交通銀行
BANK OF COMMUNICATIONS
交 通 銀 行 股 份 有 限 公 司

Bank of Communications Co., Ltd.

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

(Stock Code: 3328)

2008 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Bank of Communications Co., Ltd (the "**Bank**") is pleased to announce the audited consolidated results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2008 (the "**Period**"), which have been prepared in accordance with International Accounting Standards 34 – "Interim Financial Reporting" issued by the International Accounting Standards Board. The Board of Directors and its Audit Committee have reviewed and adopted the Interim Results.

1. CORPORATE INFORMATION

1.1 Stock Exchanges on which shares of the Bank are traded:

A share: Shanghai Stock Exchange
H share: The Stock Exchange of Hong Kong Limited

1.2 Stock Name and Stock Code:

A share: Bank of Communications, 601328
H share: BANKCOMM, 3328

1.3 Company Secretary: Zhang Jixiang

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2. FINANCIAL HIGHLIGHTS

2.1 Major financial data and indicators

The major financial data and indicators of the Group for the six months ended 30 June 2008 prepared under International Financial Reporting Standards ("**IFRS**") are as follows:

(in millions of RMB unless otherwise stated)

	As at 30 June 2008	As at 31 December 2007	Increase/ (decrease) (%)
Total assets	**2,430,859**	2,110,444	15.18
Includes: loans and advances to customers[1]	**1,217,878**	1,082,788	12.48
Total liabilities	**2,291,065**	1,977,123	15.88
Includes: due to customers[1]	**1,811,113**	1,555,599	16.43
Shareholders' equity (eliminate the minority interest)	**139,351**	132,903	4.85
Net asset per share (eliminate the minority interest, in RMB)	**2.84**	2.71	4.80

	January to June 2008	January to June 2007	Increase/ (decrease) (%)
Net interest income	**33,097**	23,536	40.62
Operating profit before tax	**20,301**	14,155	43.42
Net profit (eliminate the minority interest)	**15,508**	8,558	81.21
Diluted earnings per share (in RMB)	**0.32**	0.18	77.78
Net cash flow from operating activities	**49,801**	(5,456)	–

	As at 30 June 2008 (%)	As at 31 December 2007 (%)	Change (percentage points)
Return on average total assets[2]	**1.37**	1.06	0.31
Return on average equity[3]	**22.78**	18.16	4.62
Cost to income ratio[4]	**35.78**	40.29	(4.51)
Impaired loans ratio[5]	**1.83**	2.05	(0.22)
Provision coverage of impaired loans[1,6]	**107.65**	95.63	12.02
Capital adequacy ratio[7]	**14.06**	14.44	(0.38)

Notes:

1. The comparative data (including the outstanding balances of loans and advances to customers before impairment allowances, impairment allowances and due to customers) are reclassified to conform with the requirements on financial information disclosure for the Period. (similarly hereinafter)

2. Calculated by dividing annualised net profit (eliminate the minority interest) by the average of total assets at the beginning and at the end of the Period.

3. Calculated by dividing annualised net profit (eliminate the minority interest) by the average shareholders' equity (eliminate the minority interest) at the beginning and at the end of the Period.

4. Calculated by dividing other operating expenses by net operating income (which includes net interest income, net fee and commission income, dividend income, gains less losses from trading activities, gains less losses arising from the de-recognition of investment securities and other operating income).

5. Calculated by dividing the balance of impaired loans by the balance of loans before impairment allowances at the end of the Period.

6. Calculated by dividing the balance for impairment allowances by the balance of impaired loans at the end of the Period.

7. Calculated in accordance with the relevant regulatory practice in China's banking industry.

2.2 Reconciliation of Financial Information between CAS and IFRS

The Group has adopted the Accounting Standards for Business Enterprises ("**ASBE**") promulgated by the Ministry of Finance on 15 February 2006 since 1 January 2007 for the preparation of its financial reports under Chinese Accounting Standards ("**CAS**"). The reconciliation of net assets as at 30 June 2008 and net profit for the Period from CAS to IFRS is listed as follows:

(in millions of RMB)

	Net Assets Note		**Net Profit** Note	
	As at 30 June 2008	As at 31 December 2007	**Six months ended 30 June 2008**	Six months ended 30 June 2007
Financial Information per CAS	**135,398**	128,797	**15,593**	8,981
Adjustments for accounting standard differences:				
1. Revaluation surplus/deficit from fixed assets	**6,051**	6,185	**(134)**	(120)
2. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation	**(228)**	(329)	**101**	45
3. Deferred taxes	**(1,528)**	(1,492)	**(2)**	(251)
4. Others	**101**	160	**9**	(34)
Financial Information per IFRS	**139,794**	133,321	**15,567**	8,621

Note: Including minority interest.

Analysis of reconciling items:

1. *Revaluation surplus/deficit from fixed assets*

   In 2006, the Group performed a further valuation exercise on its land and buildings in accordance with IFRS. However as this was not a statutory valuation, the revaluation surplus/deficit was only reflected in the financial statements prepared in accordance with IFRS but not in the financial statements prepared in accordance with CAS. As a result, there is an accounting difference between IFRS and CAS and such difference will be depreciated in subsequent years.

2. *Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation*

   On 27 June 2004, the Group disposed of its non-performing loans to China Cinda Asset Management (the "**Transferred Loans**") in exchange for the bills issued by the People's Bank of China (the "**Bills**"). Under IFRS, the excess amount of the carrying value of the Transferred Loans over the fair value of the Bills (net of tax), was offset against capital surplus. Under CAS, the Bills were carried at face value. The discount will be amortised and recorded as interest income from securities in the profit and loss account over the remaining life of the Bills.

3. *Deferred taxes*

   Under both CAS and IFRS, deferred income tax is provided, using the liability method, based on the amount of assets and liabilities as presented in its financial statement and the temporary differences between the tax bases. Accordingly, all adjustments on differences in accounting standards will give rise to differences in deferred tax.

4. *Others*

   All other differences are reconciling items that are individually immaterial.

3. DETAILS OF CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

3.1 Details of Changes in Share Capital

As at 30 June 2008, the Bank has a total of 520,846 shareholders with 473,491 shareholders holding A shares and 47,355 shareholders holding H shares.

	1 January 2008		Increase/decrease during the Period					30 June 2008	
	Number of shares	Percentage %	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares	Percentage %
1. Shares subject to restriction on sales									
1. State-owned shares	**13,181,997,864**	**26.91**	–	–	–	-3,207,015,216	-3,207,015,216	**9,974,982,648**	**20.36**
2. Shares held by state-owned entities	**7,329,448,924**	**14.96**	–	–	–	-7,329,448,924	-7,329,448,924	**-**	**-**
3. Shares held by other domestic investors									
Comprising:									
Shares held by domestic legal persons	**3,161,532,477**	**6.45**	–	–	–	-2,682,979,904	-2,682,979,904	**478,552,573**	**0.98**
Shares held by domestic natural persons									
4. Shares held by foreign investors									
Comprising:									
Shares held by foreign legal persons	**23,690,961**	**0.05**	–	–	–	-23,690,961	-23,690,961	–	–
Shares held by foreign natural persons									
2. Shares not subject to restriction on sales									
1. RMB-denominated ordinary shares	**2,233,245,341**	**4.56**	–	–	–	+13,243,135,005	+13,243,135,005	**15,476,380,346**	**31.59**
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	**23,064,468,136**	**47.07**	–	–	–	–	–	**23,064,468,136**	**47.07**
4. Others									
3. Total	**48,994,383,703**	**100.00**	–	–	–	–	–	**48,994,383,703**	**100.00**

Note: 13.243 billion A shares subject to restriction on sales were issued on 16 May 2008. Please refer to the announcement made on 13 May 2008 in "China Securities Journal", "Shanghai Securities News" and "Securities Times" as well as the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details.

3.2 Timetable showing when A shares subject to restriction on sales become tradeable

Date	Number of shares released from restriction	Number of shares subject to restriction on sales	Number of shares not subject to restriction on sales	Remarks
16 November 2008	478,552,573	9,974,982,648	15,954,932,919	–
16 May 2010	9,974,982,648	0	25,929,915,567	–

3.3 Top ten A share shareholders subject to restriction on sales as at 30 June 2008 (according to the Bank's register of shareholders maintained at its share registrar)

No.	Name of shareholder	Number of shares subject to restriction on sales	Date on which shares become tradable	Number of tradable shares	Restrictions
1	Ministry of Finance of the People's Republic of China	9,974,982,648	16 May 2010	9,974,982,648	Commitment
2	China Life Insurance (Group) Company – Ordinary – Ordinary insurance products	50,000,000	16 November 2008	50,000,000	Lock-up period
3	Taikang Life Insurance Company Ltd – Universal Life – Individual Universal Life	50,000,000	16 November 2008	50,000,000	Lock-up period
4	PICC Property & Casualty Company Limited – Ordinary – Ordinary insurance products – 008 – CT001 Shanghai	30,000,000	16 November 2008	30,000,000	Lock-up period
5	China Huarong Asset Management Corp	30,000,000	16 November 2008	30,000,000	Lock-up period
6	China Pacific Property Insurance Co.,Ltd – Ordinary – Ordinary insurance products – 013C – CT001 Shanghai	30,000,000	16 November 2008	30,000,000	Lock-up period
7	CITIC Group	25,000,000	16 November 2008	25,000,000	Lock-up period
8	China Shipping (Group) Company	25,000,000	16 November 2008	25,000,000	Lock-up period
9	Baosteel Group Corporation	25,000,000	16 November 2008	25,000,000	Lock-up period
10	China National Offshore Oil Corp.	21,052,573	16 November 2008	21,052,573	Lock-up period

3.4 Top ten shareholders and top ten shareholders not subject to restriction on sales as at 30 June 2008 (according to the Bank's register of shareholders maintained at its share registrar)

1. Top ten shareholders

No.	Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales[1]
1	Ministry of Finance of the People's Republic of China[2]	State	26.48%	12,974,982,648	9,974,982,648
2	HKSCC Nominees Limited[3]	Foreign-owned	22.02%	10,786,812,113	–
3	The Hongkong and Shanghai Banking Corporation Limited[4]	Foreign-owned	18.60%	9,115,002,580	–
4	Capital Airports Holding (Group) Company	State-owned	2.01%	985,447,500	–
5	State Grid Asset Management Company Limited	State-owned	0.92%	451,445,193	–
6	Shanghai Tobacco (Group) Corp.	State-owned	0.77%	378,328,046	–
7	Yunnan Hongta Group Co. Ltd.	State-owned	0.71%	346,787,979	–
8	Sinopec Finance Company Limited	Domestic legal person	0.62%	304,320,800	–
9	Huaneng Capital Services Corporation Ltd.	State-owned	0.55%	268,501,276	17,500,000
10	Daqing Petroleum Administration Bureau	State-owned	0.48%	233,151,118	–

Notes:

1. The Bank is not aware of whether the shares held by the above shareholders have been frozen or pledged, nor the existence of any connections between the above shareholders.

2. On 25 March 2008, China SAFE Investements Limited transferred 3,000,000,000 H shares to the Ministry of Finance of the People's Republic of China. Please refer to the announcement made by the Bank on 26 March 2008 in "China Securities Journal", "Shanghai Securities News" and "Securities Times" as well as the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details. (similarly hereinafter)

3. This represent the aggregate number of shares held by HKSCC Nominees Limited as nominee for all institutional and individual investors that maintains an account with it as at 30 June 2008. According to the information provided by the National Council for Social Security Fund, National Council for Social Security Fund held 5,555,555,556 H shares of the Bank, representing 11.34% of the total issued share capital of the Bank and all these shares have been transferred to HKSCC Nominees Limited. (similarly hereinafter)

4. According to the Bank's register of shareholders kept by Computershare Hong Kong Investor Services Limited, HSBC held 9,115,002,580 H shares of the Bank as at 30 June 2008. In addition, according to the disclosure of interests forms filed with The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), by HSBC Holding plc, HSBC beneficially held 9,312,013,580 H shares of the Bank, and, through its subsidiaries, indirectly held 69,470,681 H shares as at 30 June 2008. In aggregate, HSBC held 9,381,484,261 H shares of the Bank, representing 19.15% of the total issued share capital of the Bank. (similarly hereinafter)

2. Top ten shareholders not subject to restriction on sales

No.	Name of shareholder	Number of shares held	Shareholding percentage	Type of shares
1	HKSCC Nominees Limited	10,786,812,113	22.02%	H shares
2	The Hongkong and Shanghai Banking Corporation Limited	9,115,002,580	18.60%	H shares
3	Ministry of Finance of the People's Republic of China	3,000,000,000	6.12%	H shares
4	Capital Airports Holding (Group) Company	985,447,500	2.01%	A shares
5	State Grid Asset Management Company Limited	451,445,193	0.92%	A shares
6	Shanghai Tobacco (Group) Corp.	378,328,046	0.77%	A shares
7	Yunnan Hongta Group Co. Ltd.	346,787,979	0.71%	A shares
8	Sinopec Finance Company Limited	304,320,800	0.62%	A shares
9	Huaneng Capital Services Corporation Ltd.	251,001,276	0.51%	A shares
10	Daqing Petroleum Administration Bureau	233,151,118	0.48%	A shares

Connected relations and concerted action between the above shareholders:	The Bank is not aware of any connected relations between the above shareholders or whether they are parties acting in concert.

3.5 Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance

As at 30 June 2008, the substantial shareholders and other persons (other than the directors, supervisors and chief executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance (the "**SFO**") are as follows:

Name of substantial shareholder	Capacity	Number of A shares	Nature of interest[1]	Percentage of issued A shares (%)	Percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	9,974,982,648	Long position	38.47	20.36

Name of substantial shareholder	Capacity	Number of H shares	Nature of interest[1]	Percentage of issued H shares (%)	Percentage of total issued shares(%)
National Council for Social Security Fund	Beneficial owner	5,555,555,556	Long position	24.09	11.34
Ministry of Finance of the People's Republic of China	Beneficial owner	3,000,000,000	Long position	13.01	6.12
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner	9,312,013,580	Long position	40.37	19.01
	Interest of controlled corporations[2]	69,470,681	Long position	0.30	0.14
	Total:	9,381,484,261		40.67	19.15
HSBC Finance (Netherlands)	Interest of controlled corporations[3]	9,381,484,261	Long position	40.67	19.15
HSBC Bank plc	Interest of controlled corporations[4]	309,481	Long position	0.0013	0.0006
HSBC Holdings plc	Interest of controlled corporations[5]	9,381,793,742	Long position	40.67	19.15

Notes:

1. Long positions held other than through equity derivatives.

2. The Hongkong and Shanghai Banking Corporation Limited holds 62.14% interest in Hang Seng Bank Limited. Pursuant to the SFO, The Hongkong and Shanghai Banking Corporation Limited is deemed to be interested in the H shares which are held by Hang Seng Bank Limited.

   Hang Seng Bank Limited is deemed to be interested in the 69,470,681 H shares held by its wholly-owned subsidiaries. Such 69,470,681 H shares represent the aggregate of 7,139,564 H shares indirectly held by Hang Seng Bank (Bahamas) Limited, 61,532,838 H shares directly held by Hang Seng Bank Trustee International Limited and 798,279 H shares directly held by Hang Seng Bank (Trustee) Limited.

   Hang Seng Bank (Bahamas) Limited is deemed to be interested in the 7,139,564 H shares held by its wholly-owned subsidiary, Hang Seng Bank Trustee (Bahamas) Limited.

3. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV. HSBC Asia Holdings BV is in turn wholly-owned by HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is in turn wholly-owned by HSBC Holdings BV. HSBC Holdings BV is in turn wholly-owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK), HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 9,381,484,261 H shares which The Hongkong and Shanghai Banking Corporation Limited has an interest.

4. HSBC Financial Products (France) holds 309,481 H shares. HSBC France owns an equity interest of 58.25% in HSBC Financial Products (France), while the remaining 41.75% equity interest is held by HSBC Securities (France) SA, a wholly-owned subsidiary of HSBC France. HSBC France is in turn wholly-owned by HSBC Bank plc. Pursuant to the SFO, each of HSBC Securities (France) SA, HSBC France and HSBC Bank plc is deemed to be interested in the 309,481 H shares held by HSBC Financial Products (France).

5. HSBC Finance (Netherlands) and HSBC Bank plc are wholly-owned by HSBC Holdings plc. Pursuant to Notes 2, 3, and 4 of the SFO, HSBC Holdings plc is deemed to be interested in the 9,381,484,261 H shares which The Hongkong and Shanghai Banking Corporation Limited has an interest and the 309,481 H shares which HSBC Bank plc has an interest.

Save as disclosed above, as at 30 June 2008, no person or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO.

4. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the year	Type of shares	Increase in shareholding during the Period	Decrease in shareholding during the Period	Number of shares held at the end of the Period	Reasons for change in shareholding
Li Jun	Supervisor	3,000	A shares	0	0	3,000	–
Yang Dongping	Chief Risk Management Officer	75,000	A shares	0	0	75,000	–

Note: Mr. Li Jun resigned from his position as a supervisor of the Bank on 21 August 2008.

There have been no change in the shareholdings of the directors, supervisors and senior management in the Bank during the six months period ended 30 June 2008. Save as disclosed in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management" above, as at 30 June 2008, none of the Bank's directors, supervisors or chief executive had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which had to be entered in the register required to be kept pursuant to section 352 of the SFO, or which were required 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 as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

4.2 Changes in Directors, Supervisors and Senior Management

1. Mr. Timothy D. Dattels resigned from his positions as an Independent Non-Executive Director and a member of the Audit Committee due to personal reasons with effect from 13 March 2008.

2. Mr. Liu Qiang resigned from his positions as a supervisor of the Bank and a member of the Supervision Committee due to reassignment of work with effect from 6 June 2008.

3. Mr. Li Keping and Mr. Gao Shiqing resigned from their positions as Non-executive Directors of the Bank, as well as their respective positions as member of the relevant committee of the Board of Directors of the Bank with effect from 31 July 2008 due to other work commitments which render them unable to fully discharge their respective director duties.

4. As a result of his transfer to Bank of Communications Financial Leasing Co., Ltd., Mr. Li Jun resigned from his position as an employee designated supervisor of the Bank on 21 August 2008. In addition, Mr. Shuai Shi has been appointed as an employee designated supervisor of the Bank.

5. MANAGEMENT DISCUSSION AND ANALYSIS

China sustained rapid economic growth and social development despite the turbulent domestic and international economic environment in the first half of 2008. The central government has implemented efficient strategies in relation to strengthening and optimizing macro-economic control and the active promotion of restructuring of the economy, resulting in a stable and rapid development of the economy. In response to the rapidly changing market and macro-economic environment, the Group comprehensively implemented its "Best Wealth Management Bank" strategy to display its key business products and businesses, as well as strengthened its development of new markets and business, thereby maintaining favourable development and growth in various businesses of the Group.

5.1 Operation overview

The Group's total assets increased by 15.18% from the beginning of the year to RMB2,430.859 billion as at the end of the Period. Net profit also increased by 81.21% when compared to the same period in the previous year to RMB15.508 billion for the six months ended 30 June 2008, while net interest spread and net interest margin were 3.08% and 3.22%, respectively. The Group's impaired loans ratio was 1.83%, while its capital adequacy ratio and core capital adequacy ratio were maintained at relatively high levels of 14.06% and 9.98%, respectively.

5.2 Business review

Rapid growth in assets base and significant improvement in profitability

The asset base of the Group grew rapidly during the Period. Total assets increased by RMB320.415 billion or 15.18% from the beginning of this year. Loans and advances to customers (before impairment allowances, and unless otherwise stated, similarly hereinafter) increased RMB137.807 billion or 12.48% from the beginning of the year to RMB1,242.297 billion, of which, domestic RMB-denominated loans increased by 10.37% or RMB98.687 billion. Customer deposits also increased by 16.43% or RMB255.514 billion from the beginning of the year to RMB1,811.113 billion.

Rapid and coordinated development of various businesses contributed to strong growth in the profitability of the Group such that realised net profit after tax for the Period increased by 81.21% to RMB15.508 billion when compared to the same period in the previous year. Annualised return on average total assets and return on average shareholders' equity also increased by 0.31 percentage point and 4.62 percentage points, respectively when compared to 2007, to 1.37% and 22.78%, respectively.

Increase in efficiency in capital utilisation and improvement in net interest margin

There has been an improvement in the efficiency in capital utilisation by the Group during the Period. In terms of loans and advances, while controlling the overall growth in the amount of loans, the Group also focussed on optimising the adjustment of the loan structure and strongly promoted the development of "Green Credit" projects and expanded its support to the coal, electricity, gasoline and transportation industries, as well as its support to energy conservation projects and small-and-medium enterprises. In addition, there has been an increase in the proportion of high-yielding loans, and the return on loans and advances to customers increased by 83 basis points to 7.16% when compared to 2007. The Group's treasury business is experiencing major restructuring as part of the Group's efforts to adapt to market competition and strategic restructuring. The establishment of the Financial Markets Division enabled the Group to integrate the management of its domestic and foreign currency operations and continuously strengthen its treasury operations and the adjustment of its investment structure. In the first half of 2008, the Bank strengthen its position as an active bank in the market and the volume of RMB and foreign exchange transactions increased by 79.7% and 77.2%, respectively. The optimisation of the Group's investment in securities portfolio led to an increase in return on investment in securities by 62 basis points when compared to 2007, to 3.92%.

As a result of the steady expansion of the scale of its businesses and improvements in the efficiency in capital utilisation, the Group's net interest income increased significantly. This was also accompanied by continuous growth in the net interest margin. During the Period, net interest income increased by 40.62% when compared to the same period in the previous year to RMB33.097 billion, while net interest spread and net interest margin increased by 29 and 36 basis points, respectively, when compared to 2007, to 3.08% and 3.22%, respectively.

Active diversification of income sources and increased contribution from fee-based businesses

The Group was able to overcome the adverse effects from the volatility of the capital markets by actively developing technically-intensive and highly value-adding fee-based services such as custodian services, consultancy services and insurance agency services, thereby diversifying its income source. At the end of Period, custodian commission income increased by 99.44% when compared to the same period in the previous year to RMB0.359 billion, while investment banking related fee income such as consultancy fees increased by 1.83 times to RMB0.554 billion. Insurance agency serices and and RMB-denominated "De Li Bao" products also experienced significant breakthroughs and increased by 9.53 and 3.30 times, respectively, when compared to the same period in 2007.

The Group's traditional businesses such as settlement and agent services and bank card services, which have relatively lower correlations with the capital market, also experienced considerable development during the Period. Settlement and agent service commission income and bank card annual fee increased by 85.13% and 32.57%, respectively, when compared to the same period in 2007, to RMB1.033 billion and RMB1.209 billion, respectively, during the Period. The basic functionality of bank card business was fully exploited during the Period by the introduction of a wide range of uniquely packaged cards such as co-branded cards, platinum credit cards, centennial celebration collectible cards, Pacific-World Expo Gold cards, which promoted the Group's value-added services and further increasing the competitiveness of the Group's card business. As at the end of the Period, the total number of debit cards and quasi credit cards issued was 55.01 million cards and the total consumer spending exceeded RMB50 billion in the first half of 2008. The total number of credit cards issued to date reached 7.70 million cards and the total consumer spending was RMB38.5 billion in the first half of 2008.

Contribution from fee-based businesses to the Group's income was further enhanced due to the active expansion and development into new markets and accelerated development of traditional businesses. During the Period, net fee and commission income have increased by 50.05% when compared to the same period in 2007, to RMB4.653 billion. Proportion of net fee and commission income to net operating profit increased by 0.97 percentage point when compared to the same period in 2007, to 12.31%.

In-depth promotion of the Wealth Management business and steady strengthening of customer base

The Group invested substantial amounts of resources to develop its operations as a "Wealth Management Bank". It also devoted considerable efforts into areas such as branding, channel development, product innovation and team building in order to develop "Wealth Management" as the Group's differentiating factor and competitive advantage.

In terms of brand development, the Group introduced its own brand of private banking products, which built on the foundation of its "OTO Fortune" and "BOCOM Fortune" wealth management products. These wealth management products have been rolled out through its Beijing Branch, Guangzhou Branch and three other branches on a pilot basis. In terms of channel development, the Group established 32 new "OTO" network locations, and at the same time, actively promoted the trial run of the application of the wealth management platform and express wealth management services center. The wealth management platform became operational at 96 network locations domestically and the conversion of ten network locations into express wealth management services center located at seven different branches was completed, thereby advocated the transformation from operations-focused model to a retail-servicing focused model for its network locations. In terms of product development, the Group adapted to the market changes with its timely introduction of investment products such as low-risk, fixed income products, and agency services on tangibles such as gold and gold futures trading services. In addition, it also introduced the customised "Supreme No. 1" investment product for its first batch of private banking customers. In terms of team building, the Group emphasised on employees training in strategic businesses such as funds, insurance, wealth management products and private banking in response to its business development needs. As at the end of the Period, there are 1,167 employees with Associate Financial Planer (AFP), Certified Financial Planner (CFP) or Executive Financial Planner (EFP) professional qualifications.

There were further improvements in the Group's customer structure and customer quality as a result of the Group's continuous refinement of its wealth management banking strategy. At the end of the Period, the number and proportion of upper or mid-tier individual customers increased by 10.09% from the beginning of the year, and 2.39 percentage points, respectively. Upper or mid-tier personal customers have become the key driving force of the wealth management business as 97.75% of the Group's new assets under management were derived from upper or mid-tier individual customers.

Healthy development of overseas branches and subsidiaries and the emergence of synergies

The Group continuously expanded the scope and coverage of its businesses by implementing its comprehensive globalisation strategy. Overseas branches achieved rapid growth in the scale of their operations despite the increasingly severe adverse influences arising from the sub-prime crisis and liquidity crunch. Total assets and loans of overseas branches increased by 23.45% and 57.04%, respectively, from the beginning of the year to US$22.052 billion and US$13.870 billion, respectively, at the end of the Period. The Singapore Branch successfully maintained steady business growth by actively developing new risk-participation trade finance products. The Seoul Branch also reported rapid revenue growth by taking advantage of market opportunities to participate in interest rate and currency swaps. The two newly established Frankfurt and Macau Branches were able to quickly bring their business development on course and successfully define their market position while actively developing new markets.

The Group's subsidiaries reported healthy growth during the Period. Bank of Communications Schroder Fund Management Co., Ltd successfully issued the largest bond fund in the spot market despite bearish market sentiments, issued a total of six funds including, amongst others, currency market funds, balanced funds, equity funds and bond funds and climbed five positions up the rankings for scale of assets management and increased its market share by 0.44 percentage point. Bank of Communications International Trust Co., Ltd achieved excellent results by launching 16 series of the "Win To Fortune" wealth management product in collaboration with its parent company. Bank of Communications Financial Leasing Co., Ltd. also took advantage of the Group's competitive advantage for the promotion of its leasing operations and successfully entered into 23 leveraged lease arrangements. In addition, preparatory work on the Da Yi Rural Bank proceeded steadily as the Group intensified its strategic cooperation with the Jiangsu Changshu Rural Commercial Bank Co., Ltd..

Managing negative influences and continuous strengthening of risk management

The Group's newly implemented the comprehensive "Three-year Risk Management Plan" was instrumental in its efforts to effectively achieve long-term control over risk management and to overcome the adverse influences on the quality of assets arising from diverse factors such as the 12 May Wenchuan earthquake and the slowdown in macro-economic growth. The Group's technical capabilities over risk management were enhanced by the introduction of internal grading results into the credit approval and credit administration processes. The quality of assets were further strengthened through the implementation of comprehensive credit risk and return analyses and the further enhancement in the recovery process of unhealthy assets. The impaired loans ratio decreased from 2.05% from the beginning of the year to 1.83% at the end of the Period, representing a decrease of 0.22 percentage points. The coverage ratio of allowances for impairment losses and coverage ratio of allowances for impairment losses (after deducting general reserves after tax) also increased by 20.58 percentage points and 12.02 percentage points, respectively, from the beginning of the year to 163.08% and 107.65%, respectively, at the end of the Period.

At the same time, the Group has not been significantly affected by the sub-prime mortgage crisis involving "Freddie Mac" (Federal Home Loan Mortgage Corporation) and "Fannie Mae" (Federal National Mortgage Association) in the United States and it was able to maintain the quality of its investment in securities portfolio. This was largely attributable from the active and timely disposal of relevant investments in the relevant bonds as part of the Group's strict adherence to its cautious investment approach.

Effective cost control and continuous improvement in operating efficiency

By accelerating the development of the process-oriented bank, promoting the centralisation of its back office support processes, and strengthening the transformation of its agreement process, leading to the continuous improvement in business process and the successful control of its operating costs. During the Period, operating costs of the Group increased by 33.82% when compared to the same period in the previous year to RMB13.529 billion, which was considerably lower than the increase in net operating income. Operating income declined by 1.2 percentage points when compared to the same period in 2007 to 35.78%. At the same time, there was significant improvement in operating efficiency as the Group's average net profit per person and average net profit per network location increased by 60.34% and 80.20%, respectively, when compared to the same period in 2007 to RMB216,300 and RMB5.7996 million, respectively.

Actively discharging its corporate social responsibility and significant improvement in its market image

In its pursuit of higher levels of business development and profitability, the Group also constantly kept in mind its corporate social responsibility. The Group actively participated and supported rescue and reconstruction efforts after the snow storm and the earthquake disasters by donating up to RMB71.58 million in cash and supplies, of which RMB38.58 million came from staff donations and received high praise from both the government and the general public. In view of the limited availability of credit facilities, the Group also gave priority support to disaster prevention and disaster relief related credit requests, disbursing up to RMB13.35 billion in earthquake prevention, disaster relief and reconstruction related loans, thereby fulfilling its corporate social responsibilities.

The Group's market image and reputation was given a huge boost during the Period as it was honoured with awards such as "China's Best Bank for Private Wealth Management" from *Euromoney*, "China's Best Local Financing Bank for Small and Medium Enterprises" from *Global Finance* and *Standard & Poor* also upgraded the Bank's long-term foreign exchange credit rating to "BBB+".

5.3 Financial Review

1. Operating profit before tax

The Group's operating profit before tax for the period ended 30 June 2008 reached RMB20.301 billion, representing an increase of 43.42% or RMB6.146 billion over the same period in the previous year. Operating profit before tax was derived mainly from net interest income and net fee and commission income.

The table below shows the significant items which make up the Group's operating profit before tax for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2008	2007
Net interest income	**33,097**	23,536
Net fee and commission income	**4,653**	3,101
Impairment losses on loans and advances	**(3,977)**	(3,077)
Operating profit before tax	**20,301**	14,155

2. Net interest income

Net interest income grew by RMB9.561 billion or 40.62% when compared to the same period in the previous year to RMB33.097 billion for the period ended 30 June 2008.

The table below shows the major components of the Group's interest income, interest expense, net interest margin and net interest spread for the periods indicated:

(in millions of RMB, unless otherwise stated)

	January to June 2008	January to December 2007
Interest income		
Balances with central banks	**2,306**	3,438
Due from other banks and financial institutions	**3,705**	5,971
Loans and advances to customers	**39,541**	65,417
Investment securities	**10,556**	15,493
Total interest income	**56,108**	90,319
Interest expense		
Due to other banks and financial institutions	**(5,660)**	(10,182)
Due to customers	**(17,351)**	(25,993)
Total interest expense	**(23,011)**	(36,175)
Net interest income	**33,097**	54,144
Net interest spread[1]	**3.08%[3]**	2.79%[3]
Net interest margin[2]	**3.22%[3]**	2.86%[3]
Net interest spread[1]	**3.17%[4]**	2.86%[4]
Net interest margin[2]	**3.30%[4]**	2.93%[4]

Notes:

1. This ratio represents the difference between the average yield on total average interest-earning assets and the average cost of total average interest-bearing liabilities of the Group.

2. This ratio represents the net interest income to total average interest-earning assets.

3. Annualised ratio, after eliminating the impact of wealth management products.

4. Annualised ratio, after eliminating the impact of wealth management products and taking into account the tax exemption on the interest income from investments in Government bonds.

The Group's net interest spread and net interest margin increased significantly by 29 and 36 basis points over that in the full year of 2007, to 3.08% and 3.22%, respectively. These were mainly due to the continuous structural increase in interests by the People's Bank of China (PBOC) in 2007, continued optimisation of the asset-liability structure of the Group and the further enhancement of the term settling of loans and efficiency in capital utilisation. The Group's average returns on loans and advances to customers increased by 83 basis points over 2007 to 7.16%, while returns from investment in securities increased by 62 basis points over 2007 to 3.92%.

The table below shows the average daily balance and interest rates of the Group's interest-earning assets and interest-bearing liabilities for the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2008			For the financial year ended 31 December 2007		
	Average balances[1]	**Interest income/ (expenses)**	**Average yield (cost) ratio[3]**	Average balances[1]	Interest income/ (expenses)	Average yield (cost) ratio[3]
ASSETS						
Cash and balances with central Bank	**274,558**	**2,306**	**1.68%**	230,754	3,438	1.49%
Due from other banks and financial institutions	**170,155**	**3,705**	**4.35%**	170,501	5,971	3.50%
Loans and advances to customers	**1,104,797**	**39,541**	**7.16%**	1,033,547	65,417	6.33%
– Loans to corporate entities	**911,884**	**32,635**	**7.16%**	833,761	53,171	6.38%
– Loans to individuals	**167,638**	**6,103**	**7.28%**	143,856	9,046	6.29%
– Discounted bills	**25,275**	**803**	**6.35%**	55,930	3,200	5.72%
Investment in securities and others	**537,975**	**10,556**	**3.92%**	468,799	15,493	3.30%
Interest-earning assets	**2,057,744[2]**	**55,067[2]**	**5.35%**	1,890,040[2]	89,658[2]	4.74%
Non-interest earning assets	**141,777**			89,867		
TOTAL ASSETS	**2,199,521[2]**			1,979,907[2]		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Due to customers	**1,598,747**	**17,351**	**2.17%**	1,503,688	25,993	1.73%
– Corporate deposits	**1,080,330**	**11,138**	**2.06%**	999,427	16,382	1.64%
– Individual deposits	**518,417**	**6,213**	**2.40%**	504,261	9,611	1.91%
Due to other banks and financial institutions	**329,262**	**4,882**	**2.97%**	297,787	8,690	2.92%
Subordinated term debts	**37,000**	**778**	**4.21%**	32,445	1,492	4.60%
Interest-bearing liabilities	**1,935,268[2]**	**21,970[2]**	**2.27%**	1,820,359[2]	35,514[2]	1.95%
Shareholders' equity and non-interest bearing liabilities	**264,253**			159,548		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,199,521[2]**			1,979,907[2]		

Notes:

1. Daily average balance calculated in accordance with CAS and adjusted in accordance with IFRS.

2. Eliminating the impact of wealth management products.

3. Annualised ratios.

The table below shows the effects of changes in balances and interest rates on the Group's interest income and interest expense. Changes in balances and interest rate during the periods indicated are calculated based on the changes in average balances and changes in interest rates on interest-earning assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB)

	January to June 2008 vs. January to December 2007 increase/(decrease) due to			2007 vs. 2006 increase/(decrease) due to		
	Volume	**Interest rate**	**Net increase/ (decrease)**	Volume	Interest rate	Net increase/ (decrease)
Interest-earning assets						
Cash and balances with central banks	**653**	**521**	**1,174**	1,212	130	1,342
Due from other banks and financial institutions	**(12)**	**1,451**	**1,439**	970	138	1,108
Loans and advances to customers	**4,510**	**9,155**	**13,665**	12,267	6,551	18,818
Investment in securities and others	**2,283**	**3,336**	**5,619**	3,645	863	4,508
Changes in interest income	**7,434**	**14,463**	**21,897**	18,094	7,682	25,776
Interest-bearing liabilities						
Due to customers	**1,645**	**7,064**	**8,709**	3,953	2,725	6,678
Due to other banks and financial institutions	**919**	**155**	**1,074**	4,439	(600)	3,839
Subordinated term debts	**210**	**(146)**	**64**	978	(60)	918
Changes in interest expense	**2,774**	**7,073**	**9,847**	9,370	2,065	11,435

3. *Net fee and commission income*

Despite the downward pressure on the growth in revenues for commercial banks due to the slowdown in economic growth and changes in the capital markets, the Group was able to overcome adverse market sentiments and strengthen its fee-based businesses. The Group's net fee and commission income for the six months ended 30 June 2008 increased by RMB1.552 billion or 50.05% over the same period in the previous year to RMB4.653 billion.

The table below shows the major components of the Group's fee and commission income for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2008	2007
Settlement and agent service commission income	**1,033**	558
Bank card annual fee and commission income	**1,209**	912
Guarantee and commitment commission income	**599**	188
Custodian commission income	**359**	180
Funds sales commission income	**671**	1,017
Funds management commission income	**335**	248
Other commission income	**994**	535
Total fee and commission income	**5,200**	3,638

4. *Other operating expenses*

For the six months ended 30 June 2008, the Group's other operating expenses increased by RMB3.419 billion or 33.82% when compared to the same period in the previous year to RMB13.529 billion. The Group continued to strengthen its cost-control efforts and successfully reduced its expense-to-income ratio by 4.51 percentage points from 40.29% in 2007 to 35.78% for the Period, which reflected a successful implementation of its cost-control policies.

5. *Impairment losses on loans and advances*

The Group's impairment losses on loans and advances consists of allowance for loans (less recovery of loans previously written off), due from other banks and financial institutions, as well as investment in securities acquired under resale agreements.

Impairment losses on loans and advances increased to RMB3.977 billion during the Period from RMB3.077 billion for the same period in the previous year and annualised credit cost increased by 0.06 percentage point over the previous year to an annualised ratio of 0.64% for the Period.

6. *Income tax expense*

The table below shows the Group's current tax and deferred tax for the periods indicated:

(in millions of RMB)

	For the six months period ended 30 June	
	2008	2007
Current tax	**3,749**	3,844
Deferred tax	**985**	1,690

The "PRC Enterprise Income Tax Law" became effective on 1 January 2008 and the income tax rate applicable for the Bank and its subsidiaries in China was adjusted to 25%.

The income of the Group's Hong Kong Branch and subsidiaries is subject to Hong Kong income tax calculated based on the estimated taxable income. For the six months ended 30 June 2008, the Hong Kong income tax rate was 16.5%. Income tax expense of the Group's other overseas branches shall be calculated based on the estimated taxable income and the income tax rates prevailing in their countries of operation for the six months ended 30 June 2008.

5.4 Assets

The Group's total assets as at 30 June 2008 increased by RMB320.415 billion or 15.18% from the beginning of year to RMB2,430.859 billion. The Group's assets consist of four principal components: loans and advances to customers (after impairment allowances), investment in securities, cash and balances with central bank and due from other banks and financial institutions, accounting for 50.10%, 24.04%, 13.03% and 9.39% of the Group's total assets, respectively.

The table below shows the balances of the principal components of the Group's assets as at the dates indicated:

(in millions of RMB)

	As at 30 June 2008	As at 31 December 2007
Loans and advances to customers		
Loans to corporate entities [Note]	**1,007,097**	900,536
Loans to individuals [Note]	**191,763**	172,474
Discounted bills [Note]	**43,437**	31,480
Total loans and advances to customers before impairment allowances	**1,242,297**	1,104,490
Impairment allowances on loans and advances	**(24,419)**	(21,702)
Loans and advances to customers	**1,217,878**	1,082,788
Investment in securities	**584,383**	546,096
Cash and balances with central banks	**316,748**	261,433
Due from other banks and financial institutions	**228,379**	156,110

Note: Loans to corporate entities, loans to individuals and discounted bills represent amounts before impairment allowances.

1. Loans business

The Group managed to maintain stable growth in its loan business as a result of its tighter control over loan approvals and reasonable allocation of loans under the macro-economic control environment in the PRC. The Group's loans and advances to customers increased by RMB137.807 billion or 12.48% from the beginning of the year to RMB1,242.297 billion as at 30 June 2008. Its loans-to-deposits ratio decreased by 2.41 percentage points from the beginning of the year to 68.59% as at 30 June 2008.

(i) Loan concentration by industries

The Group vigorously promoted the "Green Credit" projects, continued to reduce the concentration of target controlled industries such as steel, textile and real estate, as well as high pollution, high energy consumption and high-value real estate industries in its loan portfolio, and to optimise its internal structure. The Group also actively explored and acted on opportunities on energy conservation so as to increase the business opportunities in demand-related industries and areas.

The table below shows the distribution of the Group's loans and advances to customers by industry as at the dates indicated:

(in millions of RMB unless otherwise stated)

	As at 30 June 2008		As at 31 December 2007	
	Outstanding loan balance	**Proportion**	Outstanding loan balance	Proportion
Loans to corporate entities				
Manufacturing				
– Petroleum and chemical	**53,839**	**4.33%**	50,245	4.55%
– Electronics	**31,532**	**2.54%**	30,823	2.79%
– Steel	**30,640**	**2.47%**	29,345	2.65%
– Machinery	**44,166**	**3.56%**	38,725	3.51%
– Textile	**24,133**	**1.94%**	24,170	2.19%
– Other manufacturing	**134,019**	**10.79%**	123,860	11.21%
Transportation	**134,265**	**10.81%**	120,484	10.91%
Trading	**128,267**	**10.32%**	98,172	8.89%
Services	**116,865**	**9.41%**	99,617	9.02%
Real Estate	**79,313**	**6.38%**	78,080	7.07%
Utilities	**100,650**	**8.10%**	85,457	7.74%
Construction	**51,426**	**4.14%**	48,805	4.42%
Education & scientific research	**26,696**	**2.15%**	26,993	2.44%
Post and telecommunications	**10,696**	**0.86%**	11,078	1.00%
Agriculture	**2,460**	**0.20%**	2,609	0.24%
Non-banking financial institutions	**12,607**	**1.01%**	13,792	1.25%
Others	**25,523**	**2.06%**	18,281	1.65%
Total loans to corporate entities	**1,007,097**	**81.07%**	900,536	81.53%
Mortgage loans	**121,645**	**9.79%**	112,941	10.23%
Medium-term and long-term working capital loans	**23,153**	**1.86%**	22,709	2.05%
Short-term working capital loans	**13,907**	**1.12%**	11,333	1.03%
Car loans	**4,462**	**0.36%**	4,534	0.41%
Credit card advances	**13,569**	**1.09%**	7,929	0.72%
Others	**15,027**	**1.21%**	13,028	1.18%
Total loans to individuals	**191,763**	**15.43%**	172,474	15.62%
Discounted bills	**43,437**	**3.50%**	31,480	2.85%
Total amount of loans and advances to customers before impairment allowances	**1,242,297**	**100.00%**	1,104,490	100.00%

(ii) Borrowers concentration

Under the prevailing PRC banking regulations, the total outstanding credit exposure to a single group customer must not exceed 15% of the net regulatory capital of a bank whereas the total outstanding loans to a single borrower shall not exceed 10% of the net regulatory capital of a bank. The Group currently complies with these regulatory requirements.

The table below shows the loan balances to the top 10 single borrowers of the Group as at the dates indicted:

(in millions of RMB unless otherwise stated)

		As at 30 June 2008	
	Type of industry	**Outstanding loan balance**	**Percentage of total loans and advances**
Customer A	Construction	5,281	0.42%
Customer B	Transportation and warehouse	4,121	0.33%
Customer C	Wholesaling	3,530	0.28%
Customer D	Manufacturing	3,361	0.27%
Customer E	Manufacturing	3,056	0.25%
Customer F	Transportation and warehouse	3,000	0.24%
Customer G	Transportation and warehouse	2,760	0.22%
Customer H	Manufacturing	2,740	0.22%
Customer I	Services	2,572	0.21%
Customer J	Transportation and warehouse	2,300	0.19%
Total of top ten customers		32,721	2.63%

(iii) Loan concentration by geographical locations

The Group's loans and advances to customers are mainly concentrated in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. Loans and advances to customers in these three regions accounted for 65.16% of the Group's total loan and advances to customers outstanding as at 30 June 2008.

(iv) Loan quality

The Group has managed to maintain a high quality loan portfolio by implementing its new comprehensive "Three-year Risk Management Plan" as the main tool to take effective control over its risk management on a long-term basis. The impaired loan ratio has decreased by 0.22 percentage points from the beginning of the year to 1.83% as at 30 June 2008. The provision coverage of impaired loans increased by 20.58 percentage points from the beginning of the year to 163.08%. The coverage ratio would have increased by 12.02 percentage points from the beginning of the year to 107.65% after deducting general reserves after tax.

The table below shows certain information of the Group's individually identified impaired loans and loans overdue by more than 90 days as at the dates indicated:

(in millions of RMB unless otherwise stated)

	As at 30 June 2008	As at 31 December 2007
Individually identified impaired loans	**22,684**	22,694
Loans overdue by more than 90 days	**20,684**	19,708
Percentage of impaired loans to total loans and advances to customers	**1.83%**	2.05%

(v) Borrowers' structure

The Group has managed to further optimise its borrowers' structure. As at 30 June 2008, corporate customers of the Group's domestic institutions were classified based on the 10-class rating system. Compared to the beginning of the year, loans to class 1 to class 5 high quality customers amounted to 77.58% of the total outstanding loan balance, representing an increase of 3.21 percentage points, while loans to class 6 to class 7 customers amounted to 18.08% of the total outstanding loan balance, representing a decrease of 1.48 percentage points, and loans to class 8 to class 10 high risk customers amounted to 2.12%, representing a decrease of 0.21 percentage points.

2. *Treasury operation*

The Group established a Financial Markets Division during the Period, which realised the integration of the management of domestic and foreign currency operations in order to further strengthen the centralisation of its treasury operations, thereby resulting in significant increase in the efficiency in capital utilisation as well as income derived from its treasury business. For the six months ended 30 June 2008, the Group's average balance of investment in securities increased by RMB69.176 billion or 14.76% from 2007 to RMB537.975 billion. Return from investment in securities increased by 62 basis points from 2007 to 3.92%, which effectively improved the profitability of the Group's assets.

5.5 Liabilities

The Group's total liabilities as at 30 June 2008 increased by RMB313.942 billion or 15.88% from the beginning of the year to RMB2,291.065 billion. The amount due to customers represented 79.05% of the Group's total liabilities and consisted mainly corporate deposits and individual deposits. The Group has a favourable deposit structure, which contributed to a stable source of funding for the Group. During the Period, corporate deposits increased by 19.42% and individual deposits increased by 12.04%, accounting for 65.94% and 33.50% of total deposits, respectively.

The table below shows the Group's composition of corporate deposits and individual deposits as of the dates indicated:

(in millions of RMB)

	As at 30 June 2008	As at 31 December 2007
Corporate deposits, of which:	**1,194,290**	1,000,040
– Corporate current deposits	**663,502**	699,289
– Corporate savings deposits	**7,683**	7,785
– Corporate time deposits	**523,105**	292,966
Individual deposits, of which:	**606,637**	541,446
– Individual current deposits	**227,060**	227,796
– Individual savings deposits	**14,642**	14,295
– Individual time deposits	**364,935**	299,355

5.6 Geographical segment analysis

1. Operating results by geographical segments

A geographical segment refers to a specific economic environment under which the Group operates and which gives rise to risks and returns that are different from other economic environments in which the Group operates.

The table below shows the net profit and total revenue from each of the Group's geographical segments for the periods indicated:

(in millions of RMB)

	Six months ended 30 June			
	2008		2007	
	Net profit/ (loss)	**Total revenue[1]**	Net profit/ (loss)	Total revenue[1]
Northern China[2]	**2,371**	**11,158**	1,491	7,267
North Eastern China[3]	**672**	**3,717**	156	2,772
Eastern China[4]	**5,923**	**23,792**	2,417	16,430
Central and Southern China[5]	**2,891**	**11,814**	2,177	8,122
Western China[6]	**684**	**4,707**	1,015	3,745
Overseas[7]	**499**	**3,137**	781	4,203
Head Office	**2,527**	**13,627**	619	7,480
Eliminations	**–**	**(10,587)**	(35)	(5,856)
Total[8]	**15,567**	**61,365**	8,621	44,163

Notes:

1. Includes interest income, fee and commission income, dividend income, gains less losses from trading activities, gains less losses arising from the de-recognition of investment securities and other operating income.

2. Includes Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and the Inner Mongolia Autonomous Region.

3. Includes Liaoning Province, Jilin Province and Heilongjiang Province.

4. Includes Shanghai Municipality (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province.

5. Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Guangxi Autonomous Region and Hainan Province.

6. Includes Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region.

7. Includes overseas subsidiaries and branches in Hong Kong, New York, Singapore, Tokyo, Seoul, Macau and Frankfurt.

8. Includes minority interests.

2. *Deposits and loans and advances balances by geographical segments*

The table below shows the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	As at 30 June 2008		As at 31 December 2007	
	Deposit balance	**Loans and advances balance**	Deposit balance	Loans and advances balance
Northern China	**343,650**	**235,102**	270,655	209,844
North Eastern China	**143,363**	**67,712**	132,207	64,102
Eastern China	**695,651**	**484,900**	605,658	440,670
Central and Southern China	**372,161**	**239,562**	324,907	222,589
Western China	**167,297**	**101,057**	150,311	93,660
Overseas	**88,239**	**95,139**	71,225	64,515
Head Office	**752**	**18,825**	636	9,110
Total	**1,811,113**	**1,242,297**	1,555,599	1,104,490

3. *Operating results by business segments*

The Group's business is mainly divided into four business segments: corporate banking, retail and private banking, treasury and others. The corporate banking segment was the primary source of profit for the Group and net interest income from the corporate banking segment accounted for 68.12% of the Group's total net interest income.

The table below shows the amount of the net interest income from each of the Group's business segments for the periods indicated:

(in millions of RMB)

	Six months ended 30 June 2008				
	Corporate Banking	**Retail and Private Banking**	**Treasury**	**Others**	**Total**
External net interest income/(expense)	18,817	287	13,999	(6)	33,097
Internal net interest income/(expense)	3,730	6,034	(9,764)	–	–
Net interest income	22,547	6,321	4,235	(6)	33,097

5.7 Risk management

During the Period, the Group continued to promote the development of a comprehensive risk management framework, continuously improved and optimised the operational mechanism, business processes and technical capabilities of risk management, thereby continuously strengthening its risk management capabilities so as to ensure secure and sustainable operations at reasonable risk levels.

1. **Organisation structure.** The Bank established the Financial Markets Division to enable the Group to integrate the management of its domestic and foreign currency operations, thereby strengthening the integration of its market risk management over its domestic and foreign currency operations. The Bank has issued the "Bank of Communications 2008-2010 Comprehensive Risk Management Plan" (the "**Plan**") to provide guidance for its comprehensive risk management approach. The Plan specifically indicates the Bank's comprehensive risk management strategy, management methodologies and development goals, as well as the mission and implementation plan for the comprehensive risk management program, which marks the official commencement of a fresh round of improvements to the Bank's comprehensive risk management system. At the same time, the Bank also issued the "Bank of Communications Stress Testing Comprehensive Work Plan" and commenced formal stress testing throughout the Bank. To date, the Bank has completed its stress testing on interest rate risk, real estate prices fluctuation and the effects of the slowdown in macro-economic growth over the quality of assets.

2. **Credit risk management.** The Group has implemented a series of measures to actively manage the risk brought about by external factors such as cyclical economic downturns, tightening of macro-economic controls and RMB appreciation, thereby further strengthening its credit risk management capacity. These measures include:

   (i) Effectively implemented the "Green Credit" Program by completing the compilation of environmental conservation information for all loan customers and the classification of loan customers based on their environmental conservation efforts, thus establishing a solid foundation for the development of an effective environmental conservation loan mechanism and developed a strong foundation for a standardised and comprehensive "Green Credit" management system.

   (ii) Continued efforts to improve the Group's credit approval structure with a focus on rural financing, small enterprise financing and its "Green Credit" business and to encourage branches to evaluate credit applications based on a risk-benefit principle and taking into consideration the interest gap and the evaluation on the level of risks so as to ensure that the sequence and amount of credit approvals are in line with the Bank's strategy while continuing its focus on key and quality clients, qualifying individual clients and small and medium-sized enterprises with relatively higher profitability.

(iii) Continued to strengthen risk management efforts over key focus areas through fine-tuning of the credit risk analysis process, implementation of specific risk evaluation, in-depth risk monitoring and management over real estate industries, high pollution, high energy consumption and high-value real estate industries, export-oriented trade enterprises, group customers and private enterprises.

(iv) Further enhanced the Group's credit administration processes and credit management mechanism to improve credit administration and management effectiveness.

(v) Actively promoted the application of the internal rating system for its corporate banking business on credit evaluation and approval, credit administration and risk reporting processes and to complete development of the internal rating model for its retail banking business.

(vi) Actively implemented contingency measures to rapidly deal with various risk management issues arising from the 12 May Wenchuan Earthquake, thus mitigating the negative influences arising from the earthquake.

3. **Market risk management.** The Group established a specialized Market Risk Management Division to centralise the management of the Group's market risk.

(i) Interest rate risk management. To manage its interest rate risk, the Group preliminary completed a comprehensive interest rate risk monitoring system that utilises periodic interest rate gap analysis system to periodically monitor the gap between the value of the assets and liabilities that are interest sensitive and which must be re-priced within certain periods and to automatically adjust the proportion of floating interest and fixed interest assets. In view of the current global credit crunch, the Bank reasonably increased the interest rate on its RMB loans during the first half of the year to maximise the returns while controlling risks. The Bank also actively pursued the development of its asset-liabilities management system to enhance the Bank's ability in identifying and quantifying interest rate risk.

(ii) Exchange rate risk management. Based on the Group's risk tolerance and level of operations, the Group further enhanced its trading system and information monitoring support system in order to manage and control the Bank's exchange rate risk mainly through the following measures: (i) to restrict and minimise the exposure to exchange rate risk to limits permissible by the Bank's policies, (ii) to suitably utilise financial derivatives to divert and hedge against exchange rate risk, and (iii) to strengthen the structural adjustments to foreign currency denominated assets which includes foreign currency structural adjustments and structural adjustments to investments in foreign assets.

4. **Liquidity risk management.** The Group ensures the sufficiency of funds to meet normal business needs from overnight deposit withdrawals, current account withdrawals, maturity of time deposits, drawdown of loans, provision of guarantees, and settlement of other cash-settled financial derivatives through the management of liquidity indicators, liquidity gap management, cash management and management of its liquid assets portfolio. The continuous increases in the statutory deposit reserve rate by the central bank during the first half of the year led to major challenges for the Group's liquidity risk management. The Group adopted a series of measures to strengthen its liquidity risk management to while striking a balance between liquidity and profitability. Such measures include increasing its efforts to promote its debt business, expanding the sources of funds, actively participating in interbank RMB transactions, and optimising asset allocation.

5. **Operational risk management.** The Group strengthened the management of its gold vault, cash box, vault cash and automated facilities and also introduced door-to-door services throughout the Bank. The continuous improvement in the robustness of its cash receipt and gold vault management has attributed to the significant improvements in the Group's internal control and management capabilities over cash receipt and disbursement process. The Group also consistently enhanced the quality of its operational risk management in relation to accounting processes through continuous efforts to improve the functions of the risk management system over its accounting processes, as well as increasing the scope and efficiency of its pre-warning systems.

   The Group achieved favourable results during the Period for the continued strengthening of its information technology security management efforts, the optimisation of the related framework and technical capabilities, clear definition of management requirements and security control points, and the continuous enhancement of the level of risk management over information technology. The Group improved its operational risk management contingency mechanism and conducted related stress testing over its operations as part of its efforts to ensure the integrity of information and the smooth operations of its information technology security systems during the Olympic Games, which increased the technical support capabilities of related branches in cities hosting the Olympic Games.

   Concurrently, the Group formulated an anti-fraud operational implementation plan, and continuously improved its anti-fraud operational framework and mechanism, as well as strengthened its efforts in promoting anti-fraud education and training. The Group also conducted investigations into illegal and unusual trades and behavior and enhanced the monitoring and management of illegal and unauthorised behavior.

5.8 Internal controls

The Group successfully enhanced the completeness and effectiveness of its internal controls during the Period by ensuring that all internal control measures were effectively implemented through a comprehensive internal control framework while proceeding with the implementation of its comprehensive risk management initiative.

In terms of the development of the Group's internal control system, the Group firstly identified its back office support services as the breakthrough point, comprehensively promoted the optimisation of various business processes and realised the centralisation of its back office support services and information processing by relying on the information technology platform, which significantly improved the efficiency of business processes while effectively mitigated operational risk. The back office support services for treasury operations, trust and custodian services and electronic banking businesses at the Head Office level are currently centralised at the business processing centre, while the trials are still ongoing for the centralisation of business processing at the branch level. Secondly, the Group refined its credit portfolio risk control measures, made new progress on the development of its internal rating system, completed the development and collection of samples for its retail banking grading model and strengthened the quality control over key credit processes such as credit administration. Thirdly, the Group initiated the development of an anti-fraud system at both the Head Office and branch levels by establishing dedicated anti-fraud working groups. An anti-fraud risk management information platform is under development in order to perform real-time monitoring, automatical identification, classified pre-warnings and investigations of fraud.

In terms of management controls, in order to adapt to the pace of the development in its integrated business operations, the Group identified capital as the link to bring about the the coordinated development between the Head Office and its subsidiaries and adopted an integrated risk management approach as the Group's management mechanism. Based on the "Guide for the Supervision of the Consolidated Financial Statement" issued by the China Banking Regulatory Commission, the Group formulated the rules in relation to the management of consolidated financial statements and drawn up a set of management guidelines for its subsidiaries to provide strategic direction to its subsidiaries in terms of corporate governance, budgeting and finance, risk management, human resources and remuneration and audit supervision, to bring about the healthy development of its subsidiaries in a robust internal control environment.

The Group has not experienced any significant economic or safety-related events during the Period. During the second half of the year, the Group will earnestly implement the central government's macroe-conomic control policy, continue to accelerate the development of the process-oriented bank, optimise its risk management system, strengthen its compliance management and strictly guard against credit risk, market risk, liquidity risk and operational risk so as to bring about the steady and healthy development of various businesses of the Group.

5.9 Prospects for the second half of 2008

The forecast for the second half of the year foresees both opportunities and stern challenges for the Group's operational management. China's economic development is expected to remain stable and rapid and is not expected to be fundamentally affected by large-scale natural disasters and the unfavorable global economic climate. The quality of the country's economic growth is also expected to be enhanced and disaster reconstruction efforts are expected to boost economic growth, thereby bringing opportunities for the Group's business development and business structure reorganization. However, factors such as the slowdown in global economic growth, inflation, RMB appreciation and the greater uncertainty over the trend of the global economy will continue to exert a certain degree of pressure on the Group's business development.

During the second half of the year, the Group will continue its support to earthquake prevention and disaster relief efforts. It will also continue its approach of forging ahead in the face of adversity. The Group will also maintain the direction of its strategic transformation and work towards its goal of becoming the "Best Wealth Management Bank". The Bank will strengthen its business position by accelerating the development of its retail business and fee-based business. The Bank's breakthrough in the domains of wealth management and integrated management will also become its uniquely defined management characteristic and competitive advantage, which will in turn become the foundation for the Group's business development.

6. SIGNIFICANT EVENTS

6.1 Profit distribution

2007 Final Dividend

The Bank's profit distribution plan for the financial year ended 2007 was approved at the 2007 Annual General Meeting held on 6 June 2008. There were 48,994,000,000 shares of the Bank in issue as at 31 December 2007. A cash dividend of RMB0.15 per share (including tax), of which dividends to the H share shareholders were converted from RMB to Hong Kong dollars based on the average currency rates prevailing five trading days (being 30 May and 2 June to 5 June 2008) before the date of dividend declaration as announced by the People's Bank of China (RMB0.888874 to HK$1.00), and the final dividend was HK$0.168753 per share. Accordingly, the total amount of distributed dividends were RMB7.349 billion.

2008 Interim Dividend and Closure of Register

According to the authorisation granted to the Board of Directors at the Annual General Meeting, the Fifth Session of the Board of Directors of the Bank approved the 2008 interim profit distribution plan at the Eighth Meeting held on 26 August 2008 and approved the distribution of cash dividends of RMB0.10 per share (including tax). Those H share shareholders whose name appears on the register of shareholders of the Bank on 24 September 2008 will be entitled to receive the interim dividend. Details in relation to the record date and arrangements in relation to the entitlements of A share shareholders to receive the interim dividends for the period ended 30 June 2008 will be separately announced in the PRC. The dividends to be paid to H share shareholders will be converted from RMB to Hong Kong dollars based on the average currency rates prevailing five trading days (being 19 to 22 August and 25 August 2008) before the date of dividend declaration as announced by the People's Bank of China (RMB0.876846 to HK$1.00) and the interim dividend is HK$0.114045 per share. The total amount of dividends to be distributed shall be RMB4.899 billion, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax, with the actual dividends received by such non-resident corporate H share shareholders be HK$0.102641 per share.

To determine the list of H share shareholders who are entitled to receive the interim dividends for the period ended 30 June 2008, the register of shareholders of H shares will be closed from Friday, 19 September 2008 to Wednesday, 24 September 2008 (both days inclusive) during which period, no transfer of shares will be effected. H share shareholders who would like to qualify for the interim dividends declared but have not registered their share transfer documents, must lodge their transfer of shares accompanied by the relevant share certificates with the Bank's H share share registrar, Computershare Hong Kong Investor Services Limited, not later than 4.30 p.m. on Thursday, 18 September 2008. The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Center, No. 183 Queen's Road East, Wanchai, Hong Kong.

6.2 Investment in other companies

1. Holding of shares and securities issued by other listed companies

(in RMB unless otherwise stated)

No.	Stock code	Simplified stock name	Number of shares held at the end of the Period (share)	Initial investment cost	Book value at the end of the Period	Book value at the beginning of the Period	Accounting items
1	600068	Gezhouba	34,573,000	142,039,231.00	260,334,690.00	531,732,740.00	Available-for sale securities
2	600000	Pufayinhang	8,194,030	6,000,000.00	180,268,660.00	432,644,784.00	Available-for sale securities
3	388	HKEX	805,000	2,689,616.94	80,696,721.62	–	Available-for sale securities
4	3377	Sino-Ocean Land	20,245,500	157,463,283.63	78,331,481.98	–	Available-for sale securities
5	000979	ST Keyuan	10,960,000	12,494,400.00	68,280,800.00	64,444,800.00	Available-for sale securities
6	000686	Dongbeizhengquan	2,218,227	3,740,000.00	48,690,082.65	114,127,779.15	Available-for sale securities
7	600642	Shennenggufen	5,000,000	9,333,333.33	47,407,500.00	92,452,500.00	Available-for sale securities
8	8253	Tianyuanlvye	94,350,000	13,974,160.00	43,142,013.25	–	Available-for sale securities
9	390	China Railway	4,000,000	38,650,915.24	42,960,000.00	–	Available-for sale securities
10	3808	Sinotruk	5,000,000	61,228,203.70	33,150,990.57	–	Available-for sale securities
		Others		221,924,881.85	493,960,571.00	422,004,487.95	Available-for sale securities/ trading securities
		Total		669,538,025.69	1,377,223,511.07	1,657,407,091.10	

Note: The table above sets out the Group's top ten holdings of shares in other listed companies recorded in the Group's consolidated financial statements as long-term equity investments, available-for-sale securities and trading securities in other listed companies, which are listed in descending order of the book value at the end of the Period.

2. *Holding of shares issued by unlisted financial institutions and companies proposed to be listed*

(in RMB unless otherwise stated)

Name of institution	Initial investment cost	Number of shares held *(share)*	Shareholding percentage	Book value at the end of the Period
Changshu Rural Commercial Bank Co., Ltd.	380,000,000.00	380,000,000	10.00%	380,000,000.00
China Union Pay Co., Ltd.	90,000,000.00	90,000,000	5.45%	90,000,000.00
Hainan Development Bank Co., Ltd.	4,000,000.00	4,000,000	6.67%	–
Sub-total	474,000,000.00	474,000,000		470,000,000.00

Notes:

1. The book value at the end of the Period is net of impairment allowances.

2. The table is prepared based on the consolidated financial statements.

6.3 Audit Committee

The Bank has established an Audit Committee in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review the Bank's internal and external audit work, examine and approve financial reports, and oversee the implementation of the internal control policies and the efficiency and compliance of the same. The Audit Committee comprised Mr. Li Ka-cheung, Eric (Independent Non-Executive Director), Mr. Zhang Jixiang (Non-Executive Director), Mr. Yang Fenglin (Non-Executive Director), Mr. Gu Mingchao (Independent Non-Executive Director) and Mr. Chen Qingtai (Independent Non-Executive Director). Independent Non-executive Director Mr. Li Ka-cheung, Eric serves as the Chairman of the Audit Committee. The Audit Committee, together with the senior management, has reviewed the accounting policies and practices adopted by the Bank, and discussed affairs regarding internal controls and financial reporting, including the review of Interim Results.

Due to the resignation of Mr. Timothy D. Dattels as an Independent Non-executive Director and a member of the Audit Committee on 13 March 2008 due to personal reasons, the Audit Committee comprised only two Independent Non-executive Directors, namely Mr. Li Ka-cheung, Eric and Mr. Gu Mingchao, and two Non-executive Directors, namely Mr. Zhang Jixiang and Mr. Yang Fenglin. Independent Non-executive Director Mr. Li Ka-cheung, Eric served as the Chairman of the Audit Committee. Pursuant to Rule 3.21 of the Listing Rules, the majority of the Audit Committee members must be Independent Non-executive Directors. However, as only half of the number of Audit Committee members are Independent Non-executive Directors after the resignation of Mr. Timothy D. Dattels, the Board of Directors resolved to appoint Mr. Chen Qingtai (Independent Non-Executive Director) as a member of the Audit Committee at the Board of Directors' Meeting held on 29 April 2008 to ensure that the majority of the Audit Committee members are Independent Non-Executive Directors.

6.4 Purchase, Sale or Redemption of the Bank's shares

During the Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

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

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Bank made specific enquiries with all its directors and supervisors and each of them confirmed that they had complied with the required standards of the Model Code during the Period.

6.6 Compliance with the Hong Kong Stock Exchange's Corporate Governance Practices

The Group endeavoured to establish a high standard of corporate governance. The Group believes that effective corporate governance is crucial to maximising value for shareholders. In order to maintain a high standard of corporate governance, the Bank established a responsible, professional and accountable Board of Directors, Board of Supervisors and experienced senior management. The members of the Bank's Board of Directors and Board of Supervisors, except employee designated supervisors, are elected by the shareholders at the shareholders' general meeting. The Bank has established five special committees under the Board of Directors, including the Strategy Committee, the Audit Committee, the Risk Management Committee, the Personnel and Compensation Committee and the Social Responsibility Committee. None of the Bank's directors is aware of any information that would reasonably indicate that the Bank had not, for any time during the period ended 30 June 2008, been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

7. FINANCIAL INFORMATION

7.1 Condensed Consolidated Financial Information

Condensed Consolidated Profit and Loss Account

(in millions of RMB unless otherwise stated)

	Three months ended 30 June		Six months ended 30 June	
	2008	2007 Unaudited	**2008**	2007 Unaudited
Interest income	**28,888**	20,979	**56,108**	39,820
Interest expense	**(12,306)**	(8,441)	**(23,011)**	(16,284)
Net interest income	**16,582**	12,538	**33,097**	23,536
Fee and commission income	**2,858**	2,056	**5,200**	3,638
Fee and commission expense	**(262)**	(294)	**(547)**	(537)
Net fee and commission income	**2,596**	1,762	**4,653**	3,101
Dividend income	**20**	43	**21**	44
Gains less losses arising from trading activities	**319**	(245)	**(501)**	(84)
Gains less losses arising from de-recognition of investment securities	**34**	430	**391**	553
Other operating income	**114**	18	**146**	192
Impairment losses on loans and advances	**(2,204)**	(1,826)	**(3,977)**	(3,077)
Other operating expenses	**(7,415)**	(5,765)	**(13,529)**	(10,110)
Operating profit before tax	**10,046**	6,955	**20,301**	14,155
Income tax	**(2,393)**	(2,156)	**(4,734)**	(5,534)
Net profit for the period	**7,653**	4,799	**15,567**	8,621
Attributable to:				
Shareholders of the Bank	**7,615**	4,758	**15,508**	8,558
Minority interest	**38**	41	**59**	63
	7,653	4,799	**15,567**	8,621
Basic and diluted earnings per share				
For profit attributable to the shareholders of the Bank (in RMB)	**0.16**	0.10	**0.32**	0.18

Condensed Consolidated Balance Sheet

(in millions of RMB unless otherwise stated)

	30 June 2008	31 December 2007
ASSETS		
Cash and balances with central banks	**316,748**	261,433
Due from other banks and financial institutions	**228,379**	156,110
Financial assets held for trading	**32,329**	19,445
Loans and advances to customers	**1,217,878**	1,082,788
Investment securities – loans and receivables	**79,313**	67,596
Investment securities – available-for-sale ("AFS")	**145,747**	147,573
Investment securities – held-to-maturity ("HTM")	**359,323**	330,927
Property and equipment	**32,199**	32,199
Deferred tax assets	**1,886**	2,524
Other assets	**17,057**	9,849
Total assets	**2,430,859**	2,110,444
LIABILITIES		
Due to other banks and financial institutions	**387,155**	332,556
Financial liabilities held for trading	**10,970**	10,028
Due to customers	**1,811,113**	1,555,599
Other liabilities	**38,434**	34,357
Current taxes	**5,549**	5,872
Deferred tax liabilities	**436**	504
Subordinated term debts	**37,408**	38,207
Total liabilities	**2,291,065**	1,977,123
EQUITY		
Capital and reserves attributable to the Bank's shareholders		
Share capital	**48,994**	48,994
Capital surplus	**43,100**	43,100
Other reserves	**31,135**	20,422
Retained earnings	**16,122**	20,387
	139,351	132,903
Minority Interest	**443**	418
Total equity	**139,794**	133,321
Total equity and liabilities	**2,430,859**	2,110,444

Condensed Consolidated Statement of Changes in Shareholders' Equity

(in millions of RMB unless otherwise stated)

	Share capital	Capital surplus	Statutory reserve	Discretionary reserve	Other reserves: Statutory general reserve	Other reserves: Revaluation reserve for AFS securities	Other reserves: Revaluation reserve for properties	Other reserves: Translation reserve on foreign operations	Retained earnings	Minority interest	Total
Balance at 1 January 2007	45,804	21,540	899	–	4,428	867	4,383	(213)	12,728	59	90,495
Gains from changes in fair value of AFS securities, net of tax	–	–	–	–	–	454	–	–	–	34	488
Transfer to net profit on disposal of AFS securities, net of tax	–	–	–	–	–	(399)	–	–	–	–	(399)
Translation difference on foreign operations	–	–	–	–	–	–	–	(153)	–	–	(153)
Tax rate change impact	–	–	–	–	–	93	369	–	–	–	462
Net profit	–	–	–	–	–	–	–	–	8,558	63	8,621
Net income/(expense) recognised directly in equity	–	–	–	–	–	148	369	(153)	8,558	97	9,019
Issue of shares	3,190	21,560	–	–	–	–	–	–	–	–	24,750
Balance at 30 June 2007	48,994	43,100	899	–	4,428	1,015	4,752	(366)	21,286	156	124,264
Balance at 1 January 2008	48,994	43,100	2,170	576	10,636	1,551	6,105	(616)	20,387	418	133,321
Losses from changes in fair value of AFS securities, net of tax	–	–	–	–	–	(911)	–	–	–	(34)	(945)
Transfer to net profit on disposal of AFS securities, net of tax	–	–	–	–	–	(318)	–	–	–	–	(318)
Translation difference on foreign operations	–	–	–	–	–	–	–	(482)	–	–	(482)
Realisation of revaluation reserve upon disposals	–	–	–	–	–	–	(18)	–	18	–	–
Net profit	–	–	–	–	–	–	–	–	15,508	59	15,567
Net income/(expense) recognised directly in equity	–	–	–	–	–	(1,229)	(18)	(482)	15,526	25	13,822
Dividends	–	–	–	–	–	–	–	–	(7,349)	–	(7,349)
Transfer to reserves	–	–	1,993	8,511	1,938	–	–	–	(12,442)	–	–
Balance at 30 June 2008	**48,994**	**43,100**	**4,163**	**9,087**	**12,574**	**322**	**6,087**	**(1,098)**	**16,122**	**443**	**139,794**

Condensed Consolidated Statement of Cash Flows

(in millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2008	2007 Unaudited
Cash flows from operating activities:		
Net profit before taxation:	**20,301**	14,155
Adjustments for:		
Impairment of loans and advances to customers	**3,707**	2,926
Write-back of impairment of due from banks and financial institutions	**(16)**	(164)
(Reversal of)/charge impairment of other receivables	**(71)**	17
Impairment of investment securities	**178**	–
Depreciation of property and equipment	**1,436**	1,279
Amortisation of prepaid staff housing subsidies	**9**	10
Amortisation of prepaid rental expenses	**29**	57
Amortisation of land use rights	**2**	1
Amortisation of intangible assets	**113**	51
Gains less losses arising from de-recognition of investment securities	**(391)**	(553)
Gains on disposal of fixed assets	**(18)**	(14)
Amortisation of fair value re-measurement on AFS to HTM	**(81)**	(58)
Revaluation gain on investment property	**–**	(3)
Accrued interest expense on subordinated term debt	**778**	602
	25,976	18,306
Net increase in mandatory reserve deposits	**(61,662)**	(48,709)
Net increase in due from other banks and financial institutions	**(67,969)**	(117,158)
Net increase in financial assets held for trading	**(12,884)**	(2,240)
Net increase in loans and advances to customers	**(138,797)**	(205,940)
Net increase in other assets	**(7,036)**	(3,445)
Net increase in due to other banks and financial institutions	**54,599**	48,412
Net increase/(decrease) in financial liabilities held for trading	**942**	(2,523)
Net increase in due to customers	**255,514**	299,532
Net increase in other liabilities	**5,121**	11,425
Net increase in business tax payable	**69**	381
Income tax paid	**(4,072)**	(3,497)
Net cash from/(used in) operating activities	**49,801**	(5,456)

(in millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2008	2007
		Unaudited
Cash flows from investing activities:		
Purchase of investment securities	**(164,487)**	(244,842)
Disposal or redemption of investment securities	**124,863**	171,027
Acquisition of intangible assets	**(24)**	(21)
Prepaid rental expenses	**(6)**	(27)
Purchase of land use rights	**(130)**	–
Purchase of property and equipment	**(1,879)**	(1,451)
Disposal of property and equipment	**359**	100
Net cash used in investing activities	**(41,304)**	(75,214)
Cash flows from financing activities:		
Shares issued	**–**	24,750
Subordinated debt issued	**–**	25,000
Interest paid on subordinated term debt	**(1,577)**	(501)
Dividends paid	**(8,454)**	(5)
Net cash (used in)/from financing activities	**(10,031)**	49,244
Effect of exchange rate changes on cash and cash equivalents	**(529)**	(221)
Net decrease in cash and cash equivalents	**(2,063)**	(31,647)
Cash and cash equivalents at the beginning of the Period	**96,064**	185,722
Cash and cash equivalents at the end of the Period	**94,001**	154,075
Major non-cash transactions		
Capitalisation of translation difference on foreign operations	**(482)**	(153)
Supplementary Information		
Interest received	**55,417**	39,062
Interest paid	**(17,567)**	(14,796)

7.2 Notes to the Condensed Consolidated Interim Financial Information

1 Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standard Board.

This condensed consolidated financial information of the Bank and its subsidiaries (collectively the "**Group**") should be read in conjunction with the 2007 annual financial statements.

The Group adopted IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, IFRIC 12 – Service Concession Arrangements and IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' since 1 January 2008. The implementation of these new interpretations did not have a material impact on the Group's accounting policy.

Except for the above interpretations, the accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2007.

2 Net interest income

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
		Unaudited		Unaudited
Interest income				
Balances with central banks	**1,216**	764	**2,306**	1,465
Due from other banks and financial institutions	**1,978**	1,553	**3,705**	3,245
Loans and advances to customers	**20,153**	15,329	**39,541**	28,677
Investment securities	**5,541**	3,333	**10,556**	6,433
	28,888	20,979	**56,108**	39,820
Interest expense				
Due to other banks and financial institutions	**(2,994)**	(2,340)	**(5,660)**	(4,372)
Due to customers	**(9,312)**	(6,101)	**(17,351)**	(11,912)
	(12,306)	(8,441)	**(23,011)**	(16,284)
Net interest income	**16,582**	12,538	**33,097**	23,536

(in millions of RMB)

	Six months ended 30 June	
	2008	2007
		Unaudited
Interest income accrued on loans and advances to customers individually identified with impairment	**295**	338

3 Fee and commission income

(in millions of RMB)

	Six months ended 30 June	
	2008	2007
		Unaudited
Settlement and agent service commission income	**1,033**	558
Bank card annual fee and commission income	**1,209**	912
Guarantee and commitment commission income	**599**	188
Custodian commission income	**359**	180
Funds sales commission income	**671**	1,017
Funds management commission income	**335**	248
Other commission income	**994**	535
	5,200	3,638

4 Impairment losses on loans and advances

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
		Unaudited		Unaudited
Due from other banks and financial institutions and securities purchased under resale agreements	**(14)**	(112)	**(16)**	(164)
Loans and advances to customers				
– Collectively assessed provision	**1,108**	613	**1,956**	1,140
– Individually assessed provision	**1,111**	1,343	**2,046**	2,124
	2,219	1,956	**4,002**	3,264
Less: recovery of loans previously written off	**(1)**	(18)	**(9)**	(23)
	2,204	1,826	**3,977**	3,077

5 Income tax expense

(in millions of RMB)

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
		Unaudited		Unaudited
Current tax				
– Mainland China income tax	**2,235**	2,317	**3,610**	3,687
– Hong Kong profits tax	**32**	75	**135**	146
– Overseas taxation	**2**	10	**4**	11
	2,269	2,402	**3,749**	3,844
Deferred tax	**124**	(246)	**985**	1,690
	2,393	2,156	**4,734**	5,534

The Corporate Income Tax Law of the People's Republic of China came into effect on 1 January 2008. The applicable income tax rate of the Bank and each of its subsidiaries established in Mainland China has been adjusted to 25%.

Profits earned by the Hong Kong branch and subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2007: 17.5%), on the estimated assessable profit for the six months ended 30 June 2008. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates during the six months ended 30 June 2008.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Bank at 25%. The reconciliation is as follows:

(in millions of RMB)

	Three months ended 30 June		**Six months ended 30 June**	
	2008	2007 Unaudited	**2008**	2007 Unaudited
Profit before tax	**10,046**	6,955	**20,301**	14,155
Tax calculated at a tax rate of 25% (2007: 33%)	**2,511**	2,295	**5,075**	4,671
Effect of different tax rates in other countries	**48**	(3)	**71**	7
Tax credit arising from income not subject to tax[1]	**(390)**	(247)	**(681)**	(512)
Tax effect of expenses that are not deductible for tax purposes[2]	**224**	17	**270**	83
Tax rate change impact	**–**	94	**(1)**	1,285
Income tax expense	**2,393**	2,156	**4,734**	5,534

Notes:

1. The income not subject to tax of the Group mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.

2. The expenses that are not tax deductible of the Group mainly represents expenses, such as entertainment expenses etc, which are over the tax deduction limits in accordance with PRC tax regulation.

6 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the Period.

(in millions of RMB unless otherwise stated)

	Six months ended 30 June	
	2008	2007
		Unaudited
Profit attributable to shareholders of the Bank	**15,508**	8,558
Weighted average number of ordinary shares in issue	**48,994**	46,867
Basic and diluted earnings per share (expressed in RMB per share)	**0.32**	0.18

7 Derivative financial instruments

The following derivative instruments are utilised by the Group for trading purpose:

Currency forwards represent commitments to purchase/sell foreign exchanges including unsettled spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC).

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

(in millions of RMB)

	Contract/notional Amount	Fair values Assets	Liabilities
As at 30 June 2008			
Foreign exchange contracts	**209,576**	**2,331**	**(4,074)**
Interest rate contracts	**116,182**	**2,087**	**(1,669)**
Others derivative contracts	**230**	**7**	**(7)**
Total recognised derivatives	**325,988**	**4,425**	**(5,750)**

	Contract/notional Amount	Fair values Assets	Liabilities
As at 31 December 2007			
Foreign exchange contracts	154,261	1,653	(2,620)
Interest rate contracts	87,565	685	(699)
Others derivative contracts	14	–	–
Total recognized derivatives	241,840	2,338	(3,319)

The tables above provide a detailed breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at the end of the Period. These instruments, comprising foreign exchange and interest rate derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Group undertakes its transactions in foreign exchange and interest rate contracts with other financial institutions and customers. Management has established limits of these contracts by counterparties, industry sectors and countries. Actual credit exposures and limits are regularly monitored and controlled by management.

Credit risk weighted amounts

(in millions of RMB)

	30 June 2008	31 December 2007
Derivatives		
– Exchange rate contracts	**1,283**	846
– Interest rate contracts	**547**	287
– Other derivative contracts	**1**	2
	1,831	1,135

The credit risk weighted amounts are the amounts calculated with reference to the guidelines issued by the China Banking Regulatory Commission ("CBRC") and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity characteristics of each type of contract.

Replacement costs

(in millions of RMB)

	30 June 2008	31 December 2007
Derivatives		
– Exchange rate contracts	**2,331**	1,653
– Interest rate contracts	**2,087**	685
– Other derivative contracts	**7**	–
	4,425	2,338

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market. Replacement cost is a close approximation of the credit risk for these contracts as of the balance sheet date.

The credit risk weighted amounts and replacement costs stated above have taken the effects of netting arrangements into account.

Notional amounts of derivative financial instruments by original currency

(in millions of RMB)

	RMB	**US Dollars**	**HK Dollars**	**Others**	**Total**
As at 30 June 2008					
Notional amount of derivative financial instruments	**161,779**	**119,006**	**24,035**	**21,168**	**325,988**
As at 31 December 2007					
Notional amount of derivative financial instruments	110,038	98,854	22,673	10,275	241,840

8 Dividends

(in millions of RMB)

	Six months ended 30 June 2008	2007 Unaudited
Paid in the period	**8,454**	5

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up prior year's cumulative losses, if any;

(ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under PRC accounting regulations;

(iii) Allocations to statutory general reserve;

(iv) Allocations to the discretionary revenue reserve fund if approved by the Bank's Annual General Meeting. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, the distributable profit is deemed to be the lesser of (i) the distributable profit determined in accordance with CAS and (ii) the distributable profit determined in accordance with IFRS.

The dividends are recognised in the balance sheet upon approval by the shareholders at the Annual General Meeting. At 31 December 2007, the aggregate amount of distributable profit was RMB19.791 billion, being the distributable profit determined in accordance with IFRS (2006: IFRS). On 19 March 2008, the directors proposed a cash dividend of RMB0.15 per share, amounting to RMB7.349 billion, which was approved by the shareholders at the Annual General Meeting held on 6 June 2008.

In addition, in accordance with the resolution of the Annual General Meeting, the Board of Directors was authorised to approve the profit appropriation plan within 40% of the distributable profit in the first half year of 2008. At 26 August 2008, the directors approved a cash dividend of RMB0.10 per share, amounting to RMB4,899 million.

9 Financial guarantees and credit related commitments, other commitments and contingent liabilities

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group commits to extend to customers:

(in millions of RMB)

	30 June 2008	31 December 2007
Guarantees	**168,327**	155,573
Letters of credit	**40,201**	34,779
Acceptances	**206,934**	172,127
Other commitments with an original maturity of		
– Under 1 year or on demand	**98,943**	59,369
– 1 year and over	**8,840**	11,907
	523,245	433,755

Capital expenditure commitments

(in millions of RMB)

	30 June 2008	31 December 2007
Capital expenditure commitments for buildings	**468**	203

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases in respect of buildings are as follows:

(in millions of RMB)

	30 June 2008	31 December 2007
Not later than 1 year	**840**	769
Later than 1 year and not later than 5 years	**2,011**	1,756
Later than 5 years	**858**	636
	3,709	3,161

Commitments on security underwriting and bond acceptance

(in millions of RMB)

	30 June 2008	31 December 2007
Outstanding balance on security underwriting	**7,300**	6,750
Outstanding balance on bond acceptance *Note*	**18,223**	17,842

Note: The Bank is entrusted by the Ministry of Finance ("**MOF**") to underwrite certain Certificates of Treasury Bond. The investors of Certificates of Treasury Bond have a right to redeem the bonds at par any time prior to maturity and the Bank is committed to redeem those bonds. The redemption price is the principal value of the Certificates of Treasury Bond plus unpaid interest.

The original maturities of these bonds vary from 1 to 5 years.

The MOF will not provide funding for the early redemption of these Certificates of Treasury Bond on a back-to-back basis but will pay interest through maturity and repay the principal at maturity.

Legal proceedings

A number of legal proceedings are initiated by third parties against the Group as defendant. The total outstanding claims at end of the Period/year are as follows:

(in millions of RMB)

	30 June 2008	31 December 2007
Outstanding claims	**1,572**	1,785
Provision for losses	**879**	875

10 Segmental information

The following table sets out the segmental information of the Group's operating results, assets and liabilities. The geographical segments are:

(i) Northern China – Including the following provinces: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia;

(ii) North Eastern China – Including the following provinces: Liaoning, Jilin, Heilongjiang;

(iii) Eastern China – Including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;

(iv) Central & Southern China – Including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi, Hainan;

(v) Western China – Including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang;

(vi) Head office;

(vii) Overseas – Including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt and Macau.

(a) Geographical segment information

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central & Southern China	Western China	Head Office	Overseas	Eliminations & Consolidated	Group Total
As at 30 June 2008									
Assets									
Cash and balances with central banks	6,540	3,216	15,027	9,926	4,150	277,646	243	–	316,748
Due from other banks and financial institutions	44,950	6,398	42,663	18,677	2,854	99,913	12,924	–	228,379
Financial assets held for trading	–	–	–	148	–	28,953	3,228	–	32,329
Loans and advances to customers	231,483	65,020	475,431	234,945	97,936	18,806	94,257	–	1,217,878
Investment securities									
– loans and receivables	7,248	3,373	12,850	11,018	2,965	41,859	–	–	79,313
– available-for-sale	9,463	159	2,460	2,650	19	107,979	23,017	–	145,747
– held-to-maturity	9,354	13,367	26,754	21,058	6,622	280,405	1,763	–	359,323
Other assets	15,081	8,521	41,007	47,481	11,561	11,480	15,825	(99,814)	51,142
Segment assets	324,119	100,054	616,192	345,903	126,107	867,041	151,257	(99,814)	2,430,859
Liabilities									
Due to other banks and financial institutions	(116,953)	(6,094)	(114,338)	(97,474)	(13,987)	(5,254)	(33,055)	–	(387,155)
Financial liabilities held for trading	–	–	–	–	–	(5,390)	(5,580)	–	(10,970)
Due to customers	(343,650)	(143,363)	(695,651)	(372,161)	(167,297)	(752)	(88,239)	–	(1,811,113)
Other liabilities	(8,748)	(3,238)	(98,961)	(7,360)	(3,779)	(38,273)	(21,282)	99,814	(81,827)
Segment liabilities	(469,351)	(152,695)	(908,950)	(476,995)	(185,063)	(49,669)	(148,156)	99,814	(2,291,065)
Net on balance sheet position	(145,232)	(52,641)	(292,758)	(131,092)	(58,956)	817,372	3,101	–	139,794
Off-balance sheet exposures									
Financial guarantees, acceptance and letter of credit	115,265	11,229	192,853	62,218	20,740	1,000	12,157	–	415,462
Other credit related commitments	13,664	7,317	37,678	20,604	9,220	–	19,300	–	107,783
Acquisition cost of property and equipment ("PPE") and intangible assets	169	93	868	516	128	240	19	–	2,033

	Northern China	North Eastern China	Eastern China	Central & Southern China	Western China	Head Office	Overseas	Eliminations & Consolidated	Group Total
For the six months ended 30 June 2008									
Interest income	10,170	3,472	21,721	11,120	4,470	13,188	2,554	(10,587)	56,108
Interest expense	(5,506)	(1,670)	(9,129)	(4,588)	(1,751)	(9,370)	(1,584)	10,587	(23,011)
Net interest income	4,664	1,802	12,592	6,532	2,719	3,818	970	–	33,097
Fee and commission income	769	165	1,396	632	182	1,578	478	–	5,200
Fee and commission expense	(92)	(24)	(159)	(79)	(28)	(38)	(127)	–	(547)
Net fee and commission income	677	141	1,237	553	154	1,540	351	–	4,653
Dividend income	–	–	–	–	–	12	9	–	21
Gains less losses arising from trading activities	201	59	305	76	40	(1,206)	24	–	(501)
Gains less losses arising from de-recognition of investment securities	13	13	279	(25)	4	53	54	–	391
Other operating income	5	8	91	11	11	2	18	–	146
(Impairment losses)/Reversal on loans and advances	(416)	(104)	(1,592)	(907)	(901)	1	(58)	–	(3,977)
Other operating expenses	(1,917)	(1,019)	(4,736)	(2,346)	(1,105)	(1,672)	(734)	–	(13,529)
Operating profit before tax	3,227	900	8,176	3,894	922	2,548	634	–	20,301
Income tax	(856)	(228)	(2,253)	(1,003)	(238)	(21)	(135)	–	(4,734)
Net profit for the period	2,371	672	5,923	2,891	684	2,527	499	–	15,567
Depreciation and amortization of PPE and intangible assets	(156)	(145)	(463)	(239)	(128)	(357)	(63)	–	(1,551)

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central & Southern China	Western China	Head Office	Overseas	Eliminations & Consolidated	Group Total
As at 31 December 2007									
Assets									
Cash and balances with central banks	11,614	3,478	21,071	8,746	4,278	211,497	749	–	261,433
Due from other banks and financial institutions	19,245	1,044	41,186	5,470	2,383	65,685	25,365	(4,268)	156,110
Financial assets held for trading	128	7	48	23	15	16,202	3,022	–	19,445
Loans and advances to customers	206,479	61,380	432,436	218,590	91,232	9,091	61,188	2,392	1,082,788
Investment securities									
– loans and receivables	6,488	3,632	13,619	10,801	2,905	30,151	–	–	67,596
– available-for-sale	17,728	183	107	3,237	24	102,640	23,654	–	147,573
– held-to-maturity	10,975	13,710	30,066	23,071	8,334	242,478	2,293	–	330,927
Other assets	32,992	8,443	39,963	26,565	8,936	11,508	14,208	(98,043)	44,572
Segment assets	305,649	91,877	578,496	296,503	118,107	689,252	130,479	(99,919)	2,110,444
Liabilities									
Due to other banks and financial institutions	(96,262)	(5,408)	(144,743)	(49,396)	(9,259)	(5,155)	(22,333)	–	(332,556)
Financial liabilities held for trading	(11)	(2)	(10)	(8)	(6)	(3,002)	(6,989)	–	(10,028)
Due to customers	(270,655)	(132,207)	(605,658)	(324,907)	(150,311)	(636)	(71,185)	(40)	(1,555,599)
Other liabilities	(6,579)	(2,636)	(97,974)	(6,770)	(3,032)	(35,939)	(25,969)	99,959	(78,940)
Segment liabilities	(373,507)	(140,253)	(848,385)	(381,081)	(162,608)	(44,732)	(126,476)	99,919	(1,977,123)
Net on balance sheet position	(67,858)	(48,376)	(269,889)	(84,578)	(44,501)	644,520	4,003	–	133,321
Off-balance sheet exposures									
Financial guarantees, acceptance and letter of credit	97,774	10,222	163,335	59,544	19,382	1,001	11,221	–	362,479
Other credit related commitments	6,549	3,726	19,162	10,715	4,930	–	26,194	–	71,276
Acquisition cost of PPE and intangible assets	2,449	470	1,953	891	285	1,176	192	–	7,416

	Northern China	North Eastern China	Eastern China	Central & Southern China	Western China	Head Office	Overseas	Eliminations & Consolidated	Group Total
For the six months ended 30 June 2007									
Interest income	6,734	2,603	14,883	7,613	3,213	7,202	3,428	(5,856)	39,820
Interest expense	(3,032)	(1,148)	(5,728)	(2,738)	(1,165)	(5,728)	(2,566)	5,821	(16,284)
Net interest income	3,702	1,455	9,155	4,875	2,048	1,474	862	(35)	23,536
Fee and commission income	288	126	1,040	360	494	860	470	–	3,638
Fee and commission expense	(67)	(24)	(206)	(58)	(23)	(28)	(131)	–	(537)
Net fee and commission income	221	102	834	302	471	832	339	–	3,101
Dividend income	–	–	–	13	–	49	(18)	–	44
Gains less losses arising from trading activities	180	36	207	113	25	(744)	99	–	(84)
Gains less losses arising from de-recognition of investment securities	50	–	209	–	–	95	199	–	553
Other operating income	15	7	91	23	13	18	25	–	192
(Impairment losses)/Reversal on loans and advances	(412)	(360)	(1,455)	(392)	(328)	(103)	(27)	–	(3,077)
Other operating expenses	(1,509)	(899)	(3,509)	(1,835)	(834)	(1,002)	(522)	–	(10,110)
Operating profit/(loss) before tax	2,247	341	5,532	3,099	1,395	619	957	(35)	14,155
Income tax	(756)	(185)	(3,115)	(922)	(380)	–	(176)	–	(5,534)
Net profit/(loss) for the period	1,491	156	2,417	2,177	1,015	619	781	(35)	8,621
Depreciation and amortization of PPE and intangible assets	(142)	(142)	(400)	(207)	(126)	(321)	(52)	–	(1,390)

8. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is simultaneously published on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Bank at www.bankcomm.com. This results announcement is a summary of the 2008 Interim Report prepared in accordance with IFRS, which will also be published on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Bank at www.bankcomm.com and available for viewing by shareholders and investors. The 2008 Interim Report prepared in accordance with CAS will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors who wish to understand the Interim Results in details should read the full Interim Report. The Bank's interim report prepared in accordance with IFRS is expected to be despatched to its H share shareholders in mid-September 2008.

By Order of the Board
Bank of Communications Co., Ltd.
Jiang Chaoliang
Chairman of the Board

Shanghai, the PRC
26 August 2008

As at the date of this announcement, the directors of the Bank are Mr. Jiang Chaoliang, Mr. Li Jun, Mr. Peng Chun, Mr. Qian Wenhui, Mr. Zhang Jixiang*, Mr. Hu Huating*, Mr. Wong Tung Shun, Peter*, Ms. Laura M. Cha*, Mr. Yang Fenglin*, Mr. Xie Qingjian[#], Mr. Ian Ramsay Wilson[#], Mr. Thomas Joseph Manning[#], Mr. Chen Qingtai[#], Dr. Li Ka-cheung, Eric[#] and Mr. Gu Mingchao[#].*

* *Non-executive directors*

\# *Independent non-executive directors*