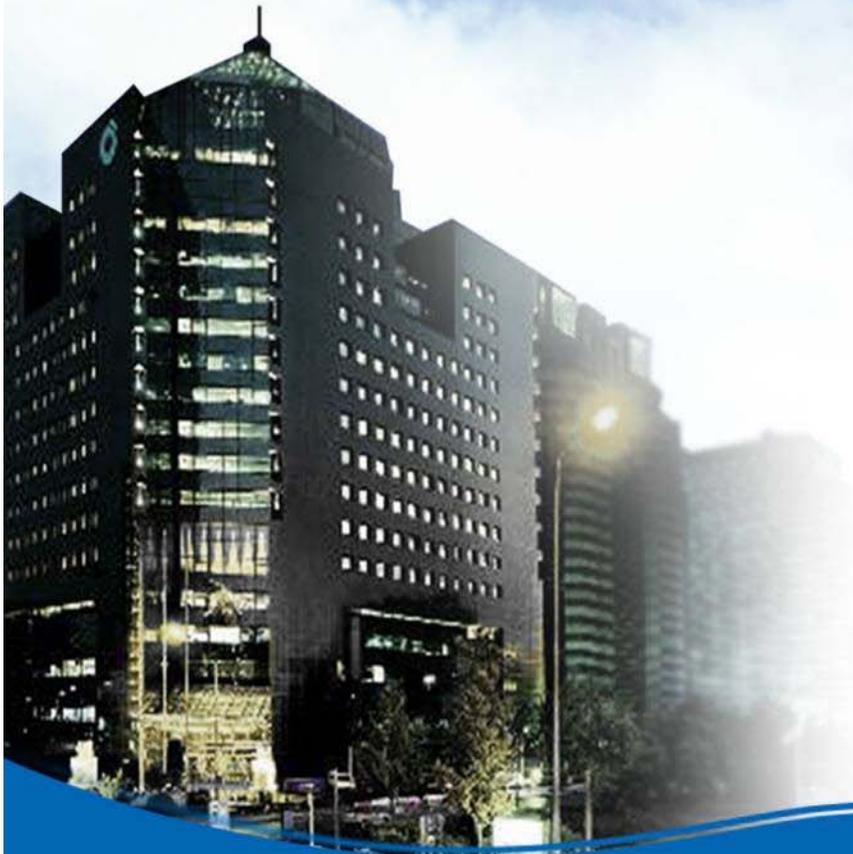




**中国建设银行**  
China Construction Bank

# Interim Results 2006

- August 2006



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# Agenda

**Corporate Development**

**Key Business Highlights**

**Financial Performance Review**

# Financial Highlights

Operating income	RMB 70.9 Bn	YoY		12.6%
Net income <sup>(1)</sup>	RMB 23.2 Bn	YoY		13.3%
Coverage ratio <sup>(2)</sup>	80%	End 2005		400 bps
NPL ratio	3.51%	End 2005		33 bps
Cost / Income	41.65%	2005		348 bps
EPS	RMB 0.10			
ROAE	15.67%			
ROAA	0.95%			
CAR	13.15%			

**Note**

1. Excluding RMB 7.848Bn tax exemption due to restructuring in 1H2005

2. Including general provision under CBRC regulation



# Highly-effective Corporate Governance Structure



# Long-term Growth Strategies

## Accelerate Changes in Business Mix

- Promote retail banking
- Sustain high growth in fee business
- Aggregate and relocate resources to coastal regions

## Prioritize Branch Development in Tier-1 Cities

- Increase authority and allocation of resources
- Implement evaluation measures by market share and competitiveness

## Expand Overseas Business

- Achieve by organic growth and merger & acquisition
- Leverage Hong Kong as the platform for business acquisition and expansion; first milestone reached

## Develop “One-Stop Shop” Business Model

- Explore new opportunities in areas of trustee, insurance and leasing
- Rebuild and expand investment banking operations

## Enhance Retail Network and IT Infrastructure

- Logical placement of retail network/branches, increase investment on retail network enhancement
- Increase capital expenditure on IT infrastructures

# Reinforced Competitiveness Through Management System Reform

Reengineering Business Processes	Risk Management System	Optimized Org. Structure	Business-line Management	Human Resource Management
<ul style="list-style-type: none"> <li>■ Reengineering teller operations</li> <li>■ Separate front &amp; back office operations; Centralize back-office processing</li> <li>■ Leverage IT infrastructure</li> <li>■ Establish credit approval center for personal loans</li> <li>■ Quality control of services</li> </ul>	<ul style="list-style-type: none"> <li>■ Independent organization with vertical reporting system</li> <li>■ Parallel operation along client managers to ensure earlier and better risk control</li> <li>■ Specialized staff</li> <li>■ Better application of EVA performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>■ Optimize overall structures, shift focus more to developed regions</li> <li>■ Flatten organizational structures</li> <li>■ Employ matrix management</li> <li>■ Increase geographic coordination among Pearl River Delta, Bohai Rim, Yangtze River Delta</li> <li>■ Establish innovation center</li> </ul>	<ul style="list-style-type: none"> <li>■ Appoint general managers for wholesale, retail and wealth management</li> <li>■ Deploy pilot business units for personal, credit card, custodian and special asset resolution</li> </ul>	<ul style="list-style-type: none"> <li>■ Explore plans for stock appreciation rights and employee stock options</li> <li>■ Improve employment contract system</li> <li>■ Increase staff training: training session for 167,100 person-time in first half of 2006</li> </ul>

# Rapid Enhancement of IT Infrastructures

## IT Systems

- Operational Customer Relationship Management and Integrated Product Service System (OCRM- IPSS)
- ERP Financial I (ERPF)
- Corporate Lending Process Management System (CLPM)
- Accounting documentation and auditing system
- Core Business System (DCC – CCBS)
- New Trading Finance System (NTFS )
- Straight-through position squaring system for foreign trade settlements

## Resulted Capabilities

- Customizable sales & marketing - differentiated services based on individual needs
- Centralized management of general ledger and financial information disclosure
- Streamlined credit processing
- Automatic and electronic management of accounting documents and auditing management
- Simplified operating procedures, improved efficiency of front desk operation
- Centralized management of international settlement
- Provider of intra-day pricing quotes and transaction 24 hours a day

# Comprehensive Strategic Cooperation

## Strategic Partnership

Bank of America



中国建设银行  
China Construction Bank

ASIA FINANCIAL  
HOLDINGS

### Six Sigma

#### Assistance Projects

Establishment of Personal Loan Center

Retail Network Transformation

Call Center

Customer Satisfactory Survey

Risk Management (4 projects)

IT (6 projects)

Direct Remittance

ATM Sharing Program (completed)

#### Information-Sharing Projects

Cash/Finance/Asset & Liability Management (5 projects)

HR Management (3 projects)

Staff Training

#### Business Collaboration

Global Treasury Service

Credit Card

Corporate Governance

Staff Training

Wealth Management

Treasury Business



# Most Innovative Bank in China

Full Employee  
Participation,  
Strategic Partnership

Plan, Evaluate, Incentivize

Financial  
Solutions

Private  
Wealth Mgt.  
and  
Consumer  
Financing  
Products

Payment  
Settlement,  
Account  
Services

Most Innovative  
Bank in China

## Leading Product & Service Innovations

- Maximum amount mortgages and fixed rate mortgage loans
- Collective annuity schemes and commercial property mortgage loans
- Guarantees for overseas financing and export credit refinancing
- First RMB market-maker
- Among the first to obtain QDII license
- WAP、BREW and SMS telephone banking service

## Market Competitiveness

Most Profitable

Best Asset Quality

#1 in New  
Loans / Deposits

#1 in Infrastructure Loans

#1 in New Residential  
Mortgage Loans

#1 in New Credit Card Issued

#1 in Underwriting  
ST Financial Notes

# Industry Recognition



- Ranked first in Asia (excl. Japan) among world's top 1,000 banks based on tier 1 capital
- First among the "Top 100 Chinese Banks Ranking"



- Ranked 277<sup>th</sup> among "Global Top 500"



- "Most Profitable Bank in Asia"



- Selected as one of the "Best Managed Companies"
- "Best Corporate Governance" and "Best Dividend Commitment"



- First among "Top 100 Asian Banks" by net interest income



- Fifth among Top 100 by 2003 to 2005 net income



- Ranked 65<sup>th</sup> in "2006 Top 2000 Public Companies"



- "Best Domestic Bank in China"



- One of the "Top 10 Most Popular Brand in China"



- Best Custodian Bank in China

# Social Responsibilities

- Income tax of RMB 9.59Bn, business tax of RMB 4.17Bn in the first half 2006
- Net income attributable to shareholders RMB 23.22Bn, of which 17.24Bn attributable to state-owned shareholders <sup>(1)</sup>
- Shareholders' capital gain of HKD 191Bn in first half of 2006, of which HKD 141.8Bn to state-owned shareholders <sup>(1)</sup>
- CCB Caring Foundation has donated RMB 34.25MM to needed individuals:
  - RMB 20MM to 86 universities/colleges to help 14,600+ financially disadvantaged students
  - RMB 5MM to China Children and Teenagers' Fund. Established 24 CCB Hope Primary Schools
  - RMB 5MM to China Foundation for Justice and Courage
- Donated RMB 4.5MM to the victims of "Bliss Typhoon"

**Note**

1. "State-owned shareholders" refers to our five promoters

# Key Business Highlights

**Strengthened Competitiveness in Traditional Areas**

**Phenomenal Growth in Fee Income**

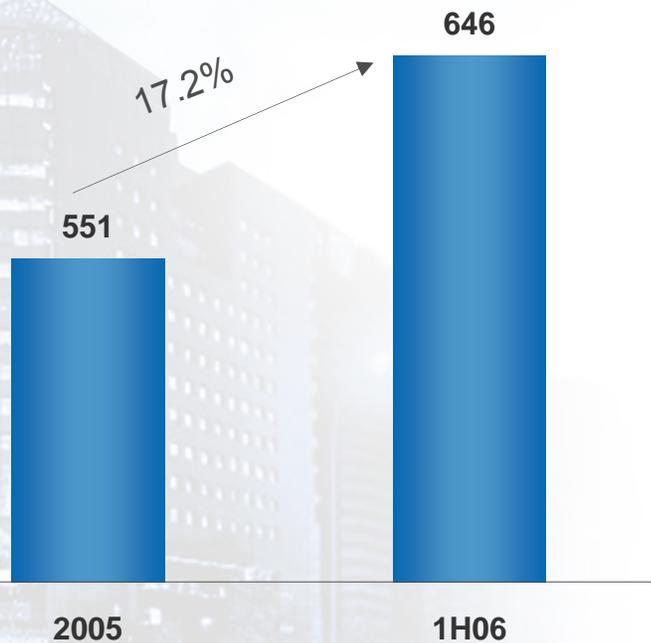
**Record Expansion in Banking Card Business**

**Steady Improvement in Asset Quality**

# Strengthened Competitiveness in Traditional Areas

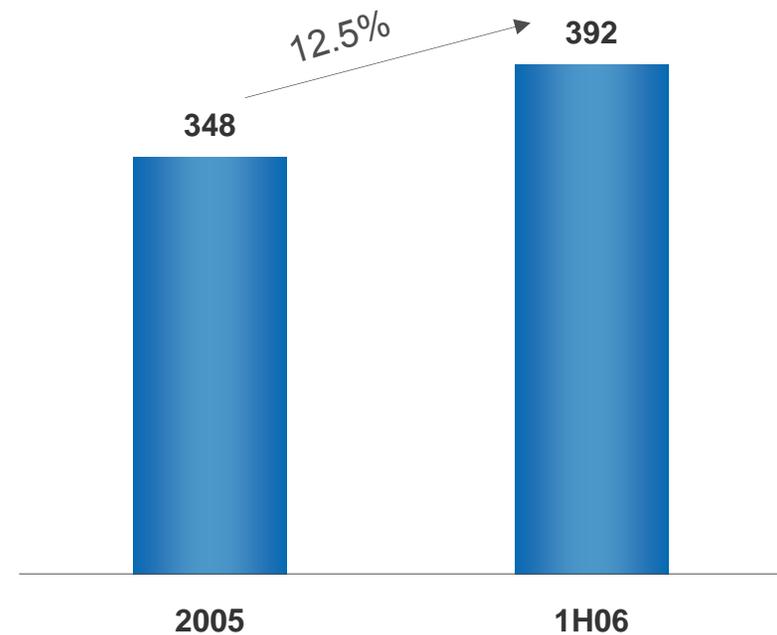
## Infrastructure Loans

RMB Bn



## Residential Mortgage Loans

RMB Bn

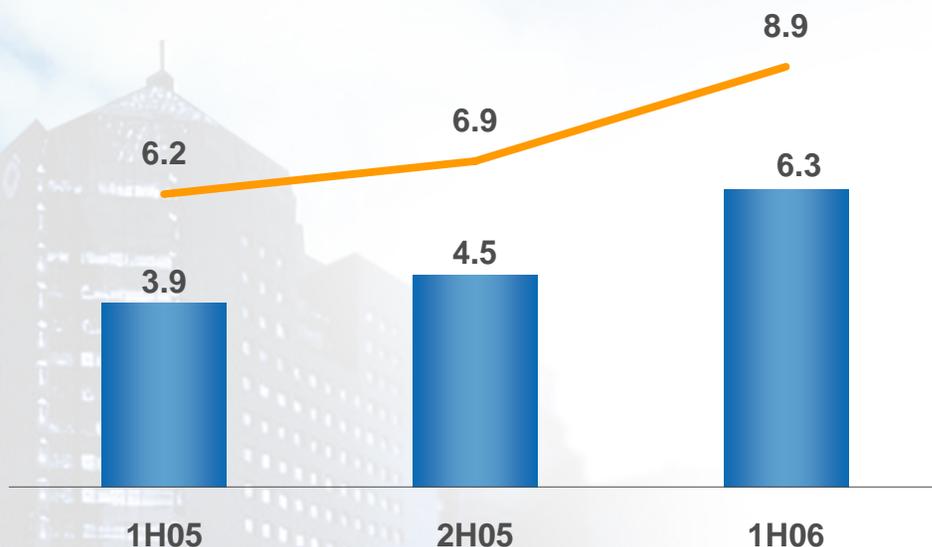


# Phenomenal Growth in Fee Income

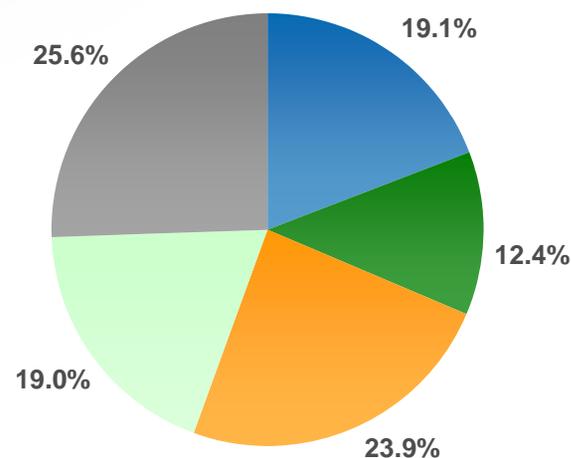
## Net Fee Income

RMB Bn

(%)



## Fee Income Composition



1H06 Total RMB 6.8Bn

Net Fee Income

Net Fee Income / Operating Income%

Bank Card Fee

Remittance and Settlement Fee

Agency Fee

Consultancy Fee

Other (1)

### Note

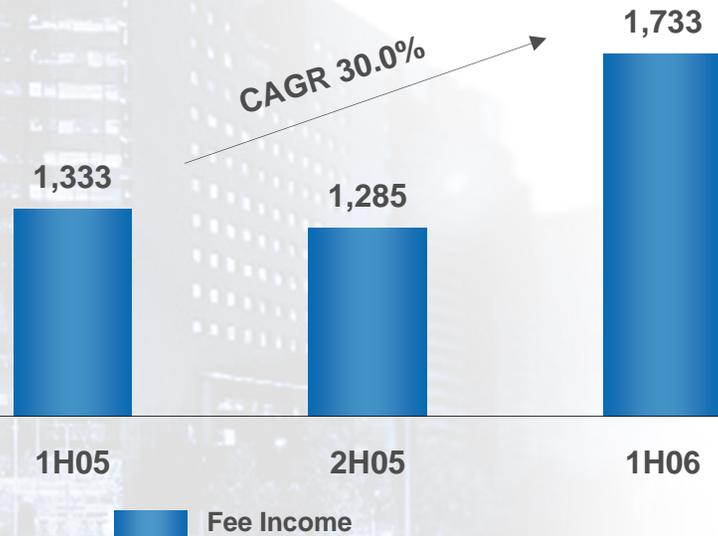
1. Includes guarantee fees, payment and collection services fees, and others

# Record Expansion in Bank Card Business



Bank Card Fee Income

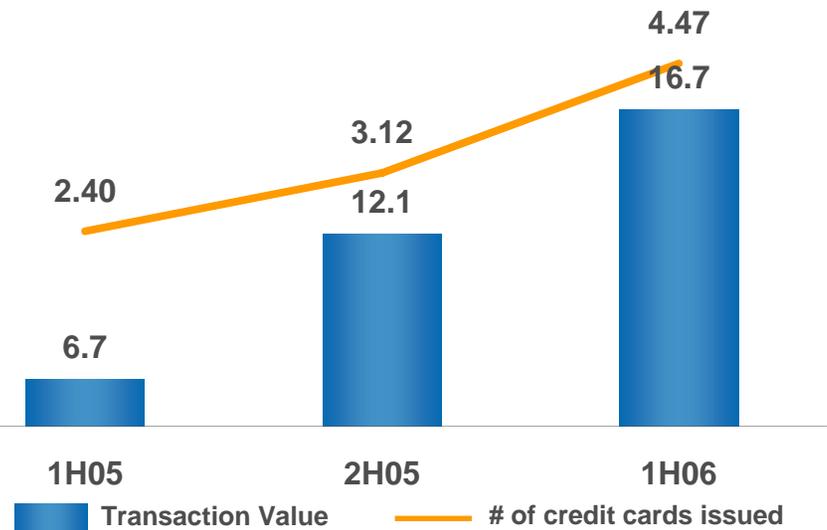
RMB MM



Credit Card Issuance and Transaction Volume

RMB Bn

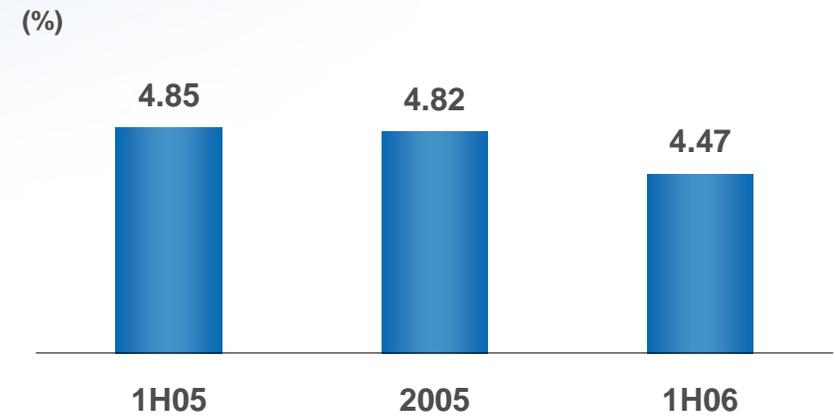
MM



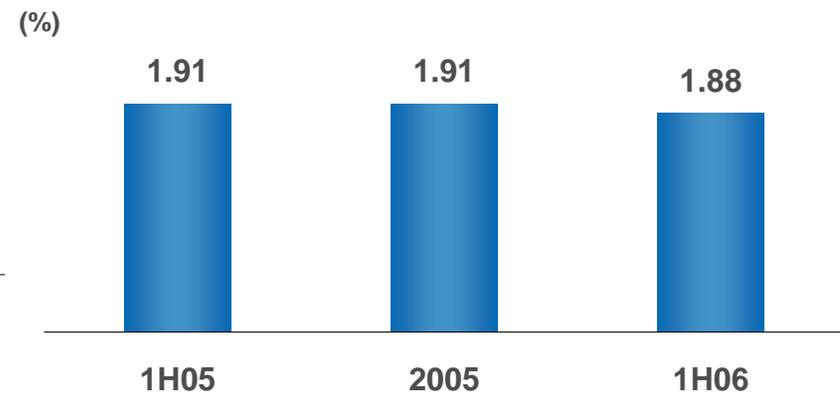
# Steady Improvement in Asset Quality



**Corporate Loan NPL Ratio (1)**



**Personal Loan NPL Ratio**



1H05                      2005                      1H06

— Normal    — Special Mention    — Non Performing

Note

1. Excluding discounted bills

# Financial Results Review

**Double-Digit Growth in Net Interest Income**

**Stable Net Interest Margin**

**Hedging Against Foreign Exchange Risk**

**Even Schedule of G&A Expenditure**

**Sufficient Provision**

**Deliver the Superior Return**

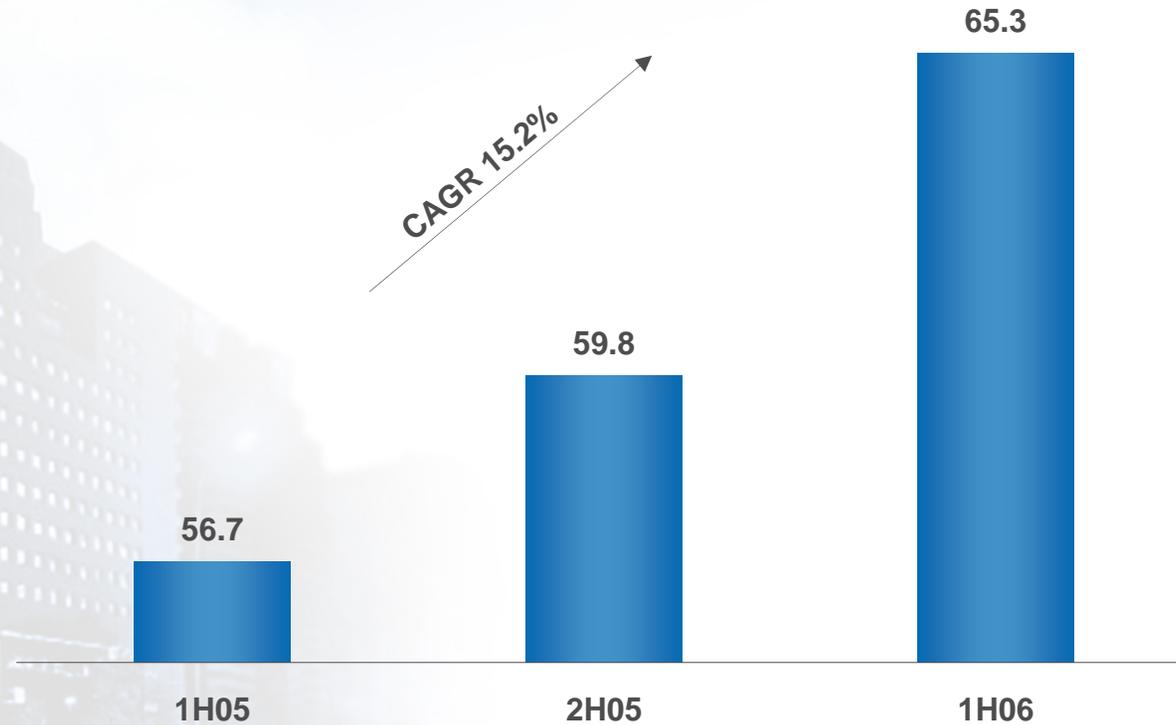
**Solid Capital Base**



# Double-Digit Growth in Net Interest Income

## Net Interest Income

RMB Bn



# Stable Net Interest Margin

## Net Interest Margin

(%)



1H05

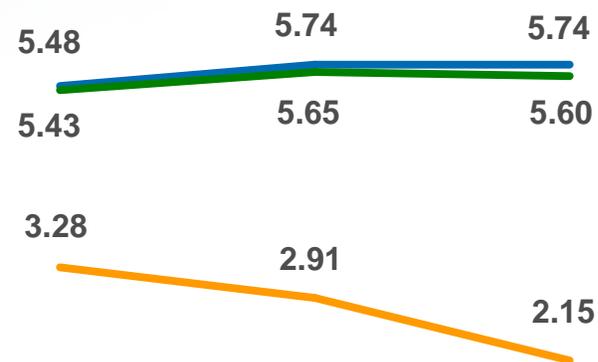
2H05

1H06

— Net Interest Margin   
 — Investment   
 — Loan  
— Funding Cost

## Loans Yield

(%)



5.47

5.72

5.71

5.29

5.49

5.34

1H05

2H05

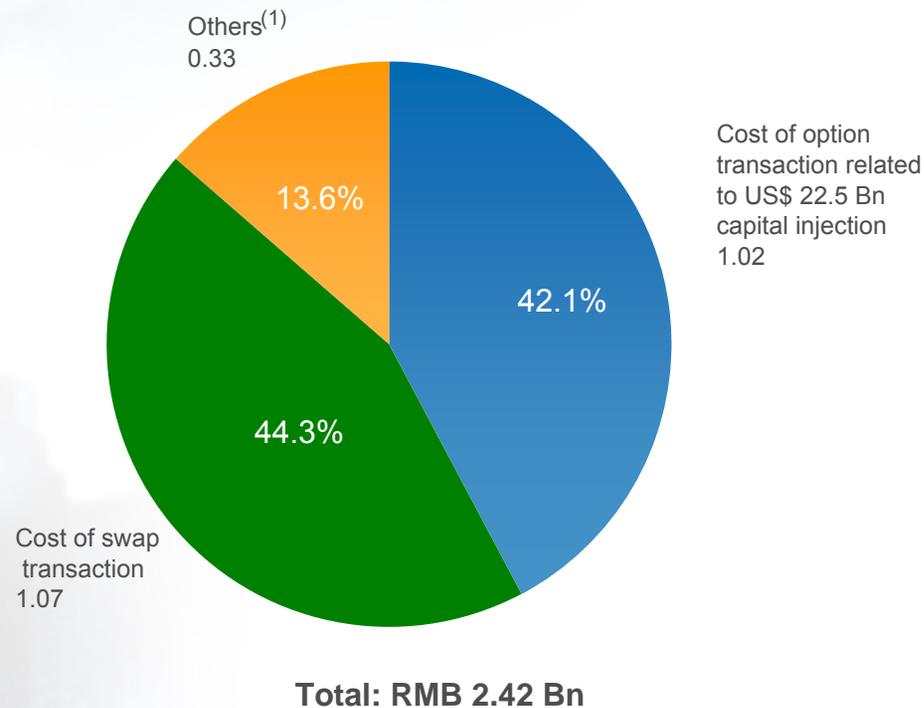
1H06

— Corporate Loans   
 — Consumer Loans   
 — Discounted Bills  
■ Average Yield on Loans   
  Loan Yield Excluding Discounted Bills

# Hedging Against Foreign Exchange Risk

## Hedging Against Foreign Exchange Risk and Limiting Exposure Loss

RMB Bn



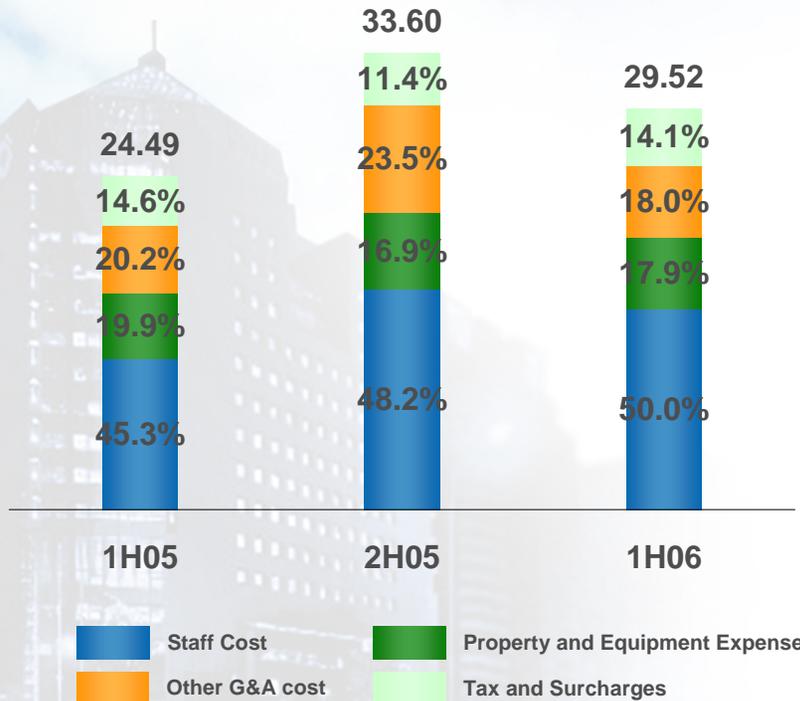
**Note**

1. Including loss from operating foreign currency exposure of RMB 0.4Bn and other transaction gains

# Even Schedule of G&A Expenditure

## G&A Expenses

RMB Bn

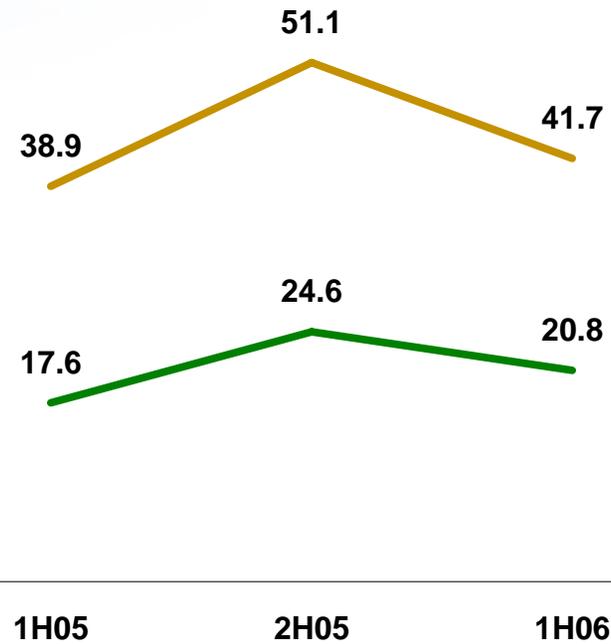


### Note

1. Including amortization expenses, net loss on disposal of fixed assets and related assets, and others

## Cost / Income Ratio

(%)

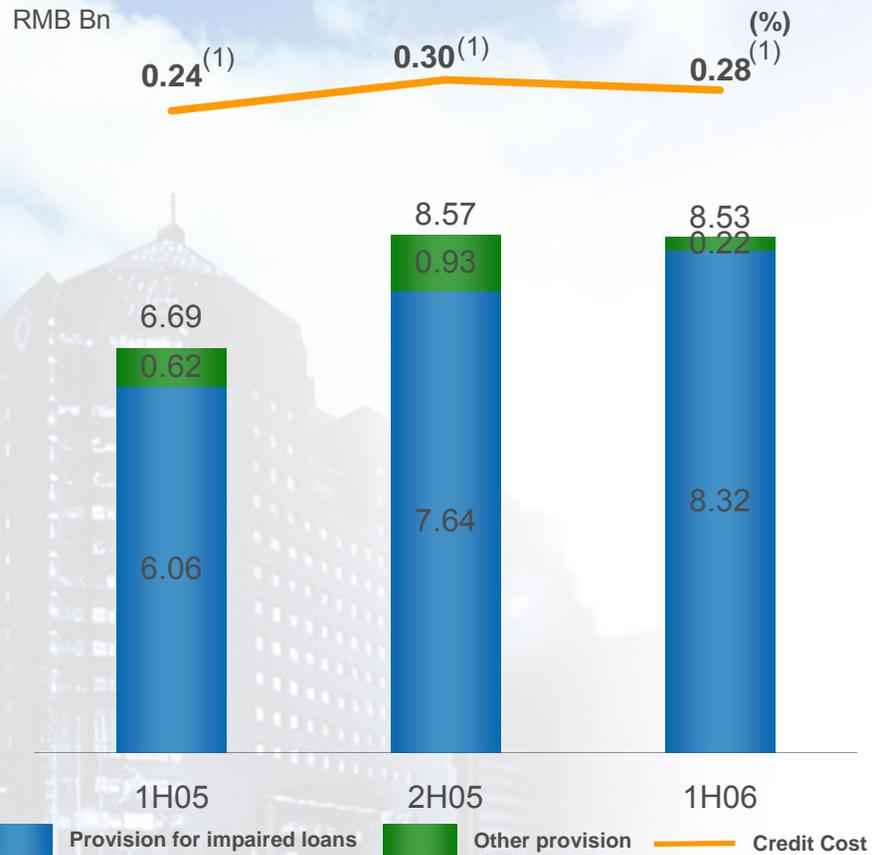


— Cost / Income Ratio

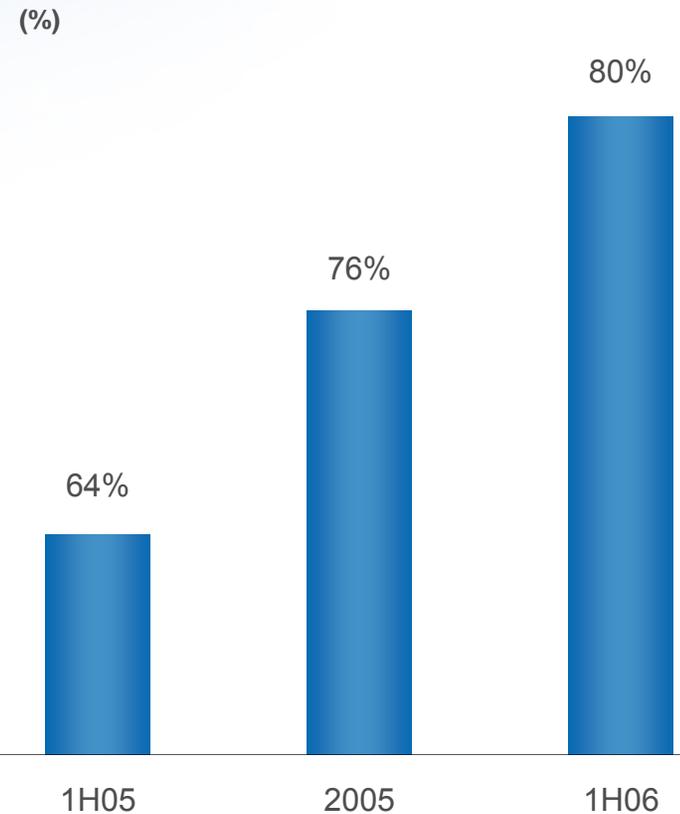
— Staff Cost / Operating Income

# Sufficient Provision

## Provisions for Impairment Losses



## Increasing Coverage Ratio (2)

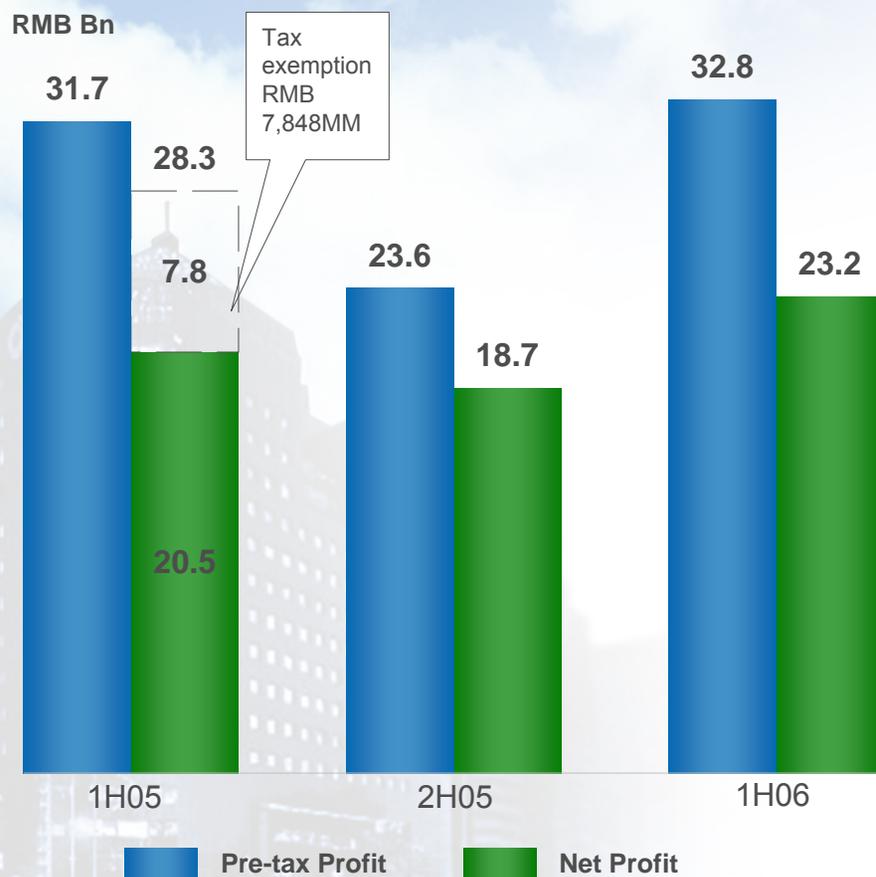


**Note**

1. Excluding provision for interest income on NPLs: RMB 0.37Bn in 1H05, 0.36Bn in 2H05 and 0.45Bn in 1H06
2. Including general provision under CBRC's regulation

# Deliver the Superior Return

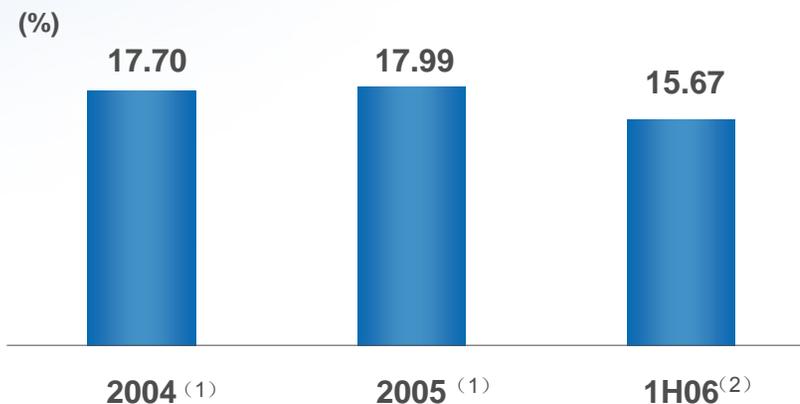
## Pre-tax Profit and Net Profit



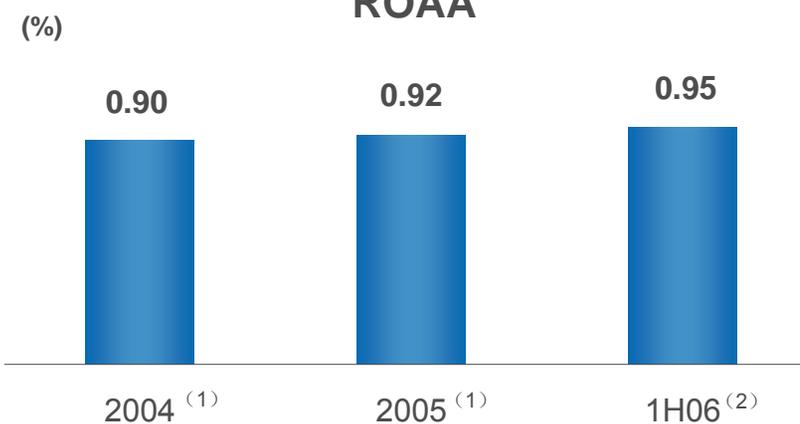
**Note**

1. Normalized for RMB 15.473Bn tax exemption in 2004 and RMB 7.848Bn tax exemption in 1H05
2. Annualized

## ROAE



## ROAA



# Solid Capital Base

RMB Bn	1H06	2005	YoY (%)
<b>Core Capital</b>	<b>305</b>	<b>284</b>	<b>7.4</b>
<b>Supplementary Capital</b>	<b>68</b>	<b>65</b>	<b>5.5</b>
<b>Total Capital <sup>(1)</sup></b>	<b>371</b>	<b>347</b>	<b>7.0</b>
<b>Risk-Weighted Assets</b>	<b>2,824</b>	<b>2,559</b>	<b>10.4</b>
<b>Tier 1 CAR (%)</b>	<b>10.77</b>	<b>11.08</b>	
<b>Total CAR (%)</b>	<b>13.15</b>	<b>13.57</b>	

**Note**

1. Excluding equity investment in unconsolidated subsidiaries

# Outlook

## Opportunities & Challenges

- Continuous economic growth in China
- Tightened macro control
- Liberalization of foreign exchange rates and interest rates
- Rapid development of domestic capital market
- Increasing participation of foreign banks

## Strategic Focus

- Accelerate changes in business mix, promote fee business
- Closely observe market trends, timely adjust credit structures and product mix, enhance liability management capabilities
- Active participation in capital market business, further develop “one-stop shop” integrated business model
- Strengthen risk management to maintain asset quality
- Promote management system reform, optimize business processes, enhance product innovations, improve customer service quality
- Fully leverage strategic partnerships