits	**780,086**	**18,857**	**2.42**	715,280	14,890	2.08
Demand deposits	**1,889,923**	**18,824**	**1.00**	1,579,898	14,369	0.91
Personal deposits	**2,290,520**	**39,164**	**1.71**	2,110,579	37,771	1.79
Time deposits	**1,367,314**	**31,850**	**2.33**	1,340,987	32,091	2.39
Demand deposits	**923,206**	**7,314**	**0.79**	769,592	5,680	0.74
Operations outside Mainland China	**57,560**	**2,172**	**3.77**	18,906	781	4.13
Total deposits from customers	**5,018,089**	**79,017**	**1.57**	4,424,663	67,811	1.53

Interest expense on deposits from customers was RMB79,017 million, an increase of RMB11,206 million or 16.53%, mainly due to an increase in the average balance of deposits from customers and a slight increase in the average cost of deposits from customers. In 2007, the PBC lifted the benchmark rates of deposits for six times and the average cost of deposits from customers increased accordingly. However, as a result of the following changes in the deposit structure, the average cost of deposits from customers only increased by four basis points over the previous year: due to the persistently active domestic capital market in 2007, time deposits were replaced by demand deposits, and the proportion of the average balance of domestic demand deposits in deposits from customers increased by 2.96 percentage points over 2006, diluting the increase in the interest expense of deposits; also, as the average duration of time deposits was shortened and some customers withdrew their deposits before maturity to invest in the capital market, the increase in the interest expense arising from higher interest rates was partly offset.

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 RMB10,572 million, representing an increase of RMB5,695 million or 116.77% over the previous year, mainly because with the good relationship between the Group and its institutional customers and its quality services in the active capital market, the average balance of amounts due to banks and non-bank financial institutions increased 163.57% over 2006. The average cost of the amounts due to banks and non-bank financial institutions decreased by 39 basis points over the previous year, mainly because the Group strengthened its proactive management of its liabilities, the proportion of demand deposits in amounts due to banks and non-bank financial institutions rose to over 95%; and as a result of the declining London Inter-Bank Offered Rate (LIBOR), the average cost of foreign currency deposits from banks and non-bank financial institutions dropped by 148 basis points over 2006.

Net Fee and Commission Income

	Year ended 31 December 2007	Year ended 31 December 2006
	(In millions of RMB)	
Fee and commission income	**32,731**	14,627
Fees for agency services	**16,439**	4,269
Bank card fees	**5,254**	3,836
Commission on trust and fiduciary activities	**3,267**	1,276
Settlement and clearing fees	**3,261**	2,768
Consultancy and advisory fees	**2,792**	1,466
Guarantee and credit commitment fees	**1,063**	636
Others	**655**	376
Fee and commission expenses	**1,418**	1,056
Net fee and commission income	**31,313**	13,571

The Group actively implements strategic transformation, strengthens marketing and product innovations, enhances incentive and disciplinary mechanism and continues to promote the development of fee-based businesses. In 2007, net fee and commission income amounted to RMB31,313 million, an increase of RMB17,742 million or 130.73% over the previous year. The ratio of net fee and commission income to operating income was 14.19%, an increase of 5.24 percentage points over the previous year.

Agency fees increased by RMB12,170 million or 285.08% over the previous year mainly because the Group capitalised on the opportunities in the active financial market, actively commenced sales and marketing, and the fee income from securities, foreign currency trading and insurance services increased by 3.06 times to RMB15,985 million, in which the fees on fund agency services increased by RMB10,735 million, which represented 59.30% of the increase in total fees and commission income.

Bank card business maintained a steady growth. Bank card fees increased by 36.97% to RMB5,254 million, in which credit card fees increased by 154.92% to RMB698 million over the previous year and debit card fees increased by 58.13% to RMB3,723 million over the previous year, mainly due to the continuous enhancement of the products and function of bank card, which led to an increase in the number of credit cards and debit cards issued and a substantial increase in cardholder spending.

Commission on trust and fiduciary activities increased by RMB1,991 million or 156.03% over 2006, mainly as a result of an increase of 275.19% in the total amount of securities investment funds under custody, which drove the income from the respective custodial services up by RMB1,245 million.

Consultancy and advisory fees was RMB2,792 million, an increase of RMB1,326 million or 90.45% over the previous year, mainly due to the Group's intensive efforts in the development of investment banking business which led to the fast growth in financial advisory services and wealth management products, of which financial advisory business grew by 128.38% to RMB1,996 million over the previous year.

Guarantee and credit commitment fees increased by RMB427 million or 67.14% over the previous year, mainly due to the fast growth of fees from acceptances, guarantees and credit commitment business.

Other Net Operating Loss

In 2007, other operating loss of the Group was RMB6,209 million, in which net exchange loss arising from the appreciation of RMB was RMB7,820 million. The net gains from the disposal of properties and equipments were RMB174 million and the net gains from the disposal of repossessed assets were RMB180 million. Other gains were RMB1,257 million.

The following table sets forth the composition of foreign exchange exposure as at 31 December 2007 and profit or loss arising from foreign exchange exposure in 2007:

	As at 31 December 2007 Composition of foreign exchange exposures[1]			Year ended 31 December 2007
	On balance sheet	**Off-balance sheet**	**Total**	**Foreign exchange gain/loss**
		(In millions of RMB)		
Capital injection of US$22.50 billion	—	—	—	(1,533)
Foreign currency-denominated assets and derivative financial instruments[2]	287,659	(240,211)	47,448	(7,215)
Others	10,478	—	10,478	928
Net foreign exchange exposure[3]	298,137	(240,211)	57,926	
Net foreign exchange loss				(7,820)

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

2. The financial derivative instruments are currency derivative instruments.

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

Net foreign exchange loss related to capital injection

According to an agreement the Bank entered into with Huijin on 12 January 2005, the Bank purchased an option from Huijin under which the Bank might exchange a maximum of US$22.50 billion into RMB with Huijin at a predetermined exchange rate of US$1: RMB8.2769, and the option could be exercised in twelve equal monthly instalments in 2007. As of 31 December 2007, the Bank had exercised the total amount of US$22.50 billion.

In 2007, the net foreign exchange loss arising from the capital injection of US$22.50 billion was RMB1,533 million. In this amount, the foreign exchange loss arising from the US$22.50 billion assets related to which the option had been exercised was RMB4,038 million from 1 January 2007 to the date of exercise of the option, and the net gain from the exercise of the option was RMB2,505 million.

Foreign currency-denominated assets and derivative financial instruments

The Group actively developed foreign exchange business to meet the customers' needs and enhance the overall yield. In order to minimise the risk arising from foreign exchange, the Group also entered into relevant financial derivatives transactions. In 2007, the net loss arising from foreign currency-denominated assets was RMB7,215 million after deducting the impact of derivative financial instruments for hedging purpose.

Other net exchange gain

In 2007, the Group's customer-driven exchange trading and foreign exchange exposure recorded a net gain of RMB928 million.

Operating Expenses

	Year ended 31 December 2007	Year ended 31 December 2006
	(In millions of RMB, except percentages)	
Staff costs	**50,101**	32,285
Premises and equipment expenses	**13,217**	11,133
Business tax and surcharge	**12,337**	8,977
Others	**16,672**	14,267
Total operating expenses	**92,327**	66,662
Cost-to-income ratio	**41.83%**	43.97%

In 2007, total operating expenses were RMB92,327 million, an increase of RMB25,665 million or 38.50%. The Group continued to strengthen cost control, and cost efficiency continued to improve. Ratio of operating expenses to operating income further decreased to 41.83%.

Staff costs increased by 55.18% over the previous year, mainly as a result of the increase in staff salaries in line with the increase in average salary level across the board and improved operating results, accruals for the costs arising from the early retired staff, and accruals for the employee stock incentive plan. Pursuant to relevant laws and regulations, the Group made an accrual of RMB8,998 million, being the present value of the benefits expected to be paid to early retired staff from 1 January 2008 to their statutory retirement date, in 2007. Excluding this, staff costs should have increased by 27.31% over the previous year, lower than the growth of operating income.

Premises and equipment expenses increased by 18.72% over 2006, mainly due to inflation, increases in rents, property management fees and utility expenses over the previous year.

Business tax and surcharge increased by RMB3,360 million or 37.43% over the previous year, alongside with the increase in operating income.

Other operating expenses increased by 16.86% over the previous year, mainly because the Group strengthened branch transformation and marketing initiatives, which led to increases in advertising and business development expenses compared to 2006.

Provision for Impairment Losses

	Year ended 31 December 2007	Year ended 31 December 2006
	(In millions of RMB)	
Loans and advances to customers	**20,106**	18,997
Investments	**7,075**	272
— available-for-sale financial assets	**2,113**	213
— held-to-maturity debt securities	**4,853**	59
— receivables in debt securities investment	**109**	—
Property and equipment	**34**	42
Others[1]	**380**	(97)
Total provisions for impairment losses	**27,595**	19,214

1. Consist of provisions for impairment losses on intangible assets and other assets.

In 2007, the Group's provisions for impairment losses were RMB27,595 million, an increase of RMB8,381 million or 43.62% over the previous year.

Provision for impairment losses on loans and advances to customer

	Year ended 31 December 2007			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances which are collectively assessed**	**which are individually assessed**	**Total**
	(In millions of RMB)			
As at 1 January	**22,133**	**13,930**	**41,570**	**77,633**
Write-offs	**—**	**(620)**	**(5,825)**	**(6,445)**
Transfers out	**—**	**(31)**	**(490)**	**(521)**
Recoveries	**—**	**—**	**94**	**94**
Charge for the year				
— reclassification[1]	**—**	**(6,750)**	**6,750**	**—**
— new impairment allowances charged to the income statement	**13,652**	**—**	**18,305**	**31,957**
— impairment allowances released to the income statement	**—**	**(1,601)**	**(10,250)**	**(11,851)**
Unwinding of discount	**—**	**—**	**(1,939)**	**(1,939)**
As at 31 December	**35,785**	**4,928**	**48,215**	**88,928**

1. As at and prior to 31 December 2006, the impairment allowance for corporate loans and advances graded as substandard was collectively assessed. With effect from 1 January 2007, the Group commenced to individually assess the impairment allowance for corporate loans and advances graded as substandard. Consequently, a reclassification of the opening balance of the collective impairment allowance of the respective loans and advances has been made to the individual impairment allowances.

In 2007, the provision made for impairment losses on loans and advances was RMB20,106 million, an increase of RMB1,109 million over the previous year. As at 31 December 2007, the allowance for impairment losses on loans and advances to customers was RMB88,928 million, an increase of RMB11,295 million over the previous year. The ratio of allowance for impairment losses to total loans was 2.72%, an increase of two basis points over the previous year. The ratio of allowance for impairment losses to non-performing loans was 104.41%, an increase of 22.17 percentage points over the previous year.

Provision for impairment losses on investment

Provisions for impairment losses on investment were RMB7,075 million, in which the provision for impairment losses on available-for-sale financial assets was RMB2,113 million and the provision for impairment losses on held-to-maturity debt securities was RMB4,853 million in 2007. The increase of RMB6,803 million in the provisions for impairment losses on investment was mainly due to the provision for impairment losses on foreign currency investment portfolios of US$899 million, equivalent to RMB6,566 million. In this amount, the provision for impairment losses on US sub-prime mortgage backed securities was US$630 million, equivalent to RMB4,602 million.

Provision for impairment losses on other assets

In 2007, a provision for impairment losses on other assets of RMB380 million was made, in which the provision for impairment losses on repossessed assets was RMB273 million. As at 31 December 2007, the total repossessed assets and the related allowances for its impairment losses were RMB3,326 million and RMB1,710 million respectively.

Income Tax

In 2007, income tax of the Group was RMB31,674 million, an increase of RMB12,276 million over the previous year. Apart from the increase in profit before tax, due to the implementation of new enterprise income tax rate effective from 2008, the Group adjusted the brought forward deferred tax items and recognised the newly derived deferred tax items based on the lowered 25% income tax rate, resulting in an increase of RMB1,512 million in current income tax. The Group's effective income tax rate for 2007 was 31.42%, which was lower than the statutory tax rate of 33%, mainly because the interest income arising from PRC government bonds was exempt from PRC income tax in accordance with the tax law.

Balance Sheet Analysis

Assets

The table below sets forth the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Gross loans and advances to customers	**3,272,157**	**—**	2,873,609	—
Allowances for impairment losses on loans	**(88,928)**	**—**	(77,633)	—
Net loans and advances to customers	**3,183,229**	**48.24**	2,795,976	51.32
Investment securities	**2,171,991**	**32.92**	1,903,776	34.94
Cash and balances with central banks	**967,374**	**14.66**	539,673	9.90
Amounts due from banks and non-bank financial institutions	**102,393**	**1.55**	82,185	1.51
Trading investments	**29,819**	**0.45**	5,616	0.10
Other assets[1]	**143,371**	**2.18**	121,285	2.23
Total assets	**6,598,177**	**100.00**	5,448,511	100.00

1. Consist of positive fair value of derivatives, interests in associates, property and equipment, goodwill, deferred tax assets and other assets.

As at 31 December 2007, the Group's total assets amounted to RMB6,598,177 million, representing an increase of RMB1,149,666 million or 21.10% compared with 2006. Among these, gross loans and advances to customers and investment securities increased by 13.87% and 14.09% respectively. Cash and balance with central banks increased by RMB427,701 million or 79.25% compared with 2006, mainly because the PBC lifted the statutory deposit reserve ratio for ten times in 2007, which led to the increase in the balance of statutory deposit reserve; and the Bank expanded investment in financial assets under reverse repo agreement with an aim to better utilising short-term funds. Amount due from banks and non-bank financial institutions increased by RMB20,208 million or 24.59% compared with 2006, mainly attributable to the rise in money market placements. As a result of the growth of proprietary trading of debt securities, trading investments increased by RMB24,203 million, or an increase of 4.31 times compared with 2006.

Loans and advances to customers

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate loans	**2,344,757**	**71.66**	2,057,961	71.62
Short-term loans	**820,908**	**25.09**	743,701	25.88
Medium to long-term loans	**1,523,849**	**46.57**	1,314,260	45.74
Personal loans	**723,805**	**22.12**	585,085	20.36
Residential mortgage loans	**527,888**	**16.13**	428,039	14.90
Personal consumer loans	**66,573**	**2.03**	72,620	2.52
Other loans[1]	**129,344**	**3.96**	84,426	2.94
Discounted bills	**102,826**	**3.14**	159,368	5.55
Operations outside Mainland China	**100,769**	**3.08**	71,195	2.47
Gross loans and advances to customers	**3,272,157**	**100.00**	2,873,609	100.00

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

As at 31 December 2007, the Group's gross loans and advances to customers were RMB3,272,157 million, an increase of RMB398,548 million or 13.87% compared with 2006. The Group proactively responded to the macro-adjustment measures by adjusting its credit structure, and well met the needs of strategic business growth and demands of key customers.

Corporate loans rose to RMB2,344,757 million with an increase of RMB286,796 million or 13.94% compared with 2006. Among these, infrastructure loans increased by 18.93% to RMB846,130 million, the increase of which accounted for 46.96% of that of corporate loans. Faced with the strong credit demand of customers, the Bank further improved the customer structure of the corporate loans through careful selection of customers and implementation of strict credit access and exit standards. The proportion of customers with internal credit ratings of A and above in corporate loans increased by 5.04 percentage points to 88.61% compared with the end of 2006.

Personal loans amounted to RMB723,805 million, an increase of RMB138,720 million or 23.71% compared with 2006. The proportion of personal loan to gross loans and advances to customers increased by 1.76 percentage points compared with 2006 to 22.12%. Personal residential mortgage loans, which is the priority of the Group's development, increased by RMB99,849 million or 23.33% compared with 2006, maintaining a leading position among domestic peers. Personal consumer loans decreased by RMB6,047 million compared with 2006, mainly because the Group took initiatives to adjust its loan structure in line with changes in the market to support the development of residential mortgage loans business. Other loans increased by RMB44,918 million or 53.20% compared with 2006, mainly due to the rapid growth in home equity loans, personal business loans and credit card loans.

Discounted bills stood at RMB102,826 million as at 31 December 2007, with a decrease of RMB56,542 million compared with 2006. It was mainly due to the Group's strategy to increase asset yields and provide support for strategic business development. The Group took initiatives to scale down bill discounting business, in particular the inter-bank discounting business with lower yields, while managing to satisfy the funding needs with bills of premium customers.

The loans and advances outside Mainland China were RMB100,769 million, an increase of RMB29,574 million compared with 2006. This was mainly because the Group continued to strengthen its support in terms of resources to overseas branches, which developed their markets and approached their customers proactively, leading to rapid growth of lending business.

The table below sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Loans secured by monetary assets	**325,515**	**9.94**	265,074	9.22
Loans secured by tangible, other than monetary assets	**1,453,056**	**44.41**	1,212,165	42.18
Guaranteed loans	**748,904**	**22.89**	681,167	23.71
Unsecured loans	**744,682**	**22.76**	715,203	24.89
Gross loans and advances to customer	**3,272,157**	**100.00**	2,873,609	100.00

The Group continued to strengthen credit risk management, and demanded more borrowers to provide tangible assets to secure their loans. As at 31 December 2007, the balance of loans secured by assets was RMB1,778,571 million, an increase of RMB301,332 million compared with 2006, with its proportion in gross loans and advances to customers up by 2.95 percentage points to 54.35%. The proportions of guaranteed loans and unsecured loans decreased by 0.82 percentage points and 2.13 percentage points respectively compared with 2006.

Investments

The following table sets forth the composition of the Group's investment as at the dates indicated.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Debt instruments[1]	**1,613,679**	**73.29**	1,353,418	70.88
Receivables	**551,336**	**25.04**	546,357	28.62
Equity instruments[2]	**36,795**	**1.67**	9,617	0.50
Total investments	**2,201,810**	**100.00**	1,909,392	100.00

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

2. Consist of equity investments and fund investments.

In 2007, the total amount of investments of the Group increased by RMB292,418 million, or 15.31%. Investment in debt instruments continued to maintain a relatively fast growth, of which held-to-maturity and available-for-sale debt securities increased by RMB152,322 million and RMB85,962 million, or 14.66% and 27.81% respectively compared with 2006. Receivables were RMB551,336 million, an increase of RMB4,979 million compared with 2006. Investment in equity instruments increased by RMB27,178 million or 282.60% compared with 2006, mainly because of the increase of RMB26,175 million in the fair value of the shares subject to selling restrictions held through debt equity swap.

Debt instruments

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Debt securities investments in local currency	**1,335,229**	**82.74**	1,029,869	76.09
Debt securities investments in foreign currencies	**278,450**	**17.26**	323,549	23.91
Total debt instruments	**1,613,679**	**100.00**	1,353,418	100.00

Debt securities in foreign currencies

As at 31 December 2007, the Group's debt securities investments in foreign currencies were US$38,123 million (equivalent to RMB278,450 million).

As at 31 December 2007, the nominal value of the bonds with US sub-prime mortgage loan backed securities held by the Group was US$1,000 million (equivalent to RMB7,304 million). The carrying amount was US$370 million (equivalent to RMB2,702 million), representing 0.97% of the portfolio of debt securities investment in foreign currencies. Based on the Bloomberg composite rating, the percentages of securities with a rating of AAA, AA and A were 85.95%, 3.93% and 3.15% respectively.

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

	Allowances for impairment losses	**Carrying amount[1]**
	(In millions of US dollars)	
US sub-prime mortgage loan backed securities		
— US sub-prime mortgage debts	171	370
— First lien debt securities	114	323
— Second lien debt securities	57	47
— Residential mortgage collateralised debt obligations (CDO) related to US sub-prime mortgage debts	459	—
Total	630	370

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

Taking into account the credit position and the market condition of these securities, as at 31 December 2007, the allowances for impairment losses on the US sub-prime mortgage loan backed securities held by the Group were US$630 million (equivalent to RMB4,602 million), in which allowances for impairment losses of US$171 million were made for US sub-prime mortgage debts (equivalent to RMB1,249 million); allowances for impairment losses of US$459 million were made for the full amount of residential mortgage CDOs related to US sub-prime mortgage debts (equivalent to RMB3,353 million).

As at 31 December 2007, the carrying amount of the Alt-A bonds held by the Group was US$515 million (equivalent to RMB3,762 million), representing 1.35% of the portfolio of debt securities investment in foreign currencies, and 98.38% of the Alt-A bonds had a Bloomberg composite rating of AAA.

As the proportion of the above debt securities held by the Group was relatively small against the total foreign currency denominated debt securities portfolio, the Group believed that the market fluctuation for such debt securities did not have significant effect on earnings. The Group will continue to track market movement and development trend in US.

Liabilities

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Deposits from customers	**5,340,316**	**86.47**	4,721,256	92.24
Amounts due to banks and non-bank financial institutions	**606,061**	**9.81**	243,968	4.77
Amounts due to central banks	**50,973**	**0.83**	1,256	0.02
Subordinated bonds issued	**39,928**	**0.65**	39,917	0.78
Other liabilities[1]	**138,618**	**2.24**	111,910	2.19
Total liabilities	**6,175,896**	**100.00**	5,118,307	100.00

1. Consist of negative fair value of derivatives, certificates of deposits issued, current tax liabilities, deferred tax liabilities and other liabilities and provisions.

As at 31 December 2007, the Group's total liabilities amounted to RMB6,175,896 million, an increase of RMB1,057,589 million or 20.66% compared with 2006. Deposits from customers remained the Group's primary source of funding. Deposits from customers increased by RMB619,060 million compared with 2006, with the growth rate down to 13.11% compared with 17.85% in 2006. Its proportion in total liabilities decreased by 5.77 percentage points compared with the previous year to 86.47%, mainly because more customers withdrew their deposits and made investments in the active capital market. In contrast with the slower growth rate of deposits from customers, deposits from banks and other financial institutions rose significantly as a result of the close cooperation between the Group and financial institutions in securities and fund industries, with the amounts due to banks and non-bank financial institutions up by RMB362,093 million or 148.42% and its share in total liabilities up by 5.04 percentage points compared with 2006 to 9.81%. While fully utilising the funds, the Group used more repo transactions to satisfy temporary needs, and the amounts due to central banks increased by RMB49,717 million compared with 2006. Other liabilities increased by RMB26,708 million or 23.87% compared with 2006, mainly due to the substantial increase in current tax liabilities.

Deposits from customers

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

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate deposits	**2,945,305**	**55.15**	2,466,284	52.23
Demand deposits	**2,084,193**	**39.03**	1,778,715	37.67
Time deposits	**861,112**	**16.12**	687,569	14.56
Personal deposits	**2,327,130**	**43.58**	2,207,442	46.76
Demand deposits	**997,164**	**18.67**	830,402	17.59
Time deposits	**1,329,966**	**24.91**	1,377,040	29.17
Operations outside Mainland China	**67,881**	**1.27**	47,530	1.01
Total deposits from customers	**5,340,316**	**100.00**	4,721,256	100.00

As at 31 December 2007, the Group's deposits from customers amounted to RMB5,340,316 million, an increase of 13.11% compared with 2006. Corporate deposits in Mainland China increased by 19.42%, higher than the 5.42% increase in personal deposits. The proportion of personal deposits decreased by 3.18 percentage points to 43.58%. This was mainly attributable to the persistently active domestic capital market, which partially absorbed the savings deposits from residents. For the same reason, the maturity of deposits became shortened. Growth of domestic demand deposits was 18.10%, higher than the 6.13% increase in domestic time deposits. The proportion of the domestic demand deposits to total deposits from customer increased by 2.44 percentage points to 57.70% compared with 2006.

Shareholders' Equity

	As at 31 December 2007	As at 31 December 2006
	(In millions of RMB)	
Share capital	**233,689**	224,689
Capital reserve	**90,241**	42,091
General reserve	**31,548**	10,343
Retained earnings	**32,164**	43,092
Other reserves[1]	**33,335**	9,894
Total equity attributable to shareholders of the Bank	**420,977**	330,109
Minority interests	**1,304**	95
Total equity	**422,281**	330,204

1. Consist of statutory surplus reserve, investment revaluation reserve and exchange reserve.

The Bank issued 9,000 million A-shares in PRC in September 2007, and raised a proceed of RMB58,050 million, or RMB57,119 million after deducting floatation expenses. The entire amount was used to supplement the capital base and improve the capital adequacy level of the Bank. As at 31 December 2007, the Group's shareholders' equity was RMB422,281 million, an increase of RMB92,077 million compared with 2006. The ratio of total equity to total assets was 6.40%, an increase of 0.34 percentage points compared with 2006.

Capital Adequacy Ratio

The following table sets forth, as at the dates indicated, the information related to the Group's capital adequacy ratios.

	As at 31 December 2007	As at 31 December 2006
	(In millions of RMB, except percentages)	
Core capital adequacy ratio[1]	**10.37%**	9.92%
Capital adequacy ratio[2]	**12.58%**	12.11%
Components of capital base		
Core capital:		
Share capital	**233,689**	224,689
Capital reserve, investment revaluation reserve and exchange reserve	**85,408**	40,852
Surplus reserve and general reserve	**49,393**	21,476
Retained earnings[3, 4]	**16,609**	22,421
Minority interests	**1,304**	95
	386,403	309,533
Supplementary capital:		
General provisions for doubtful debts	**33,373**	28,736
Positive changes in fair value of available-for-sale investments and trading financial instruments[4]	**10,527**	—
Term subordinated bonds	**40,000**	40,000
	83,900	68,736
Total capital base before deductions	**470,303**	378,269
Deductions:		
Goodwill	**(1,624)**	(1,743)
Unconsolidated equity investments	**(4,687)**	(2,040)
Others	**(810)**	(91)
Total capital base after deductions	**463,182**	374,395
Risk weighted assets[5]	**3,683,123**	3,091,089

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% goodwill and 50% unconsolidated equity investments and others, by risk-weighted assets.

2. Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.

3. Retained earnings have been deducted by the dividend declared after the balance sheet.

4. As at 31 December 2007, the reserve arising from the cumulative net positive changes in the fair value of available-for-sale investments is excluded from core capital and 50% of the balance is included in supplementary capital. Such cumulative net positive changes in the fair value were included in the core capital for the calculation of capital adequacy ratio as at 31 December 2006. In addition, as at 31 December 2007 the unrealised cumulative net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital, but which were included in the core capital for the calculation of capital adequacy ratio as at 31 December 2006.

5. The balances of risk-weighted assets include 12.5 times of the market risk capital.

In accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* as published by the CBRC, on a consolidated basis provided therein, as at 31 December 2007, the Group's capital adequacy ratio was 12.58% and the core capital adequacy ratio was 10.37%, 0.47 and 0.45 percentage points higher than the end of 2006.

The higher capital adequacy ratio compared with 2006 was because the growth rate of total capital base after deductions exceeded that of risk-weighted assets. Total capital base after deduction increased by RMB88,787 million or 23.71% compared with 2006, of which core capital increased by RMB76,870 million and supplementary capital increased by RMB15,164 million. The increase in core capital was mainly attributable to the substantial increase in profits for the year and the successful issuance of A-shares in the Mainland. The effect was partially diluted by the special dividends in 2007 of RMB16,339 million. The increase in supplementary capital was mainly due to the increase of fair value of shares subject to selling restrictions held through debt equity swaps, which resulted in the increase of RMB9,816 million in investment revaluation reserve. As a result of the steady growth of on-balance sheet assets and rapid development of off-balance sheet business, the risk-weighted assets increased by RMB592,034 million or 19.15% over the end of 2006.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category classification under which non-performing loans (NPLs) include sub-standard, doubtful and loss loans.

	As at 31 December 2007		As at 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Normal	**2,959,553**	**90.45**	2,513,322	87.46
Special mention	**227,434**	**6.95**	265,888	9.25
Sub-standard	**25,718**	**0.79**	29,261	1.02
Doubtful	**48,159**	**1.47**	55,983	1.95
Loss	**11,293**	**0.34**	9,155	0.32
Gross loans and advances to customers	**3,272,157**	**100.00**	2,873,609	100.00
Non-performing loans	**85,170**		94,399	
Non-performing loan ratio		**2.60**		3.29

In 2007, the risk monitoring and early warning mechanism for the Group was further strengthened, and monitoring of risks associated with credit granted was conducted on a real time basis. Risks associated with large credit customers were mitigated on a per account basis, and groups of experts worked together to find solutions for large non-performing loans. With strengthened efforts in liquidity enhancement, recovery, and writing-off of the existing non-performing loans, the quality of credit assets continued to improve. As at 31 December 2007, the balance of the Group's non-performing loans was RMB85,170 million, a decrease of RMB9,229 million compared with 2006. The non-performing loan ratio was 2.60%, a decrease of 0.69 percentage points compared with 2006. Special mention loan was reduced to 6.95% of the gross loans, down by 2.30 percentage points compared with 2006.

Distribution of Loans and NPLs by Product Type

The following table sets forth, as at the dates indicated, loans and non-performing loans by product type.

	As at 31 December 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	**2,344,757**	**76,877**	**3.28**	2,057,961	83,844	4.07
Short-term loans	**820,908**	**43,489**	**5.30**	743,701	52,831	7.10
Middle to long-term loans	**1,523,849**	**33,388**	**2.19**	1,314,260	31,013	2.36
Personal loans	**723,805**	**7,925**	**1.09**	585,085	10,378	1.77
Residential mortgage loans	**527,888**	**4,222**	**0.80**	428,039	5,843	1.37
Personal consumer loans	**66,573**	**1,966**	**2.95**	72,620	2,424	3.34
Other loans[1]	**129,344**	**1,737**	**1.34**	84,426	2,111	2.50
Discounted bills	**102,826**	**—**	**—**	159,368	—	—
Operations outside Mainland China	**100,769**	**368**	**0.37**	71,195	177	0.25
Total	**3,272,157**	**85,170**	**2.60**	2,873,609	94,399	3.29

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

In 2007, the Group quickened its steps in strategic transformation of its business models, and actively improved its credit structure. The credit quality continued to improve with the steady growth of various lending businesses. As at 31 December 2007, the NPL ratio for corporate loans dropped to 3.28%, 0.79 percentage points lower compared with 2006. The NPL ratio for personal loans dropped to 1.09%, 0.68 percentage points lower compared with 2006. Following the gradual implementation of the Group's overseas business development strategies, the size of overseas business grew rapidly. The balance of loans increased by 41.54% compared with 2006 and the non-performing ratio remained at a relatively low level.

Distribution of Loans and NPLs by Industry

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

	As at 31 December 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								
Manufacturing	**592,502**	**18.11**	**24,834**	**4.19**	510,427	17.76	28,791	5.64
Production and supply of electric power, gas and water	**377,285**	**11.53**	**5,957**	**1.58**	318,493	11.08	4,348	1.37
Transportation, storage and postal services	**370,732**	**11.33**	**5,978**	**1.61**	326,715	11.37	4,932	1.51
Real estate	**317,780**	**9.71**	**15,372**	**4.84**	302,290	10.52	18,290	6.05
Water, environment and public utilities management	**106,693**	**3.26**	**1,258**	**1.18**	92,173	3.21	1,400	1.52
Construction	**101,467**	**3.10**	**2,582**	**2.54**	96,580	3.36	3,755	3.89
Leasing and commercial services	**92,968**	**2.84**	**2,911**	**3.13**	63,659	2.22	3,119	4.90
Wholesale and retail trade	**89,289**	**2.73**	**7,816**	**8.75**	73,526	2.56	8,170	11.11
Education	**78,153**	**2.39**	**1,430**	**1.83**	77,458	2.69	1,234	1.59
Mining	**69,666**	**2.13**	**636**	**0.91**	55,909	1.95	672	1.20
Telecommunications, computer services and software	**35,846**	**1.10**	**1,159**	**3.23**	38,962	1.36	1,452	3.73
Others	**112,376**	**3.43**	**6,944**	**6.18**	101,769	3.54	7,681	7.55
Sub-total	**2,344,757**	**71.66**	**76,877**	**3.28**	2,057,961	71.62	83,844	4.07
Personal loans	**723,805**	**22.12**	**7,925**	**1.09**	585,085	20.36	10,378	1.77
Discounted bills	**102,826**	**3.14**	**—**	**—**	159,368	5.55	—	—
Operations outside Mainland China	**100,769**	**3.08**	**368**	**0.37**	71,195	2.47	177	0.25
Total	**3,272,157**	**100.00**	**85,170**	**2.60**	2,873,609	100.00	94,399	3.29

In 2007, the Group strictly executed standards on customer credit access and exit for different industries. Policy initiatives such as limit on risks for different industries were administered. With further improvement in loan composition by industry, the quality of loans continued to improve. In particular, the amounts and ratios of non-performing loans for manufacturing, real estate, and wholesale and retail trade industries, which used to have higher non-performing loan ratios, dropped substantially, with their non-performing amounts down by RMB3,957 million, RMB2,918 million and RMB354 million respectively, and non-performing ratio down by 1.45, 1.21 and 2.36 percentage points respectively compared with that in 2006.

Business Operations

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

	For the year ended 31 December 2007		For the year ended 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Corporate banking	**61,391**	**60.89**	36,642	55.76
Personal banking	**26,146**	**25.93**	10,655	16.21
Treasury operations	**13,347**	**13.24**	18,348	27.92
Others and unallocated	**(68)**	**(0.06)**	72	0.11
Profit before tax	**100,816**	**100.00**	65,717	100.00

Corporate Banking

The following table sets forth the major operating information and changes related to corporate banking:

	For the year ended 31 December 2007	For the year ended 31 December 2006	Change
	(In millions of RMB)		*(%)*
Net interest income	**109,412**	78,033	40.21
Net fee and commission income	**7,471**	5,635	32.58
Other operating income	**178**	874	(79.63)
Operating income	**117,061**	84,542	38.46
Operating expenses	**(37,787)**	(31,387)	20.39
Provisions for impairment losses	**(17,883)**	(16,513)	8.30
Profit before tax	**61,391**	36,642	67.54
	As at 31 December 2007	As at 31 December 2006	
Segment assets	**2,748,782**	2,499,153	9.99

In 2007, the Group's corporate banking recorded a profit before tax of RMB61,391 million with an increase of 67.54% over 2006, accounting for 60.89% of the Group's profit before tax, and remained a major source of income of the Group. The major reasons for the significant growth in the profit before tax of corporate banking include: contributed by the higher net interest margin and growth in the loan portfolio, net interest income grew by 40.21%; a rapid development in fee and commission based products such as financial advisory, asset custody, guarantee, settlement and insurance agency services boosted net fee and commission income to grow by 32.58% amounting to RMB7,471 million; the continuous improvement in asset quality leading to a decrease of 0.64% in corporate NPL ratio over 2006 to 3.14% and an increase of 8.30% in provisions for impairment losses.

Continued improvement in industry and customer structure of loans

At the end of 2007, the corporate loans reached RMB2,344,757 million with a 13.94% increase compared with the end of 2006. Among these, the infrastructure loans increased by 18.93% to RMB846,130 million, the increase of which represented 46.96% of the increase in corporate loans. The balance of discounted bills decreased by RMB56,542 million compared with 2006 to RMB102,826 million. Through credit limits control by industry and internal rating mechanism, the Bank formulated industry entry and exit criteria. Before approving or issuing the loans, assessment was conducted on each customer based on the industry credit policy so that new loans were made to leading enterprises and premium customers in the industry; set higher threshold for industries with excess capacity as well as high energy consumption and high pollution industries, and refuse to grant credit lines to those who fail to comply with the macro-adjustment requirements, industrial policy and environmental protection requirements. At the end of 2007, corporate loans granted to customers with internal credit ratings of A or above accounted for 88.61% of total corporate loans, representing an increase of 5.04 percentage points over 2006; both the amounts and ratio of NPLs declined for industries with higher loan balances such as the manufacturing and real estate sectors.

Boosting business development in small enterprise sector

Learning from international best practices, the Bank created and promoted a model of small enterprise banking centre, enhanced market recognition of our brands of "Easy Loan" and "Growing Path", and built and trained up a dedicated sales and management team, with a view to fostering steady and healthy development of small enterprise banking business. In 2007, 10,841 new small enterprise customers opened accounts with the Bank and loans to small businesses reached a balance of RMB224,477 million.

Enhanced competitiveness in asset custodial service

Following the innovation in the domestic capital market, we strengthened marketing to new QFII and QDII custodial customers as well as fund custodial customers, and became the first among domestic peers to launch custodial service for collaterals against corporate bonds. During the year, the Bank acquired qualifications for trustee and account managers for annuity funds and improved its our market competitiveness. At the end of 2007, the balance of assets under custody reached RMB928,243 million, up 249.97% over 2006. In this amount, the balance of securities investment funds under custody amounted to RMB721,679 million, an increase of 275.19% over 2006. The

Bank remained the second largest among domestic peers in terms of market share of net value of funds under custody.

Institutional business winning the market by innovations

In 2007, the brand of "Xincunguan" was built for the Bank's independent custodial services for securities settlement funds. The Bank entered into cooperation with 98% of all domestic securities companies, and ranked first in terms of the market share in domestic peers, effectively lowering our cost of liabilities. Our payment processing of public finance business maintained a leading position. We developed the payment system of the Three Gorges migration fund and became the exclusive provider of such service. Also, we successfully developed reimbursement system in relation to civil card for public service institutions that operated on the central budget. In 2007, insurance agency services recorded an income of RMB976 million with a year-on-year increase of 51% and ranked first in the growth of market volume. A new series of "Longxintong" wealth management products were launched for corporate customers. The Bank became the first pilot bank for lending against standard futures godown warrants. The development of the customised system for the Index Futures special clearing members business was completed so as to prepare for the launch of Index Futures.

Robust growth in international business

In 2007, the international settlement volume rose to US$285,395 million, a growth of 49.95% over 2006. Foreign guarantee balance grew 242.65% over 2006 to US$12,324 million. The Bank made considerable efforts to expand its foreign exchange clearing business for small to medium-sized commercial banks, and was successfully qualified as the Hong Kong dollar settlement bank under the China foreign exchange payment system hosted by the PBC. The Bank was the first bank to launch new trade finance products such as import & export commodity finance, direct export factoring, non-recourse export credit insurance finance and vessels export factoring, thereby further enriching the trade finance product catalogue. As a result, the Bank was awarded "Best Trade Finance Bank in China" by *Global Finance* magazine.

Personal Banking

The following table sets forth the major operating information and changes related to personal banking:

	For the year ended 31 December 2007	For the year ended 31 December 2006	Change
	(In millions of RMB)		%
Net interest income	**52,958**	35,484	49.24
Net fee and commission income	**20,344**	7,182	183.26
Other operating income	**139**	557	(75.04)
Operating income	**73,441**	43,223	69.91
Operating expenses	**(44,799)**	(30,084)	48.91
Provisions for impairment losses	**(2,496)**	(2,484)	0.48
Profit before tax	**26,146**	10,655	145.39
	As at 31 December 2007	As at 31 December 2006	
Segment assets	**786,851**	621,550	26.59

In 2007, personal banking of the Group entered a new stage of development and offered a significant increase in contribution to the profit. Profit before tax of personal banking increased by 145.39% to RMB26,146 million, accounting for 25.93% of the Group's profit before tax, representing an increase of 9.72 percentage points over that in 2006. The growth in personal banking business was mainly attributable to: the rapid development of high quality personal loan business which promoted a significant increase in net interest income; the well-performed intermediary businesses such as fund agency and bank card, which made net fee and commission income an important source of profit growth in personal banking business.

Steady growth in personal deposits

In 2007, personal deposit-taking business focused on upgrading services. Key integrations and improvements were made in "Swift Remit", personal deposit certification and inter-branch cash withdrawal for RMB personal time deposit and demand deposit. The Bank launched personal cheque business and small-sum payment system for inter-bank deposits and withdrawals, and payment and settlement services were improved to satisfy customers' need for efficient, safe and convenient personal banking services. Market competitive capacity was strengthened and sustained and steady development of personal deposit business was realised. As at 31 December 2007, the balance of personal deposits totalled RMB2,327,130 million, an increase of RMB119,688 million over 2006.

Sound development of personal loans

As at 31 December 2007, the personal loans reached RMB723,805 million, an increase of RMB138,720 million or 23.71% compared with 2006. The percentage of personal loans in total loans of the Group increased by 1.76 percentage points to 22.12% compared to 2006.

In 2007, the Bank vigorously pushed forward personal loan system improvements and process transformation, accelerated the innovation and integration of personal loan products and services, and rolled out a variety of new products and services such as "Safe House Trading" housing transaction funds custody business, Provident Housing Fund Long Card offering various settlement features such as inquiry and withdrawal of provident housing funds, "Borrow and Save" value added account for personal loans, and personal loan SMS service. While tremendous efforts have been made in the development of its traditional residential mortgage loans, the Group also actively explored the second hand residential mortgage market. As at 31 December 2007, the balance of residential mortgage loans reached RMB527,888 million, an increase of RMB99,849 million or 23.33% over 2006.

Rapid growth in bank card business

Debit card product series continued to improve. At the end of 2007, the Bank had issued 224 million debit cards in total, representing an increase of 37.41 million over that in 2006. Spending via debit cards during the year reached RMB407,416 million, an increase of 91.73% over 2006. Fee and commission income from debit cards amounted to RMB3,723 million, representing an increase of 58.13% over 2006. The Bank responded to customer needs and launched the "Virtual Card", a debit card product tailored for the online shoppers to make payments through Internet. In addition, the Bank's original Long savings card underwent a feature upgrade in 2007 following the launch of the "Long Card All-in-One" product brand, thereby formulating a clear structure of debit card products comprising our two major brands — the wealth management card and the "Long Card All-in-One".

Credit card business retained rapid growth. At the end of 2007, the total number of Long credit cards issued was 12.60 million, of which 6.26 million were issued during the year, an increase of 98.75% over the previous year; spending via credit cards during the year was RMB78,664 million, an increase of 94.39% over 2006; income from credit card loans was RMB10,037 million, an increase of 115.76% over 2006; operating income from credit card business reached RMB1,187 million, representing an increase of 95.39% over 2006.

Innovations and feature improvements of credit card products have been undertaken by the Bank as major initiatives to enhance the competitiveness of our products and our brand edges of the three major types of cards, which include those targeting at specific groups namely the Long Business Card, Auto Card, Civil Card, Education Card, Tennis Card and University Student Card, the co-branded affinity cards namely the Renowned University Credit Card, the City Credit Card and the Corporate Credit Card, and those aiming at strategic alliance namely the Department Store Long Card, the Digital Long Card, Airline Long Card and the Insurance Long Card were further strengthened. Meanwhile, the Bank developed and launched new products such as the Diamond/

Platinum Cards and the Yao VISA credit card targeting at meeting diversified needs for different customers. Such launches further expanded our credit card product mix, thus consolidating and enhancing the market presence and competitiveness of our products.

Big leap in the development of personal intermediary business

The Bank is in a leading position in the fund agency service in the industry. In 2007, agency sales of funds reached RMB772,751 million, achieved a seven fold increase over last year. The fee income stood at RMB11,745 million, a year-on-year increase of more than ten times, accounting for 37.51% of the total net fee and commission incomes of the Group; by the end of 2007, our fund agency business had reached 11.37 million customers, an increase of ten times over 2006.

To build up the personal wealth management product brand in full swing, in 2007, the Bank actively explored markets for innovative wealth management products with the successful launch of its wealth management product series, namely the "Profit from Interest", "Profit from Exchange" and QDII, thereby laying a solid foundation for the integrated supporting system of wealth management products and satisfying different needs of our customers. The Bank issued a total of 138 batches of RMB/foreign exchange personal wealth management products in the year, of which 109 batches were "Profit from Interest" RMB wealth management products; 27 batches were "Profit from Exchange" personal foreign exchange structured deposit products; and QDII products accounted for two batches. The Bank's personal wealth management products were widely recognised by the market and customers and received numbers of awards.

The entrusted housing finance business continued to maintain a leading position in the banking industry. At the end of 2007, the balance of housing fund deposits totalled RMB289,862 million, an increase of RMB35,856 million over 2006, with a market share of 61.09%. At the end of 2007, the balance of provident fund loans amounted to RMB242,250 million, an increase of RMB55,415 million over 2006, with a market share of 50.25%. In 2007, the Bank reinforced its cooperation with provident housing funds management centres in various places and jointly launched the co-branded Provident Housing Funds Long Card and actively promoted new products and services such as entrusted services of withdrawal of and repayment with provident housing funds as well as electronic service channels so as to provide convenient services to our customers.

The personal foreign exchange business developed rapidly. The Bank expanded personal foreign exchange outlets and launched a series of marketing campaigns so as to effectively enhance the contributions of income from personal foreign exchange business. In 2007, income from personal purchases and sales of foreign exchange against RMB reached RMB317 million or 121.68% over 2006, reflecting a breakthrough in the development of this business. Furthermore, a rapid growth in the income from personal settlement of foreign exchange was made through strengthening cooperation with international remittance companies for expanding the personal foreign remittance business.

Treasury Operations

The following table sets forth the major operating information and changes related to treasury operations:

	For the year ended 31 December 2007	For the year ended 31 December 2006	Change +/(-)
	(In millions of RMB)		*(%)*
Net interest income	**29,577**	27,078	9.23
Net fee and commission income	**2,750**	580	374.14
Net trading gain	**345**	264	30.68
Net gain arising from investment securities	**318**	234	35.90
Other operating loss	**(7,873)**	(6,193)	27.13
Operating income	**25,117**	21,963	14.36
Operating expenses	**(5,015)**	(3,615)	38.73
Provisions for impairment losses	**(6,755)**	—	NA
Profit before tax	**13,347**	18,348	(27.26)
	As at 31 December 2007	As at 31 December 2006	
Segment assets	**2,960,545**	2,199,334	34.61

In 2007, the treasury operations of the Group recorded a profit before tax of RMB13,347 million, accounting for 13.24% of the Group's profit before tax. With a further expansion of the operating scale of its treasury operations in 2007, an increase was seen in the yield on investment in debt securities. The development in the fee and commission based products such as customer-driven trading business and financial advisory promoted a significant increase in the net fee and commission income. Largely due to the provision for impairment losses on US sub-prime mortgage loan backed securities, the provisions for impairment losses had a substantial increase, leading to a decrease of 27.26% in profit before tax compared with 2006.

Financial market business

In 2007, the Bank actively aligned its strategies on investment in debt securities in response to market changes. For the RMB portfolio, in view of the economic and financial trends of increasing inflationary pressure and tightening of monetary policy, the Bank adapted itself to the ever-changing market environment by taking prudent strategies and adopting quantitative analysis and refined management, thereby further strengthening its portfolio management capability. For the foreign currency portfolio, in the face of a highly volatile international financial market, the Bank implemented, in a reasonable manner, asset structure, duration and yield curve strategies to optimise asset allocation of its portfolio. In response to the impact of the US sub-prime mortgage crisis, a number of measures have been taken including mandate adjustment, more frequent valuations, risk tracking, contingency plan and improvement of the internal control mechanism, with a view to strengthening overall risk management throughout the Group and minimising the loss arising from sub-prime mortgage.

In 2007, in light of more demand deposits and amounts due to banks and non-bank financial institutions in deposits, increased volatility was experienced in the money market. The Bank fully utilised the money market instruments to square the positions and increase return on short term funds. In 2007, the volume of RMB money market trade of the Bank increased significantly. The turnover of repurchase transactions amounted to RMB5,076.80 billion, a 125% growth over 2006. The turnover of inter-bank lending was RMB1,136.80 billion, a 1,281% growth over 2006.

A rapid growth in operating income and a steady increase in the market share of our customer-driven foreign exchange transactions were seen. In 2007, the volume of customer-driven purchases and sales of foreign exchange and foreign exchange trading reached US$199,700 million, a year-on-year increase of 65%, realising an income of RMB2,255 million, a year-on-year increase of 44%; the volume of customer-driven derivatives products transactions totalled US$11,100 million, an increase of 25% over 2006, realising an income of RMB362 million, an increase of 174% over 2006.

In response to the successive rising trend of RMB interest rate and strong demand from corporate customers for RMB debt management, the Bank made a timely move to launch its risk management products for RMB debts. By capitalising on the opportunities arising from the volatility of the international financial market, particularly yield curve movements, the Bank created value for its customers and grabbed the market by making use of derivative financial instruments.

Investment banking

Keeping pace with the rapid development of the financial market and the changing trend of domestic regulatory policy, the Bank viewed the development of investment banking business as the key measures for accelerating comprehensive operation and achieving diversity of income. In 2007, our investment banking business recorded operating income of RMB2,490 million, which more than doubled compared with 2006.

In 2007, while maintaining standard development for traditional financial advisory businesses such as corporate finance advisory, the Group exerted considerable efforts to explore new types of financial advisory businesses including corporate initial public offering (IPO) and re-financing, merger, acquisition and restructuring, equity investment and debt financing. Income from financial advisory business for the year was RMB1,996 million, an increase of 128.38% over 2006. Underwriting of commercial bills was RMB62,580 million, representing a market share of 18.68%, which ranked first in the domestic players for the third consecutive year both in terms of accumulated underwriting volume and current year underwriting volume. Wealth management brands such as “Profit from interest”, “CCB Fortune” and “Qiantu Financial Products” fulfilled diversified investment and financing needs of customers and the market while bringing considerable fee and commission income to the Bank. The Bank’s “Jianyuan 2007-1 Personal Residential Mortgage-backed Securities” with a total issue amount of RMB4,161 million was successfully structured and issued, reflecting continued exploration in asset securitisation business.

Overseas Business and Subsidiaries

As at 31 December 2007, the Group's overseas assets was RMB103,911 million; the profit before tax rose to RMB2,499 million, with an increase of 360.22% over 2006.

The Bank currently has six branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul respectively and three representative offices in London, New York and Sydney respectively. In 2007, the Bank's overseas branches capitalised on the advantageous position of the Group in terms of domestic network, capital and customer base, and leveraged on the geographical advantage and favourable factors of each other, to develop the cross-border operating business of Chinese enterprises in full swing and explore opportunities for financial services related to corporate acquisition and cooperation with domestic financial institutions in overseas business. As a result, the business structure continued to improve with enhanced services.

Following the Bank's acquisition of the 100% equity interest in Bank of America (Asia) Limited and its subsidiaries, institutions and resources in Hong Kong underwent an effective consolidation. The retail banking and small and medium-sized enterprise business at the Bank's Hong Kong Branch and China Construction Bank (Asia) Limited (formerly Jian Sing Bank Limited) were all transferred to CCB Asia. Upon completion of the above-mentioned consolidation in September 2007, the Bank has established itself into a fully-fledged financial service provider operating in the Hong Kong region, through its Hong Kong branch, CCB Asia and CCB International, with its scope of business covering three major business segments: wholesale banking, retail banking and investment banking.

Major subsidiaries

CCB Asia, formerly known as Bank of America (Asia) Limited, is a licensed bank registered in Hong Kong mainly engaged in providing a wide range of personal and commercial banking services to customers. In 2007, CCB Asia actively explored retail and commercial banking businesses, expanded operation network in the Hong Kong and Macau regions, accelerated product innovations and marketing initiatives, fostered business collaborations with the Bank's branches and sub-branches in Mainland China while at the same time strengthened risk and compliance management and internal control to maintain superior asset quality. At the end of 2007, its total assets were HK$63,998 million, net assets were HK$8,617 million, and the profit before tax for the year was HK$725 million.

CCB International, with a registered capital of US$301 million, is mainly engaged in sponsoring and underwriting stocks and debt securities listed in Hong Kong, as well as corporate acquisition, merger and restructuring, debt and equity financing, market research, direct investment, asset management and financial advisory. In 2007, CCB International successfully completed a number of major projects and achieved remarkable progress in all business segments showing considerable economic benefits while shaping a good brand image on the market. At the end of 2007, the company's total assets were HK$3,782 million, net assets were HK$3,259 million, and the profit before tax was HK$772 million.

Sino-German Bausparkasse was jointly established by the Bank and Bausparkasse Schwaebisch Hall in February 2004 with a registered capital of RMB150 million, of which 75.1% was contributed by the Bank. It is primarily engaged in the provision of services such as home savings deposit-taking, provision of home savings loans, inter-bank lending, investment in debt securities, and extension of personal mortgages. At the end of 2007, the total assets were RMB907 million, and it managed to breakeven for the year. In order to expand the scope of business and enhance the capital strengths of Sino-German Bausparkasse, the shareholders planned to increase their investments in Sino-German Bausparkasse to RMB1,000 million in phases. The plan was approved by the relevant regulators on 11 January 2008.

The Bank established CCB Principal Asset Management Co., Ltd. with Principal Financial Services, Inc and China Huadian Group Corporation in September 2005. The Bank holds 65% and the other two parties hold 25% and 10% respectively of the registered capital of RMB200 million. At the end of 2007, four funds were managed by CCB Principal Asset Management Co. Ltd., with the size growing in a healthy manner and continuously bringing substantial return to fund investors. Its net profit for the year was RMB249 million.

CCB Financial Leasing was established jointly by the Bank and Bank of America in December 2007 with a registered capital of RMB4,500 million, of which 75.1% was contributed by the Bank. CCB Financial Leasing is currently the largest domestic financial leasing company in terms of registered capital and is one of the first innovative financial leasing companies to obtain business license granted by the CBRC in PRC. It is mainly engaged in financial leasing, receiving security deposit from lessees, transferring rent receivables to commercial banks, issuing financial bonds, inter-bank lending, borrowing from financial institutions, and borrowing overseas.

Analysed by Geographical Locations

The Bank adheres to the strategy of prioritising the development of branches in central cities and regards the market in the Yangtze River Delta, Pearl River Delta and Bohai Rim as key areas of development to take care of the large and medium cities along the coastline in the Mainland. In 2007, the Bank's profit before tax of the Yangtze River Delta, Pearl River Delta and Bohai Rim regions recorded a 54.67% rise over 2006, contributing 57.34% of the Group's profit before tax. At the end of 2007, gross loans and advances of the Yangtze River Delta, Pearl River Delta and Bohai Rim regions were RMB1,892,506 million, an increase of 13.78% over the previous year, representing 57.85% of the Group's loans and advances.

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

	For the year ended 31 December 2007		For the year ended 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Yangtze River Delta	**25,934**	**25.73**	18,757	28.54
Bohai Rim	**16,920**	**16.78**	9,146	13.91
Central	**15,459**	**15.33**	8,843	13.45
Western	**15,347**	**15.22**	10,199	15.52
Pearl River Delta	**14,947**	**14.83**	9,467	14.41
Northeast	**5,140**	**5.10**	1,988	3.03
Head office	**4,570**	**4.53**	6,774	10.31
Outside Mainland China	**2,499**	**2.48**	543	0.83
Profit before tax	**100,816**	**100.00**	65,717	100.00

The following table sets forth the distribution of the Group's loans and advances by geographical segment:

	For the year ended 31 December 2007		For the year ended 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Yangtze River Delta	**816,085**	**24.95**	714,373	24.86
Bohai Rim	**602,943**	**18.43**	549,755	19.13
Western	**530,805**	**16.22**	469,428	16.34
Central	**519,388**	**15.87**	463,670	16.14
Pearl River Delta	**473,478**	**14.47**	399,229	13.89
Northeast	**199,106**	**6.08**	177,771	6.19
Head office	**29,583**	**0.90**	28,188	0.98
Outside Mainland China	**100,769**	**3.08**	71,195	2.47
Gross loans and advances to customers	**3,272,157**	**100.00**	2,873,609	100.00

The following table sets forth the distribution of the Group's deposits by geographical segment:

	For the year ended 31 December 2007		For the year ended 31 December 2006	
	Amount	**% of total**	Amount	% of total
	(In millions of RMB, except percentages)			
Yangtze River Delta	**1,106,728**	**20.72**	984,000	20.84
Bohai Rim	**1,053,579**	**19.73**	924,942	19.59
Central	**913,466**	**17.11**	810,662	17.17
Western	**871,416**	**16.32**	776,246	16.44
Pearl River Delta	**820,711**	**15.37**	735,391	15.58
Northeast	**405,490**	**7.59**	369,657	7.83
Head office	**101,045**	**1.89**	72,828	1.54
Outside Mainland China	**67,881**	**1.27**	47,530	1.01
Deposits from customers	**5,340,316**	**100.00**	4,721,256	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 31 December 2007					
	Assets	**% of total**	**Number of branches**	**% of total**	**Number of staff**	**% of total**
	(In millions of RMB)	*(%)*		*(%)*		*(%)*
Yangtze River Delta	1,308,774	19.84	2,216	16.47	42,742	14.30
Bohai Rim	1,172,087	17.76	2,191	16.28	50,669	16.95
Central	968,641	14.68	3,288	24.43	67,288	22.51
Pearl River Delta	952,276	14.43	1,662	12.35	35,940	12.03
Western	917,902	13.91	2,713	20.16	62,540	20.93
Northeast	436,686	6.62	1,376	10.23	34,639	11.59
Head office	3,091,749	46.86	2	0.01	4,694	1.57
Outside Mainland China	103,911	1.57	9	0.07	356	0.12
Elimination	(2,353,884)	(35.67)				
Unallocated assets	35	—				
Total	6,598,177	100.00	13,457	100.00	298,868	100.00

Prospects

In 2008, the global economy remains steady on the whole. Under the influence of the spreading sub-prime mortgage lending crisis in the United States, rocketing international oil prices, strong international gold prices and higher inflationary pressure, uncertainty in the prospect of global economic growth grows.

In 2008, China's domestic economy is expected to maintain a relatively rapid growth. In view of the signs of overheating in economic growth and the growing risk of inflation, it is anticipated that the Government will continue to strengthen and improve its macro-adjustment measures. The securities market will maintain its momentum, but with greater volatility, which will pose impact on businesses relevant to the banks and securities market. With the opening-up of the banking industry, foreign banks have reinforced their investments in the PRC Market. At the same time, all the leading commercial banks in China have been actively executing business transformation, making competition among counterparts more intense. There are also a number of favourable factors in the operating environment of the Bank including "unified income tax", the extensive business opportunities brought about by the upcoming Olympic Games and strengthened customer base and enhanced channels of the Bank.

Faced with the more rigorous new challenges and opportunities, the Group will keep an eye on macroeconomic movements. It will continue to keep track of and analyse changes in policies and the market, grasp the opportunities and take initiatives to adjust its operating strategies to enhance its operating standards and achieve the operating objectives for the year.

First of all, the Group will carry out adjustment in credit structure in a sound manner to realise a steady development of its business. The Group will reasonably handle the pace and scale of credit extension, utilise industry limit management to adjust the structure of its credit business, and raise the pricing capacity. It will also reinforce its proactive liability management and refined liquid management, scientifically project its funding source and structure change and enhance its ability of fund utilisation. Marketing as well as product development and innovation for foreign currency business will be strengthened to boost a faster development in foreign currency business. By means of joint ventures, acquisitions, cooperation and other methods, the Group will establish platforms for development of various businesses, actively and carefully facilitate a comprehensive operation so as to provide a variety of financial services to the customers while lifting the overall profitability.

Furthermore, the Group will relentlessly pursue its strategic transformation to maintain its satisfactory growing trend in intermediary businesses. It will refine product segmentation management of the intermediary business, formulate distinct development strategies according to the features of various products, and enhance the performance assessment method and incentive and disciplinary mechanism. Innovations in the business and products will be strengthened to build up the brand of intermediary business of the Group. It will accelerate the development of key businesses such as bancassurance e-banking, credit card, financial market, and emerging businesses such as investment banking, so as to lay a solid basis for sustained rapid development of the intermediary businesses.

Last but not least, the Group will continue to enhance its risk management and infrastructure development to establish a safe and long-effective mechanism. It will track closely the financial trends of domestic and international economies to appreciate changes of risks. Focus will be put on the development and application of advanced tools and methods to measure risks, and initiatives will be taken to deal with various types of risks in operations. The Group will also strengthen its technology support to develop a safe information system that is service-oriented and supportive to product innovation. Besides, it will steadily advance its strategic cooperation with Bank of America. Various projects such as branch transformation, development of its capability to serve small and medium-sized enterprises and improvement of its internet banking system will be strongly executed to strengthen its capacity of sustainable development. The Group will reinforce its product innovation and management to greatly strengthen its capability of product production and customer services. A better allocation of human resources will be employed to establish a sound employment system that fits into the requirements of modern financial enterprises. Furthermore, it will actively cultivate a corporate culture that complies with the modern banking requirements and has the characteristics of the Bank.

Use of Proceeds of the IPO

The Bank uses the proceeds of the IPO to supplement its capital base in accordance with the disclosure in the A-share prospectus.

Differences between the Financial Statements Prepared under IFRS and those Prepared under PRC GAAP

There is no difference in the net profit for the year ended 31 December 2007 or total equity as at 31 December 2007 between the Group's consolidated financial statements prepared under IFRS and that prepared under PRC GAAP.

Changes in Share Capital and Particulars of Shareholders

Changes in Shares

Unit: share

		1 January 2007		Increase/(Decrease) during the reporting period					31 December 2007	
		Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I)	**Shares subject to selling restrictions** [1]									
1.	State-owned shares[2]	138,150,047,904	61.48	—	—	—	—	—	138,150,047,904	59.12
2.	Shares held by state-owned legal persons[3]	28,292,250,000	12.59	—	—	—	(7,600,000,000)	(7,600,000,000)	20,692,250,000	8.85
3.	Shares held by other domestic investors	—	—	2,700,000,000[4]	—	—	(2,700,000,000)	—	—	—
	Comprising:									
	Shares held by domestic non-state-owned legal persons	—	—	—	—	—	—	—	—	—
	Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4.	Shares held by foreign investors[5]	29,038,717,096	12.93				(4,952,871,375)	(4,952,871,375)	34,085,845,721	10.31
	Comprising:									
	Shares held by foreign legal persons	—	—	—	—	—	—	—	—	—
	Shares held by foreign natural persons	—	—	—	—	—	—	—	—	—
(II)	**Shares not subject to selling restrictions**									
1.	RMB ordinary shares	—	—	6,300,000,000	—	—	2,700,000,000[4]	9,000,000,000	9,000,000,000	3.85
2.	Domestically listed foreign investment shares	—	—	—	—	—	—	—	—	—
3.	Foreign listed foreign investment shares	29,208,069,000	13.00	—	—	—	5,476,932,375	5,476,932,375	34,685,001,375	14.84
4.	Others	—	—	—	—	—	7,075,939,000	7,075,939,000	7,075,939,000	3.03
(III)	**Total number of shares**	224,689,084,000	100.00	9,000,000,000	—	—	—	9,000,000,000	233,689,084,000	100.00

1. Shares subject to selling restrictions refer to shares held by shareholders who are subject to selling restrictions in accordance with laws, regulations and rules or under commitment.

2. H-shares of the Bank held by Huijin.

3. H-Shares of the Bank held by Jianyin, State Grid, Baosteel Group and Yangtze Power. State Grid, Baosteel Group and Yangtze Power held 7,600,000,000 H-shares of the Bank as at 1 January 2007, and 7,075,939,000 H-shares of the Bank as at 31 December 2007, which is set forth in “Shares not subject to selling restrictions — Others” in this table.

4. 2,700,000,000 shares are A-shares placed through offline offering. The lock-up was lifted on 25 December 2007 after the three months lock-up period from 25 September 2007.

5. H-shares of the Bank held by the foreign strategic investors: Bank of America and Fullerton Financial.

Changes in Shares Subject to Selling Restrictions

Name of shareholder	Number of shares subject to restrictions at beginning of the year	Number of shares released from restrictions in the year	Number of new shares subject to restrictions in the year	Number of shares subject to restrictions at the end of the year	Reason for the restrictions	Date of release from restrictions
Huijin	138.150,047,904	—	—	138,150,047,904	The 5-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2010
Jianyin	20,692,250,000	—	—	20,692,250,000	The 5-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2010
State Grid	3,000,000,000	3,000,000,000	—	—	The 22-month lock-up period since issuance of H-shares (27 October 2005)	27 August 2007
Baosteel group	3,000,000,000	3,000,000,000	—	—	The 22-month lock-up period since issuance of H-shares (27 October 2005)	27 August 2007
Yangtze Power	1,600,000,000	1,600,000,000	—	—	The 22-month lock-up period since issuance of H-shares (27 October 2005)	27 August 2007
Bank of America	19,132,974,346	—	—	19,132,974,346	The 3-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2008
Fullerton Financial	9,905,742,750	4,952,871,375	—	4,952,871,375	4,952,871,375 H-shares are transferrable on or after 29 August 2007. The 3-year lock-up period since 29 August 2005 for the remaining 4,952,871,375 H-shares.	29 August 2008
A-share offline subscription investor	—	2,700,000,000	2,700,000,000	—	The 3-month lock-up period since issuance of A-shares (25 September 2007)	25 December 2007
Total	195,481,015,000	15,252,871,375	2,700,000,000	182,928,143,625		

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, the Bank had a total of 1,516,445 shareholders, of which 55,409 were shareholders of H-shares and 1,461,036 were shareholders of A-shares.

Unit: share

Total number of shareholders	1,516,445 (Total number of registered holders of A-shares and H-shares as at 31 December 2007)

Particulars of shareholding of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin	State-owned	59.12	138,150,047,904 (H-shares)	138,150,047,904	None
HKSCC Nominees Limited[1]	Foreign legal person	12.07	28,209,724,301 (H-shares)	—	Unknown
Jianyin[2]	State-owned legal person	8.85	20,692,250,000 (H-shares)	20,692,250,000	None
Bank of America	Foreign legal person	8.19	19,132,974,346 (H-shares)	19,132,974,346	None
Fullerton Financial	Foreign legal person	5.65	13,207,316,750 (H-shares)	4,952,871,375	None
Baosteel Group	State-owned legal person	1.30	3,000,000,000 (H-shares)	—	None
			39,000,000 (A-shares)	—	None
Yangtze Power	State-owned legal person	0.51	1,200,000,000 (H-shares)	—	None
Reca Investment Limited	Foreign legal person	0.34	800,000,000 (H-shares)	—	None
Agricultural Bank of China — China Post Core Growth Stock Fund	Domestic non-state-owned legal person	0.12	284,051,722 (A-shares)	—	None
China Life Insurance Company Limited – Participating — Individual participating — 005L — FH002 SH	Domestic non-state-owned legal person	0.10	233,696,000 (A-shares)	—	None

1. As at 31 December 2007, State Grid, one of the Bank's promoters, held 2,875,939,000 H-shares of the Bank, which were held under the name of Hong Kong Securities Clearing Company Nominees Limited.

2. Jianyin is a wholly owned subsidiary of Huijin. Apart from this, the Bank is not aware of any connections among the above shareholders or whether they are parties acting in concert.

Particulars of shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholder	Shares not subject to selling restrictions	Type of share
HKSCC Nominees Limited	28,209,724,301	H-share
Fullerton Financial	8,254,445,375	H-share
Baosteel Group	3,000,000,000	H-share
	39,000,000	A-share
Yangtze Power	1,200,000,000	H-share
Reca Investment Limited	800,000,000	H-share
Agricultural Bank of China — China Post Core Growth Stock Fund	284,051,722	A-share
China Life Insurance Company Limited[1] — Participating — Individual participating — 005L — FH002 SH	233,696,000	A-share
China Life Insurance (Group) Company — Traditional– Ordinary insurance products	189,705,000	A-share
Agricultural Bank of China — China Post Core Selected Stock Fund	143,000,000	A-share
China Life Insurance Company Limited — Traditional– Ordinary insurance products — 005L — CT001 SH	124,922,850	A-share

1. China Life Insurance Company Limited is a subsidiary controlled by China Life Insurance (Group) Company. Some of the shareholders mentioned above were managed by the same fund manager. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

Particulars of the Controlling Shareholder

At the end of the reporting period, Huijin directly held 59.12% of the shares of the Bank and, through its wholly owned subsidiary Jianyin, indirectly held 8.85% of the shares of the Bank. Huijin is the controlling shareholder of the Bank.

Huijin is a wholly state-owned investment company established on 16 December 2003 with the approval of the State Council and in accordance with the Company Law. Huijin's registered capital is RMB372,465 million and the legal representative is Hu Xiaolian. Huijin is funded by the state and exercises investors' rights and obligations on behalf of the state in financial institutions such as the Bank, Bank of China and Industrial and Commercial Bank of China.

Please refer to the *Announcement on the Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Name	Position	Gender	Age	Term of office as member of the second board of directors	Total amount of compensation before tax received from the Bank during the term of office within the reporting period *(RMB'000)*	Other compensation or allowances from the shareholders unit or other connected units
Guo Shuqing	Chairman of the board of directors, executive director	Male	51	June 2007 to 2009 annual general meeting	1,783	None
Zhang Jianguo	Vice chairman of the board of directors, executive director, president	Male	53	June 2007 to 2009 annual general meeting	1,774	None
Zhao Lin	Executive director, vice president	Male	53	June 2007 to 2009 annual general meeting	1,573	None
Luo Zhefu	Executive director, vice president	Male	55	June 2007 to 2009 annual general meeting	1,580	None
Wang Yonggang	Non-executive director	Male	51	June 2007 to 2009 annual general meeting	345	Yes
Wang Yong	Non-executive director	Male	46	June 2007 to 2009 annual general meeting	210	Yes
Wang Shumin	Non-executive director	Female	52	June 2007 to 2009 annual general meeting	360	Yes
Liu Xianghui	Non-executive director	Male	53	June 2007 to 2009 annual general meeting	390	Yes
Zhang Xiangdong	Non-executive director	Male	50	June 2007 to 2009 annual general meeting	380	Yes
Li Xiaoling	Non-executive director	Female	50	June 2007 to 2009 annual general meeting	210	Yes
Gregory L. Curl	Non-executive director	Male	59	June 2007 to 2009 annual general meeting	390	Yes
Lord Peter Levene	Independent non-executive director	Male	66	June 2007 to 2009 annual general meeting	360	None
Song Fengming	Independent non-executive director	Male	61	June 2007 to 2009 annual general meeting	440	None
Jenny Shipley	Independent non-executive director	Female	56	November 2007 to 2009 annual general meeting	60	None

Elaine La Roche	Independent non-executive director	Female	58	June 2007 to 2009 annual general meeting	402	None
Wong Kai Man	Independent non-executive director	Male	57	November 2007 to 2009 annual general meeting	60	None
Tse Hau Yin, Aloysius	Independent non-executive director	Male	60	June 2007 to 2009 annual general meeting	440	None

1. Non-executive directors holding positions in the shareholders units do not receive compensation directly from the Bank. The compensations for their services provided as non-executive directors are paid to the relevant shareholders units (Huijin and Bank of America) by the Bank.

Supervisors of the Bank

Name	**Position**	**Gender**	**Age**	**Term of office as member of the second board of supervisors**	**Total amount of compensation before tax received from the Bank during the term of office within the reporting period** *(RMB'000)*	**Other compensation or allowances from the shareholders unit or other connected units**
Xie Duyang	Chairman of the board of supervisors	Male	59	June 2007 to 2009 annual general meeting	1,688	None
Liu Jin	Shareholder representative supervisor	Female	43	June 2007 to 2009 annual general meeting	1,043	None
Jin Panshi	Shareholder representative supervisor	Male	43	June 2007 to 2009 annual general meeting	1,033	None
Cheng Meifen	Employee representative supervisor	Female	52	June 2007 to 2009 annual general meeting	26[1]	None
Sun Zhixin	Employee representative supervisor	Male	57	June 2007 to 2009 annual general meeting	26[1]	None
Ning Liming	Employee representative supervisor	Female	58	June 2007 to 2009 annual general meeting	26[1]	None
Guo Feng	External supervisor	Male	45	June 2007 to 2009 annual general meeting	250	None
Dai Deming	External supervisor	Male	45	June 2007 to 2009 annual general meeting	157	None

1. Compensation before tax for the service provided as employee representative supervisor of the Bank.

Senior Management of the Bank

Name	Position	Gender	Age	Term of office	Total amount of compensation before tax received from the Bank during the term of office within the reporting period *(RMB'000)*	Other compensation or allowances from the shareholders unit or other connected units
Zhang Jianguo	President	Male	53	July 2006 –	1,774	None
Zhao Lin	Vice president	Male	53	September 2004 –	1,573	None
Luo Zhefu	Vice president	Male	55	September 2004 –	1,580	None
Xin Shusen	Vice president	Female	58	July 2005 –	1,551	None
Chen Zuofu	Vice president	Male	53	July 2005 –	1,563	None
Fan Yifei	Vice president	Male	43	July 2005 –	1,561	None
Pang Xiusheng	Chief financial officer	Male	49	April 2006 –	1,347	None
Zhu Xiaohuang	Chief risk officer	Male	51	April 2006 –	1,339	None
Yu Yongshun	Chief auditor	Male	57	July 2005 –	1,297	None
Chen Caihong	Secretary to the Board	Male	51	August 2007	308	None
Gu Jingpu	Controller of wholesale banking	Male	51	May 2006 –	1,305	None
Du Yajun	Controller of retail banking	Male	51	May 2006 –	1,309	None
Mao Yumin	Controller of investment and wealth management banking	Male	53	September 2007 –	260	None

1. During the reporting period, the secretary to the Board of the Bank, Mr. Chen Caihong, indirectly held 19,417 H-shares of the Bank via employee stock ownership plans before he assumed duties as the secretary to the Board. Apart from this, the directors, supervisors and other senior management members of the Bank do not hold any shares of the Bank.

Other Information

Purchase, Sale and Redemption of Shares

In September 2007, the Bank issued 9 billion A-shares in its domestic IPO at an issue price of RMB6.45 per share. The Bank's A-shares were listed on Shanghai Stock Exchange on 25 September 2007. After the completion of the domestic IPO, the total number of the Bank's shares was 233,689,084,000 (224,689,084,000 H-shares and 9,000,000,000 A-shares).

Except for the above A-shares issuance, there is no purchase, sale or redemption by the Bank or any of its subsidiaries of the listed securities of the Bank during the year ended 31 December 2007.

Corporate Governance

Our bank is committed to maintaining high-level corporate governance. We strive to adopt best practices in corporate governance of international public banks, put the decision-making role of the board of directors and the supervisory role of the board of supervisors at full play. We also try to improve our management standards, and ensure that the information disclosure is more transparent, and the shareholders' interests are fully protected. The Bank have complied with the code provisions of the *Code on Corporate Governance Practices* ("Model Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

Securities Transactions by Directors

In relation to securities transactions by directors and supervisors, the Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. All directors and supervisors have complied with the code above during the year ended 31 December 2007. After enquiries, Mr. Chen Caihong, the secretary to the Board of the Bank, held indirectly 19,417 H-shares of the Bank via employee stock ownership plan before he assumed duties of the position. Apart from this, the directors, supervisors and the senior management do not hold any shares of the Bank.

Dividends

The Board recommends a final cash dividend of RMB0.065 per share for the six months ended 31 December 2007, totalling approximately RMB15,190 million.

In order to determine the holders of H-Shares who are entitled to receive 2007 final cash dividends, the Bank's register of members will be closed from Thursday, 19 June 2008 to Monday, 23 June 2008, both days inclusive, during which period no transfer of H-Shares will be effected. Holders of H-Shares who wish to receive 2007 final cash dividends 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 Wednesday, 18 June 2008. The address of the share registrar Computershare Hong Kong Investor Services Limited is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The last trading day of the Bank's H-shares before the ex-dividend date will be Monday, 16 June 2008, and the dividends shall be excluded from Tuesday, 17 June 2008. The recommendation is subject to approval at the forthcoming annual general meeting 2007. If approved, the 2007 final cash dividends is expected to be paid around Tuesday, 8 July 2008 to the Shareholders.

Annual General Meeting and Closure of Register of Members

The 2007 annual general meeting will be held on Thursday, 12 June 2008. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting which is expected to be dispatched to shareholders on or about 25 April 2008. In order to determine the shareholders who are entitled to attend the 2007 annual general meeting. The Bank's register of members will be closed from Tuesday, 13 May 2008 to Wednesday, 11 June 2008, both days inclusive, during which period no transfer of shares will be effected. In order to attend the 2007 annual general meeting, 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 Friday, 9 May 2008.

Annual Report and Announcement

This announcement is available on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com. The annual report prepared in accordance with IFRS will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com in due course. The annual report prepared in accordance with PRC GAAP will be published on the website of Shanghai Stock Exchange at www.sse.com.cn, The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Bank at www.ccb.com in due course.

Review of Annual Results

The audit committee has reviewed the 2007 Annual Report of the Bank. The Bank's external auditors, KPMG Huazhen has audited the 2007 financial statements of the Bank prepared in accordance with PRC GAAP and KPMG has audited the financial statements of the Bank prepared in accordance with IFRS, and has issued unqualified reports.

By Order of the Board
CHINA CONSTRUCTION BANK CORPORATION
Zhang Jianguo
Vice Chairman, Executive Director and President

11 April 2008

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