中信银行
CHINA CITIC BANK

中信銀行股份有限公司
China CITIC Bank Corporation Limited

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

(Stock Code: 998)

Interim Results Announcements
For the Six Months ended 30 June 2008

The Board of Directors (the "Board") of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") are pleased to announce the unaudited consolidated results (the "Interim Results") for the six months ended June 30, 2008 ("Reporting period") prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in compliance with International Accounting Standards ("IAS") 34 — "Interim Financial Reporting" issued by the International Accounting Standards Board. The Audit and Related Party Transactions Control Committee of the Board of the Bank has reviewed and adopted the Interim Results.

1. FINANCIAL HIGHLIGHTS

Unit: RMB million

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

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

Unit: RMB million

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

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

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

Difference Between Domestic and International Accounting Standards

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

Unit: RMB million

	Net assets		**Net profit**	
	June 30, 2008	December 31, 2007	**January–June 2008**	January–June 2007
Figures shown in the Bank's financial report prepared according to International Financial Reporting Standards (IFRS)	**90,153**	84,086	**8,429**	3,223
Difference caused by revaluation of the properties	**(154)**	(152)	**(3)**	4

	Net assets		Net profit	
	June 30, 2008	December 31, 2007	**January–June 2008**	January–June 2007
Difference due to measuring equipment and other assets at their historical cost	**192**	202	**(9)**	(22)
Figures shown in the Bank's financial report prepared according to the PRC Accounting Standards for Business Enterprises	**90,191**	84,136	**8,417**	3,205

2. REPORT OF THE BOARD OF DIRECTORS

Economic, Financial and Regulatory Environment

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

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

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

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

Financial Statement Analysis

Overview

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

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

Income Statement Analysis

Unit: RMB million

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

Net Interest Income

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

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

Unit: RMB million

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

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

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

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

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

Unit: RMB million

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

Interest income

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

Interest income from loans and advances to customers

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

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

Unit: RMB million

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

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

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

Interest income from investments in debt securities

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

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

Interest income from balances with central bank

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

The average balance with central bank was up by RMB50.053 billion or 67.26% than in the first half of 2007. It is mainly due to: (1) the statutory deposit reserve ratio was gradually raised to 17.5% as of June 30, 2008 from 11.5% at end of the first half of 2007; and (2) statutory deposit reserve balance increased as a result of increasing customer deposits. Average yield climbed from 1.54% in the first half of 2007 to 1.69% in the first half of 2008 driven by enhanced operation of positions by the Group provided that liquidity had been ensured. Excess reserve ratio was kept steady while the proportion of average balance of excess reserve to the average balance with central bank was lower than the same period of the previous year.

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

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

Interest income from balances under resale agreements

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

Interest Expense

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

Interest expense from customer deposits

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

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

Unit: RMB million

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

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

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

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

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

Interest expense on other borrowed funds

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

Net interest yield and net interest spread

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

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

Net non-interest income

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

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

Unit: RMB million

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

Net fee and commission income

Unit: RMB million

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

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

Net trading gain/(loss)

Unit: RMB million

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

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

Net income of securities investment

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

Provisions for impairment loss

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

Unit: RMB million

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

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

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

General and administrative expenses

Unit: RMB million

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

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

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

Income tax analysis

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

Balance sheet analysis

Unit: RMB million

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

Notes:

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

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

Asset Business

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

Loan Business

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

Loans breakdown customers segments

Unit: RMB million

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

Loans breakdown by geographical locations

Unit: RMB million

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

Corporate loans breakdown by sectors

Unit: RMB million

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

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

Maturity profile of loan portfolio

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

Unit: RMB million

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

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

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

Currency Composition of Loans

Unit: RMB million

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

Guarantee Breakdown

Unit: RMB million

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

Concentration of the Borrowing

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

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

Unit: RMB million

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

Analysis of Loan Quality

Five-category classification of loans

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

Unit: RMB million

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

Loan migration

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

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

Change in impairment allowances

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

Unit: RMB million

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

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

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

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

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

The coverage rates of loan impairment allowances for the total amount of NPL and total amount of customer loans have been 115.41% and 1.68% respectively as of the end of June 2008. The coverage rates of loan impairment allowances for the total amount of NPL and total amount of customer loans had been 110.01% and 1.62% respectively by December 31, 2007.

NPLs by Clients

Unit: RMB million

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

NPL Geological Breakdown

Unit: RMB million

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

Note: (1) Includes the Head Office

NPL Breakdown by Industries

Unit: RMB million

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

Loans overdue

Unit: RMB million

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

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

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

Investment Business

Analysis of Investment Portfolio

Unit: RMB million

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

Classification of Debt Securities Investment

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

Unit: RMB million

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

Unit: RMB million

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

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

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

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

Unit: RMB million

Type	**Balance as of June 30, 2008**	**Proportion in foreign currency MBS** *(%)*	**Proportion in domestic and foreign currency securities** *(%)*	**Balance of impairment provision**	**Credit rating**
Residential MBS	8,594	99.35	3.45	4	—
Prime	8,462	97.82	3.40	—	—
Thereinto: Fannie Mea	2,632	30.43	1.06	—	Issued by U.S. US federal institution, and rated AAA
Freddie Mac	5,465	63.18	2.19	—	
Alt-A	132	1.53	0.05	4	Issued by U.S. US non-federal institution, and rated AAA
Subprime	—	—	—	—	
MBS (*Note*)	20	0.23	0.01	11	S&P AAA, Moody's Baa2, Fitch A
CMBS	36	0.42	0.01	—	S&P AAA, Moody's A3, Fitch A
Total	8,650	100	3.47	15	

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

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

Significant Financial Debt Securities Investment Breakdown

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

Unit: RMB million

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

Bond Name	Book value	Purchase date	Maturity date	Annual interest rate (%)
Securities29	1,000	2007-9-7	2008-7-7	3.85%
Securities30	1,000	2007-7-11	2008-7-11	4.73%
Securities31	1,000	2008-3-17	2011-2-22	4.56%
Securities32	1,000	2008-2-15	2011-2-15	4.52%
Total	**100,869**			

Investment Quality Analysis

Changes in investment provision for impairment losses

Unit: RMB million

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

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

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

Derivatives Categorization and Fair Value Analysis

Unit: RMB million

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

In-balance sheet interest receivable

The following table shows the changes in the interest receivable of the Group

Unit: RMB million

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

Liability Business

Customer Deposits

Unit: RMB million

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

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

Customer Deposit Breakdown by Currency

Unit: RMB million

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

Deposit Breakdown by Geographical Location

Unit: RMB million

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

Note: Includes the Head Office

Deposit Breakdown by Remaining Maturity

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

Unit: RMB million

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

Shareholders' Equity

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

Major Off-Balance Sheet Items

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

Unit: RMB million

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

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

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

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

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

Segment Report

Segment report by business segments

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

Segment report by geographical segments

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

Key accounting estimates and assumptions

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

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

Business Review

(I) Corporate Banking Business

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

Corporate Deposits

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

Financial Institution Business

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

Corporate Loans

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

The Bank has improved and innovated products and services suitable for SMEs e.g. five innovated products including co-guarantee loan and loan pledged by operating rights of commercial real estates, etc. and service solutions including supplier financing of large supermarket and structural financing of accounts receivable etc. The Bank has continuously enhanced guarantee platform and risk control capability. By the end of June 2008, the Bank has 6,665 small enterprise clients; the total credit facilities amounted to RMB53.5 billion, up by 16.3% from the end of last year; the balance of loan stood at RMB30.9 billion, an increase of 13.7% over the end of last year; the NPL ratio was only 0.7%, down by 0.22 percentage point from the end of previous year.

Non-Interest Income Products and Business

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

International Settlement Business

International settlement business of the Bank has grown with a CAGR of 42% in the recent three years, faster than that of the total volume of import and export of the country. Market share of international settlement business has increased to 6.4% at the end of June of 2008 from 5.0% at the end of last year. By the end of June 2008, international settlement amount was RMB72.04 billion, an increase of 61.0% compared to that of the end of last year; non-interest income of international business was RMB510 million, an increase of 35% year on year. According to the statistics of ICC, the bank continues its leading position among Chinese small and medium-sized joint-stock commercial banks in terms of international settlement volume.

Investment Banking Business

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

Custodian Business

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

Cash Management and Corporate Internet Banking Businesses

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

(II) Retail Banking Business

In the first half of 2008, the Bank actively responded to the change of macroeconomic situation, focused on the system building, product innovation, brand marketing and internal management, therefore, the retail banking business of the Bank maintained the fast growth momentum. The liabilities business was adjusted flexibly in response to the market changes, and its capability to increase market share and clients was enhanced steadily. The assets business grew steadily in the tightening macroeconomic background; the intermediary business focusing on wealth management gained a rapid overall growth and the whole business structure was further optimized.

By the end of June 2008, the Bank's retail banking business income was RMB3.15 billion, representing a growth of 62.45% year on year, accounting for 15.47% of the total revenue. The net non-interest income of the Bank's retail banking business was RMB572 million, a growth of 133.47% year on year.

Retail AUM [1]

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

Retail Consumer Loans

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

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

Wealth Management

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

During the first half of 2008, the Bank aggressively expanded the business of fund agency and insurance agency, which further enriched our product line. At the end of the reporting period, the Bank has established relationships of sales agent with all the domestic fund management companies; the number of its cooperative fund companies increased from 19 at the beginning of the year to 52, while the number of the funds sold by the bank network increased from 100 to 400. For the insurance agency business, the Bank strengthened its cooperation with Xincheng (CITIC-Prudential Life Insurance Company Ltd.), a subsidiary of CITIC Group. For the first half of the year, its premium income was RMB187 million, up by 456% year on year. In addition, the Bank has established cooperative relationship with China Ping An Insurance (Group) Co. Ltd., PICC Life Insurance Co. Ltd., and will be entering the sales stage during the second half of the year.

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

Credit Card Business

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

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

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

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

(III) Treasuary and Capital Market Business

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

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

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

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

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

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

(IV) Leveraging on CITIC Integrated Financial Service Platform

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

[1] Retail AUM: the total of individual saving deposits and wealth management products.

Offering Integrated Financial Solutions

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

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

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

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

Promoting Sharing of Client Resources

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

Conducting Cross Design and Cross-selling

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

(V) Cooperation with Strategic Investor

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

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

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

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

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

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

(VI) Distribution Channel

Branches

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

Self-Service Outlets and Self-Service Terminals

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

(VII) Information Technology

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

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

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

Risk Management

(I) Credit Risk Management

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

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

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

   We proactively developed individual mortgage business, individual wealth management business and credit card business, and controlled long and medium-term loans and took the initiatives to allocate credit resources.

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

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

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

some industries (e.g. education) that especially is supervised by the country and fully employed risk rating system to make the authorization more reasonable.

3. In line with the changes of the risk profiles of key industries, the head office established another three specialized approval panels for power and coal, petrochemistry and government financing platforms based on the existing 5 industry approval panels, and launched pilot loan review projects for particular industries in branches, paving the way for the full implementation of the loan approval system for different industries step by step in the whole bank.

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

Corporate Loan Risk Management

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

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

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

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

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

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

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

Export-oriented Enterprise Risk Management The Bank paid close attention to the impact on export-oriented enterprises by macro-control, exchange fluctuations, tax revenue adjustment and tightened credit, and was very concerned about the "Both-Ends Abroad" enterprises risk triggered by the readjustment of the international industrial chain and the changes of domestic policies for attracting foreign capital and stepped up efforts to withdraw from the key export industries such as textiles, for the ongoing operating capacity of which was greatly influenced. As for the loans granted to "Both-Ends Abroad" enterprises, the principles of selecting the best among the best, effective control and appropriate support were strictly adhered to. In principle, loans were only granted to customers with BB above rating. As of the end of June 2008, the Bank's quality of loans granted to industries which were sensitive to export tax rebate policies were steady.

Personal loan risk management

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

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

Loan monitoring and post-loan management

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

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

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

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

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

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

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

(II) Market Risk Management

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

Interest Rate Risk Management

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

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

Interest rate gaps analysis: *Unit: RMB million*

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

Currency Risk Management

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

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

Foreign exchange exposure analysis *Unit: RMB million*

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

(III) Liquidity Risk Management

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

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

(IV) Internal Control and Operational Risk Management

Internal Control

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

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

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

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

Internal Audit

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

Compliance Management

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

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

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

Operational Risks

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

Anti-Money Laundering

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

(V) Capital Management

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

Unit: RMB million

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

(VI) Use of IPO Proceeds

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

Outlook

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

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

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

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

Firstly, closely monitor the trend of macro-economy and strengthen the risk management. The Bank will take the initiative in allocating credit resources and continue to optimize credit industry and business structure; develop credit card business and corporate supply chain financing business such as auto financing and steel financing; increase investment in international trade financing, treasuary and capital market business and investment banking which can generate intermediary business revenues. Secondly, further strengthen traditional businesses and expedite the development of new businesses. The Bank will optimize the Bank's management model and strengthen our existing advantages in corporate banking business, international business and treasuary and capital market business; actively manage the challenges of capital market volatility and strengthen the guidance for liability business by budget review; absorb deposits featured with reasonable cost, high quality and longer terms; expand intermediary businesses such as credit card, investment banking, custody, wealth management and agent services while further enhancing our advantages in the traditional business; strengthen product innovation and business consolidation, improve product pricing mechanism and increase the proportion of non-interest income. Thirdly, reinforce internal control and management to enhance business operation management. We will further enhance loan pricing management, stick to the shorter cycle of loan re-pricing to effectively minimize the interest rate risk; promote the concept of compliance management and drive the establishment of compliance system and the audit work on specific projects.

3. OTHER SIGNIFICANT ISSUES

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

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

II. Purchase, Sale or Redemption of the Bank's Shares

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

III. Material Merger and Acquisition, Sales or Restructuring of Assets

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

IV. Material Contracts and Performance

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

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

V. Material Related Party Transactions

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

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

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

Unit: RMB million

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

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

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

VI. Material Litigation and Arbitration

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

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

VII. Investments in Securities

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

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

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

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

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

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

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

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

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

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

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

(L) stands for long position.

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

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

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

XII. Securities Transactions of the Directors, Supervisors and Senior Management

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

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

XIII. Statement of Amendments to Operation Plan

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

XIV. Audit and Related Party Transactions Control Committee

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

XV. Interim Report

This Interim Report is available in both Chinese and English. To get a copy of the Interim Report based on International Financial Reporting Standards, please write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited. For copies of the Interim Report based on PRC accounting standard, please find ones in the Office of the Board of Directors of the Bank. This Interim Report is also available (in both English and Chinese) at the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

If you have any queries about how to obtain copies of this Interim Report or how to access those documents on the Bank's website, please call the Bank's hotline at (8610) 6555 8000 or (852) 2862 8555.

4. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

Unaudited consolidated balance sheet as at 30 June 2008

(Expressed in millions of Renminbi unless otherwise stated)

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

Unaudited balance sheet of the Bank
as at 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

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

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2008

(Expressed in millions of Renminbi unless otherwise stated)

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

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

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

Unaudited consolidated cash flow statement
for the six months ended 30 June 2008
(Expressed in millions of Renminbi unless otherwise stated)

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

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

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

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

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

Beijing, The PRC

20 August 2008

As at the date of this announcement, the executive directors of the Bank are Dr. Chen Xiaoxian and Mr. Wu Beiying; the non-executive directors are Mr. Kong Dan, Mr. Chang Zhenming, Mr. Dou Jianzhong, Ms. Chan Hui Dor Lam Doreen, Mr. Ju Weimin, Mr. Zhang Jijing, Mr. Guo Ketong and Mr. José Ignacio Goirigolzarri; and the independent non-executive directors are Dr. Bai Chong-En, Dr. John Dexter Langlois, Dr. Ai Hongde, Dr. Xie Rong and Mr. Wang Xiangfei.