中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

中 國 工 商 銀 行 股 份 有 限 公 司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

(Stock Code: 1398)

2007 Interim Results Announcement

The Board of Directors of Industrial and Commercial Bank of China Limited ("ICBC" or the "Bank") is pleased to announce the unaudited interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2007. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results.

1. Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information in this report does not contain any false presentation, misleading statement or material omission; and agree to assume individual and joint and several responsibilities for the authenticity, accuracy and completeness of the information contained in this report.

The 2007 Interim Report of the Bank and the 2007 Interim Results Announcement have been approved at the 25th meeting of the first session of the Board of Directors of the Bank on 23 August 2007. All directors were present at the meeting.

The 2007 Interim Report prepared by the Bank in accordance with the Chinese Accounting Standards ("CASs") and the International Financial Reporting Standards ("IFRSs") have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

The Board of Directors of
Industrial and Commercial Bank of China Limited

23 August 2007

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yang Kaisheng, person in charge of finance of the Bank, and Mr. Gu Shu, person in charge of the finance and accounting department of the Bank, hereby warrant and guarantee that the financial information contained in the interim report is authentic and complete.

2. Corporate Information

2.1 Basic Information

Stock Name	工商銀行 (A Shares)	工商銀行(H Shares)
Stock Code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address and office address	No.55 Fuxingmennei Avenue, Xicheng District, Beijing, People's Republic of China	
Post Code	100032	
Website	www.icbc.com.cn, www.icbc-ltd.com	
E-mail	ir@icbc.com.cn	

2.2 Contacts

Secretary to the Board

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3. Financial Highlights

(Financial data and indicators presented in this Interim Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and are denominated in Renminbi.)

3.1. Financial Data

	January-June, 2007	January-June, 2006	January-December, 2006
Period/Annual Operating Results (in RMB millions)			
Net Interest Income	**102,209**	76,647	163,342
Net Fee and Commission Income	**14,868**	7,866	16,344
Operating Income	**117,019**	85,750	181,638
Provision for Impairment Losses	**15,401**	12,218	32,189
Operating Expenses	**43,022**	34,696	77,397
Operating Profit	**58,596**	38,836	72,052
Profit Before Tax	**58,603**	38,841	72,065
Profit After Tax	**41,390**	25,642	49,880
Profit Attributable to Equity Holders of the Bank	**41,036**	25,399	49,263
Earnings Per Share Attributable to Equity Holders of the Bank (in RMB)			
— Basic	**0.12**	0.10	0.18
— Diluted	**0.12**	0.10	0.18

	30 June 2007	31 December 2006	31 December 2005
Balance Sheet Items			
(in RMB millions)			
Total Assets	**8,301,167**	7,508,751	6,456,131
Risk-Weighted Assets[1]	**4,039,565**	3,779,170	3,152,206
Loans and Advances to Customers, net	**3,811,067**	3,533,978	3,205,861
Investment Securities, net	**3,101,734**	2,860,798	2,305,689
Total Liabilities	**7,798,445**	7,037,750	6,196,255
Due to Customers	**6,692,270**	6,326,390	5,703,276
Equity Attributable to Equity Holders of the Bank	**498,023**	466,464	255,839
Per Share Data (in RMB)			
Net Assets Per Share[2]	**1.49**	1.40	1.03

1 For the risk-weighted assets and the adjustment of market risk capital, please refer to "Management Discussion and Analysis — Capital Adequacy Ratio".

2 Calculated by dividing equity attributable to equity holders of the Bank at the end of the period by number of shares issued at the end of the period.

3.2. Major Financial Indicators

	January-June, 2007	January-June, 2006	January-December, 2006
Profitability Indicator (%)			
Return on Average Total Assets[1]	**1.05****	0.76*	0.71
Return on Weighted Average Equity[2]	**16.93****	18.33*	15.37
Net Interest Spread[3]	**2.54****	2.32*	2.32
Net Interest Margin[4]	**2.65****	2.37*	2.40
Return on Risk-Weighted Assets[5]	**2.12****	1.56*	1.44
Net Fee and Commission Income to Operating Income Ratio	**12.71**	9.17	9.00
Cost-to-income Ratio[6]	**31.09**	34.20	36.32

1 Percentage of profit after tax as a percentage of the average balance of total assets at the beginning and end of the period.

2 It is calculated by dividing profit attributable to the equity holders of the Bank by the weighted average balance of equity attributable to equity holders of the Bank which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9" issued by China Securities Regulatory Commission ("CSRC").

3 It is calculated by the spread between average yield on daily average interest-generating assets and average cost on daily average balance of interest-bearing liabilities.

4 It is calculated by net interest income divided by daily average balance of interest-generating assets.

5 It is calculated by profit after tax divided by the average of risk-weighted assets and market risk capital adjustment at the beginning and end of the reporting period.

6 It is calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

	30 June 2007	31 Dec. 2006	31 Dec. 2005
Assets Quality Indicator (%)			
Non-Performing Loans ("NPL") Ratio[7]	**3.29**	3.79	4.69
Allowance to NPL[8]	**81.25**	70.56	54.20
Total Loan Reserve Ratio[9]	**2.67**	2.68	2.54
Capital Adequacy Ratio (%)			
Core Capital Adequacy Ratio[10]	**11.83**	12.23	8.11
Capital Adequacy Ratio[10]	**13.67**	14.05	9.89
Total Equity to Total Assets Ratio	**6.06**	6.27	4.03
Risk-Weighted Assets to Total Assets	**48.66**	50.33	48.83

Note: * Represents annualized ratio.

7 It is calculated by dividing the balance of NPL by total balance of loans and advances to customers.

8 It is calculated by dividing provision for impairment losses on loans and advances by total balance of NPL.

9 It is calculated by dividing provision for impairment losses on loans and advances by total balance of loans and advances to customers.

10 Please refer to the "Management Discussion and Analysis: Capital Adequacy Ratio".

3.3. Reconciliation of Differences between Financial Statements Prepared in accordance with IFRSs and those Prepared under CASs

A reconciliation of differences between the profit and equity of the Group prepared under CASs and those prepared in accordance with IFRSs is set out below.

(In RMB millions)

	Six months ended 30 June 2007
Profit for the period attributable to equity holders of the Bank under CASs	**40,844**
Recognition of revaluation surplus on disposed assets	**192**
Profit for the period attributable to equity holders of the Bank under IFRSs	**41,036**

	30 June 2007
Equity attributable to equity holders of the Bank under CASs	**498,618**
Reversal of revaluation surplus	**(595)**
Equity attributable to equity holders of the Bank under IFRSs	**498,023**

In the financial statements prepared under the CASs, the Group performed the revaluation on certain assets pursuant to the relevant requirements, with the revaluation surplus recognised in the capital reserve. Under IFRSs, such assets were carried at cost and the revaluation surplus was reversed. Upon the disposal of such assets, adjustments on recognition of revaluation surplus were reversed accordingly. In addition, for the available-for-sale equity investments included in these assets, when they meet the specific conditions to be measured at fair value under IFRSs, the adjustments on reversal of revaluation surplus were made to the investment revaluation reserve.

4. Business Overview and Prospect

During the first half of 2007, despite the ever-changing and highly competitive market conditions, all lines of business of ICBC continued to grow in a steady and fast pace and recorded remarkable operating results. The Bank (the Group) recorded profit after tax of RMB41.39 billion for the first half of the year , representing an increase of 61.4% compared to the same period in 2006. Our earnings per share amounted to RMB0.12. Return on average total assets (annualized) and return on weighted average equity (annualized) reached 1.05% and 16.93%, representing an increase of 0.34 and 1.56 percentage points compared to 2006, respectively. As at the end of June 2007, our net capital and our net core capital reached RMB552,241 million and RMB477,790 million, while our capital adequacy ratio and core capital adequacy ratio reached 13.67% and 11.83%, respectively. With market capitalization of over USD210 billion, ICBC continues to be the largest listed bank in Asia as well as one of the three leading listed banks in the world.

The Bank's profitability has gathered rapid upward momentum. In the first half of the year, net interest income increased by 33.4% over the corresponding period of last year to RMB102,209 million while net interest margin rose by 0.28 percentage points to 2.65%. Net fee and commission income amounted to RMB14,868 million, representing an increase of 89.0% over the corresponding period last year. Such fee and commission income also accounted for 12.71% of the operating income, representing an increase of 3.54 percentage points over the corresponding period last year. The Bank's cost-to-income ratio was maintained at a relatively low level of 31.09%.

The Bank maintained healthy loan business. Loans advanced in various business segments increased by RMB284,435 million, representing a growth of 7.8% as compared with the end of last year. The Bank maintained a steady growth in the total amount of loans and at the same time strengthened its loan mix. The Bank stepped up the business development of small-enterprise loans, personal loans and trade finance, but at the same time due regard has been given to ensure that asset quality is well preserved. The Bank also implemented effective control over loans to industries with surplus production capacity and enterprises with high energy consumption and high pollution in accordance with the State's industry policy. As such, the Bank has struck the right balance between the current results, long-term profit and social responsibility while reinforced the predictability and foreseeability of credit management.

The Bank's transformation was a remarkable success. The Bank fully capitalized on the rapid development of the financial markets, the dynamic financial environment, improved policies and market opportunities and commenced the transformation of its business on the basis of new operating modes and growth strategies, and such transformation has substantially enhanced the Bank's capability and breadth of development. Through the Bank's efforts to development various products that are linked to financial markets, the Bank has not only achieved a 5.8% increase in deposit business at a relatively low cost, such efforts have also supported and driven the development of the Bank's wealth management business. During the first half of 2007, sales of various wealth management products reached RMB518.5 billion, representing an increase of 160% over the same period of last year, among which sales of third-party financial products increased by 1.3 times and sales of various wealth management products issued by the Bank grew by 2.5 times. To accommodate the increase in the proportion of non-credit assets during the transformation, the Bank implemented a more proactive capital management strategy to expand investment channels and scale of transactions, which significantly enhanced the overall revenue of financial market business. As at the end of June 2007, securities investment amounted to RMB3,100 billion, representing an increase of 8.4% as compared with the end of last year and representing 37.4% of the Bank's total assets. Return on securities investment not relating to restructuring amounted to 3.27%, representing a growth of 0.33 percentage points over the same period of last year. As a key area of the Bank's transformation, intermediary business maintained its leading market share during its integration and innovation stages, and a vivid service feature and strong brand image has been gradually formed. High-technology and highly value-added business segments such as credit cards, electronic banking, cash management, asset custody and corporate annuity have demonstrated a trend of rapid growth.

Risks were under effective control. The Bank continued to refine its comprehensive risk management structure and operational mechanism and internal assessment schemes have been gradually introduced into non-retail banking operations. Allowance to NPL reached 81.25%, representing an increase of 10.69 percentage points as compared with the end of last year. The NPL balance decreased by RMB9,084 million, and the NPL ratio dropped by 0.5 percentage points to 3.29%.

Services have been improved significantly. The Bank has designated the first year after listing as the "Year for Quality Services". Through the concentration of the Bank's strengths and the improvement of financial services, the Bank strives to develop itself into a domestic bank with first-class service standards within the next two to three years. From this year onwards to the next three years, the Bank plans to re-invest approximately RMB2 billion each year in improving and upgrading its distribution outlets including the creation of 3,000 Wealth Management Centres and 200 VIP Centres, and it is intended that a new service regime which is characterized by division of function, customer base and business nature is to be operated. The Bank has further enhanced its efficiency and quality of services through the reform of business flow of personal financial services and corporate banking business. The Bank has also strengthened its competence in the provision of financial services by satisfying customers' demand and accelerating innovation of business and products.

The Bank has received wide acclaim from home and abroad. This year, the Bank successively won various awards from internationally renowned media including "the Best Bank of China", "the Best State-owned Retail Bank of China", "the Best Sub-Custodian Bank in China", "Best Cash Management", "the Most Profitable Bank in Asia" and "the Global Deal of the Year 2007". In addition, Moody's has upgraded the Bank's long-term credit rating to "A1".

In the second half of this year, in order to achieve the strategic targets set by the Board, the Bank will strive to improve services and accelerate innovation and will actively prepare itself for the changes in the economy. With strengthening reforms and transformation as motivation and with risk management and internal controls as protection, the Bank will accelerate the enhancement of core competitiveness and accomplish a balanced and sustainable development, so as to realise corporate value and shareholder returns and, at the same time, maximise the benefits to our customers and employees.

5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

5.1. Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	Before the change		Increase/decrease as a result of the change (+,–)	After the change	
	Number of Shares	**Percentage (%)**	**Expiry of Lock-up Period**	**Number of Shares**	**Percentage (%)**
I. Shares subject to restrictions on sales	292,434,733,026	87.5	–2,350,000,000	290,084,733,026	86.8
1. State-owned shares	250,114,497,623	74.9	0	250,114,497,623	74.9
2. Shares held by state-owned entities	8,119,220,000	2.4	–2,350,000,000	5,769,220,000	1.7
3. Shares held by foreign investors	34,201,015,403	10.2	0	34,201,015,403	10.2
II. Shares not subject to restrictions on sales	41,584,117,000	12.5	2,350,000,000	43,934,117,000	13.2
1. RMB ordinary shares	6,830,780,000	2.0	2,350,000,000	9,180,780,000	2.7
2. Others	34,753,337,000	10.5	0	34,753,337,000	10.5
III. Total number of shares	334,018,850,026	100	0	334,018,850,026	100

Notes:

1. For the purpose of this table, "before the change" and "after the change" mean before and after the expiry of the lock-up period for A shares issued during the off-line placement of the Bank (27 January 2007).

2. The nature of state-owned shares is defined according to relevant provisions of the Reply from the Ministry of Finance Regarding the Management Plan of State-owned Shares of ICBC (C.J.H. [2006] No.169). For the purpose of this table, state-owned shares specifically refer to the shares held by the Ministry of Finance of the People's Republic of China ("MOF"), Central SAFE Investments Limited ("Huijin") and the National Council for Social Security Fund of the People's Republic of China ("SSF"). The shares held by foreign investors mentioned in the table above refer to the shares held by foreign shareholders who participated in the global offering of H shares of ICBC, and the shares held by foreign strategic investors, including The Goldman Sachs Group, Inc. ("Goldman Sachs"), Allianz Group ("Allianz") and American Express Group ("American Express").

3. Shares subject to restrictions on sales refer to shares held by equity holders who are subject to restrictions on sales in accordance with laws, regulations and rules or under commitment.

5.2. Table of Shareholding of Top 10 Shareholders and Top 10 Shareholders not subject to Sales Restrictions

5.2.1. Particulars of Shareholding of the Top 10 Shareholders

Unit: Share

Total number of shareholders 1,313,702 (Registered holders of A-shares and H-shares as at 30 June 2007)

Particulars of shareholding of the top 10 shareholders (The following data is based on the registered shareholders as of 30 June 2007)

Name of Shareholder	Nature of Shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
MOF	State-owned shares	A-share	35.3	118,006,174,032	118,006,174,032	None
Huijin	State-owned shares	A-share	35.3	118,006,174,032	118,006,174,032	None
HKSCC NOMINEES LIMITED	Foreign investment	H-share	12.9	43,195,179,220	8,973,934,000	Unknown
GOLDMAN SACHS	Foreign investment	H-share	4.9	16,476,014,155	16,476,014,155	Unknown
SSF	State-owned shares	H-share	4.2	14,102,149,559	14,102,149,559	Unknown
DRESDNER BANK LUXEMBOURG S.A. (Allianz holds shares in ICBC through its wholly-owned subsidiary, DRESDNER BANK LUXEMBOURG S.A.)	Foreign investment	H-share	1.9	6,432,601,015	6,432,601,015	Unknown
AMERICAN EXPRESS	Foreign investment	H-share	0.4	1,276,122,233	1,276,122,233	Unknown
China Life Insurance (Group) Company — traditional — ordinary insurance products	Others	A-share	0.2	741,606,900	641,025,000	None
China Life Insurance Company Limited — traditional — ordinary insurance products — 005L — CT001 Hu	Others	A-share	0.2	664,959,047	641,025,000	None
China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance products	Others	A-share	0.2	655,591,000	641,025,000	None

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above Shareholders or whether they are parties acting in concert.

5.2.2. *Particulars of Shareholding of The Top 10 Shareholders Not Subject to Sales Restrictions (The following data is based on the number of shares set out in the Bank's register of shareholders as of 30 June 2007)*

Unit: shares

Name of Shareholder	Shares not subject to restrictions on sales	Type of shares
HKSCC Nominees Limited	34,221,245,220	H-share
China Life Insurance Company Limited — dividend distribution — personal dividend — 005L — FH002 Hu	168,241,000	A-share
BNP Nominees Limited	120,012,000	H-share
Huaxia Blue Chip Core Mixed Securities Investment Fund (LOF)	119,057,139	A-share
CNOOC Finance Corporation Ltd	103,751,000	A-share
China Life Insurance (Group) Company — traditional — ordinary insurance products	100,581,900	A-share
Bosera Fuyu Securities Investment Fund	56,365,272	A-share
Lombarda China New Trend Securities Investment Fund for Stocks (LOF)	40,000,099	A-share
Fortune SGAM Advanced Securities Investment Fund for Growth Stocks	39,999,936	A-share
Huaxia Securities Investment Fund for Growth Stocks	39,500,000	A-share

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

5.3. Changes of the Substantial Shareholders and De Facto Controller of the Bank

During the reporting period, the Bank's substantial shareholders and the de facto controller remained unchanged.

5.4. Purchase, Sale or Redemption of Shares

During the reporting period, neither ICBC nor any of its subsidiaries purchased, sold or redeemed any listed shares of ICBC.

6. Directors, Supervisors and Senior Management

The Board of Directors of ICBC has 14 directors, including four executive directors, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Mr. Niu Ximing, seven non-executive directors, namely Mr. Fu Zhongjun, Mr. Kang Xuejun, Mr. Song Zhigang, Mr. Wang Wenyan, Ms. Zhao Haiying, Mr. Zhong Jian'an and Mr. Christopher A. Cole, and three independent non-executive directors, namely Mr. Leung Kam Chung, Antony, Mr. John L. Thornton and Mr. Qian Yingyi.

The Board of Supervisors of ICBC consists of five supervisors: including two equity supervisors, namely Mr. Wang Weiqiang and Ms. Wang Chixi, two external supervisors, namely Mr. Wang Daocheng and Mr. Miao Gengshu, and employee supervisor Mr. Zhang Wei.

The senior management team of ICBC consists of 10 members: Mr. Yang Kaisheng, Mr. Zhang Furong, Mr. Niu Ximing, Mr. Zhang Qu, Ms. Wang Lili, Mr. Li Xiaopeng, Mr. Liu Lixian, Mr. Yi Huiman, Mr. Wei Guoxiong and Mr. Pan Gongsheng.

Except as disclosed in the following table, during the reporting period, shareholdings of directors, supervisors and senior management members of the Bank are the same as that disclosed in 2006 Annual Report.

Name of Director	Nature of Interests	Number of Shares Held	Approximate Percentage of Issued A Shares (%)	Approximate Percentage of Total Issued Shares (%)
Wang Wenyan	Family Interests	12,000 (A shares)	0.0000048	0.0000036

7. Management Discussion and Analysis

7.1. Financial Statement Analysis

7.1.1. *Income Statement Analysis*

In the first half of 2007, profit after tax reached RMB41.39 billion, representing an increase of RMB15,748 million or 61.4% over the same period of the previous year. It was mainly due to a RMB31,269 million or 36.5% increase in operating income, of which net interest income increased by 33.4% and non-interest income surged by 62.7%.

Net Interest Income

ICBC's operating income comprises mainly of net interest income. Net interest income reached RMB102,209 million in the first half of 2007, representing an increase of 33.4% over the same period of the previous year and accounting for 87.3% of the operating income. Interest income was RMB163,798 million, of which the interest income from loans and advances to customers, investment securities and other interest income accounted for 67.1%, 26.1% and 6.8%, respectively.

The table below sets out the average balance of assets and liabilities, interest income and expenses and average yield and cost respectively.[1]

in RMB millions, except for percentages

	January–June 2007			**January–June 2006**		
Item	**Average balance**	**Interest income/expense**	**Average yield/cost (%)**	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	**3,785,205**	**109,925**	**5.81**	3,390,593	89,570	5.28
Investment securities:	**2,947,633**	**42,821**	**2.91**	2,328,335	30,609	2.63
Investment securities not related to restructuring	**1,896,767**	**30,969**	**3.27**	1,253,874	18,430	2.94
Investment securities related to restructuring(2)	**1,050,866**	**11,852**	**2.26**	1,074,461	12,179	2.27
Due from central banks	**731,125**	**6,397**	**1.75**	524,697	4,508	1.72
Due from banks and other financial institutions(3)	**243,340**	**4,655**	**3.83**	221,678	3,625	3.27
Total interest-generating assets	**7,707,303**	**163,798**	**4.25**	6,465,303	128,312	3.97
Liabilities						
Customer deposits(4)	**6,437,735**	**54,255**	**1.69**	5,898,079	47,615	1.61
Due to banks and other financial institutions(3)	**722,411**	**6,761**	**1.87**	345,139	3,499	2.03
Subordinated bonds	**35,000**	**573**	**3.27**	35,000	551	3.15
Total interest-bearing Liabilities	**7,195,146**	**61,589**	**1.71**	6,278,218	51,665	1.65
Net interest income		**102,209**			76,647	
Net interest spread			**2.54**			2.32
Net interest margin			**2.65**			2.37

Notes:

(1) The average balance of interest-generating assets and interest-bearing liabilities is the average of the unaudited daily balances.

(2) Investment securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills.

(3) The amount due from banks and other financial institutions includes the amount of reverse repurchase agreements. The amount due to banks and other financial institutions includes the amount of repurchase agreements.

(4) Including due to customers and certificates of deposit.

1 Average yield and average cost are measured at interest income and interest expense divided by average balance respectively. The average yield and average cost of the first half of 2007 and the first half of 2006 are annualised.

Net Interest Spread and Net Interest Margin

In the first half of 2007, net interest spread and net interest margin stood at 2.54% and 2.65%, representing an increase of 22 basis points and 28 basis points respectively over the same period of the previous year and an increase of 22 basis points and 25 basis points respectively as compared to 2.32% and 2.40% in the whole of 2006. As a result, the profitability of the Bank's asset and liability business was improved remarkably.

Due to the twice increases of benchmark interest rate by the People's Bank of China ("PBOC") and the improvement of quality and structure of customer loans, the average yield of customer loans and advances grew from 5.28% in the first half of 2006 to 5.81%. Average yield of investment securities increased from 2.63% in the first half of 2006 to 2.91%, mainly due to the rising trend of the yield curve of financial market investments and the Bank's further optimization of its investment securities portfolios. The abovementioned factors led to an increase of 28 basis points from 3.97% in the first half of 2006 to 4.25% in the average yield of interest-generating assets. Meanwhile, the average cost on deposits rose from 1.61% in the first half of 2006 to 1.69%, causing a slight increase of 6 basis points to 1.71% in average cost on interest-bearing liabilities. The remarkable increase in average yield of interest-generating assets far exceeded the average cost on interest-bearing liabilities and, accordingly, both the Bank's net interest spread and net interest margin experienced increases.

The table below sets out the yield of interest-generating assets, the cost on interest-bearing liabilities, net interest spread, net interest margin and their changes.

Unit: %

Item	**January–June, 2007**	January–June, 2006	January–December, 2006
Yield of interest-generating assets	**4.25**	3.97	4.00
Cost on interest-bearing liabilities	**1.71**	1.65	1.68
Net interest spread	**2.54**	2.32	2.32
Net interest margin	**2.65**	2.37	2.40

Interest Income

Interest income was RMB163,798 million, representing an increase of RMB35,486 million or 27.7% over the same period of the previous year, of which the increment of interest income from loans and advances to customers and investment securities contributed to 91.8% of the total increase in interest income. The main reasons for such growth were: (1) average balance of interest-generating assets increased from RMB6,465,303 million in the first half of 2006 to RMB7,707,303 million, representing an increase of 19.2% over the same period of the previous year; and it accounted for 97.4% of the total assets, an increase of 0.7 percentage point; (2) average yield of interest-generating assets increased from 3.97% in the first half of 2006 to 4.25%, an increase of 28 basis points.

Interest Income from Customer Loans and Advances

Interest income from customer loans and advances constituted the biggest component of the Bank's interest income, reaching RMB109,925 million in the first half of 2007, representing an increase of RMB20,355 million or 22.7% over the same period of the previous year. The growth was primarily attributable to the increase in the average yield of customer loans and advances from 5.28% in the first half of 2006 to 5.81% and the increase in average balance. The growth of the average yield was mainly due to: (1) PBOC raised the benchmark interest rate twice in the first half of 2007; (2) structure and quality of customer loans were improved, and loans to small enterprises and personal loans which offer higher yields took up a higher proportion; (3) part of the existing loans started to implement the increased interest rate announced by PBOC in 2006 on 1 January 2007. The average balance of customer loans and advances increased from RMB3,390,593 million in the first half of 2006 to RMB3,785,205 million, representing an increase of RMB394,612 million or 11.6% over the same period of the previous year. Compared to the balance of RMB3,464,384 million in 2006, the average balance of customer loans and advances increased by RMB320,821 million or 9.3% over the previous year. The main reason for the growth was that the Bank enhanced the efforts of loan extension, capturing favorable opportunities amidst increasing interest rate.

Analysis of Average Yield of Loans and Advances to Customers by Business Line

in RMB millions, except for percentages

	January–June 2007			January–June 2006		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**2,646,437**	**80,942**	**6.12**	2,333,962	66,408	5.69
Discounted bills	**401,406**	**6,559**	**3.27**	431,338	5,244	2.43
Personal loans	**614,932**	**19,088**	**6.21**	519,749	15,024	5.78
Overseas operations	**122,430**	**3,336**	**5.45**	105,544	2,894	5.48
Total customer loans and advances	**3,785,205**	**109,925**	**5.81**	3,390,593	89,570	5.28

Interest income from corporate loans accounted for 73.6% of total interest income from loans and advances to customers. In the first half of 2007, interest income from corporate loans rose by 21.9% to RMB80,942 million. It was mainly because that the average yield increased from 5.69% in the first half of 2006 to 6.12%, and the average balance also increased. The growth of average yield was mainly due to: (1) PBOC raised the benchmark loan rate twice in March and May 2007; (2) loans to small enterprises increased, and interest rate of such loans was generally higher than that of other corporate loans; (3) since 2007, some of the existing loans started to implement the increased interest rate announced by PBOC in 2006.

Interest income from discounted bills rose by 25.1% to RMB6,559 million, mainly due to an increase in the average yield from 2.43% in the first half of 2006 to 3.27%. The increase, however, was partially offset by the decrease of the average balance. The main reasons for the increase in the average yield were: (1) the increase of interest rate in the money market pushed up the interest rate in the bill market; (2) the Bank successfully launched the SHIBOR-based interest rate pricing mechanism, and by linking the discount rate to interest rate with money market interest rate, the Bank completed the transition to floating interest rates and thereby allowing average yield of discounted bills to rise along with SHIBOR.

Interest income from personal loans increased by 27.1% to RMB19,088 million, mainly due to an increase in average yield from 5.78% in the first half of 2006 to 6.21% and an increase in the average balance. The main reasons for the increase in average yield were: (1) PBOC raised the benchmark interest rate twice; (2) personal operating loans, which adopted a higher interest rate than other personal loans, took up a higher proportion of the personal loans.

Interest income from overseas loans increased by 15.3% to RMB3,336 million, mainly due to a year-on-year increase of 16.0% in the average balance of loans from RMB105,544 million in the first half of 2006 to RMB122,430 million. Part of the increase was offset by the reduction of 3 basis points in the average yield from 5.48% in the first half of 2006 to 5.45%. The main reason for the decrease of average yield was that the active primary stock market in Hong Kong has resulted in an increase in the proportion of loans denominated in HK dollars, the interest rate of which was generally lower than those denominated in US dollars.

Interest Income from Investment Securities

Interest income from investment securities constituted the second largest component of the Bank's interest income, accounting for 26.1% of total interest income, representing an increase of 2.2 percentage points. Income from investment securities principally included the interest income from available-for-sale debt securities, held-to-maturity debt securities and investment securities related to financial restructuring.

Interest income from investment securities rose by RMB12,212 million or 39.9% to RMB42,821 million in the first half of 2007, of which, interest income from investment securities not related to restructuring increased by RMB12,539 million, mainly attributable to an increase in the average yield from 2.94% in the first half of 2006 to 3.27% and an increase in the average balance. The average yield increased, mainly because: (1) the yield curve for various investments in the financial markets experienced an upward trend; (2) with more market analysis and study, the Bank further improved the maturity structure and product variety of investment portfolios, while maintaining effective control over interest rate risks. Interest income from investment securities related to restructuring decreased by RMB327 million or 2.7%. It was mainly because MOF repaid principal of RMB11,126 million for the amount due from MOF during the reporting period, resulting in a fall in average balance and a decrease in average yield.

Interest Income from Amounts Due from Central Banks

The interest-generating balances with the central bank mainly included mandatory reserve and excess reserve. ICBC earned an interest income of RMB6,397 million from amount due from central banks in the first half of 2007, representing an increase of RMB1,889 million or 41.9% over the same period of the previous year. It was mainly because ICBC's customer deposits increased and PBOC has increased the mandatory reserve ratio five times in the first half, thereby the average balance of due from central banks increased from RMB524,697 million in the first half of 2006 to RMB731,125 million, representing an increase of 39.3% over the same period of the previous year. Average yield increased from 1.72% in the first half of 2006 to 1.75%, mainly attributable to the increase in the proportion of mandatory reserve deposited with central banks, the interest rate of which was generally higher than that of other amounts due from the central bank.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions reached RMB4,655 million, an increase of RMB1,030 million or 28.4% over the same period of the previous year. It was principally because the average balance increased from RMB221,678 million in the first half of 2006 to RMB243,340 million and the average yield from 3.27% to 3.83%, an increase of 56 basis points. The growth in the average yield is attributable to (1) the growth of inter-bank money market interest rates, (2) enhanced two-way monetary operation of the Bank by leveraging on the fluctuation of market interest rates, and (3) the increase in the average balance of due from banks and other financial institutions, which enjoyed a higher interest rates as compared with other funds.

Interest Expense

Interest expense reached RMB61,589 million, representing an increase of 19.2% over the same period of the previous year. It was principally due to: (1) an increase in the average balance of interest-bearing liabilities from RMB6,278,218 million in the first half of 2006 to RMB7,195,146 million, and (2) an upward adjustment in the benchmark deposit rate by PBOC and an increase in the inter-bank money market interest rate, causing an increase in average cost of interest-bearing liabilities from 1.65% in the first half of 2006 to 1.71%.

Interest Expense on Deposits

Deposits have been a major source of the Bank's funding. In the first half of 2007, interest expense on deposits reached RMB54,255 million, representing an increase of RMB6,640 million or 13.9% over the same period of the previous year, accounting for 88.1% of total interest expense. The growth was mainly due to an increase in the average balance of deposits and a slight increase in the average cost from 1.61% in the first half of 2006 to 1.69%. The slight increase in average cost was because PBOC increased benchmark interest rates for time deposits while the benchmark interest rates for current deposits have not changed and most new deposits were current deposits.

Analysis of Average Deposit Cost by Products

In RMB millions, except for percentages

	January–June 2007			January–June 2006		
Item	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	**943,910**	**11,659**	**2.47**	747,545	8,582	2.30
Demand deposits[(1)]	**2,042,428**	**8,885**	**0.87**	1,862,539	7,921	0.85
Subtotal	**2,986,338**	**20,544**	**1.38**	2,610,084	16,503	1.26
Personal deposits						
Time deposits	**2,179,893**	**27,209**	**2.50**	2,191,339	25,594	2.34
Demand deposits	**1,159,748**	**4,175**	**0.72**	1,017,063	3,666	0.72
Subtotal	**3,339,641**	**31,384**	**1.88**	3,208,402	29,260	1.82
Overseas operations[(2)]	**111,756**	**2,327**	**4.16**	79,593	1,852	4.65
Total deposits	**6,437,735**	**54,255**	**1.69**	5,898,079	47,615	1.61

Note:

(1) Include outward remittance and remittance payables

(2) Include certificates of deposit

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions grew by RMB3,262 million or 93.2% over the same period of the previous year to RMB6,761 million. The growth was mainly attributable to an increase in the average balance from RMB345,139 million in the first half of 2006 to RMB722,411 million, though part of the increase was offset by the decrease of 16 basis points in the average cost from 2.03% to 1.87%. The increase in average balance was mainly attributable to the prosperous capital market in China, influx of funds in connection with initial public offerings and a remarkable surge in RMB deposits from securities companies. The decrease in average cost was mainly attributable to the increase in the proportion of deposits from banks and other financial institutions, the average cost of which was lower than that on placements from banks.

Interest Expense on Subordinated Bonds

Interest expense on subordinated bonds was RMB573 million, an increase of RMB22 million or 4.0% over the same period of the previous year. The average cost increased from 3.15% in the first half of 2006 to 3.27%, mainly because the floating coupon rate of subordinated bonds issued in 2005 was based on the inter-bank 7-day weighted average repo rate of money market, which grew slightly over 2006.

Non-interest Income

Non-interest income is a significant part of ICBC's operating income. In the first half of 2007, non-interest income was RMB14,810 million, an increase of 62.7% over the same period of the previous year, accounting for 12.7% of the operating income and representing an increase of 2.1 percentage points.

Net fee and commission income reached RMB14,868 million, representing an increase of 89.0% and accounting for 12.71% of net operating income, which represents an increase of 3.54 percentage points over the same period of the previous year. The growth indicated the results that ICBC achieved by implementing the strategies of diversifying profit structures, boosting innovation of service business and expanding channels of intermediary business. Wealth management, trust and other custodies, and e-banking services reported rapid growth in the first half of 2007.

Composition of Net Fee and Commission Income

in RMB millions, except for percentages

Item	**January-June 2007**	January-June 2006	**Increase/ decrease**	**Growth rate (%)**
Wealth management services	**5,689**	1,386	4,303	310.5
RMB settlement and clearing business	**2,658**	2,153	505	23.5
Investment banking business	**2,345**	1,764	581	32.9
Bank card business	**2,031**	1,355	676	49.9
Trust and other fiduciary activities	**694**	318	376	118.2
Foreign currency intermediary business	**659**	493	166	33.7
E-banking business	**615**	335	280	83.6
Agency services	**575**	447	128	28.6
Guarantee and commitment business	**344**	238	106	44.5
Others	**501**	272	229	84.2
Fee and commission income	**16,111**	8,761	7,350	83.9
Less: fee and commission expense	**1,243**	895	348	38.9
Net fee and commission income	**14,868**	7,866	7,002	89.0

Income from wealth management services increased by RMB4,303 million or 310.5% over the same period of the previous year to RMB5,689 million. It is mainly because ICBC seized development opportunities in the capital markets and intensified the marketing of deposit business and wealth management products. In the first half of 2007, sales volume of wealth management products increased by RMB315.9 billion or 156.0% over the same period of the previous year to RMB518.5 billion, contributing to the rapid growth of wealth management services income.

Income from trust and other fiduciary activities increased by RMB376 million or 118.2% over the same period of the previous year to RMB694 million, which was benefited from the enlargement of funds under custody, significantly increasing the income from asset custody business. Income from agency wealth management business also reported large increase over the previous year.

Income from e-banking business increased by RMB280 million or 83.6% over the same period of the previous year to RMB615 million, mainly due to the enrichment of e-banking products, the rapid expansion of e-banking customer base, increase in the transaction volume of e-banking settlement and agency business in the first half of the year, which fueled the growth of income from e-banking agency business and corporate settlement business.

Income from bank card business increased by RMB676 million or 49.9% over the same period of the previous year to RMB2,031 million. In the first half of the year, ICBC introduced a number of new bank card functions into the market, resulting in an increase in the number of cards issued, the average consumption per card and the number of POS machines and contributing to the rapid growth of annual fee incomes from debit card business and the service fees from special merchants.

Income from guarantees and commitments business increased by RMB106 million or 44.5% over the same period of the previous year to RMB344 million, mainly due to the growth of income from RMB guarantee business.

Other Non-interest Income/(Loss)

in RMB millions, except for percentages

Item	January-June 2007	January-June 2006	Increase/ decrease	Growth rate (%)
Net trading income	**932**	818	114	13.9
Net loss on financial assets and liabilities designated at fair value through profit or loss	**(888)**	(810)	(78)	9.6
Net gain/(loss) on financial investments	**161**	(39)	200	Inapplicable
Other operating income/(loss), net	**(263)**	1,268	(1,531)	–120.7
Total	**(58)**	1,237	(1,295)	–104.7

Other non-interest income recorded a net loss of RMB58 million, mainly due to a sharp increase in loss in the valuation of foreign exchange exposure caused by the continuing appreciation of RMB. ICBC adopted hedging methods including foreign exchange settlement and swaps to reduce exposure, and proactively made use of various investment instruments, accomplishing a net trading income of RMB932 million and a net gain of RMB161 million from financial investments.

Operating Expenses

Operating expenses increased by RMB8,326 million or 24.0% over the same period of the previous year to RMB43,022 million; and the cost-to-income ratio decreased by 3.11 percentage points to 31.09% over the same period of the previous year.

Staff cost increased by 48.6% to RMB21,819 million. It was mainly because ICBC has adopted a balanced management on staff cost (the growth rate of staff cost was higher in the second half of 2006 than that in the first half) and staff compensation was improved appropriately together with the growth of shareholders' return.

The supplementary retirement benefits were settled with assets in the same amount in 2006, thus thereafter the Bank has no obligation to pay for the benefits.

Other administrative expenses rose by 16.4% to RMB5,314 million, mainly because ICBC strengthened cost management and control and improved operating efficiency while achieving great increase in profits.

Impairment Losses

In the first half of 2007, impairment losses increased by RMB3,183 million or 26.1% over the same period of the previous year to RMB15,401 million; of which, losses from loan impairment increased by RMB3,124 million or 26.8% to RMB14,769 million. For details of changes in provision for loan losses, please refer to "Review of Balance Sheet Items — Provision for Loan Losses".

Income Tax Expense

Income tax expense increased by RMB4,014 million or 30.4% over the same period of the previous year to RMB17,213 million. Effective tax rate was 29.4%, representing a decrease of 4.6 percentage points over the same period of the previous year.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Pre-tax Deduction of Taxable Salary of ICBC (C.SH. [2007] No. 44), the Bank was allowed to calculate pre-tax deduction of taxable salary on the principle that the growth rate of total salary does not exceed that of economic profit (determined at the growth rate of profit or taxable income, whichever is lower) and that growth rate of total salary does not exceed that of labor productivity (determined at the growth rate of operating income per capita), and continued to enjoy the preferential tax of "performance-linked remuneration". The preferential tax policy reduced income tax expense of the Bank.

7.1.2. *Segment Information*

The Bank's principal business segments are corporate banking, personal banking and treasury operations. The Bank uses the Performance Value Management System (PVMS) to evaluate the performance of each business segment. The following table illustrates the operating income from each of the main business segments.

Summary of Business Segment Information

in RMB millions, except for percentages

	January-June 2007		January-June 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate banking	**58,898**	**50.3**	43,617	50.9
Personal banking	**39,198**	**33.5**	29,679	34.6
Treasury operations	**18,098**	**15.5**	11,905	13.9
Others	**825**	**0.7**	549	0.6
Total operating income	**117,019**	**100.0**	85,750	100.0

The following table illustrates the operating income of each geographic segment.

Summary of Geographical Segment Information

in RMB millions, except for percentages

	January-June 2007		January-June 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**15,884**	**13.6**	7,594	8.9
Yangtze River Delta	**25,846**	**22.1**	19,083	22.3
Pearl River Delta	**16,003**	**13.7**	10,691	12.5
Bohai Rim	**20,410**	**17.4**	17,177	20.0
Central China	**13,705**	**11.7**	11,581	13.5
Northeastern China	**6,396**	**5.5**	4,919	5.7
Western China	**15,959**	**13.6**	12,379	14.4
Overseas and others	**2,816**	**2.4**	2,326	2.7
Total operating income	**117,019**	**100.0**	85,750	100.0

7.1.3. *Review of Balance Sheet Items*

Asset Composition and Change

As at 30 June 2007, total assets amounted to RMB8,301,167 million representing an increase of RMB792,416 million or 10.6% over the end of the previous year. Among the assets, customer loans and advances (collectively referred to as "loans") increased by RMB284,435 million or 7.8%; net investment securities rose by RMB240,936 million or 8.4%. In terms of asset structure, net loans accounted for 45.9% of total assets, a drop of 1.2 percentage points over the end of the previous year, net investment securities accounted for 37.4%, a drop of 0.7 percentage point; and cash and balances with the central banks accounted for 11.1%, an increase of 1.7 percentage points.

Change of Asset Items

in RMB millions, except for percentages

Item	At 30 June 2007 Amount	At 30 June 2007 Percentage (%)	At 31 December 2006 Amount	At 31 December 2006 Percentage (%)
Loans and advances to customers	**3,915,606**	**—**	3,631,171	—
Less: allowance of impairment losses of loans	**104,539**	**—**	97,193	—
Loans and advances to customers, net	**3,811,067**	**45.9**	3,533,978	47.1
Investment securities, net	**3,101,734**	**37.4**	2,860,798	38.1
Of which: receivables	**1,141,038**	**13.7**	1,106,163	14.7
Cash and balances with the central bank	**923,522**	**11.1**	703,657	9.4
Due from and placements with banks and other financial institutions, net	**185,298**	**2.2**	206,506	2.8
Reverse repurchase agreements	**84,110**	**1.0**	39,218	0.5
Others	**195,436**	**2.4**	164,594	2.1
Total assets	**8,301,167**	**100.0**	7,508,751	100.0

Loans

Total loan balance grew steadily and reached RMB3,915,606 million at the end of June 2007, representing an increase of RMB284,435 million or 7.8% over the end of the previous year.

Distribution of Loans by Product Type

Distribution of Customer Loans by Business Lines

in RMB millions, except for percentages

Item	At 30 June 2007 Amount	At 30 June 2007 Percentage (%)	At 31 December 2006 Amount	At 31 December 2006 Percentage (%)
Corporate loans	**2,783,019**	**71.1**	2,530,732	69.7
Discounted bills	**342,010**	**8.7**	412,313	11.3
Personal loans	**660,391**	**16.9**	576,109	15.9
Overseas operations	**130,186**	**3.3**	112,017	3.1
Total	**3,915,606**	**100.0**	3,631,171	100.0

Domestic corporate loans increased by RMB252,287 million or 10.0%, of which short-term corporate loans grew by RMB81,144 million or 8.2%, mainly due to a rise in the loans to small-sized enterprises and in trade finance; and medium- and long-term corporate loans increased by RMB171,143 million or 11.1%, mainly due to a growth in the long-term quality project loans to the infrastructure and basic facility industry and a growth in real estate loans.

Balance of discounted bills decreased by RMB70,303 million or 17.1%, mainly because ICBC proactively adjusted the structure of loan products (including discounted bills) and accelerated the turnover of bill assets in response to the rising trend of interest rate, so as to balance credit exposure to the various loan products and attain the profit target.

The balance of personal loans rose by RMB84,282 million or 14.6%, which is mainly due to the enhanced innovations on personal credit products and services and the growth of personal housing loans and personal business loans. Of personal loans, personal housing loans grew by RMB42,269 million or 10.3%, while personal business loans rose by RMB29,802 million or 36.2%. These two types of loans represented 85.5% of the newly granted personal loans. Bank card overdraft grew by RMB1,327 million or 25.7%, mainly due to an increase in the number of new credit cards issued.

Distribution of Personal Loans by Product Lines

in RMB millions, except for percentages

Item	At 30 June 2007 Amount	At 30 June 2007 Percentage (%)	At 31 December 2006 Amount	At 31 December 2006 Percentage (%)
Personal housing loans	**452,496**	**68.5**	410,227	71.2
Personal consumption loans	**89,294**	**13.5**	78,410	13.6
Personal business loans	**112,108**	**17.0**	82,306	14.3
Bank card overdrafts	**6,493**	**1.0**	5,166	0.9
Total	**660,391**	**100.0**	576,109	100.0

Domestic Corporate Loans by Industry

ICBC continued to strengthen credit allocation to energy resource, transportation and other key infrastructure industries and basic facility industries, increased the loan extension in modern logistics industry and other new industries and appropriately developed the loans to the real estate industry and the leasing and commercial service industry. Loans to the retail, wholesale and catering industry increased by RMB57,673 million or 22.6% over the end of last year, mainly attributable to an increase in loans to the leasing and commercial service industry and the loans to the small-sized enterprises. Loans to the property development industry increased by RMB50,081 million or 21.8% from the end of the previous year, mainly due to the intensified marketing efforts and the vigorous exploitation of quality market resources by the Bank. Loans to the transportation and logistics industries grew by RMB51,767 million or 9.9%, mainly attributable to an increase in loans to the highway and transportation industries which is in line with the orientation of credit policies. Loans to the power generation and supplies industry increased by RMB26,585 million or 7.7%, mainly due to an increase in loans to target customers in the power production industry, which met the requirements of the Bank's credit policy for the power industry. Loans to the manufacturing industry increased by RMB47,473 million or 7.1%, mainly due to an increase in loans to small-sized enterprises in the textiles, apparels and metal processing industries and in loans to the machinery industry.

In respect of the balance structure, manufacturing, transportation and logistics, power generation and supplies, and the retail, wholesale and catering industry reported the four largest balance of loans, with the aggregate balance of these four industries accounting for 71.1% of all domestic corporate loans.

Distribution of Balance of Domestic Corporate Loans by Industry

In RMB millions, except for percentage

	At 30 June 2007		At 31 December 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Manufacturing	**720,062**	**25.9**	672,589	26.6
Chemicals	**118,843**	**4.3**	112,827	4.5
Machinery	**91,158**	**3.3**	81,798	3.2
Textiles and apparels	**78,542**	**2.8**	68,363	2.7
Metal processing	**72,820**	**2.6**	62,583	2.5
Iron and steel	**72,214**	**2.6**	70,339	2.8
Petroleum processing	**46,253**	**1.7**	44,744	1.8
Automobile	**40,971**	**1.5**	39,202	1.5
Electronics	**39,065**	**1.4**	38,710	1.5
Cement	**30,957**	**1.1**	30,202	1.2
Others	**129,239**	**4.6**	123,821	4.9
Transportation and logistics	**576,815**	**20.7**	525,048	20.7
Power generation and supplies	**369,623**	**13.3**	343,038	13.6
Retail, wholesale and catering[(1)]	**312,815**	**11.2**	255,142	10.1
Property development	**280,145**	**10.1**	230,064	9.1
Education, hospitals and other non-profit organizations[(2)]	**101,718**	**3.6**	107,403	4.2
Construction	**50,077**	**1.8**	49,957	2.0
Others[(3)]	**371,764**	**13.4**	347,491	13.7
Total	**2,783,019**	**100.0**	2,530,732	100.0

Note:

(1) It includes the industries such as wholesale and retail, housing, restaurants and catering, leasing and commercial service.

(2) It includes the industry of scientific research, technical service and geological prospecting, the industry of community service and other services, education, public health, social security and welfare, culture, sports and entertainments, public management and social organizations.

(3) It includes industries such as agriculture, forestry, pasturage, fishing, mining, information transmission, computer service and software, finance, water works, environmental protection, administration of public facilities, and international organizations.

Distribution of Loans by Collateral

As of 30 June 2007, unsecured loans reached RMB977,300 million, an increase of RMB107,524 million or 12.4% over the end of last year, indicating the growth of loans to customers with higher credit rating. Loans secured by mortgages amounted to RMB1,404,809 million, an increase of RMB163,550 million or 13.2%, constituting the largest component of the loan portfolio.

Distribution of Loans by Collateral

in RMB millions, except for percentages

Item	**At 30 June 2007** Amount	**At 30 June 2007** Percentage (%)	At 31 December 2006 Amount	At 31 December 2006 Percentage (%)
Loans secured by mortgages	**1,404,809**	**35.9**	1,241,259	34.2
Of which: personal housing loans	**452,496**	**11.6**	410,227	11.3
Pledged loans	**657,700**	**16.8**	710,391	19.6
Of which: discounted bills	**342,010**	**8.7**	412,313	11.3
Guaranteed loans	**875,797**	**22.4**	809,745	22.3
Unsecured loans	**977,300**	**24.9**	869,776	23.9
Total	**3,915,606**	**100.0**	3,631,171	100.0

Loan Concentration

As of 30 June 2007, ICBC's loans to its largest single borrower accounted for 3.7% of its net capital base and loans to the top 10 customers accounted for 21.9% of its net capital base, both meeting the regulatory requirements. Loans to the top 10 customers totaled RMB120,683 million, accounting for 3.1% of its total loans.

Loan Quality

As of 30 June 2007, in accordance with the five-category classification system, the balance of pass loans of the Bank increased by RMB345,538 million to RMB3,511,124 million, accounting for 89.67% of the total loan balance, representing an increase of 2.49 percentage points over the end of the previous year. It reflects an increase in loans to customers with higher credit ratings. Special mention loans decreased by RMB52,019 million over the end of last year to RMB275,821 million, accounting for 7.04% of the total loan balance, representing a reduction of 1.99 percentage points. The decrease was mainly due to enhanced management on special mention loans and the increased efforts of exit from high-risk special mention loans. Non-performing loans (NPLs) reached RMB128,661 million, a decrease of

RMB9,084 million over the end of last year, with NPL ratio standing at 3.29%, representing a decrease of 0.5 percentage point, accomplishing a decrease in both the NPL balance and the NPL ratio. The main reason for such decreases was that the Bank increased its efforts to reduce NPLs by a wide variety of methods including cash collection and write-off.

Distribution of Loans by Five-category Classification System

in RMB millions, except for percentages

Item	**At 30 June 2007** Amount	**Percentage (%)**	At 31 December 2006 Amount	Percentage (%)
Pass	**3,511,124**	**89.67**	3,165,586	87.18
Special mention	**275,821**	**7.04**	327,840	9.03
NPLs	**128,661**	**3.29**	137,745	3.79
Substandard	**60,411**	**1.55**	66,756	1.84
Doubtful	**59,097**	**1.51**	62,036	1.71
Loss	**9,153**	**0.23**	8,953	0.24
Total	**3,915,606**	**100.00**	3,631,171	100.00

As of 30 June 2007, the balance of domestic corporate NPLs decreased by RMB8,928 million, with a decrease of 0.77 percentage point in NPL ratio. The balance of domestic personal NPLs increased by RMB32 million, and NPL ratio dropped by 0.20 percentage point.

NPLs by Business Lines

in RMB millions, except for percentage

Item	**At 30 June 2007** Amount	**NPL ratio (%)**	At 31 December 2006 Amount	NPL ratio (%)
Corporate loans	**118,187**	**4.25**	127,115	5.02
Discounted bills	**—**	**—**	—	—
Personal loans	**9,330**	**1.41**	9,298	1.61
Overseas operations	**1,144**	**0.88**	1,332	1.19
Total	**128,661**	**3.29**	137,745	3.79

As of 30 June 2007, the outstanding balance of NPLs to the manufacturing industry and the NPL ratio hereof decreased by RMB4,916 million and 1.35 percentage points respectively; the outstanding balance of NPLs to the retail, wholesale and catering industry and the NPL ratio hereof decreased by RMB3,434 million and 2.93 percentage points respectively. The outstanding balance of NPLs to the transportation and logistics industry increased by RMB2,007 million, mainly due to the deterioration of certain low-rating loans to the highway industry, for which the Bank has set aside adequate provisions for loan losses.

Allowance for Impairment Losses of Loans

As of 30 June 2007, the balance of allowance for impairment losses of loans reached RMB104,539 million, representing an increase of RMB7,346 million over the end of last year. The NPL reserve ratio stood at 81.25%, representing an increase of 10.69 percentage points. The ratio of allowance over total loans was 2.67%, basically the same as that in last year.

Movements of Allowance of Impairment Losses of Loans

in RMB millions

Balance at beginning of the period	97,193
Charge for the period	14,769
Accreted interest on impaired loans	(859)
Transfer-out in the period	(2,973)
Write-offs during the period	(3,591)
Balance at end of the period	104,539

Investment

As of 30 June 2007, the balance of net investment securities was RMB3,101,734 million, representing an increase of RMB240,936 million or 8.4% over the end of last year. The increase was mainly due to the growth of debt instrument investment.

Investment Portfolio

in RMB millions, except for percentages

	At 30 June 2007		At 31 December 2006	
Item	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Debt instruments	**1,954,767**	**63.0**	1,749,158	61.1
Receivables	**1,141,038**	**36.8**	1,106,163	38.7
Equity instruments	**5,929**	**0.2**	5,477	0.2
Total	**3,101,734**	**100.0**	2,860,798	100.0

As of 30 June, 2007, the balance of debt instrument investment was RMB1,954,767 million, an increase of RMB205,609 million or 11.8% over the end of the previous year. It was primarily due to an increase in investment in Central Bank bills and in policy bank bonds. Central Bank bills increased by RMB89,835 million or 11.8%, and investment in policy bank bonds rose by RMB43,230 million or 11.3%.

As of 30 June 2007, the US sub-prime mortgage-backed securities[1] held by the Bank had a par value of USD1,229 million, all of which were bonds backed by loans with first lien and with credit ratings of AA or above.

Strict impairment test was performed on the above bonds and no objective evidence suggesting reduction in future cash flows was identified, and the above US sub-prime mortgage-backed securities in the Bank's possession are unlikely to have any material impact on the Bank's financial position and results. Ernst & Young has carried out a review on the interim financial statements of the Bank for the six months ended 30 June 2007 and has issued a review opinion. Given the inherent uncertainty in the sub-prime mortgage-backed securities market, the Bank will carefully monitor market development in the future.

Classification of Debt Instruments

in RMB millions, except for percentages

	At 30 June 2007		At 31 December 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Government bonds	**375,785**	**19.2**	348,445	19.9
Policy bank bonds	**424,342**	**21.7**	381,112	21.8
Central bank bills	**851,383**	**43.6**	761,548	43.5
Other bonds	**303,257**	**15.5**	258,053	14.8
Total	**1,954,767**	**100.0**	1,749,158	100.0

As of 30 June 2007, the balance of receivables reached RMB1,141,038 million, an increase of RMB34,875 million, accounting for 36.8% of total investment securities, dropping from 38.7% at the end of the previous year. Of the receivables, MOF receivables decreased by RMB11,126 million to RMB215,252 million, mainly because MOF repaid part of the principal of receivables during the reporting period.

1 The US sub-prime mortgage-backed securities is a securitization product backed by sub-prime housing loans, and generally is divided into different credit ratings, with the highest credit rating being AAA and the lowest being BB. In case of default of the borrower, the principal of bonds with the lowest rating will be deducted before the deduction of the principal of bonds with the next lowest rating. Thus, higher credit rating of the bonds in possession implies lower credit risk for the principal and lower possibility of loss.

Liabilities Composition and Change

As of 30 June 2007, the balance of total liabilities reached RMB7,798,445 million, an increase of RMB760,695 million or 10.8% from the end of the previous year. Customer deposits increased by RMB365,880 million or 5.8%, accounting for 48.1% of the increase in total liabilities. The amount due to banks and other financial institutions increased by RMB389,883 million or 97.4%, accounting for 51.3% of the increase in total liabilities, surpassing the increase in deposits, mainly due to the significant increase in deposits from banks and other financial institutions caused by the development of the capital markets and the influx of funds in connection with initial public offerings.

in RMB millions, except for percentages

	At 30 June 2007		At 31 December 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Due to customers	**6,692,270**	**85.8**	6,326,390	89.9
Due to banks and other financial institutions	**790,201**	**10.1**	400,318	5.7
Repurchase agreements	**85,571**	**1.1**	48,610	0.7
Certificates of deposit	**4,714**	**0.1**	6,458	0.1
Subordinated bonds	**35,000**	**0.4**	35,000	0.5
Other liabilities	**190,689**	**2.5**	220,974	3.1
Total liabilities	**7,798,445**	**100.0**	7,037,750	100.0

Due to customers

As of 30 June 2007, the balance of due to customers reached RMB6,692,270 million, an increase of RMB365,880 million or 5.8% over the end of the previous year. In terms of customer structure, the proportion of corporate deposits increased by 2.6 percentage points, while that of personal deposits decreased by 2.4 percentage points. In terms of maturity structure, the proportions of demand deposits increased by 1.6 percentage points.

Corporate deposits increased by RMB336,341 million or 11.9% over the end of the previous year, reflecting the improvement in the liquidity of corporate customers. The growth of corporate deposits was mainly attributable to the improvement in operating results and increased liquidity of enterprises due to the rapid and steady economic development. Corporate demand deposits increased by RMB203,204 million or 10.3%, and corporate time deposits rose by RMB133,137 million or 15.5%.

Personal deposits increased by RMB29,175 million or 0.9% over the end of the previous year, of which, personal demand deposits increased by RMB84,440 million or 7.7%, and personal time deposits decreased by RMB55,265 million or 2.5%. The slowdown in the growth of personal deposits was principally due to two factors: Firstly, the Bank proactively cultivated customers' wealth management awareness; guided the customers to reasonably allocate their financial assets. In the first two quarters of 2007, sales volume of personal wealth management products reached RMB438.2 billion, diverting personal deposits effectively. Secondly, the active capital market had an impact on the divergence of personal deposits.

Distribution of Customer Deposits by types of Deposit and Business Lines

in RMB millions, except for percentages

	At 30 June 2007		At 31 December 2006	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate deposits				
Time deposits	**991,878**	**14.8**	858,741	13.6
Demand deposits	**2,177,941**	**32.6**	1,974,737	31.2
Subtotal	**3,169,819**	**47.4**	2,833,478	44.8
Personal deposits				
Time deposits	**2,140,249**	**32.0**	2,195,514	34.7
Demand deposits	**1,183,351**	**17.7**	1,098,911	17.4
Subtotal	**3,323,600**	**49.7**	3,294,425	52.1
Overseas	**129,602**	**1.9**	104,808	1.7
Others(1)	**69,249**	**1.0**	93,679	1.4
Total	**6,692,270**	**100.0**	6,326,390	100.0

Note: (1) Mainly includes outward remittance and remittance payables.

7.1.4. *Capital Adequacy Ratio*

The Bank implemented an overall capital management mechanism, comprehensively considering the balance between the total amount and structure of regulatory capital, economic capital and book capital. The capital management is aimed at maximizing the return on equity while keeping the capital adequate and meeting regulatory requirements.

To achieve the above objectives, the capital management strategies of the Bank included: (1) establishing reasonable capital adequacy target to restrict the expansion of risk capital while ensuring the capital adequacy meets regulatory requirements; (2) focusing on economic capital, comprehensively considering the risks, income, scale and growth, and improving resource allocation of the whole bank to meet the requirements on return on equity and capital recovery risk; and (3) applying various capital instruments to improve the total volume of capital and capital structure.

Capital Adequacy Ratio

In RMB millions, except for percentage

Item	At 30 June 2007	At 31 December 2006
Core capital:		
Share capital	**334,019**	334,019
Reserves	**142,037**	125,523
Minority interests	**4,699**	4,537
Total core capital	**480,755**	464,079
Supplementary capital:		
General provisions for doubtful debts	**42,738**	33,645
Reserve for net change in the fair value of available-for-sale investments(1)	**(1,944)**	1,005
Subordinated bonds	**35,000**	35,000
Total supplementary capital	**75,794**	69,650
Total capital base before deductions	**556,549**	533,729
Deductions:		
Goodwill	**1,622**	1,195
Unconsolidated equity investments	**2,686**	1,729
Net capital base	**552,241**	530,805
Core capital base after deductions	**477,790**	462,019
Risk-weighted assets and market risk capital adjustment	**4,039,565**	3,779,170
Core capital adequacy ratio	**11.83%**	12.23%
Capital adequacy ratio	**13.67%**	14.05%

Note: Calculated according to the guidelines "Regulation Governing Capital Adequacy of Commercial Banks" issued by the China Banking Regulatory Commission ("CBRC") and the generally accepted accounting principles of the PRC. The regulatory indicators are measured according to the regulatory requirements and accounting standards of the reporting period, and no retroactive adjustment was made to data of the comparison period.

7.2 Prospects

In the second half of 2007, Chinese economy will continue the growing trend. The effect of economic structure adjustment is emerging, level of consumption is accelerating and economic benefits are increasing, but uncertainties still exist in economic and financial operations. The rapid development of financial market, reinforced financial supervision and steady promotion of interest rate marketization and reform of exchange rate regime bring both huge opportunities and new challenges to the development of the Bank.

During the second half of the year, ICBC will proactively adapt to the changes in economic and financial environment according to the strategic goals set down by the Board of Directors, and take the following measures to sharpen our competitive edge and reinforce our increasing market value: Firstly, quicken the innovation and development of the personal financial service system; accelerating the upgrading and establishment of 1000 wealth management centers; improving the service quality and promoting the building of a procedure-based bank. Secondly, perfect the product innovation mechanism; integrating product R&D resources; enhancing product innovation effort; increasing the competitive edge of new products. Thirdly, accelerating the implementation of five "unifications", achieving a unified customer information management, unifying customer bank accounts, unifying marketing platform, unifying reconciliation and unifying performance assessment and advancing the bundled marketing of corporate finance and personal finance services. Fourthly, promoting the adjustment of credit structure, further renovating the marketing and service methods, enriching product chains. Fifthly, push forward the strategy of science and technology innovation, pressingly transform our leading technology advantages into advantages in customer service and market competitiveness. Sixthly, vigorously carry out human resources strategies and corporate culture strategies; introducing internationally leading methods of position establishment and performance assessment, and build favorable environments for the construction of a modern financial institution.

8. Significant Events

8.1. Compliance with the Code of Corporate Governance Practices (Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) (the "Listing Rules")

During the reporting period, the Bank applied the principles stipulated in the Code of Corporate Governance Practices (the "Code") (Appendix 14 to the Hong Kong Listing Rules) to various rules and regulations relating to corporate governance of the Bank. In particular, the principles and provisions of the Code have been reflected in the Bank's Articles of Association and procedural rules of the Shareholders' General Meeting, the Board of Directors and its special committees, and the Bank has complied with all the Code Provisions.

8.2. Securities Transactions of Directors and Supervisors

Based on enquiries with all directors and supervisors, the Bank is not aware that during the reporting period any director and supervisor violates provisions on securities transactions of directors and supervisors set forth in Appendix 10 to the Hong Kong Listing Rules.

8.3. Plans on Profit Distribution, Convention of Capital Reserves to Share Capital or New Share Issuance during the Reporting Period

As approved by the 2006 annual Shareholders' General Meeting held on 12 June 2007, the Bank distributed cash dividends of RMB0.016 per share (including taxes) to shareholders registered as of 20 June 2007 for the period from 23 October 2006 to 31 December 2006, totalling about RMB5,344 million. No dividend will be declared for the interim period of 2007 and the Bank has no current plans to convert any capital reserves to share capital.

8.4. Material Investment of Funds other than Proceeds from IPO

During the reporting period, the Bank did not have any material investment of funds other than proceeds from the IPO.

8.5. Material Legal Proceedings and Arbitration

The Bank was involved in legal proceedings in the ordinary course of business. Most of these legal proceedings involved enforcement claims initiated by the Bank to recover payment on non-performing loans. Some legal proceedings arose out of customer disputes. As at 30 June 2007, the amount of unresolved material legal proceedings in which the Bank and/or its subsidiaries was/were defendant totaled RMB3,864 million. The Bank does not expect any material adverse effect on the Bank's business, financial position or operational results.

8.6. Material Asset Acquisition, Disposal and Asset Reorganization

None.

8.7. Connected Transactions

8.7.1. *Connected Transactions as Defined by Domestic Laws and Regulations*

1. *Connected Transactions with MOF and Huijin*

   In the opinion of the Bank, such transactions were carried out in the ordinary course of business and on normal commercial terms and would not affect the independence of the Bank.

2. *Connected Transactions with Goldman Sachs and SSF*

As at 30 June 2007, Goldman Sachs and SSF held about 5.04% and 5.24% of the Bank's shares, respectively. Pursuant to the provisions of the Listing Rules of Shanghai Stock Exchange, both of them are connected parties of the Bank.

In the opinion of the Bank, such transactions were carried out in the usual course of the Bank's business and on normal commercial terms and will not affect the independence of the Bank.

3. *Transactions with Other Connected Persons under the Laws and Regulations of PRC*

During the reporting period, no material connected transaction has been entered into between the Bank and other connected parties that should be disclosed.

8.8. Material Contracts and Performance of Obligations Thereunder

1. *Material Trust, Sub-Contract and Lease*

During the reporting period, the Bank has not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation has held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

2. *Material Guarantees*

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

3. *Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans*

No such matters concerning entrusting other persons for cash management or entrusted loan occurred during the reporting period.

8.9. Commitments Made by the Bank or Its Shareholders Holding 5% Shares or Above

During the reporting period, the shareholders did not make any new commitments. The commitments in the reporting period were the same as the disclosed contents in the 2006 annual report. As of 30 June 2007, all the commitments made by shareholders were performed.

8.10. Review of Financial Report

The 2007 interim financial report of the Bank prepared in accordance with the Chinese Accounting Standards and the International Financial Reporting Standards respectively have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and international standards on review engagements respectively. The reviewed interim financial report has been reviewed by the Audit Committee of the Board of Directors.

8.11. Investigations, Administrative Penalties, Censures by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities during the Reporting Period

During the reporting period, the Bank, its directors, supervisors and members of its senior management were not subject to any investigation, administrative penalty or censure by CSRC, public reprimand by stock exchanges and regulatory authorities of the listing places, and sanctions imposed by other regulatory authorities that have significant influence over the operation of the Bank.

8.12. Other Major Events

8.12.1. *Shares of Other Listed Companies and Securities Investment Held by the Bank*

S/N	Stock code	Stock name	Shares held	Percentage of total shares *(%)*	Initial investment cost *(RMB)*	Accounting title
1	966 (Hong Kong, China)	CIIH	9,746.49	4.87	357,917,703	Available-for-sale financial assets
2	601998	CNCB	2,586.20	0.07	149,999,600	Available-for-sale financial assets
3	600744	HHEP	2,982.64	4.19	30,000,000	Available-for-sale financial assets
4	3988 (Hong Kong, China)	BOC	1,000.00	<0.01	29,029,844	Trading financial assets
5	001740 (Korea)	SK Network	25.61	0.11	18,904,206	Available-for-sale financial assets
6	601600	Chinalco	918.19	0.07	10,000,000	Available-for-sale financial assets
7	600216	Zhejiang Medicine	818.06	1.82	6,000,000	Available-for-sale financial assets
8	600674	SCTE	770.42	2.00	5,000,000	Available-for-sale financial assets
9	600642	Shenergy	150.00	0.05	2,800,000	Available-for-sale financial assets
10	2007 (Hong Kong, China)	Country Garden	47.90	<0.01	2,535,891	Trading financial assets
Other securities investment at the end of period			—	—	113,421,484,187	
Total			—	—	114,033,671,431	

Note:

1. The Bank holds 97.4649 million shares and 10 million shares in CIIH and Bank of China respectively through our non-wholly-owned subsidiary, ICBC (Asia) Limited. Data in the above table was not adjusted according to the shareholding proportion of the Bank in ICBC (Asia) Limited.

2. The Bank holds 479,000 shares in Country Garden Holdings Company Limited through our non-wholly-owned subsidiary, ICEA Finance Holdings Limited. Data in the above table was not adjusted according to the shareholding proportion of the Bank in ICEA Finance Holdings Limited.

3. The Group holds shares in SK Network through the Seoul Branch.

4. "Other securities investment at the end of period" refers to the securities investments other than the stock investment in possession of the Bank listed in the above table, including the shares and debt securities (including subordinated debts and short-term financing bonds etc.) issued by other listed issuers.

8.12.2. *Shares of Unlisted Financial Institutions and To-Be-Listed Companies Held by the Bank*

Company	**Initial investment cost** *(in RMB)*	**Shares held** *(in 10,000)*	**Percentage of total shares** *(%)*	**Book value at period-end pursuant to Chinese Standards** *(in RMB)*	**Book value at period-end pursuant to IFRSs** *(in RMB)*
China UnionPay Co., Ltd.	90,000,000	9,000.00	5.45	90,000,000	90,000,000
TaiPing Insurance Company Ltd	172,585,678	N.A.	12.45	86,068,219	86,068,219
Xiamen International Bank	102,301,500	N.A.	18.75	102,301,500	102,301,500
Qingdao International Bank	74,375,905	N.A.	20.83	88,871,274	88,871,274
Guangdong Development Bank	54,465,475	2,477.83	0.22	54,465,475	54,465,475
China Ping An Insurance (HK) Co., Ltd.	14,134,025	27.50	25.00	35,919,625	35,919,625
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,617,582	3,500,000
Guilin City Commercial Bank	420,000	113.61	0.51	1,289,934	420,000
Nanchang City Commercial Bank	300,000	39.00	0.033	522,646	390,000
Total	512,082,583	—	—	463,056,255	461,936,093

Note:

(1) The Bank holds 12.45% and 25% shares in Tai Ping Insurance Company Ltd. and China Ping An Insurance (HK) Co., Ltd., respectively, through our non-wholly-owned subsidiary, ICBC (Asia) Limited. Data in the above table was not adjusted according to the shareholding proportion of the Bank in ICBC (Asia) Limited.

9. Financial Statements

9.1. Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

9.1.1. *Unaudited Interim Condensed Consolidated Income Statement*

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2007	2006
Interest income	**163,798**	128,312
Interest expense	**(61,589)**	(51,665)
NET INTEREST INCOME	**102,209**	76,647
Fee and commission income	**16,111**	8,761
Fee and commission expense	**(1,243)**	(895)
NET FEE AND COMMISSION INCOME	**14,868**	7,866
Net trading income	**932**	818
Net loss on financial assets and liabilities designated at fair value through profit or loss	**(888)**	(810)
Net gain/(loss) on financial investments	**161**	(39)
Other operating income/(loss), net	**(263)**	1,268
OPERATING INCOME	**117,019**	85,750
Operating expenses	**(43,022)**	(34,696)
Provision for impairment losses on:		
Loans and advances to customers	**(14,769)**	(11,645)
Others	**(632)**	(573)
OPERATING PROFIT	**58,596**	38,836
Share of profits and losses of associates	**7**	5
PROFIT BEFORE TAX	**58,603**	38,841
Income tax expense	**(17,213)**	(13,199)
PROFIT FOR THE PERIOD	**41,390**	25,642
Attributable to:		
Equity holders of the Bank	**41,036**	25,399
Minority interests	**354**	243
	41,390	25,642
DIVIDENDS	**5,344**	3,537
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		
— Basic and diluted (RMB yuan)	**0.12**	0.10

9.1.2. *Unaudited Interim Condensed Consolidated Balance Sheet*

(In RMB millions, unless otherwise stated)

	30 June 2007	31 December 2006
ASSETS		
Cash and balances with central banks	**923,522**	703,657
Due from banks and other financial institutions	**185,298**	206,506
Financial assets held for trading	**35,085**	19,388
Financial assets designated at fair value through profit or loss	**1,706**	1,768
Derivative financial assets	**14,305**	10,539
Reverse repurchase agreements	**84,110**	39,218
Loans and advances to customers	**3,811,067**	3,533,978
Financial investments	**3,064,943**	2,839,642
Investments in associates	**125**	127
Property and equipment	**78,488**	82,403
Deferred income tax assets	**149**	—
Other assets	**102,369**	71,525
TOTAL ASSETS	**8,301,167**	7,508,751

	30 June 2007	31 December 2006
LIABILITIES		
Financial liabilities designated at fair value through profit or loss	**26,106**	27,980
Derivative financial liabilities	**3,489**	2,613
Due to banks and other financial institutions	**790,201**	400,318
Repurchase agreements	**85,571**	48,610
Certificates of deposit	**4,714**	6,458
Due to customers	**6,692,270**	6,326,390
Income tax payable	**16,456**	16,386
Deferred income tax liabilities	**—**	1,449
Subordinated bonds	**35,000**	35,000
Other liabilities	**144,638**	172,546
TOTAL LIABILITIES	**7,798,445**	7,037,750
EQUITY		
Issued share capital	**334,019**	334,019
Reserves	**122,167**	126,286
Retained profits	**41,837**	6,159
Equity attributable to equity holders of the Bank	**498,023**	466,464
Minority interests	**4,699**	4,537
TOTAL EQUITY	**502,722**	471,001
TOTAL EQUITY AND LIABILITIES	**8,301,167**	7,508,751

9.1.3. *Unaudited Interim Condensed Consolidated Statement of Changes in Equity*

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the Bank										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2007	334,019	106,312	5,464	12,719	2,142	(351)	126,286	6,159	466,464	4,537	471,001
Net change in the fair value of available-for-sale investments	—	—	—	—	(3,916)	—	(3,916)	—	(3,916)	63	(3,853)
Reserve realised on disposal of available-for-sale investments	—	—	—	—	(22)	—	(22)	—	(22)	—	(22)
Foreign currency translation	—	—	—	—	—	(195)	(195)	—	(195)	(108)	(303)
Total income and expense for the period recognised directly in equity	—	—	—	—	(3,938)	(195)	(4,133)	—	(4,133)	(45)	(4,178)
Profit for the period	—	—	—	—	—	—	—	41,036	41,036	354	41,390
Total income and expense for the period	—	—	—	—	(3,938)	(195)	(4,133)	41,036	36,903	309	37,212
Dividend — 2006 final	—	—	—	—	—	—	—	(5,344)	(5,344)	—	(5,344)
Appropriation to surplus reserves (note)	—	—	3	—	—	—	3	(3)	—	—	—
Appropriation to general reserve (note)	—	—	—	11	—	—	11	(11)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(147)	(147)
Balance as at 30 June 2007	334,019	106,312	5,467	12,730	(1,796)	(546)	122,167	41,837	498,023	4,699	502,722

Note: Represents the appropriation made by a subsidiary.

	Attributable to equity holders of the Bank										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2006	248,000	(1,379)	375	1,700	2,032	(169)	2,559	5,280	255,839	4,037	259,876
Net change in the fair value of available-for-sale investments	—	—	—	—	(884)	—	(884)	—	(884)	—	(884)
Reserve recognised on disposal of available-for-sale investments	—	—	—	—	59	—	59	—	59	—	59
Foreign currency translation	—	—	—	—	—	31	31	—	31	(25)	6
Total income and expense for the period recognised directly in equity	—	—	—	—	(825)	31	(794)	—	(794)	(25)	(819)
Profit for the period	—	—	—	—	—	—	—	25,399	25,399	243	25,642
Total income and expense for the period	—	—	—	—	(825)	31	(794)	25,399	24,605	218	24,823
Issue of shares	38,509	9,957	—	—	—	—	9,957	—	48,466	—	48,466
Dividend — 2005 final	—	—	—	—	—	—	—	(3,537)	(3,537)	—	(3,537)
Appropriation to surplus reserves (note)	—	—	2,657	—	—	—	2,657	(2,657)	—	—	—
Appropriation to general reserve	—	—	—	5,302	—	—	5,302	(5,302)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(163)	(163)
Balance as at 30 June 2006	286,509	8,578	3,032	7,002	1,207	(138)	19,681	19,183	325,373	4,092	329,465

Note: Includes the appropriation made by an overseas branch in the amount of RMB6 million.

9.1.4. *Unaudited Interim Condensed Consolidated Cash Flow Statement*

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**58,603**	38,841
Adjustments for:		
Share of profits and losses of associates	**(7)**	(5)
Depreciation	**4,275**	5,003
Amortisation	**577**	563
Provision for impairment losses on loans and advances to customers	**14,769**	11,645
Provision for impairment losses on assets other than loans and advances to customers	**632**	573
Foreign exchange differences	**1,720**	(218)
Interest expense on subordinated bonds	**573**	551
Accretion of impairment provision discount	**(859)**	(896)
Loss/(gain) on disposal of available-for-sale investments, net	**(143)**	42
Net trading income	**(932)**	(818)
Net loss on financial assets and liabilities designated at fair value through profit or loss	**888**	810
Gain on disposal of property and equipment and other assets, net	**(818)**	(166)
Dividend income	**(18)**	(3)
	79,260	55,922
Net decrease/(increase) in operating assets:		
Due from central banks	**(184,947)**	(27,125)
Due from banks and other financial institutions	**37,658**	(13,154)
Reverse repurchase agreements	**(50,581)**	(5,055)
Loans and advances to customers	**(299,986)**	(184,174)
Other assets	**(28,657)**	(17,597)
	(526,513)	(247,105)
Net increase/(decrease) in operating liabilities:		
Due to banks and other financial institutions	**392,013**	134,308
Repurchase agreements	**36,961**	(20,679)
Certificates of deposit	**(1,744)**	1,287
Due to customers	**372,295**	382,172
Other liabilities	**(20,850)**	39,155
	778,675	536,243
Net cash inflow from operating activities before tax	**331,422**	345,060
Income tax paid	**(17,263)**	(15,770)
Net cash inflow from operating activities	**314,159**	329,290

	Six months ended 30 June	
	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	**(1,866)**	(1,792)
Proceeds from disposal of property and equipment	**807**	564
Purchases of investments	**(1,295,614)**	(858,067)
Proceeds from sale and redemption of investments	**824,027**	663,084
Dividend received	**25**	3
Net cash outflow from investing activities	**(472,621)**	(196,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**—**	40,438
Interest paid on subordinated bonds	**(575)**	(551)
Dividends paid on ordinary shares	**(15,490)**	-
Dividends paid to minority shareholders	**(131)**	(163)
Net cash inflow/(outflow) from financing activities	**(16,196)**	39,724
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(174,658)**	172,806
Cash and cash equivalents at beginning of the period	**506,794**	294,424
Effect of exchange rate changes on cash and cash equivalents	**(2,710)**	(510)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**329,426**	466,720
NET CASH INFLOW FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**144,681**	123,441
Interest paid	**(53,745)**	(44,555)

9.2. Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the new IFRIC interpretations as set out below.

- IFRIC interpretation 9 "*Reassessment of Embedded Derivatives*"

  The Group adopted IFRIC Interpretation 9 from 1 January 2007 onwards, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

- IFRIC interpretation 10 "*Interim Financial Reporting and Impairment*"

  The Group adopted IFRIC Interpretation 10 from 1 January 2007 onwards, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Adoption of these new IFRIC interpretations did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

9.3. Notes to Unaudited Interim Condensed Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

9.3.1. *Net Interest Income*

	Six months ended 30 June	
	2007	2006
Interest income on:		
Loans and advances to customers	**109,925**	89,570
Due from central banks	**6,397**	4,508
Due from banks and other financial institutions	**4,655**	3,625
Financial investments	**42,821**	30,609
	163,798	128,312
Interest expense on:		
Due to customers	**(54,255)**	(47,615)
Due to banks and other financial institutions	**(6,761)**	(3,499)
Subordinated bonds	**(573)**	(551)
	(61,589)	(51,665)
Net interest income	**102,209**	76,647

The above interest income and expenses were related to financial instruments which are not at fair value through profit or loss.

Included in interest income on loans and advances to customers for the period is an amount of RMB859 million (six months ended 30 June 2006: RMB896 million) with respect to the accreted interest on impaired loans.

9.3.2. *Net Fee and Commission Income*

	Six months ended 30 June	
	2007	2006
Wealth management services	**5,689**	1,386
Renminbi settlement and clearing business	**2,658**	2,153
Investment banking business	**2,345**	1,764
Bank card business	**2,031**	1,355
Trust and other fiduciary activities	**694**	318
Foreign currency intermediary business	**659**	493
E-banking business	**615**	335
Agency services	**575**	447
Guarantee and commitment business	**344**	238
Others	**501**	272
Fee and commission income	**16,111**	8,761
Fee and commission expense	**(1,243)**	(895)
Net fee and commission income	**14,868**	7,866

9.3.3. *Net Trading Income*

	Six months ended 30 June	
	2007	2006
Debt securities	**476**	645
Equity investments	**(3)**	—
Derivatives	**459**	173
	932	818

9.3.4. *Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss*

	Six months ended 30 June	
	2007	2006
Financial assets designated at fair value through profit or loss	**65**	14
Financial liabilities designated at fair value through profit or loss	**(953)**	(824)
	(888)	(810)

Included in this total amount are the gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

9.3.5. *Net Gain/(Loss) on Financial Investments*

	Six months ended 30 June	
	2007	2006
Dividend income from unlisted investments	**18**	3
Gain/(loss) on disposal of available-for-sale investments, net	**143**	(42)
	161	(39)

Included in "Gain/(loss) on disposal of available-for-sale investments, net" above is RMB7 million (six months ended 30 June 2006: Nil) with respect to the gain on derecognition of financial instruments whose fair value could not be reliably measured.

9.3.6. *Other Operating Income/(Loss), Net*

	Six months ended 30 June	
	2007	2006
Gain/(loss) from foreign exchange and foreign exchange products, net	**(1,720)**	218
Gain on disposal of property and equipment and other assets, net	**818**	166
Sundry bank charge income	**99**	226
Others	**540**	658
	(263)	1,268

9.3.7. *Operating Expenses*

	Six months ended 30 June	
	2007	2006
Staff costs:		
Salaries and bonuses	**14,021**	9,704
Contributions to defined contribution schemes	**2,293**	1,694
Other staff benefits	**5,505**	3,287
	21,819	14,685
Supplementary retirement benefits	**—**	389
Premises and equipment expenses:		
Depreciation	**4,275**	5,003
Minimum lease payments under operating leases in respect of land and buildings	**973**	882
Repairs and maintenance charges	**992**	670
Utility expenses	**659**	648
	6,899	7,203
Amortisation	**577**	563
Other administrative expenses	**5,314**	4,564
Business tax and surcharges	**6,638**	5,368
Others	**1,775**	1,924
	43,022	34,696

9.3.8. *Provision for Impairment Losses on Assets other than Loans and Advances to Customers*

	Six months ended 30 June	
	2007	2006
Charge/(reversal) of provision for impairment losses on:		
Due from banks and other financial institutions	**—**	(29)
Financial investments:		
Held-to-maturity debt securities	**10**	—
Available-for-sale investments	**—**	15
	10	15
Property and equipment	**431**	188
Other assets	**191**	399
	632	573

9.3.9. *Income Tax Expense*

PRC income tax has been provided at the statutory rate of 33% (2006: 33%) in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2007	2006
Current income tax expense:		
PRC		
— Mainland China	**19,012**	15,115
— Hong Kong and Macau	**169**	151
Overseas	**42**	34
	19,223	15,300
Adjustment in respect of current income tax of prior periods	**(1,890)**	(1,359)
	17,333	13,941
Deferred income tax credit	**(120)**	(742)
Total income tax expense for the period	**17,213**	13,199

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 33% (2006: 33%) to the income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2007	2006
Profit before tax	**58,603**	38,841
Tax at the PRC statutory income tax rate	**19,339**	12,818
Non-deductible expenses:		
Staff costs	**—**	2,792
Impairment provision and write-offs	**1,782**	1,256
Others	**368**	367
	2,150	4,415
Non-taxable income:		
Income arising from bonds exempted from income tax	**(2,203)**	(1,801)
Others	**(183)**	(874)
	(2,386)	(2,675)
Adjustment in respect of current income tax of prior periods	**(1,890)**	(1,359)
Tax expense at the Group's effective income tax rate	**17,213**	13,199

Deferred tax credited to equity during the period is as follows:

	Six months ended 30 June	
	2007	2006
Relating to revaluation of available-for-sale investments	**1,478**	406

Deferred income tax relates to the following origination and reversal of temporary differences:

	Balance sheet		Income statement	
	30 June	31 December	**Six months ended 30 June**	
	2007	2006	**2007**	2006
Provision for impairment losses on loans and advances and other assets	**1,541**	1,481	**(60)**	(293)
Amortisation and interest recognition for short term debt securities	**—**	—	**—**	(541)
Revaluation of available-for-sale investments	**471**	(1,007)	**—**	—
Changes in fair value of financial instruments at fair value through profit or loss	**(2,034)**	(1,776)	**258**	404
Others	**171**	(147)	**(318)**	(312)
Net deferred income tax assets/ (liabilities)	**149**	(1,449)		
Deferred income tax credit			**(120)**	(742)

9.3.10. *Dividends*

	Six months ended 30 June	
	2007	2006
Dividends on ordinary shares declared and paid: — Final dividend for 2006: RMB0.016 per share (2005: RMB0.014 per share)	**5,344**	3,537
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June): — Interim dividend for 2006: RMB0.065 per share	**—**	18,593

9.3.11. *Earnings Per Share Attributable to Equity holders of the Bank*

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2007	2006
Earnings:		
Profit for the period attributable to equity holders of the Bank	**41,036**	25,399
Shares:		
Weighted average number of shares in issue (million)	**334,019**	256,710
Earnings per share (RMB yuan)	**0.12**	0.10

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

9.3.12. *Financial Investments*

	30 June 2007	31 December 2006
Receivables	**1,141,038**	1,106,163
Held-to-maturity debt securities	**1,406,324**	1,228,937
Available-for-sale investments	**517,581**	504,542
	3,064,943	2,839,642

9.3.13. *Segment Information*

Segment information is presented in respect of the Group's business and geographical segments. The Group managed its business both by business segment, which mainly includes corporate banking, personal banking and treasury operations, and geographical segment. Accordingly, both business segment information and geographical segment information are presented as the Group's primary segment reporting formats.

The measurement of segment assets and liabilities and segment revenues and results is based on the Group's accounting policies.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expenses arising on internal charges and transfer pricing adjustments are referred to as "internal net interest income/expenses". Interest income and expenses relating to third parties are referred to as "external net interest income/expenses".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) *Business segments*

The Group comprises the following main business segments:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations. The treasury conducts money market or repurchase transactions, debt instruments investments, and holding of derivative positions, for its own accounts or on behalf of customers.

Others

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

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2007					
External net interest income/(expenses)	**70,428**	**(14,757)**	**46,538**	**—**	**102,209**
Internal net interest income/(expenses)	**(18,017)**	**44,601**	**(26,584)**	**—**	**—**
Net fee and commission income	**5,440**	**9,354**	**74**	**—**	**14,868**
Other operating income/(loss), net	**1,047**	**—**	**(1,930)**	**825**	**(58)**
Operating income	**58,898**	**39,198**	**18,098**	**825**	**117,019**
Operating expenses	**(19,919)**	**(17,361)**	**(4,594)**	**(1,148)**	**(43,022)**
Provision for impairment losses on:					
Loans and advances to customers	**(14,251)**	**(518)**	**—**	**—**	**(14,769)**
Others	**(289)**	**(204)**	**(54)**	**(85)**	**(632)**
Operating profit/(loss)	**24,439**	**21,115**	**13,450**	**(408)**	**58,596**
Share of profits and losses of associates	**—**	**—**	**—**	**7**	**7**
Profit/(loss) before tax	**24,439**	**21,115**	**13,450**	**(401)**	**58,603**
Income tax expense					**(17,213)**
Profit for the period					**41,390**
Other segment information:					
Depreciation	**1,741**	**1,995**	**439**	**100**	**4,275**
Amortisation	**184**	**312**	**63**	**18**	**577**
Capital expenditure	**747**	**881**	**194**	**44**	**1,866**
As at 30 June 2007					
Segment assets	**3,260,584**	**722,937**	**4,301,004**	**16,517**	**8,301,042**
Of which: Loans and advances to customers	**3,243,991**	**671,615**	**—**	**—**	**3,915,606**
Less: Allowance for impairment losses	**93,452**	**11,087**	**—**	**—**	**104,539**
	3,150,539	**660,528**	**—**	**—**	**3,811,067**
Investments in associates	**—**	**—**	**—**	**125**	**125**
Total assets	**3,260,584**	**722,937**	**4,301,004**	**16,642**	**8,301,167**
Segment liabilities	**3,447,027**	**3,399,335**	**939,379**	**12,704**	**7,798,445**
Other segment information:					
Credit commitments	**611,582**	**98,915**	**—**	**—**	**710,497**

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2006					
External net interest income/(expenses)	56,612	(16,133)	36,168	—	76,647
Internal net interest income/(expenses)	(17,727)	41,555	(23,828)	—	—
Net fee and commission income	3,685	4,186	(5)	—	7,866
Other operating income/(loss), net	1,047	71	(430)	549	1,237
Operating income	43,617	29,679	11,905	549	85,750
Operating expenses	(16,116)	(14,763)	(3,017)	(800)	(34,696)
Provision for impairment losses on:					
Loans and advance to customers	(10,663)	(982)	—	—	(11,645)
Others	(400)	—	29	(202)	(573)
Operating profit/(loss)	16,438	13,934	8,917	(453)	38,836
Share of profits and losses of associates	—	—	—	5	5
Profit/(loss) before tax	16,438	13,934	8,917	(448)	38,841
Income tax expense					(13,199)
Profit for the period					25,642
Other segment information:					
Depreciation	2,103	2,344	460	96	5,003
Amortisation	302	215	37	9	563
Capital expenditure	745	812	159	33	1,749
As at 31 December 2006					
Segment assets	3,059,987	642,691	3,799,188	6,758	7,508,624
Of which: Loans and advances to customers	3,043,278	587,893	—	—	3,631,171
Less: Allowance for impairment losses	86,346	10,847	—	—	97,193
	2,956,932	577,046	—	—	3,533,978
Investments in associates	—	—	—	127	127
Total assets	3,059,987	642,691	3,799,188	6,885	7,508,751
Segment liabilities	3,168,662	3,371,670	492,996	4,422	7,037,750
Other segment information:					
Credit commitments	605,017	89,477	—	—	694,494

(b) *Geographical segments*

The Group operates principally in Mainland China with branches located in 35 provinces, autonomous regions and municipalities directly under the Government. The Group also has branches and subsidiaries operating outside Mainland China in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London and Almaty.

In presenting information on the basis of geographical segment, operating income and expenses are based on the location of the branches that generate the revenue and incur the expenses. Segment assets and capital expenditure are allocated based on the geographical locations of the underlying assets.

The details of the geographical segments are as follows:

(i) Head Office: including the head office business division;

(ii) Yangtze River Delta: including Shanghai, Zhejiang, Jiangsu and Ningbo;

(iii) Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

(iv) Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

(v) Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

(vi) Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia;

(vii) Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian; and

(viii) Overseas and others: branches located outside Mainland China, including Hong Kong, Macau, Singapore, Seoul, Busan, Tokyo, Frankfurt, Luxembourg; and subsidiaries including Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial International Capital Limited, ICEA Finance Holdings Limited, ICBC (London) Limited, JSC Industrial and Commercial Bank of China, ICBC (Luxembourg) S.A. and ICBC Credit Suisse Asset Management Co., Ltd.

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-western China	Overseas and others	Eliminations	Total
Six months ended 30 June 2007										
External net interest income	51,823	17,629	8,852	3,747	6,842	8,980	2,028	2,308	—	102,209
Internal net interest income/(expenses)	(34,269)	4,972	4,157	13,684	4,646	4,397	3,057	(644)	—	—
Net fee and commission income	719	2,891	2,603	2,743	1,924	2,203	1,026	759	—	14,868
Other operating income/(loss), net	(2,389)	354	391	236	293	379	285	393	—	(58)
Operating income	15,884	25,846	16,003	20,410	13,705	15,959	6,396	2,816	—	117,019
Operating expenses	(4,922)	(7,581)	(5,199)	(6,858)	(6,690)	(7,270)	(3,688)	(814)	—	(43,022)
Provision for impairment losses on:										
Loans and advances to customers	(410)	(3,515)	(2,892)	(3,095)	(2,074)	(2,461)	(300)	(22)	—	(14,769)
Others	—	(48)	(57)	(55)	(121)	(156)	(190)	(5)	—	(632)
Operating profit	10,552	14,702	7,855	10,402	4,820	6,072	2,218	1,975	—	58,596
Share of profits and losses of associates	6	—	—	—	—	—	—	1	—	7
Profit before tax	10,558	14,702	7,855	10,402	4,820	6,072	2,218	1,976	—	58,603
Income tax expense										(17,213)
Profit for the period										41,390
Other segment information:										
Depreciation	458	690	538	720	687	733	422	27	—	4,275
Amortisation	156	96	32	63	95	80	28	27	—	577
Capital expenditure	629	250	203	241	187	209	89	58	—	1,866
As at 30 June 2007										
Segment assets	4,522,195	1,693,602	1,065,045	2,023,982	988,690	1,043,538	517,230	274,317	(3,827,706)	8,300,893
Of which: Loans and advances to customers	235,840	1,003,397	562,635	692,988	506,565	579,863	204,132	130,186	—	3,915,606
Less: Allowance for impairment losses	1,433	18,145	14,415	18,696	14,762	19,025	17,066	997	—	104,539
	234,407	985,252	548,220	674,292	491,803	560,838	187,066	129,189	—	3,811,067
Investments in associates	89	—	—	—	—	—	—	36	—	125
Unallocated assets										149
Total assets										8,301,167
Segment liabilities	3,955,773	1,649,879	1,050,127	2,046,508	1,006,596	1,063,313	569,364	268,135	(3,827,706)	7,781,989
Unallocated liabilities										16,456
Total liabilities										7,798,445
Other segment information:										
Credit commitments	131,450	178,042	71,408	146,628	51,441	52,118	15,351	64,059	—	710,497

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-western China	Overseas and others	Eliminations	Total
Six months ended 30 June 2006										
External net interest income	37,138	13,122	5,855	2,724	6,222	7,208	2,095	2,283	—	76,647
Internal net interest income/(expenses)	(30,637)	4,070	3,748	13,103	3,870	4,074	2,286	(514)	—	—
Net fee and commission income	375	1,713	1,112	1,371	1,229	1,149	535	382	—	7,866
Other operating income/(loss), net	718	178	(24)	(21)	260	(52)	3	175	—	1,237
Operating income	7,594	19,083	10,691	17,177	11,581	12,379	4,919	2,326	—	85,750
Operating expenses	(3,723)	(5,909)	(4,097)	(5,581)	(5,670)	(6,135)	(2,867)	(714)	—	(34,696)
Provision for impairment losses on:										
Loans and advances to customers	(202)	(344)	(1,002)	(2,898)	(3,541)	(2,609)	(967)	(82)	—	(11,645)
Others	—	(13)	(57)	(46)	(211)	(172)	(60)	(14)	—	(573)
Operating profit	3,669	12,817	5,535	8,652	2,159	3,463	1,025	1,516	—	38,836
Share of profits and losses of associates	4	—	—	—	—	—	—	1	—	5
Profit before tax	3,673	12,817	5,535	8,652	2,159	3,463	1,025	1,517	—	38,841
Income tax expense										(13,199)
Profit for the period										25,642
Other segment information:										
Depreciation	375	769	610	830	859	973	558	29	—	5,003
Amortisation	208	49	21	68	84	78	28	27	—	563
Capital expenditure	544	252	71	283	261	232	58	48	—	1,749
As at 31 December 2006										
Segment assets	4,205,413	1,484,222	921,113	1,845,511	912,074	983,362	503,022	208,601	(3,554,694)	7,508,624
Of which: Loans and advances to customers	259,289	907,125	513,514	640,213	467,142	533,444	198,427	112,017	—	3,631,171
Less: Allowance for impairment losses	1,033	15,107	12,669	17,050	13,454	18,106	18,767	1,007	—	97,193
	258,256	892,018	500,845	623,163	453,688	515,338	179,660	111,010	—	3,533,978
Investments in associates	74	—	—	—	—	—	—	53	—	127
Total assets	4,205,487	1,484,222	921,113	1,845,511	912,074	983,362	503,022	208,654	(3,554,694)	7,508,751
Segment liabilities	3,806,740	1,459,101	909,847	1,827,843	907,456	979,484	508,779	175,359	(3,554,694)	7,019,915
Unallocated liabilities										17,835
Total liabilities										7,037,750
Other segment information:										
Credit commitments	124,432	158,164	68,919	159,544	45,045	50,603	12,270	75,517	—	694,494

9.3.14. *Derivatives*

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses such derivative financial instruments as forwards, futures, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of a business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Among the above derivative financial instruments, certain of them were designated as hedging instruments for the purpose of protecting against changes in fair value of financial instruments due to the movements in market interest rates. The following table presents the effectiveness of the hedge based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the period:

	Six months ended 30 June	
	2007	2006
Gain/(loss) arising from fair value hedge, net:		
— Hedging instruments	**76**	(205)
— Hedged items attributable to the hedged risk	**(65)**	195
	11	(10)

The Group had derivative financial instruments at the period end as follows:

	30 June 2007						
	Notional amounts with a remaining life of					**Fair values**	
	Within three months	**Over three months but within one year**	**Over one year but within five years**	**Over five years**	**Total**	**Assets**	**Liabilities**
Exchange rate contracts:							
Forward foreign exchange contracts	**161,086**	**130,661**	**51,419**	**—**	**343,166**	**1,958**	**(1,030)**
Currency option contracts purchased/written	**5,925**	**58,572**	**51,516**	**—**	**116,013**	**9,676**	**(36)**
	167,011	**189,233**	**102,935**	**—**	**459,179**	**11,634**	**(1,066)**
Interest rate contracts:							
Interest rate swap contracts	**15,328**	**15,529**	**55,509**	**35,124**	**121,490**	**1,414**	**(1,641)**
Cross-currency swap contracts	**3,010**	**66,243**	**895**	**12,651**	**82,799**	**1,178**	**(703)**
Forward rate agreements	**3,102**	**2,833**	**18,369**	**5,118**	**29,422**	**65**	**(65)**
Interest rate option contracts purchased/written	**911**	**2,246**	**1,798**	**4,020**	**8,975**	**13**	**(13)**
	22,351	**86,851**	**76,571**	**56,913**	**242,686**	**2,670**	**(2,422)**
Other derivative contracts	**67**	**—**	**—**	**—**	**67**	**1**	**(1)**
	189,429	**276,084**	**179,506**	**56,913**	**701,932**	**14,305**	**(3,489)**

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedge are set out below.

	30 June 2007						
	Notional amounts with a remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate contracts:							
Interest rate swap contracts	**119**	**1,866**	**4,324**	**870**	**7,179**	**66**	**(106)**

	31 December 2006						
	Notional amounts with a remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign exchange ontracts	78,784	92,581	4,189	487	176,041	549	(671)
Currency option contracts purchased/written	3,631	6,067	94,882	—	104,580	8,717	(20)
	82,415	98,648	99,071	487	280,621	9,266	(691)
Interest rate contracts:							
Interest rate swap contracts	6,254	23,798	41,554	31,766	103,372	1,089	(1,735)
Cross-currency swap contracts	797	1,147	1,454	2,930	6,328	123	(127)
Forward rate agreements	3,045	2,952	19,959	7,028	32,984	56	(56)
Interest rate option contracts purchased/written	564	1,197	1,742	3,297	6,800	3	(3)
	10,660	29,094	64,709	45,021	149,484	1,271	(1,921)
Other derivative contracts	79	—	—	—	79	2	(1)
	93,154	127,742	163,780	45,508	430,184	10,539	(2,613)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedge are set out below.

	31 December 2006						
	Notional amounts with a remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate contracts:							
Interest rate swap contracts	172	1,110	7,281	1,556	10,119	97	(258)
Cross-currency swap contracts	—	—	62	—	62	—	(17)
	172	1,110	7,343	1,556	10,181	97	(275)

The replacement costs and credit risk weighted amounts in respect of the above derivatives of the Group as at the balance sheet date were as follows:

Replacement costs

	30 June 2007	31 December 2006
Currency derivatives	**11,634**	9,266
Interest rate derivatives	**2,670**	1,271
Other derivatives	**1**	2
	14,305	10,539

Credit risk weighted amounts

	30 June 2007	31 December 2006
Currency derivatives	**1,887**	2,685
Interest rate derivatives	**3,493**	2,271
Other derivatives	**5**	6
	5,385	4,962

9.3.15. *Commitments and Contingent Liabilities*

(a) *Capital commitments*

At the balance sheet date, the Group had capital commitments as follows:

	30 June 2007	31 December 2006
Authorised, but not contracted for	**1,297**	2,496
Contracted, but not provided for	**619**	526
	1,916	3,022

At the balance sheet date, the Bank has entered into an agreement in relation to the acquisition of equity interests in a subsidiary at a consideration of approximately RMB149 million.

(b) *Operating lease commitments*

At the balance sheet date, the Group leased certain of its premises under operating lease arrangements. The total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	30 June 2007	31 December 2006
Within one year	**1,562**	1,387
Between the second and fifth years, inclusive	**3,419**	2,917
After five years	**1,592**	1,443
	6,573	5,747

(c) *Credit commitments*

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

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

The Group's credit commitments are predominantly granted to non-bank customers in Mainland China.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments are under the assumption that the amounts will be fully advanced. The amounts for letters of credit and guarantees represent the maximum potential losses that would be recognised at the balance sheet date if the counterparties had failed to perform as contracted.

	30 June 2007	31 December 2006
Letters of credit issued	**94,264**	74,531
Guarantees issued	**194,891**	171,205
Acceptances	**163,875**	134,684
Undrawn commitments to lend with an original maturity of:		
Within one year	**52,331**	80,812
Over one year	**106,221**	143,785
Undrawn credit card limit	**98,915**	89,477
	710,497	694,494

	30 June 2007	31 December 2006
Credit risk weighted amounts of credit commitments	**405,666**	386,513

The credit risk weighted amounts refer to the amounts computed in accordance with the rules promulgated by the CBRC and depend on the status of the counterparties and the maturity characteristics. The risk weights ranged from 0% to 100% for credit commitments.

(d) *Legal proceedings*

There were litigation cases of which the Bank and/or its subsidiaries are the defendants, which are under legal proceedings. The claimed amounts at the balance sheet date are as follows:

	30 June 2007	31 December 2006
Claimed amounts	**3,864**	3,722

In the opinion of the management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances.

(e) *Redemption commitments of government bonds*

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2007, the Bank had underwritten and sold bonds with an accumulated amount of RMB190,848 million (31 December 2006: RMB205,522 million) to the general public, and that have not yet matured or been redeemed. The management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) *Underwriting obligations*

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

	30 June 2007	31 December 2006
Underwriting obligations	**3,250**	—

10. Issue of Results Announcement and Interim Report

This Announcement will be released on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and ICBC (www.icbc.com.cn, www.icbc-ltd.com) simultaneously. The 2007 Interim Report prepared in accordance with IFRSs will be released on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and ICBC (www.icbc.com.cn, www.icbc-ltd.com), and sent to holders of H share. The 2007 Interim Report and its Summary prepared in accordance with the CASs will also be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and ICBC (www.icbc.com.cn, www.icbc-ltd.com).

This announcement has been prepared in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The Board of Directors of
Industrial and Commercial Bank of China Limited

23 August 2007

As of the issue date of this Announcement, directors of the Bank include executive directors, Jiang Jianqing, Yang Kaisheng, Zhang Furong and Niu Ximing; non-executive directors, Fu Zhongjun, Kang Xuejun, Song Zhigang, Wang Wenyan, Zhao Haiying, Zhong Jian'an and Christopher A. Cole; and independent non-executive directors, Leung Kam Chung, Antony, John L. Thornton and Qian Yingyi.