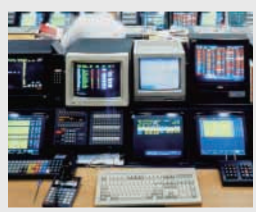
ICBC

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 Report

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Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of Industrial and Commercial Bank of China Limited ("ICBC or the "Bank") guarantee that the information in this report contains no false presentations, misleading statements 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 considered and approved at the 25th meeting of the first session of the Board of Directors 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
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 financial report contained in the interim report are authentic and complete.

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司(「中國工商銀行」)

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal representative

Jiang Jianqing

Registered address and office address

No. 55 Fuxingmennei Avenue,
Xicheng District, Beijing, China
Postal Code:100032
Internet Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorised representatives

Yang Kaisheng, Pan Gongsheng

Secretary to the Board

Pan Gongsheng

Contact address:	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone:	86-10-66108608
Facsimile:	86-10-66106139
E-mail:	ir@icbc.com.cn

Qualified accountant

Yeung Manhin

Selected newspapers for disclosure

A-share:	China Securities Journal, Shanghai Securities News, Securities Times, Financial News
H-share:	Hong Kong Economic Journal, Hong Kong Commercial Daily, Hong Kong Economic Times, South China Morning Post

Website designated by China Securities Regulatory Commission ("CSRC") for publication of interim report in respect of A-shares

www.sse.com.cn

Website of The Stock Exchange of Hong Kong Limited ("SEHK") for publication of interim report in respect of H-shares

www.hkex.com.hk

Legal advisors

Mainland China

King & Wood Law Firm
40/F, Office Tower A, Beijing Fortune Plaza,
7 East 3rd Ring Middle Road, Chaoyang District,
Beijing, China

Hong Kong, China

Linklaters
10/F, Alexandra House, Chater Road, Central,
Hong Kong

Compliance advisors

China International Capital Corporation (Hong Kong) Limited
Merrill Lynch Far East Limited

Share Registrars

A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building,
No. 166 Lujiazuidong Road,
Pudong New District, Shanghai, China

H-share:

Computershare Hong Kong Investor Services Limited
1806–1807, 18/F, Hopewell Center,
183 Queen's Road East, Wanchai,
Hong Kong

Place where copies of this Interim Report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A-shares:

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H-shares:

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Other relevant information of the Bank

Date of change of registration: 3 April 2007
Registration authority: State Administration for Industry and Commerce, The People's Republic of China
Corporate business license number: 1000001000396
Financial license institution number: B0001H111000001
Tax registration certificate number:
Jing Guo Shui Xi Zi 110102100003962
Di Shui Jing Zi 110102100003962000

Name and address of Auditors

Domestic auditors:

Ernst & Young Hua Ming
Level 16, Ernst & Young Tower (Tower E3),
Oriental Plaza, No.1 East Chang An Avenue,
Dongcheng District, Beijing, China

International auditors:

Ernst & Young
18/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

This report is prepared in both Chinese and English languages. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Financial Highlights

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

Major Financial Indicators

	January–June 2007	January–June 2006	January–December 2006
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(1) (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(2)	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

Notes:

(1) Please refer to note 13 to the Financial Statements: Earnings Per Share Attributable to Equity Holders of the Bank.

(2) For the risk weighted assets and market risk capital adjustment, please refer to the "Management Discussion and Analysis, Capital Adequacy Ratio".

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

	30 June 2007	31 December 2006	31 December 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
Per Share Data (in RMB)			
Net Assets Per Share(11)	1.49	1.40	1.03

Note: * indicates annualized ratio.

(1) Percentage of profit after tax as a percentage of the average balance of total assets at the beginning and end of the reporting 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 the CSRC.

(3) It is calculated by the spread between average yield on daily average balance of 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 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 (less business tax and surcharges) by operating income.

(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 allowance for impairment losses on loans and advances to customers by total balance of NPL.

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

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

(11) 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.

Chairman's Statement

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. Our cost-to-income ratio remained at a relatively low level of 31.09%. 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 remarkable performance in the first half of the year was attributable to the market opportunities arising from the healthy and rapid growth of China's economy, the accelerated development of our operational reforms, the rapid growth of our new businesses and the improvement in risk management. During the first half of the year, the moderate growth and optimization of the loan portfolio of the Bank, together with widened investment channels, larger transaction volume as well as the growth of deposit-taking business at a relatively low cost contributed to the strong growth of net interest income by more than 30% and an increase of net interest margin by 0.28 percentage point compared to the same period last year. Our intermediary business and market expansion achieved remarkable breakthrough with fee and commission income amounting to RMB14,868 million, representing a growth of 89.0% compared to the same period last year. Such fee and commission income also accounted for 12.71% of operating income, representing an increase of 3.54 percentage points compared to the same period last year. Quality of assets was further improved with non-performing loans ("NPL") decreased by RMB9,084 million compared to the same period last year and hence reduced NPL ratio to 3.29%. Allowance to NPL was increased by 10.69 percentage points to 81.25%. All lines of businesses of the Bank were growing on a stable, rapid and healthy trend.

Corporate governance of the Bank was further improved in the first half of the year. The Articles of Association as well as the Procedural Rules of the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors were revised in accordance with the relevant regulatory requirements to ensure that decision-making, execution and supervision are conducted in a systematic manner. The Bank furthered its cooperation with its strategic investors in the areas of risk management and product development. The Bank has fully deployed its new human resources management system which is tailored to the development needs of a modern financial institution, and the Bank has further improved its streamlined management platform for its branches and its centralized reformation of financial management. Our efforts in providing all-round training for staff has resulted in perpetual success. The Bank managed to maintain and extend its technological advantages. The Bank accelerated the reform of operational procedures and the integration of distribution channels and gradually improved the systems for the provision services to different target groups, and as a result the Bank's efficiency and competitiveness improved conspicuously.

The Bank's strong growth momentum in the first half of the year laid a solid foundation for the achievement of annual operational plans. In the second half of the year, the Bank will attach even more importance to the opportunities for business reform and innovation presented by the rapid growth in the financial markets and will proactively develop business which is linked to financial markets. In addition, the Bank will also pay attention to the business opportunities resulting from the potential changes in the regulatory environment of the domestic financial markets and the development in global emerging markets, and will progressively push forward its objectives of efficient operations and international development. The Bank is also supportive of the changes in the State's policies in relation to environmental protection and energy, and it will fulfil its social responsibilities in earnest by formulating and implementing more responsive, thorough and environmentally-friendly credit policies and with a view to preventing credit risks. The Bank will enhance its service standards and increase its efforts in building up a comprehensive and modern system for its customer services in order to further strengthen its core competitiveness. The Bank attached great importance to market value and its relationship with investors, and will further increase transparency so as to safeguard the interests of shareholders and investors. In summary, the Bank will seize the significant opportunities presented by the rapid social and economic development of China and create the highest value for shareholders, customers and employees through sheer determination and diligence, and it will never cease its efforts in developing itself into a modern, first-class financial institution in the world.

Jiang Jianqing
Chairman
23 August 2007

President's Statement

ICBC has continued to share with you the opportunities and achievements of China's economic growth during the first half of 2007. On behalf of the senior management, I am very pleased to inform the investors and members of the general public who are interested in ICBC of the operating results of the Bank during the first half of the year, and to express my gratitude to all parties concerned for their trust and support.

The Bank's profitability has gathered rapid upward momentum. The Group's profit after tax amounted to RMB41.39 billion, representing an increase of RMB15,748 million or 61.4% compared to the same period last 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 point 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 develop 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 point 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 point 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.

Yang Kaisheng
President
23 August 2007

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

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 Lockup 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 other domestic investors	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	0	334,018,850,026	100.0

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 PRC ("MOF"), Central SAFE Investments Limited ("Huijin") and the National Council for Social Security Fund of the PRC ("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 shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or under commitment.

DATES ON WHICH SHARES SUBJECT TO RESTRICTIONS ON SALES BECOME TRADABLE

Unit: Share

Date	Number of shares tradable at the expiry of lock-up period	Outstanding number of shares subject to restrictions on sales	Outstanding number of shares not subject to restrictions on sales	Remarks
27 October 2007	12,900,888,000	277,183,845,026	43,934,117,000	A-share strategic investors and H-share corporate placement
27 April 2008	2,884,610,000	274,299,235,026	56,835,005,000	A-share strategic investors
28 April 2009	12,092,368,700	262,206,866,326	59,719,615,000	Goldman Sachs, Allianz, American Express
29 June 2009	7,051,074,779	255,155,791,547	71,811,983,700	SSF
20 October 2009	19,143,443,483	236,012,348,064	78,863,058,479	Goldman Sachs, Allianz, American Express, SSF
27 October 2009	236,012,348,064	0	98,006,501,962	A-shares held by MOF and Huijin

The A-share held by MOF and Huijin will not be subject to the 36-month lock-up period after receiving approval of conversion into H-shares from relevant authorities.

PARTICULARS OF TOP 10 HOLDERS OF SHARES SUBJECT TO RESTRICTIONS ON SALES

Unit: Share

No.	Name of holders of shares subject to restrictions on sales	Type of shares	Shares subject to restrictions on sales	Date on which shares become tradable	Number of tradable shares
1	MOF	A-share	118,006,174,032	27 October 2009	118,006,174,032
2	Huijin	A-share	118,006,174,032	27 October 2009	118,006,174,032
3	SSF	H-share	14,102,149,559	29 June 2009 20 October 2009	7,051,074,779 7,051,074,780
4	Goldman Sachs	H-share	16,476,014,155	28 April 2009 20 October 2009	8,238,007,077 8,238,007,078
5	Dresdner Bank Luxembourg S.A. (Allianz Group holds shares in the Bank through its wholly-owned subsidiary, Dresdner Bank Luxembourg S.A.)	H-share	6,432,601,015	28 April 2009 20 October 2009	3,216,300,507 3,216,300,508
6	American Express	H-share	1,276,122,233	28 April 2009 20 October 2009	638,061,116 638,061,117
7	Kuwait Investment Authority	H-share	1,824,104,000	27 October 2009	1,824,104,000
8	China Life Insurance (Group) Company	H-share	1,433,224,000	27 October 2009	1,433,224,000
9	China Life Insurance (Group) Company	A-share	641,025,000	27 October 2009 27 April 2008	320,512,500 320,512,500
10	China Life Insurance Company Limited	A-share	641,025,000	27 October 2009 27 April 2008	320,512,500 320,512,500
11	China Pacific Life Insurance Co., Ltd.	A-share	641,025,000	27 October 2009 27 April 2008	320,512,500 320,512,500

Number of Shareholders and Particulars of Shareholding of the Substantial Shareholders (Shareholding of holders of H shares is determined on the basis of the number of shares set out in the Bank's register of shareholders maintained at the H-share registrar)

Number of shareholders and particulars of shareholding of the top 10 shareholders of ICBC

Unit: Share

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

Particulars of shareholding of the top 10 shareholders (The following data is based on the shareholders registered 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.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS NOT SUBJECT TO RESTRICTIONS ON SALES (THE FOLLOWING DATA IS BASED ON THE 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	34,211,245,220	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.

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.

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.

Interests in Shares, Underlying Shares, and Debentures Held by Substantial Shareholders and Other Persons

1. Director's Interests

As of 30 June 2007, the following director(s) or supervisor(s) of ICBC had interests or short positions in the shares, underlying shares or debentures of ICBC or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which have to be notified to ICBC and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance, or any interests or short positions which have to be notified to ICBC and SEHK pursuant to Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

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

2. Substantial shareholders and persons having interests or short positions that are disclosable pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As of 30 June 2007, ICBC had been informed by the following persons that they had interests or short positions in the shares or underlying shares of ICBC as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance:

HOLDER OF A-SHARES

Name of Substantial shareholder	Capacity	Number of A Share Held	Nature of Interest	Approximate Percentage of Issued A Shares (%)	Approximate Percentage of Total Issued Shares (%)
MOF	Beneficial owner	118,006,174,032	Long position	47.0	35.3
Huijin	Beneficial owner	118,006,174,032	Long position	47.0	35.3

HOLDER OF H-SHARES

Name of Substantial shareholder	Capacity	Number of H Share Held	Nature of Interest	Approximate Percentage of Issued H Shares (%)	Approximate Percentage of Total Issued Shares (%)
SSF[1]	Beneficial owner	17,503,114,559	Long position	21.1	5.2
Goldman Sachs[2]	Beneficial owner	16,476,014,155	Long position		
	Interest of controlled corporations	369,101,477	Long position		
	Total	16,845,115,632		20.3	5.0
Allianz	Interest of controlled corporations	7,336,585,122	Long position	8.8	2.2
	Interest of controlled corporations	696,401,107	Short position	0.8	0.2

Notes: (1) According to the register of shareholders as of 30 June 2007, SSF held 14,102,149,559 shares in ICBC.

(2) According to the register of shareholders as of 30 June 2007, Goldman Sachs held 16,476,014,155 shares in ICBC.

Directors, Supervisors, Senior Management and Basic Information on Employees

Brief Particulars of 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 supervisors representing the shareholders, 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 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 "Details of Changes in Share Capital and Shareholding of Substantial Shareholders: Interests in Shares, Underlying Shares, and Debentures Held by Substantial Shareholders and Other Persons — 1. Director's Interests", 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.

Appointment and Removal

During the reporting period, a resolution was passed at the 2006 Annual Shareholders' Meeting held on 12 June 2007 to appoint Mr. Xu Shanda and Mr. Chen Xiaoyue as independent non-executive directors of the 1st Session of the Board of Directors. The qualifications of Mr. Xu Shanda and Mr. Chen Xiaoyue are subject to the approval of China Banking Regulatory Commission ("CBRC"), and the appointment shall come into effect after the approval is obtained.

No director, supervisor or member of the senior management resigned during the reporting period.

Information on Employees and Branches

The comprehensive reform on human resource management system was initiated across the whole Bank. The reform is focused on the position management system, and aimed at integrating the title management system, the performance assessment system and the remuneration management system as well as optimizing the employee promotion mechanism on the basis of the restructured position management system and improving the remuneration and incentive mechanism on the basis of a complete performance assessment system.

As of 30 June 2007, the Bank had 346,094 employees, representing a decrease of 5,354 persons from the end of 2006. The Bank had 16,807 domestic institutions, a decrease of 190 from 2006, and 98 institutions abroad.

Economic, Financial and Regulatory Environments

In the first half of 2007, China's economy continued to maintain fast and steady growth. Its GDP reached RMB10.7 trillion, an increase of 11.5% or 0.5 percentage point over the same period of the previous year. Industrial outputs grew more rapidly, and corporate profits continued to increase significantly. Investment growth continued at a high speed, with total social investment in fixed assets increasing by 25.9% to RMB5.4 trillion, a drop of 3.9 percentage points in the growth rate over same period of last year. With the steady quickening in the pace of growth of market sales, CPI index experienced a structural increase. The retail sales of social consumables rose by 15.4% to RMB4.2 trillion, hitting a record high of growth since 1997. International trade increased quickly, and the utilization of foreign capital, grew steadily. The total value of imports and exports was USD980.9 billion, a year-on-year increase of 23.3%. Monetary credits continued to expand at a steady rate, while the pace of growth residents' savings slowed down. However, the institutional and structural conflicts remained an important issue in the economic run, especially the imbalanced balance of payments, the sharp increase of food price and the huge pressure on energy-saving and emission reduction.

In the first half 2007, to ensure the steady economic development, the government further strengthened and improved macroeconomic control initiatives , and the People's Bank of China ("PBOC") maintained a moderately tight monetary policy. Various monetary initiatives were adopted to guide the rational growth of monetary credits and achieve an overall balance. PBOC continued enhancing and improving liquidity management, and raised the RMB deposit reserve ratio of financial institutions five times on 15 January, 25 February, 16 April, 15 May and 5 June, respectively from 9.0% to 11.5%. To give full performance to the leveraging effect of interest rates, PBOC raised the benchmark interest rates of RMB deposits and loans for financial institutions thereon 18 March and 19 May, and the benchmark interest rate of 1-year RMB deposits increased from 2.52% to 3.06%, and that of 1-year RMB loans increased from 6.12% to 6.57%. On 9 March and 11 May, PBOC issued earmarked PBOC bills, enhancing the efforts of open market operations.

Experiencing a series of fluctuations, the elasticity of RMB exchange rates was enhanced. As of 30 June 2007, the exchange rate of the RMB against the USD stood at 7.6155:1, representing an appreciation of 6.09% since the reform of RMB exchange rate regime, when the exchange rate was 8.11:1. Appreciation of the RMB has reached 2.47% even as compared with the beginning of 2007. With the implementation of market-based interest rates, Shanghai Interbank Offered Rate ("SHIBOR") was put into operation since 4 January, gradually establishing its status as a benchmark. The number of financial products linked to SHIBOR is increasing.

In the first half of 2007, the growth of monetary credits kept in pace with that of the economy, and the overall finance operation was steady. The outstanding balance of M2 was RMB37.78 trillion, a year-on-year increase of 17.1%; while the outstanding balance of M1 was RMB13.58 trillion, an increase of 20.9%. The balance of deposits and loans in financial institutions reached RMB38.21 trillion and RMB26.49 trillion, a year-on-year increase of 15.3% and 16.3%, respectively. The foreign exchange reserves hit USD1.33 trillion, a year-on-year increase of 41.6%. The financial transactions market was active and enlarged the market scope and penetration and improved the market functions. The money market reported adequate liquidity and rising interest rates. The accumulative transactions in the inter-bank offering market amounted to RMB2.9 trillion, an increase of 312.7% over the same period of the previous year. Prices in the inter-bank bond market remained steady with a slight decline. The overall yield curve shifted up, showing an intensifying trend. RMB bonds amounting to a total of RMB3.6 trillion were issued, representing an increase of 18.3% over the same period of the previous year. In the first half of the year, funds amounting to RMB249.7 billion were funded through offering, additional issuance and placement on the domestic and overseas stock markets, hitting a record high and representing a year-on-year increase of 73.2%; of which RMB191.3 billion was financed through A share offering, representing a year-on-year increase of 4.2 times, and USD6.0 billion was financed through H share issues. Transactions in the secondary markets were active and the stock price index increased in fluctuations. The accumulative trading volume on the Shenzhen and Shanghai stock exchanges amounted to RMB23.7 trillion, hitting a new record high and representing a year-on-year increase of RMB19.9 trillion and 2.6 times of that of the whole year of 2006. Daily trading volume averaged at RMB202.7 billion, a year-on-year increase of 5.2 times. The stock market increased the dispersion of residents' deposits, and the size of fund markets continued to expand. During the first half of the year, tranche amounting to RMB638 billion established during the issuance of 29 securities investment funds, representing a year-on-year increase of RMB683.1 billion. The investment and wealth management awareness of residents continued to strengthen; and their demand for wealth management products was increased.

The development of macro-economy and financial markets poses stricter requirements on risk management of the banking industry; meanwhile, it also brings about huge growth opportunities for product innovation and business development of the Bank.

Financial Statement Analysis and Prospects

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%.

CHANGES OF KEY INCOME STATEMENT ITEMS

in RMB millions, except for percentages

Item	January–June, 2007	January–June, 2006	Increase/ decrease	Growth rate (%)
Net interest income	102,209	76,647	25,562	33.4
Non-interest income	14,810	9,103	5,707	62.7
Operating income	117,019	85,750	31,269	36.5
Less: operating expenses	43,022	34,696	8,326	24.0
Less: provisions for impairment losses on assets	15,401	12,218	3,183	26.1
Operating profit	58,596	38,836	19,760	50.9
Share of profits and losses of associates	7	5	2	40.0
Profit before tax	58,603	38,841	19,762	50.9
Less: income tax expense	17,213	13,199	4,014	30.4
Profit after tax	41,390	25,642	15,748	61.4
Attributable to: equity holders of the Bank	41,036	25,399	15,637	61.6
minority interests	354	243	111	45.7

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. The average yield and average cost are annualized.

in RMB millions, except for percentages

Item	January–June 2007			January–June 2006		
	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 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.

The table below indicates changes in interest income and expense brought by changes in volume and interest rates.

in RMB millions, except for percentages

Item	Comparison between January–June 2007 and January–June 2006		
	Increase/(decrease) due to		Net increase/
	Volume	Rate	(decrease)
Assets			
Loans and advances to customers	11,370	8,985	20,355
Investment securities:	10,197	2,015	12,212
Investment securities not related to restructuring	10,470	2,069	12,539
Investment securities related to restructuring	(273)	(54)	(327)
Due from central banks	1,810	79	1,889
Due from banks and other financial institutions	409	621	1,030
Changes in interest income	**23,786**	**11,700**	**35,486**
Liabilities			
Customer deposits	4,281	2,359	6,640
Due to banks and other financial institutions	3,538	(276)	3,262
Subordinated bonds	—	22	22
Changes in interest expense	**7,819**	**2,105**	**9,924**
Changes in net interest Income	**15,967**	**9,595**	**25,562**

Note: Changes in volume are measured by changes in average balances, while changes in rates are measured by changes in average rates. Changes due to the combination of volume and rate have been allocated to changes in volume.

• 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% for the year 2006. The Bank's profitability of asset and liability business was improved remarkably.

Due to the twice increases of benchmark interest rate by PBOC and the improvement of quality and structure of customer loans, the average yield on 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 the investment securities portfolios. The above-mentioned 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 on 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 of interest-bearing liabilities. The remarkable increase in average yield of interest-generating assets far exceeded that in the average cost on interest-bearing liabilities, therefore, the Bank's net interest spread and net interest margin were both raised.

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 the 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 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 Loans and Advances to Customers

Interest income from loans and advances to customers constituted the largest 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 main reason for the growth was primarily attributable to the increase in the average yield of loans and advances to customers from 5.28% in the first half of 2006 to 5.81% and the increase of 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 was improved, and loans to small enterprises and personal business 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 loans and advances to customers 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 loans and advances to customers 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 LINES

in RMB millions, except for percentages

Item	January–June 2007			January–June 2006		
	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 loans and advances to customers	**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 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 of corporate loans 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 customer 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 rare 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 discount rate to interest rate of the money market, completed the transition to floating interest rates and thereby allowing the 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 the 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 increase of the average yield were: (1) PBOC raised the benchmark interest rate twice; (2) personal business loans, which had a higher interest rate than other personal loans, took up a higher proportion in 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 increased the proportion of loans denominated in HK dollars, the interest rate of which was generally lower than that 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. The income from investment securities principally included the interest income from available-for-sale debt securities, held-to-maturity debt securities and investment securities relating to financial restructuring.

Interest income from investment securities increased 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 relating 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 took upon an upward trend; (2) with intensified market analysis and study, the Bank further improved the maturity structure and product variety of investment portfolios under the precondition of effective control over interest rate risks. Interest income from investment securities relating to restructuring decreased by RMB327 million or 2.7%. It was mainly because MOF repaid RMB11,126 million principal of the amount due from MOF during the reporting period, resulting in a fall in the average balance and a decrease in the average yield.

• Interest Income from Amounts Due from Central Banks

The interest-generating balances with the central bank principally included the 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 both ICBC's customer deposits increased and PBOC has increased the mandatory reserve ratio five times in the first half of the year, thereby the average balance of due from the 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 the mandatory reserve deposited with central banks, the interest rate of which was generally higher than that of other amounts due from the central banks.

• Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from the amounts due from banks and other financial institutions reached RMB4,655 million, representing an increase of RMB1,030 million or 28.4% over the same period of the previous year. It was principally because that 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% in the first half of 2006 to 3.83%, an increase of 56 basis points during the first half of 2007. The growth of 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 that PBOC increased benchmark interest rates for time deposits twice while the benchmark interest rates for demand deposits were not changed and most new deposits were demand 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 the 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 were lower than that of the 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 coupon rate of subordinated bonds issued in 2005 floated on the basis of inter-bank 7-day weighted average repo rate of money market, which grew slightly over the first half of 2006. Please refer to Note 28 to the Financial Statements: Subordinated Bonds for details of the subordinated bond issuance.

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.

COMPOSITION OF NON-INTEREST INCOME/(LOSS)

in RMB millions, except for percentages

Item	January–June 2007	January–June 2006	Increase/ decrease	Growth rate (%)
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
Other non-interest income/(loss)	(58)	1,237	(1,295)	-104.7
Total	**14,810**	**9,103**	**5,707**	**62.7**

Net fee and commission income reached RMB14,868 billion, representing an increase of 89.0%, accounting for 12.71% of net operating income, representing an increase of 3.54 percentage points over the same period of the previous year. The growth indicated the achievements that ICBC acquired by implementing the strategy of diversifying profit structures, boosting innovation of service business and expanding channels of intermediary business. Wealth management, trust and other fiduciary activities, and e-banking services reported a sharp 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 income increased by RMB4,303 million or 310.5% over the same period of the previous year to RMB5,689 million. It is mainly because that ICBC seized the development opportunities in the capital market 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 fast growth of wealth management services income.

Income of 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 mainly 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, which promoted 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	Not applicable
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 of loss in the valuation of foreign exchange exposure caused by continuing RMB appreciation. ICBC adopted diversified methods including foreign exchange settlement and swaps to reduce exposure, and proactively made use of various investment instruments, accomplishing a net trading income RMB932 million and a net gain of RMB161 million from financial investments.

Operating Expenses

OPERATING EXPENSES

in RMB millions, except for percentages

Item	January–June 2007	January–June 2006	Increase/ decrease	Growth rate (%)
Staff costs	21,819	14,685	7,134	48.6
Supplementary retirement benefits	0	389	(389)	-100.0
Premises and equipment expenses	6,899	7,203	(304)	-4.2
Other administrative expenses	5,314	4,564	750	16.4
Business tax and surcharges	6,638	5,368	1,270	23.7
Amortization	577	563	14	2.5
Others	1,775	1,924	(149)	-7.7
Total	**43,022**	**34,696**	**8,326**	**24.0**
Cost-to-income ratio (%)(1)	**31.09**	**34.20**		

Note: (1) Cost-to-income ratio equals to operating expenses (excluding business tax and surcharges) divided by operating income.

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

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

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

Provision for Impairment Losses

In the first half of 2007, provision for 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 impairment losses on loans, please refer to "Review of Balance Sheet Items — Allowance for Impairment Losses on Loans".

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 a pre-tax deduction limit 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.

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 main business segment. Please see "Management Discussion and Analysis — Business Overview" for a description of the products and business in these segments.

SUMMARY BUSINESS SEGMENTS INFORMATION

in RMB millions, except for percentages

Item	January–June 2007		January–June 2006	
	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. For classification about geographic segment, please see Note 37 to Financial Statements: Segment Information.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

in RMB millions, except for percentages

Item	January–June 2007		January–June 2006	
	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**

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, loans and advances to customers (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, the 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	30 June 2007 Amount	30 June 2007 Percentage (%)	31 December 2006 Amount	31 December 2006 Percentage (%)
Loans and advances to customers	3,915,606	—	3,631,171	—
Less: allowance for impairment losses on 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 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 in 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 LOANS BY BUSINESS LINE

in RMB millions, except for percentages

Item	30 June 2007 Amount	30 June 2007 Percentage (%)	31 December 2006 Amount	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 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 in basic facility industry and a growth in the real estate loans.

Balance of discounted bills decreased by RMB70,303 million or 17.1%, mainly because that 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 above 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 LINE

in RMB millions, except for percentages

	30 June 2007		31 December 2006	
Item	Amount	Percentage (%)	Amount	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**

• Distribution of Loans by Geographic Region

ICBC continued to improve the regional structure of credit assets, and achieved balanced and harmonious development amongst regions. Loans to the Yangtze River Delta, Pearl River Delta and the Bohai Rim region increased by 10.6%, 9.6% and 8.2%, respectively, and the growth of loans in the above regions accounted for 69.7% of the total. Loans to Western China and Central China increased by 8.7% and 8.4%, respectively. Overseas loans experienced a growth of 16.2%.

DISTRIBUTION OF LOANS BY GEOGRAPHIC REGION

in RMB millions, except for percentages

	30 June 2007		31 December 2006	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	235,840	6.0	259,289	7.1
Yangtze River Delta	1,003,397	25.6	907,125	25.0
Pearl River Delta	562,635	14.4	513,514	14.1
Bohai Rim	692,988	17.7	640,213	17.6
Central China	506,565	13.0	467,142	12.9
Northeastern China	204,132	5.2	198,427	5.5
Western China	579,863	14.8	533,444	14.7
Overseas	130,186	3.3	112,017	3.1
Total	**3,915,606**	**100.0**	**3,631,171**	**100.0**

- **Distribution of Domestic Corporate Loans by Industry**

ICBC continued to strengthen the lending to energy resources, transportation and other key infrastructure industries and basic facility industries, selectively increased the loans to 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 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 the loans to target customers in the power production industry, which met 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 the loans to the machinery industry.

In respect of the balance structure, most of the loans were made to the industries of manufacturing, transportation and logistics, power generation and supplies, and the retail, wholesale and catering, with the aggregate balance to the four industries accounting for 71.1% of all domestic corporate loans.

DISTRIBUTION OF DOMESTIC CORPORATE LOANS BY INDUSTRY

In RMB millions, except for percentage

	30 June 2007		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, hospitality, 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 service, education, public health, social security and welfare, culture, sports and entertainments, public management and social organizations.

(3) It includes the 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, the 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 all loans.

DISTRIBUTION OF LOANS BY COLLATERAL

in RMB millions, except for percentages

Item	30 June 2007 Amount	30 June 2007 Percentage (%)	31 December 2006 Amount	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**

• Distribution of Loans by Currency

As of 30 June 2007, RMB loans reached RMB3,643,884 million, accounting for 93.1% of the total loan balance, an increase of RMB248,778 million or 7.3% over the end of last year. Foreign currency loans were equivalent to RMB271,722 million, accounting for 6.9% of the total. Of which, USD loans were equivalent to RMB141,144 million, HKD loans were equivalent to RMB108,018 million, and loans in other foreign currency were equivalent to RMB22,560 million.

• Distribution of Loans by Maturity

As of 30 June 2007, loans with remaining maturity of more than one year totaled RMB2,012,054 million, accounting for 51.4% of the total loans with remaining maturity of less than one year amounted to RMB1,783,205 million, accounting for 45.5%, which were mainly composed of corporate working capital loans and discounted bills. Overdue loans reached RMB120,347 million, accounting for 3.1% and representing a decrease of 1.1 percentage points over the end of last year.

DISTRIBUTION OF LOANS BY MATURITY

in RMB millions, except for percentages

Item	30 June 2007 Amount	30 June 2007 Percentage (%)	31 December 2006 Amount	31 December 2006 Percentage (%)
Overdue[(1)]	120,347	3.1	150,736	4.2
Less than 1 year	1,783,205	45.5	1,715,193	47.2
Between 1 to 5 year	990,963	25.3	895,651	24.7
More than 5 years	1,021,091	26.1	869,591	23.9
Total	**3,915,606**	**100.0**	**3,631,171**	**100.0**

Note: (1) Loans and advances are classified as to overdue when either principal is overdue or interest is overdue for more than 90 days. For loans and advances repayable by regular instalments, only the amount of unpaid matured portion would be classified as overdue.

• Renegotiated Loans

As of 30 June 2007, renegotiated loans and advances amounted to RMB49,692 million, a decrease of RMB9,900 million or 16.6% over the end of last year. Of these loans and advances, renegotiated loans and advances overdue for more than three months totaled RMB36,623 million, a decrease of RMB11,917 million.

• Loan Concentration

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

MAJOR REGULATORY INDICATORS

	Regulatory Standards	30 June 2007	31 December 2006
Percentage of loans to the top single customer (%)	<=10.0%	3.7	3.1
Percentage of loans to top 10 customers (%)	<=50.0%	21.9	21.7

CONCENTRATION OF BORROWERS

in RMB millions, except for percentages

Borrower	Industry	Amount	Percentage of total loans (%)
Borrower A	Manufacturing	20,311	0.5
Borrower B	Transportation and logistics	16,687	0.4
Borrower C	Mining	16,030	0.4
Borrower D	Water works, environment and administration of public facilities	11,342	0.3
Borrower E	Transportation and logistics	10,430	0.3
Borrower F	Data transmission, computer services and software	10,100	0.3
Borrower G	Transportation and logistics	9,928	0.3
Borrower H	Water works, environment and administration of public facilities	9,151	0.2
Borrower I	Water works, environment and administration of public facilities	8,811	0.2
Borrower J	Transportation and logistics	7,893	0.2
Total		**120,683**	**3.1**

• **Loan Quality**

As of 30 June 2007, in accordance with the five-category classification standards, the balance of pass loans of the Bank increased by RMB345,538 million to RMB3,511,124 million, accounting for 89.67% of 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 total loan balance, representing a reduction of 1.99 percentage points. The decrease was mainly due to the enhanced management on special mention loans and the increased efforts of exit from high-risk special mention loans. The 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

	30 June 2007		31 December 2006	
Item	Amount	Percentage (%)	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 LINE

in RMB millions, except for percentage

	30 June 2007		31 December 2006	
Item	NPLs	NPL ratio (%)	NPLs	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 loans	1,144	0.88	1,332	1.19
Total	**128,661**	**3.29**	**137,745**	**3.79**

As of 30 June 2007, the 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 balance of NPLs to the transportation and logistics industry increased by RMB2,007 million, mainly due to the deterioration of some low-rating loans to the highway industry, for which the Bank has set aside adequate provisions for loan losses.

DISTRIBUTION OF CORPORATE NPLS BY INDUSTRY

in RMB millions, except for percentage

	30 June 2007		31 December 2006	
Item	NPLs	NPL ratio (%)	NPLs	NPL ratio (%)
Manufacturing	63,418	8.81	68,334	10.16
Chemicals	12,080	10.16	12,969	11.49
Machinery	9,354	10.26	9,957	12.17
Textile and apparels	6,572	8.37	6,611	9.67
Metal processing	4,487	6.16	4,280	6.84
Iron and steel	1,734	2.40	3,084	4.38
Petroleum processing	972	2.10	836	1.87
Automobile	2,753	6.72	3,109	7.93
Electronics	3,855	9.87	3,238	8.36
Cement	4,754	15.36	5,281	17.49
Others	16,857	13.04	18,969	15.32
Transportation and logistics	8,694	1.51	6,687	1.27
Power generation and supplies	5,385	1.46	6,433	1.88
Retail, wholesale and catering	21,898	7.00	25,332	9.93
Property development	9,256	3.30	9,982	4.34
Education, hospitals and other non-profit organizations	2,840	2.79	3,199	2.98
Construction	1,655	3.30	1,508	3.02
Others	5,041	1.36	5,640	1.62
Total	**118,187**	**4.25**	**127,115**	**5.02**

Allowance for Impairment Losses on Loans

As of 30 June 2007, the balance of allowance for impairment losses on 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 the last year.

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

in RMB millions

Balance at beginning of the period	**97,193**
Change for the period	14,769
Accreted interest on impaired loans	(859)
Transfer-out during 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

	30 June 2007		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, representing an increase of RMB205,609 million or 11.8% over the end of the previous year. It was primarily due to an increase in the 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.

Note: 1 The US sub-prime mortgage-backed securities is a securitization product backed with the sub-prime housing loans, and is generally 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 principal of bonds with the next lowest rating. Thus, high credit rating of the bonds in possession implies lower credit risk for the principal and lower possibility of loss.

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 effect 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 conclusion. 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

	30 June 2007		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 the principal of receivables during the reporting period.

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% over the end of the previous year. Amount of due to customers increased by RMB365,880 million or 5.8%, accounting for 48.1% of the increase of 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 of total liabilities, surpassing the increase of deposits, mainly due to the significant increase in deposits from banks and other financial institutions caused by the development of capital market and the influx of funds in connection with initial public offering.

CHANGE OF LIABILITY ITEMS

in RMB millions, except for percentages

	30 June 2007		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 last 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 of liquidity from 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 of economy. 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 half of 2007, the sales volume of personal wealth management products reached RMB438.2 billion, diverting personal deposits effectively. Please refer to the "Management Discussion and Analysis: Business Overview" for information about wealth management products and sales. Secondly, the active capital market dispersed part of personal deposits.

DISTRIBUTION OF CUSTOMER DEPOSITS BY TYPE OF DEPOSIT AND BUSINESS LINE

in RMB millions, except for percentages

	30 June 2007		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) Others mainly includes outward remittance and remittance payables.

BALANCE OF CUSTOMER DEPOSITS BY GEOGRAPHIC REGION

in RMB millions, except for percentages

	30 June 2007		31 December 2006	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	121,961	1.8	111,411	1.8
Yangtze River Delta	1,380,122	20.7	1,274,078	20.1
Pearl River Delta	871,425	13.0	833,540	13.2
Bohai Rim	1,765,434	26.4	1,676,173	26.5
Central China	922,694	13.8	877,459	13.8
Northeastern China	509,561	7.6	496,189	7.8
Western China	991,471	14.8	952,732	15.1
Overseas	129,602	1.9	104,808	1.7
Total	**6,692,270**	**100.0**	**6,326,390**	**100.0**

DISTRIBUTION OF CUSTOMER DEPOSITS BY REMAINING MATURITY

in RMB millions, except for percentages

	30 June 2007		31 December 2006	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposit(1)	3,612,025	54.0	3,190,873	50.4
Less than 3 months	898,228	13.4	1,102,816	17.5
3–12 months	1,668,096	24.9	1,453,971	23.0
1–5 years	510,828	7.6	577,387	9.1
More than 5 years	3,093	0.1	1,343	0.0
Total	**6,692,270**	**100.0**	**6,326,390**	**100.0**

Note: (1) Includes the time deposits which are payable on demand.

As of 30 June 2007, the balance of RMB deposits reached RMB6,431,885 million, representing an increase of RMB338,218 million or 5.6% over the end of last year, accounting for 96.1% of customer deposit balance. Foreign currency deposits were equivalent to RMB260,385 million, of which, USD deposits were equivalent to RMB115,177 million, HKD deposits were equivalent to RMB121,527 million, and deposits in other currencies were equivalent to RMB23,681 million.

Shareholders' Equity

CHANGES IN SHAREHOLDERS' EQUITY

in RMB millions

Item	30 June 2007	31 December 2006
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**

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 1,000 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 an 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 financial 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.

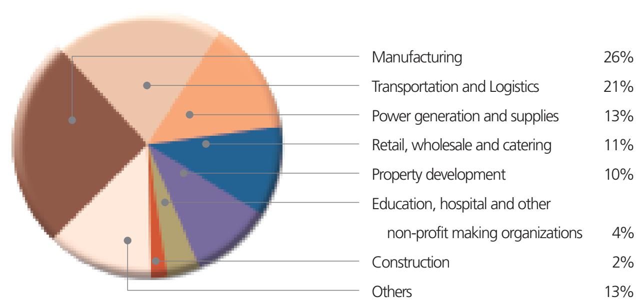
Business Overview

Corporate Banking Business

During the first half of 2007, the Bank further improved its corporate customer categorization and differentiated marketing service system, exploring individualized service mechanisms for large customers, and enhancing the standards of financial services for small and medium enterprises. In addition, the Bank expanded development in key regions, key industries and high quality small- and medium-sized customers. As of 30 June 2007, the number of our corporate banking customers reached 2.51 million. The Bank implemented its business integration strategy, soundly developing corporate credit business, actively promoting product and service innovation, and accelerating the development of intermediate businesses. The Bank stably promoted the development and application of customer relation management system, deeply analyzing and discovering demand of target customers, enhancing combined marketing and cross selling, and was dedicated to improving the standards of comprehensive financial services. While consolidating its position as the largest corporate bank in China, the Bank stably promoted the development and transformation of corporate banking business, improving sustainable growth and profitability.

Corporate Deposit and Loan Business

Balance of Corporate Loans

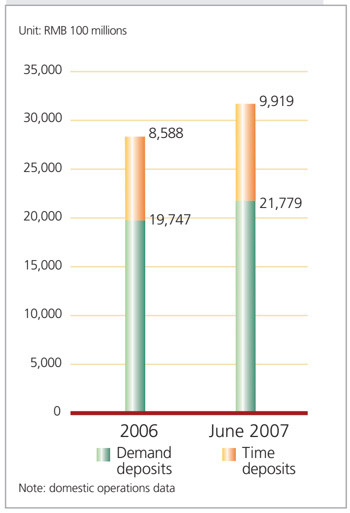


Note: domestic operations data

In the first half of 2007, while continuing to consolidate its position as the largest corporate loan bank in China, the Bank further strengthened innovation in its credit business, promoted the credit structural adjustment and improvement as well as the comprehensive, harmonious and sound development of its credit business. By grasping the opportunities of accelerated development in the Eastern area, the Bank further improved its regional credit policies in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, encouraging branches in key areas to innovate credit business actively to exploit the local high quality credit market. The Bank actively sought for business opportunities brought by the development of Western China, Central China and the revitalization of the industrial base in Northeastern China to stably expand high quality credit business, key projects and customer credit market in the Central Western and Northeastern regions. The Bank continued to strengthen credit support to key basic industries and infrastructure industries including transportation and energy, stably developed loans to real estate industry and urban construction industry, actively expanded the credit market of emerging industries such as modern manufacturing, modern logistics, environmental protection, new service, culture, education and media, and strictly controlled the credit to industries of high energy consumption, high pollution and excess capacity. The Bank further promoted the development of loans for emerging customers including small enterprises and multinational corporations, accelerated the promotion and application of trade finance products. The Bank continued to improve the credit structure and accelerated withdrawal from high-risk customers. As of 30 June 2007, the balance of domestic corporate loans was RMB2,783,019 million, accounting for 71.1% of the total balance of loans and representing an increase of RMB252,287 million from the end of the previous year.

During the first half of 2007, corporate customers improved their operating efficiency and liquidity, and the Bank actively explored the corporate deposit business. As of 30 June 2007, the balance of domestic corporate deposits was RMB3,169,819 million, representing an increase of RMB336,341 million from the end of the previous year and accounting for 47.4% of the total balance of deposits, of which the balance of demand deposits accounted for 32.6%.

Growth of Corporate Deposits



• **Banking Services for Small and Medium Enterprises**

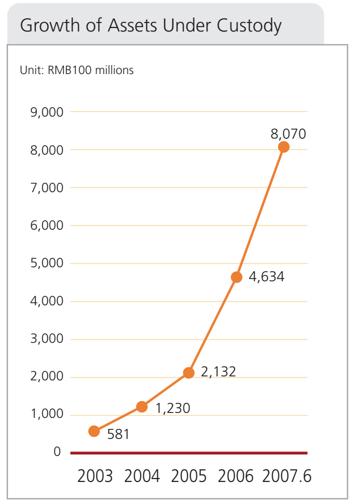
In the first half of 2007, the Bank conducted joint marketing of financial business for small and medium enterprises across the whole bank, launching the "Integrated Financial Solution for Small and Medium Enterprises", providing customers with packaged services covering credit, settlement, investment banking, property insurance, bank card, e-banking and annuity with a view to improving financial service standards for small and medium enterprises. The Bank accelerated the financial service brand construction for small and medium enterprises to establish the "Convenient, Professional and Comprehensive" brand image. The Bank sped up established product innovation, and launched new products such as "Small Enterprises Supply Chain Financing". As of 30 June 2007, the number of small enterprises with financing balance in domestic operation reached 42,624, and their outstanding loans reached RMB191.0 billion, an increase of RMB48.1 billion or 33.7% from the end of the previous year.

Institutional Banking Business

Making full use of the favorable opportunities brought by rapid development of the capital markets, the Bank actively expanded bank-securities business market by through its multi-bank third-party depository business. 63 securities dealers have signed official cooperation agreements with the Bank, of which, 26 signed depositary agreements and 37 signed supporting agreements. The Bank further promoted the banking insurance business, enhanced channel and product innovation, and continuously launched new on-line insurance products. The Bank has established on-line cooperation relationships with 25 insurance companies concerning eight categories of insurance products, and the number of insurance companies which have established comprehensive cooperation relationships with the Bank increased by 4 to 26. The Bank also focused on cooperation with other banking institutions and the development of bank-trust business, and strengthened the marketing for national joint-stock commercial banks and large city commercial banks, with the number of domestic correspondent banks increasing to 63. In addition, the Bank has promoted bank-government cooperation, renewing the payment agency agreement with the Ministry of Finance covering over 1,800 central budget units, starting the treasury centralized payment agency for retiree fund of 70 state organizations, and making all efforts to promote the trial of business cards for central budget units.

Corporate Intermediary Business

• Asset Custody Service Business



In the first half of 2007, the trade investment was active on the domestic securities market and several policies were formulated to encourage overseas securities investment. In this environment, the Bank focused on the marketing of bond investment fund custody, enterprise annuity custody and global custody, continuing to keep a leading position in the main custody products. As of 30 June 2007, total assets under the Bank's custody amounted to RMB807.0 billion, an increase of 74.2% from the end of the previous year. There were 7 more securities investment funds under custody, pushing the total number to 80, and total fund assets under custody amounted to RMB608.7 billion, an increase of 126.8% from the end of the previous year, representing a market share of 33.8%. Global custody business experienced positive development trends, with the number of QFII contracting customers increasing to 20 and QFII assets under custody amounting to RMB13.5 billion. The Bank operated assets of 11 QDII portfolios with the QDII assets under custody amounting to RMB3.3 billion. The Bank also strengthened product innovation, and operated the first innovative close-ended fund in China. In the first half of 2007, the Bank was named "Best Sub-Custodian Bank in China" by Global Finance, a U.S. magazine, and defended the title of "Best Sub-Custodian Bank in China" granted by The Asset, a Hong Kong magazine.

• Investment Banking Business

With the rapid development of the domestic capital markets, the Bank proactively promoted the upgrading and development of its investment banking business, and focused on the development of brand investment banking business including restructuring and M&A, syndicated loans and structured financing, asset securitization and underwriting of short-term financing bonds. In the first half of 2007, the Bank issued 12 terms of financing bonds as lead underwriter of short-term financing bonds, with a total value of RMB23.9 billion; the Bank issued financial bonds of RMB31.0 billion as lead underwriter, ranking the first on the market. The Bank acted as the exclusive financial advisor in the syndicated project of Hymx-ST Microelectronics which won the "Deal of 2006 for Manufacturing Projects in Asia-Pacific Area" granted by Project Finance, a magazine under the Euromoney.

• Enterprise Annuity Business

Taking advantages of complete business qualifications, developed service channels and an advanced business system, the Bank enhanced the marketing for industrial and systematic large enterprises, accelerated the expansion of small and medium enterprise customers, and proactively strived for the original supplementary endowment insurance fund management business. The Bank accelerated product innovation, launched products such as standardized enterprise annuity plans with the cooperation of other complementary institutions to provide customers with integrated packaged services, and simplified service procedures. As of 30 June 2007, the Bank provided annuity services for 991 enterprises, an increase of 628 from the end of the previous year.

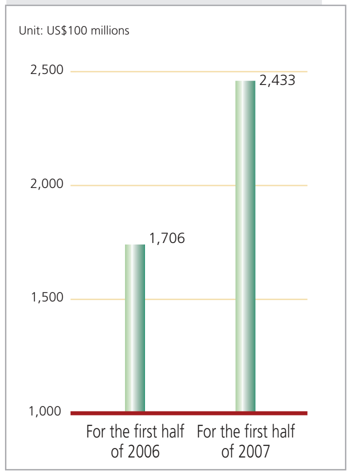
• Payment, Settlement and Cash Management Business

The Bank launched the system for corporate customer information management and settlement account management, and improved system functions. The Bank promoted new products such as local and foreign currency "capital pool", account messenger and global express remittance to enrich the settlement product line. The Bank also combined key products into product package, gradually forming a cash management brand system with the core of "Caizhi Account". As of 30 June 2007, the number of cash management customers reached 43,897, an increase of 12,489 or 39.8% from the end of the previous year; and corporate RMB settlement amounted to RMB210 trillion, a year-on-year increase of 40.9%.

• Foreign Currency Intermediary Business

The Bank launched new products such as centralized processing of international settlement, highlighted its brand advantage, and established the brand "ICBC Caizhi International" which integrated international settlement, foreign exchange fund, trade finance and foreign exchange clearance. In the first half of 2007, international settlement of the Bank reached USD243.3 billion, a year-on-year increase of 42.7%, of which international settlement of domestic operations was RMB178.3 billion, an increase of 37.0%.

Growth of International Settlement Amount



• Precious Metal Business

The precious metal business of the Bank maintained steady development, with all the main businesses keeping a leading position. The Bank continued to accelerate product innovation, and continuously enriched the product line, launching the first brand gold bar, "Ruyi Gold". As of 30 June 2007, the Bank has sold four batches of "Ruyi Gold". In the first half of 2007, client funds of RMB40.0 billion were cleared with the Shanghai Gold Exchange, maintaining an advantage in agency clearing business.

• Corporate Wealth Management

The Bank conducted wealth management product innovation which focused on international financial markets, credit, monetary market, capital markets and direct investment to enrich the wealth management product line, and the businesses entered a track of forward-leaping development. The Bank launched the innovative product of "wealth management + trust", expanding the investment channel of wealth management fund; and launched collective wealth management products for small and medium enterprises to meet the wealth management demand of enterprise clients. The Bank strengthened the publicity of on-line wealth management services and broadened the sales channels. In addition, the Bank continuously improved the technical aspects of products to establish the brand advantages of wealth management products. In the first half of 2007, the Bank issued corporate wealth management products amounting to RMB80.3 billion, a year-on-year increase of 4.8 times, of which RMB wealth management products amounted to RMB56.6 billion and foreign currency wealth management products USD3.1 billion.

Personal Banking

In the first half of 2007, the Bank upheld the operation principle of being "customer-centered, market-oriented and value-created", stably promoted the innovation of personal financial business, vigorously upgraded services for Elite Club Account, and proactively improved business procedures, dedicated to being the first retail bank in China. As a result, the quality and efficiency of marketing services was continuously enhanced, and the customer structure, business structure and profit structure were continuously improved as well.

The personal banking customer base was further expanded. As of 30 June 2007, the number of personal banking customers exceeded 180 million, including 4.3 million personal loan customers.

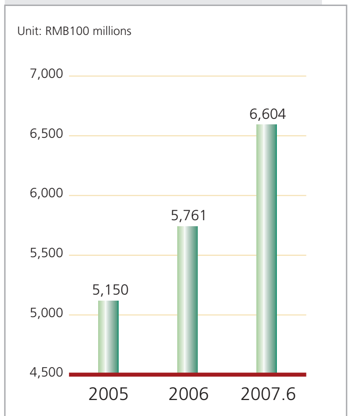
Savings Deposits

The Bank proactively promoted the harmonious development of savings deposits products and personal wealth management products such as funds, bonds, insurance and banking wealth management. Following the change of market and customer demands, the Bank continued to bring into play the basic functions of savings deposits business, enhancing the link between and interactive development of savings deposits business and the sales of personal wealth management products, and proactively guided the sales of personal wealth management products to diverge savings deposits orderly. As of 30 June 2007, savings deposits increased by RMB29,175 million as compared to the end of the previous year. In the first half of 2007, the sales of personal wealth management products reached RMB438.2 billion, a year-on-year increase of 132.1%, and the total value of "savings deposits plus personal wealth management" products was RMB467.3 billion, a year-on-year increase of RMB106.1 billion or 29.4%.

Personal Loans

While emphasizing the joint development of housing development loans and personal housing loans, the Bank improved access policy and loan release conditions for second-hand housing loan cooperation institutions; researched and developed transaction-related re-mortgage, house redemption loans and debt displacement loans; expanded the trial areas of direct-marketing personal housing loans and personal business loans; further enlarged the scope of collaterals for personal pledged loans; effectively broadened marketing channels, actively developed new businesses including on-line pledged loans and deposit-loan link to improve the market competitiveness of personal credit products. As of 30 June 2007, the balance of domestic personal loans amounted to RMB660,391 million, an increase of RMB84,282 million or 14.6% from the end of the previous year.

Growth of Personal Loans



Note: domestic operations data

Personal Intermediate Business

• Personal Wealth Management

Seizing the opportunities brought by the active capital markets and increasingly strong sense of wealth management of personal customers, the Bank vigorously promoted the innovation of wealth management product types and sales mode. The Bank improved the launching frequency and scale of capital market-linked wealth management products, and has primarily established a line of wealth management products denominated in RMB and foreign currency, furthering enhancing its brand image. Product sales gradually evolved to combined and theme-oriented marketing and the sales mode became more complete. The Bank deeply discovered customers' demands and guided customers to allocate financial assets reasonably, contributing to the rapid growth of personal wealth management product sales. As of 30 June 2007, the sales of domestic personal wealth management products amounted to RMB438.2 billion, of which, personal wealth management products issued by the Bank reached RMB73.0 billion and products sold on an agency basis amounted to RMB365.2 billion.

The Bank developed and launched the first overseas wealth management product on an agency basis which was linked to Hong Kong stocks to the domestic market — "Pearl of the East", raising capital of over RMB4.4 billion during the subscription period. The Bank innnovatively launched various wealth management products including new share purchase application products and selective fund products to satisfy different demands of personal investors. In the first half of 2007, the Bank issued 17 terms of RMB wealth management products, 11 terms of foreign currency wealth management products, with an accumulated sales of RMB73.0 billion, maintaining a leading position among banks.

In the first half of 2007, the Bank sold various wealth management products on an agency basis with a total value of RMB365.2 billion, a year-on-year increase of RMB206.6 billion or 130.3%. The Bank sold treasury bonds of RMB34.3 billion, holding the largest market share in the industry. In addition, the Bank proactively enlarged the cooperation scope of personal insurance products, accelerated the step of taking personal insurance products into the "bank-insurance link" system. During the first half of 2007, the Bank reported a total premium income of RMB20.9 billion from bancassurance products sold.

• Elite Club Account

The Bank diligently constructed a brand-new quality service system for Elite Club customers, and initiated the upgrading program of Elite Club Accounts services. With the content of "exclusive VIP channels, special preferential charges, expertise wealth management services, specially supplied wealth management products, professional account management and special highlighting activities", the Bank comprehensively improved services for Elite Club Account customers. The Bank established VIP wealth management centers and relatively independent service areas for Elite Club Account customers to provide tailored services for high-end customers. In addition, the Bank strengthened the building of personal Customer Management Team, increasing the number of certified financial planners to 3,600. As of 30 June 2007, the Bank had 2.84 million Elite Club Account customers, representing an increase of 0.48 million from the end of the previous year.

Bank Card Business

As of 30 June 2007, the number of bank cards issued was over 210 million, representing an increase of 22.509 million from the end of the previous year.

• Debit Card Business

The Bank took debit card as the uniform platform to process personal banking business. Taking advantages of multi-accounts and multi-functions in one card, the Bank enhanced marketing channel integration, identified and developed high quality customers, improved personal customer structure, and provided various value-added services. Making use of the important function of debit card as a card payment and settlement facility directly linked to the deposit account, the Bank actively guided customers towards off-counter business to relieve the pressure of counters. As of 30 June 2007, over 194 million debit cards have been issued, an increase of 16.23 million from the end of the previous year. Debit card consumption volume reached RMB180.6 billion, a year-on-year increase of RMB68.3 billion or 60.7%.

• Credit Card Business

The Bank continuously enhanced after-sale services, improved management standards, and attempted to achieve refined global and professional development of credit card business. The credit card business developed rapidly, with the issue quantity, consumption volume and overdrafts increasing rapidly. As of 30 June 2007, 16.75 million credit cards were issued, an increase of 6.28 million or 60.0% over the end of the previous year; consumption volume reached RMB67.5 billion, a year-on-year increase of RMB23.6 billion or 53.9%; and overdrafts reached RMB6,493 million, an increase of RMB1,327 million or 25.7% over the end of the previous year.

The Bank strengthened cooperation with credit card organizations and stably drove forward product innovation. The Bank continued to deepen its cooperation with American Express on credit card business, and launched Peony Staples Express Business Card, the first American Express co-branded business card in China. The Bank issued the Happy Piggy Card in cooperation with China UnionPay, making breakthrough in areas such as surface design, product design, issuance process and marketing method of Peony Credit Card.

Item	30 June 2007	31 December 2006	Growth rate (%)
Issued bank cards (unit: 10,000)	21,114	18,863	11.9
Debit cards	19,439	17,816	9.1
Credit cards	1,675	1,047	60.0
	January–June 2007	January–June 2006	Growth rate (%)
Consumption volume of bank cards (unit: RMB100 million)	2,481	1,563	58.7
Average consumption volume per card (unit: RMB)[1]	1,242	1,020	21.8
Transaction clearing of external credit cards (unit: RMB100 million)	36	31	16.1

Note: (1) Average consumption volume per card = Annual consumption volume / ((Issued cards at the beginning of the period + Issued cards at the end of the period)/2)

Treasury Operations

Money Market Activities

With respect to RMB, in the first half of 2007, the PBOC raised deposit reserve rate five times, and interest rate twice, and issued earmarked central bank bills twice. The market interest rate fluctuated at a relatively high level, having great influence on the fund supply and demand of the monetary market. As a member of SHIBOR Quotation Group, the Bank made daily quotations scientifically and authentically according to its own liquidity and market fund supply and demand, through which the Bank directed the treasury operations. Through flexible two-way treasury operation, the Bank enhanced its inter-bank financing market operation, and improved fund application efficiency. In the first half of 2007, accumulated outflows of domestic operations of the Bank amounted to RMB1,462.3 billion, and accumulated inflows amounted to RMB1,200.3 billion. With respect to foreign currency, the transaction volume of the money market reached USD315.9 billion in the first half of 2007.

Management of Investment Portfolio

The Bank's investment securities portfolio primarily consists of debt securities, managed through its banking account and trading account, respectively.

• Banking Account Business

As of 30 June 2007, the net balance of investment in debt securities on banking account was RMB3,059,055 million. The product structure was improved. Medium- and short-term debt securities maintained a dominant position, and the term structure was more reasonable. The net balance of investment in foreign currency debt securities amounted to USD32,356 million, representing an increase of USD4,563 million over the end of the previous year.

• **Trading Account Business**

The Bank reinforced the RMB bond market-maker business, enhancing its image as RMB market-maker. It adjusted the trading bond transaction portfolio according to the investment environment. In the first half of 2007, the Bank achieved a total volume of more than RMB800 billion in RMB bond transactions, of which, RMB764.8 billion was spot bond transactions, ranking the first in China Government Securities Depository Trust & Clearing Co., Ltd.

Agency Treasury Operation

Seizing market opportunities, the Bank further enhanced product innovation and enriched the varieties of agency treasury operations. In the first half of 2007, the volume of foreign exchange treasury transactions on behalf of customers amounted to USD146.6 billion. Of the transactions, the volume of foreign exchange trading reached USD95.4 billion, representing an increase of 44.2% over the same period of last year; the volume of foreign exchange transactions on behalf of customers reached USD43.3 billion, representing an increase of 61.6% over the same period of last year; and the volume of derivative transactions on behalf of customers reached USD7.9 billion, representing a year-on-year increase of 99.5% over the same period of last year.

Distribution Channels

Branch Network

As of 30 June 2007, the Bank had 16,807 institutions in Mainland China, including the Head Office, 30 tier-1 branches, 5 branches directly controlled by the Head Office, 27 banking offices of tier-1 branches, 383 tier-2 branches, 3,059 tier-1 sub-branches, 13,283 front line business outlets and 19 institutions directly controlled by the Head Office and its branches. In addition, the Bank had 98 branches, subsidiaries, representative offices and outlets abroad.

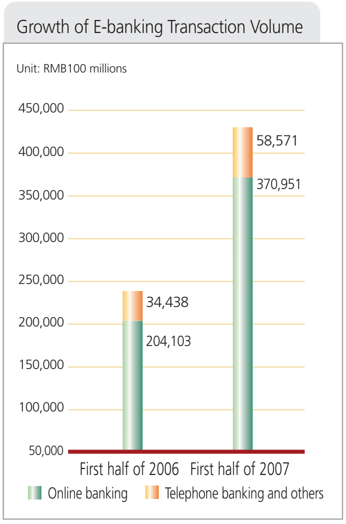
• **Outlet Upgrade and Construction**

To satisfy the customers' demands for individualized and differentiated services as well as the demands for corporate banking and personal banking businesses, the Bank attempted to upgrade and transform outlets into wealth management centers, VIP wealth management centers, wealth management outlets and financial convenience stores, optimizing resource allocation and improving the business functions, service quality and business efficiency of the outlets. Presently, nearly 500 VIP wealth management centers have been upgraded and transformed.

• **Overseas Institution Expansion**

Striving to be an internationalized first-class financial institution, the Bank further accelerated its internationalization progress. Now the Bank is applying for the establishment of New York Branch, Sydney Branch and Moscow Subsidiary, and has submitted the applications for the establishment of Doha Branch and Dubai Subsidiary to China Banking Regulatory Commission. At the same time, the acquisition of Bank Halim Indonesia has been approved by China Banking Regulatory Commission and Central Bank of Indonesia; now it is at the stage of delivery and preparation for opening of Indonesia Subsidiary.

E-banking Business



Relying on the great advantage of e-banking, the Bank continued to provide customers with convenient, fast and secure banking services. The e-banking business continued to develop rapidly. In the first half of 2007, the Bank achieved an income of RMB615 million from e-banking, representing an increase of 83.6%. The volume of e-banking transactions reached RMB42.95 trillion, a year-on-year increase of 80.1%. E-banking transactions accounted for 33.5% of the total number of transactions, an increase of 3.4 percentage points over the end of the previous year. E-banking business dispersed counter business and reduced the counter pressure, improving the customer service capacity and quality of the Bank.

Based on customer demand, the Bank proactively conducted e-banking channel innovation. In on-line banking, the Bank launched new products and services including electronic express remittance, on-line compulsory responsibility insurance for traffic accidents and agency selling platform, further satisfying the demand of personal and corporate customers. In telephone-banking business, the Bank added agency transactions and VIP telephone-banking services including inter-bank telephone remittance on behalf of customers, trading of foreign currency funds and trading of wealth management products especially designed for Elite Club Account customers, and completed the centralized processing of telephone-banking services of credit card customers. The portal was upgraded, added with the functions of on-line personal taxation declaration and on-line wealth management planning, enabling customers to get comprehensive financial consultancy services conveniently.

The Bank consolidated its competition advantage, continuously improving the market influence of the e-banking channel and expanding its customer base. It conducted a series of publicity activities such as "enterprise e-commerce promotion program", on-line fund joint promotion and "exclusive on-line wealth management products". As of 30 June 2007, e-banking customers numbered 63.71 million, an increase of 27.8% over the end of the previous year.

The Bank enhanced the construction of self-service banking distribution network. As of 30 June 2007, the Bank had a total of 3,908 self-service banking centers and 21,630 ATMs, an increase of 44.5% and 8.6%, respectively, over the end of the previous year.

Item	30 June 2007	31 December 2006	Growth Rate (%)
Number of e-banking customers (10,000)	**6,371**	**4,984**	**27.8**
Of which: Corporate customers	174	147	18.4
Personal customers	6,197	4,837	28.1
Number of online-banking customers (10,000)	**3,146**	**2,385**	**31.9**
Of which: Corporate customers	80	60	33.3
Personal customers	3,066	2,325	31.9

Year of Quality Service

2007 is the first year of the Bank after its successful IPO, and the Bank took 2007 as the "Year of Quality Service". In 2007, the Bank comprehensively improved its services, striving to be the financial institution with the best service in China.

The Bank provided customers with professional, fast, convenient and high quality services in terms of service philosophy, service channels, service products, service procedures, service efficiency and service innovation.

- The service principle was totally transformed from "product-centered" to "customer-centered". The Bank attempted to improve the customer satisfaction based on customer demand.
- Service channels were more diversified and convenient.
- The service products were continuously enriched and innovated, and the functions were upgraded and optimized.
- Service procedures were simplified, scientific, reasonable and efficient.
- Service efficiency was greatly improved.

Enhanced Distribution Channels and Development of Customer Management Team

The Bank enhanced its investment in outlet construction, planning to construct 1,000 VIP wealth management centers through reconstruction and service upgrading within the year. The Bank arranged more customer managers and product managers, and enhanced the business skill training of the customer managers to improve their capacity of offering professional and customized wealth management services. The Bank also enlarged the service scope of on-line banking, telephone banking and mobile phone banking businesses to provide more customers with convenient, fast and secure financial services. As of 30 June 2007, the number of e-banking transactions accounted for 33.5% of the total number of banking transactions, representing an increase of 3.4 percentage points from the previous year.

Improved Business Procedures Centered on Customers

The Bank organized and reconstructed its business procedures for the convenience of customers. In the first half of 2007, the Bank made and implemented its personal financial business process re-engineering plan to improve its counter business efficiency, enhancing the off-counter business rate and substantially relieving the queuing problem. The process of re-engineering was conducted in three stages where a total of 137 problems will be resolved: 18 issues resolved before the 30 June 2007 in the first stage, 71 issues resolved before 31 December 2007 in the second stage, and 48 issues solved before the end of 2008 in the third stage. As of 30 June 2007, the tasks of the first phase had been basically completed, addressing the issues encountered by customers in loss reporting, large-amount fixed deposits, personal remittance, personal wealth management, salary payment agency and internal authorization without changing the operation of the existing system. The credit process and combination marketing mode was further improved to provide customers with faster and more convenient services.

Accelerated Product Innovation to Meet the Customer Demands

The Bank established a product innovation management system and product innovation departments to promote product innovation. The Bank developed various wealth management products and service functions, including "small enterprise supply chain financing", "on-line loan link", RMB and foreign currency "capital pool", electronic express remittance, simulation of foreign exchange trading, agency selling platform and "Pacific ICBC Credit Enterprise Annuity Plan"; and launched various investment products including "Ruyi Gold" and "Pearl of the East" (an overseas agency wealth management product), which enriched the customers' options for wealth management.

Enhanced the Support of Technology for Services

The Bank continued to insist on self-innovation and transfer the advantage in technology into market competitiveness. In the first half of 2007, the Bank finished a total of 155 Research and Development and improvement projects, and completed the construction of some strategic projects including the unified database of the Bank, customer information system and comprehensive risk management system, improving the integration, networking and intellectualization of the information management system of the Bank and providing powerful support for improving the quality of the service.

Risk Management

Construction of Comprehensive Risk Management System

Since 2007, the Bank has accelerated the process of improving its comprehensive risk management capacity. The Bank established the Department of Product Innovation Management, and further improved the organizational framework of risk management; formulated and implemented a series of regulations and rules in areas such as risk management reporting, liquidity risk management, asset quality classification management and credit business operating process to accelerate the process of constructing comprehensive risk management system. The information system for comprehensive risk management and market risk management were put into operation successively, the information system for NPLs management was upgraded, and the risk management informatization was further improved.

Credit Risk Management

In the first half of 2007, the Bank improved the basic operating process of credit business for corporate customers, enhanced the operating process for small enterprises and personal credit business, detailed the post responsibility of each link, regulated credit business operation, implemented the double-review management system, and further completed the post-loan management.

In order to further standardize the corporate customer credit asset quality classification and to improve the efficiency, the Bank defined details of the corporate customer credit asset classification management, and clarified and regulated the allocation of responsibilities between departments, operating process, classification authority and file management concerning 12-category classification of credit asset quality.

While enhancing allocating loans to small enterprises, the Bank further strengthened the risk monitoring for small enterprises, locked and withdrew from the small enterprise customers with high potential risk in the system. The Bank monitored and reported the credit asset quality of small enterprises on a monthly basis; and analyzed the risk status and trend to make risk indication.

The Bank continued to carry out the list management for personal business loans, enhanced the inspection over personal business loans, and actively studied the credit policies and risk mitigation measures for personal business loans. The Bank further improved the identification standards and management for personal special-mention loans in a view to reflecting the quality of loans more authentically and objectively.

The Bank made full use of the customer risk information provided by China Banking Regulatory Commission, strengthened the credit review for borrowers, and strictly examined their fund demand and loan utilization plan. The Bank also improved the fund flow analysis function of the credit management system to enhance the management of credit fund chain and the monitoring of loan accounts. Since this year, the Bank has organized an in-depth examination over the potential risk in the inter-bank transaction, and monitored key customers; and conducted examinations over the purposes of working capital loans to prevent loans from being used in a way other than that specified in the contract.

The Bank has completed the second phase of internal ratings-based approaches for non-retailing business and have thus met the requirement of the primary approach of the internal ratings-based approaches in *Basel II Capital Accord* for internal rating system of the bank. In March 2007, the Bank started the project of internal ratings-based approach for retailing business.

Liquidity Risk Management

In the first half of 2007, in response to the changes in macroeconomic and financial environment and the resulting challenges, the Bank continuously improved its liquidity management, enhanced the system construction, and implemented liquidity risk management regulations. Due to the great fluctuation of monetary market in the first half of 2007, the Bank conducted two-way operation of inflow and outflow, strengthened the operation at the inter-bank financing market, improved the fund use efficiency, and effectively combined the control of liquidity risk with the enhancement of fund use efficiency to control the position and reserve level within a reasonable range. At the same time, the Bank continued to conduct centralized operation and unified management of foreign exchange fund, enhanced the arrangement of foreign exchange fund operation, reasonably arranged the term structure of foreign exchange fund operation, and planned the liquidity management of RMB and foreign currency to improve the flexibility of liquidity management.

As of 30 June 2007, regulatory indicators in relation to the Bank's liquidity are set out below:

REGULATORY INDICATORS IN RELATION TO LIQUIDITY

		Regulatory standards	30 June 2007	31 December 2006
Liquidity Ratio (%)(2)	RMB	>=25.0%	28.5	48.9
	Foreign Currency	>=25.0%	56.9	84.8
Loan-deposit Ratio (%)(3)	RMB and Foreign Currency	<=75.0%	53.0	50.5
Borrowing and Loan Ratio (%)	RMB Borrowing Ratio(4)	<=4.0%	0.1	0.0
	RMB Loan Ratio(5)	<=8.0%	0.2	0.2

Notes: (1) Regulatory indicators in the table above are calculated in accordance with the regulatory requirements and accounting principles for the reporting period, and no retroactive adjustment is made to data of the comparison period.

(2) Year-end balance of current assets divided by year-end balance of current liabilities. The Notice of China Banking Regulatory Commission on the Official Operation of Off-site Regulatory Information System in 2007 (Y.J.F. [2006] No.75) narrowed the scope of current assets and current liabilities, thus the liquidity ratio as at 30 June 2007 is lower than that as at 31 December 2006.

(3) As for domestic branches, it is calculated by year-end loan balance divided by year-end deposit balance. Loan balance excludes discounted bills, and deposit balance excludes fiscal deposits and outward remittance.

(4) As for domestic branches, it is calculated by dividing RMB net due to banks and other financial institutions by RMB deposit balance.

(5) As for domestic branches, it is calculated by dividing RMB net due from banks and other financial institutions by RMB deposit balance.

Market Risk Management

Management of Interest Rate Risk

As the cumulative gap of RMB and foreign currency interest rate-sensitive assets and liabilities of the Bank was positive, the two increases of benchmark interest rate by the People's Bank of China had a positive impact to the interest margin income of the Bank.

In respect of the structure, the cumulative negative gap of RMB and foreign currency interest rate-sensitive assets and liabilities which matured within one year was RMB1,001,408 million, and the rise of interest rate had negative impact on the margin income of the Bank. The main reason for the negative gap was that demand deposits increased in the first half of 2007. As the interest rate for demand deposits remained unchanged, but the consequential increase of negative gap did not result in an increase of the actual interest rate risk.

The Bank took the following measures to mitigate the interest rate risk: firstly, the Bank enhanced the management of loans with floating downward interest rate and strictly controlled the loans of fixed interest rate; secondly, the Bank implemented the SHIBOR-based and market-oriented interest rate pricing mechanism for bill rediscounting and repurchasement to maintain stable interest margin income; and thirdly, the Bank adjusted the bond investment strategy at a suitable time to improve the investment portfolio from the perspectives of term structure and composition.

Management of Exchange Rate Risk

In the first half of 2007, the exchange rate of RMB continued to appreciate against USD, and the accumulative appreciation was 2.47%. From 21 May 2007, the People's Bank of China enlarged the daily fluctuation of the trading price for RMB against USD on the inter-bank spot foreign exchange market from 0.3% to 0.5%, which further improved the RMB elasticity of exchange.

The Bank has completed the settlement and swap of all foreign exchange funds raised in IPO before 31 March 2007. In the first half of 2007, the Bank obtained the approval from State Administration of Foreign Exchange to settle the Bank's foreign exchange profits of 2006. As to the risks arising from proprietary or customer-driven foreign exchange transactions, the Bank endeavoured to control the trade-related exposure of foreign exchange within the established limit according to its risk tolerance and transaction level.

Operational Risk Management and Internal Control

In the first half of 2007, the Bank proactively promoted the construction of operational risk management system, improved the operational risk management framework, formulated the Management Measures on Statistics of Operational Risk Loss Events, and established the operational risk monitoring, indication and reporting mechanism.

The Bank strengthen the internal control system construction in earnest. The Three-Year Plan on Internal Control System Construction (the "Plan") was published and implemented, and the mechanism for securing the Plan was adopted to promote the establishment of internal control regime and the orderly commencement of the tasks. The Bank amended the procedural rules for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, further improving a well-balanced mechanism for corporate governance with checks and balances; adopted a series of centralized management measures including financial centralization of tier-1 branches, further enhancing the control efficiency; established the platform of regulations and rules to further improve the business process, and applied the Business Operation Guidelines in the bank; established the risk reporting system, started the operation of risk monitoring system and improved the comprehensive risk management; improved the internal control indicator system and evaluation method, and employed the internal control evaluation information system to improve the internal control evaluation so that it is rational and scientific; and conducted compliance inspection in the bank on authorization of credit and operational risk to mitigate various risks and guarantee compliant operation.

Anti-Money Laundering

For the purpose of complying with the relevant laws, regulations and supervisory requirements of China on anti-money laundering, the Bank proactively conducted the anti-money laundering activities, and performed its obligation regarding anti-money laundering in due diligence. The Bank took the following specific measures: amended the Bank's internal control system for anti-money laundering, formulated basic regulations for anti-money laundering and management rules on the reporting of large-amount and suspicious transactions, improved the anti-money laundering monitoring system, and continuously held trainings on anti-money laundering. During the reporting period, no overseas branches or employees of the Bank were found to participate in or be involved in money laundering or terrorist financing activities.

Capital Management

Objectives and Strategies of Capital Management

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 maximising the return on equity while keeping the capital adequacy and meeting the 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 requirement; (2) focusing on economic capital, comprehensively considering the risk, income, scale and growth, and improving the 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.

Allocation and Management of Economic Capital

Since 2005, the Bank has applied the economic capital management tool. Economic capital management mainly covered three areas including economic capital measurement, economic capital allocation and economic capital assessment. Economic capital indicators included three categories, namely economic capital occupation (EC), risk-adjusted return on capital (RAROC) and economic value added (EVA). The Bank has formulated the economic capital measurement standards and planned to make further improvement to continuously improve the precision of measurement.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentage

Item	30 June 2007	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	(1,944)	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 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 retrospective adjustment was made to the comparative amounts.

Corporate Governance

Corporate Governance during the Reporting Period and Measures for Improvement

During the reporting period, the Bank strictly complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks and other relevant laws, and continued to improve its corporate governance structure in accordance with relevant laws and regulations promulgated by regulatory authorities:

1. According to the revised Articles of Association approved by China Banking Regulatory Commission on 3 February 2007, the Bank further revised the procedural rules for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, which were reviewed and passed on the first extraordinary Shareholders' General Meeting of 2007 held on 21 March 2007.

2. The Bank formulated and improved various regulations in relation to corporate governance, further improving the corporate governance of the Bank. During the reporting period, the Bank formulated the Risk Reporting System of ICBC, the Basic Codes of ICBC on Connected Transaction Management (Tentative) and the Investors Relationship Management System of ICBC, and revised the Information Disclosure System of ICBC. The aforesaid regulations and rules have regulated and refined the management of risk reporting, connected transactions, investor relationships and information disclosure, respectively.

3. While highlighting scientific decision-making, the Bank proactively attached high importance to the fulfillment of supervisory functions and duties, and established a comprehensive risk management mechanism and a hierarchical internal control system, to achieve the standardization of supervisory modes and methods. The Board of Supervisors earnestly fulfilled the professional supervisory function, enhanced the supervision efforts over duty performance of the Board of Directors, the senior management and their members, and earnestly carried out inspections over financial revenues and expenditures, operations management and risk control, effectively promoting the steady operation and sustained and healthy development of the Bank.

4. From April to June 2007, according to the Notice on Issues Concerning Special Program on Corporate Governance Enhancement of Listed Companies issued by China Securities Regulatory Commission, the Bank proactively conducted the special program, and disclosed the self-inspection report on the corporate governance of the Bank according to the requirements of Beijing Office of CSRC. In addition, the Bank set special telephone, fax and mailbox to receive opinions and suggestions from investors and the public.

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

During the reporting period, the Bank applied the principles stipulated in the Code on 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.

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 or supervisor violates provisions on securities transactions of directors and supervisors set forth in the Appendix 10 to the Hong Kong Listing Rules.

Plans on Profit Distribution, Conversion 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 the shareholders registered as of 20 June 2007 for the period from 23 October 2006 to 31 December 2006, totally 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.

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.

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 arouse out of customer disputes. As at 30 June 2007, the amount of unresolved material legal proceedings 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.

Material Asset Acquisition, Selling and Asset Reorganization

None.

Connected Transactions

Connected Transactions as Defined by Domestic Laws and Regulations

1. Connected Transactions with MOF and Huijin

Please refer to the Note 36 to the Financial Statements: Related Party Disclosures for details. 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.

Please refer to relevant content of Note 36 to the Financial Statements: Related Party Disclosures for specific content of connected transactions with Goldman Sachs and SSF. 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 the PRC

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

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 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.

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.

Review of Interim Financial Report

The 2007 interim financial report of the Bank prepared in accordance with CASs and IFRSs 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.

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 and 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.

Other Major Events

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	Financial assets held of trading
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	Financial assets held for trading
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, Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)"). Data in the above table was not adjusted according to the shareholding proportion of the Bank in ICBC (Asia).

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, debt securities (including subordinated debts and short-term financing bonds etc.) issued by other listed issuers.

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 IFRS (in RMB)
China UnionPay Co., Ltd.	90,000,000	9,000.00	5.45	90,000,000	90,000,000
Tai Ping 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). Data in the above table was not adjusted according to the shareholding proportion of the Bank in ICBC (Asia).

ICBC

Interim Condensed Consolidated Financial Statements

- Report on Review of Interim Financial Information
- Unaudited Interim Condensed Consolidated Financial Statements
- Unaudited Supplementary Financial Information

Report on Review of Interim Financial Information

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the board of directors of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 71 to 138, which comprises the condensed consolidated balance sheet of Industrial and Commercial Bank of China Limited and its subsidiaries as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *"Interim Financial Reporting"* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the International Federation of Accountants. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
23 August 2007

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2007
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2007	2006
		(unaudited)	
Interest income	3	163,798	128,312
Interest expense	3	(61,589)	(51,665)
NET INTEREST INCOME	3	**102,209**	**76,647**
Fee and commission income	4	16,111	8,761
Fee and commission expense	4	(1,243)	(895)
NET FEE AND COMMISSION INCOME	4	**14,868**	**7,866**
Net trading income	5	932	818
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(888)	(810)
Net gain/(loss) on financial investments	7	161	(39)
Other operating income/(loss), net	8	(263)	1,268
OPERATING INCOME		**117,019**	**85,750**
Operating expenses	9	(43,022)	(34,696)
Provision for impairment losses on:			
Loans and advances to customers	20	(14,769)	(11,645)
Others	10	(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	11	(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	12	**5,344**	**3,537**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
— Basic and diluted (RMB yuan)	13	0.12	0.10

Unaudited Interim Condensed Consolidated Balance Sheet

30 June 2007
(In RMB millions, unless otherwise stated)

	Notes	30 June 2007	31 December 2006
		(unaudited)	
ASSETS			
Cash and balances with central banks	14	923,522	703,657
Due from banks and other financial institutions	15	185,298	206,506
Financial assets held for trading	16	35,085	19,388
Financial assets designated at fair value through profit or loss	17	1,706	1,768
Derivative financial assets	18	14,305	10,539
Reverse repurchase agreements	19	84,110	39,218
Loans and advances to customers	20	3,811,067	3,533,978
Financial investments	21	3,064,943	2,839,642
Investments in associates		125	127
Property and equipment	22	78,488	82,403
Deferred income tax assets	11	149	—
Other assets	23	102,369	71,525
TOTAL ASSETS		**8,301,167**	**7,508,751**
LIABILITIES			
Financial liabilities designated at fair value through profit or loss	24	26,106	27,980
Derivative financial liabilities	18	3,489	2,613
Due to banks and other financial institutions	25	790,201	400,318
Repurchase agreements	26	85,571	48,610
Certificates of deposit		4,714	6,458
Due to customers	27	6,692,270	6,326,390
Income tax payable		16,456	16,386
Deferred income tax liabilities	11	—	1,449
Subordinated bonds	28	35,000	35,000
Other liabilities	29	144,638	172,546
TOTAL LIABILITIES		**7,798,445**	**7,037,750**
EQUITY			
Issued share capital	30	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**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Gu Shu
General Manager of Finance and Accounting Department

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007
(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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
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 (note 12)	—	—	—	—	—	—	—	(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.

(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 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 the 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 (note 12)	—	—	—	—	—	—	—	(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.

(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 July 2006	286,509	8,578	3,032	7,002	1,207	(138)	19,681	19,183	325,373	4,092	329,465
Net change in the fair value of available-for-sale investments	—	—	—	—	979	—	979	—	979	248	1,227
Reserve recognised on disposal of available-for-sale investments	—	—	—	—	(44)	—	(44)	—	(44)	—	(44)
Foreign currency translation	—	—	—	—	—	(213)	(213)	—	(213)	(80)	(293)
Total income and expense for the period recognised directly in equity	—	—	—	—	935	(213)	722	—	722	168	890
Profit for the period	—	—	—	—	—	—	—	23,864	23,864	374	24,238
Total income and expense for the period	—	—	—	—	935	(213)	722	23,864	24,586	542	25,128
Issue of shares	47,510	100,728	—	—	—	—	100,728	—	148,238	—	148,238
Share issue expenses	—	(2,994)	—	—	—	—	(2,994)	—	(2,994)	—	(2,994)
Dividend — 2006 interim (note 12)	—	—	—	—	—	—	—	(18,593)	(18,593)	—	(18,593)
Dividend — 2006 special	—	—	—	—	—	—	—	(10,146)	(10,146)	—	(10,146)
Appropriation to surplus reserves (note)	—	—	2,432	—	—	—	2,432	(2,432)	—	—	—
Appropriation to general reserve	—	—	—	5,717	—	—	5,717	(5,717)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(97)	(97)
Balance as at 31 December 2006	334,019	106,312	5,464	12,719	2,142	(351)	126,286	6,159	466,464	4,537	471,001

Note: Includes the appropriation made by subsidiaries and overseas branches in the amount of RMB8 million in aggregate.

Unaudited Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2007 (unaudited)	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	9	4,275	5,003
Amortisation	9	577	563
Provision for impairment losses on loans and advances to customers	20	14,769	11,645
Provision for impairment losses on assets other than loans and advances to customers	10	632	573
Foreign exchange differences		1,720	(218)
Interest expense on subordinated bonds	3	573	551
Accretion of impairment provision discount	3	(859)	(896)
Loss/(gain) on disposal of available-for-sale investments, net	7	(143)	42
Net trading income	5	(932)	(818)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	888	810
Gain on disposal of property and equipment and other assets, net	8	(818)	(166)
Dividend income	7	(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

(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2007 (unaudited)	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	32(a)	**329,426**	**466,720**
NET CASH INFLOW FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		144,681	123,441
Interest paid		(53,745)	(44,555)

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China ("ICBC") was a wholly-state-owned commercial bank founded on 1 January 1984. Its establishment was authorised by the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council of the PRC, ICBC was restructured and incorporated as a joint-stock limited company. ICBC then changed its name to Industrial and Commercial Bank of China Limited (the "Bank"). On 27 October 2006, certain issued shares of the Bank were listed on both The Stock Exchange of Hong Kong Limited (the "SEHK") and the Shanghai Stock Exchange (the "SSE").

As at 30 June 2007, the Bank had established domestic branches in 35 provinces, autonomous regions and municipalities in Mainland China, and 8 overseas branches outside Mainland China. The Bank and its subsidiaries are collectively referred to as the Group. The registered office of the Bank is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The principal activities of the Group comprise the provision of banking services including Renminbi ("RMB") and foreign currency deposits, loans, payment and settlement services, and other services as approved by the China Banking Regulatory Commission (the "CBRC") of the PRC, and the provision of related services by its overseas establishments as approved by the respective local regulators.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006.

Accounting judgements and estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2006.

(In RMB millions, unless otherwise stated)

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet separately from the equity attributable to equity holders of the Bank.

Particulars of the Bank's principal subsidiaries as at the balance sheet date are as follows:

Name	Percentage of equity interests directly attributable to the Bank 30 June 2007 %	31 December 2006 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)")	60.29	59.72	HK$2,279.26 million	Hong Kong	Commercial banking
Industrial and Commercial International Capital Limited ("ICIC")	100.00	100.00	HK$280 million	Hong Kong	Commercial banking
ICEA Finance Holdings Limited ("ICEA")	75.00	75.00	US$20 million	British Virgin Islands and Hong Kong	Investment banking
ICBC (London) Limited ("ICBC (London)")	100.00	100.00	US$100 million	London, United Kingdom	Commercial banking
JSC Industrial and Commercial Bank of China ("ICBC (Almaty)")	100.00	100.00	US$10 million	Almaty, Kazakhstan	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. ("ICBC Credit Suisse Asset Management")	55.00	55.00	RMB200 million	Beijing, the PRC	Fund management
ICBC (Luxembourg) S.A. ("ICBC (Luxembourg)")	100.00	100.00	US$18.50 million	Luxembourg	Commercial banking

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

(In RMB millions, unless otherwise stated)

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.

3. NET INTEREST INCOME

	Six months ended 30 June	
	2007	**2006**
	(unaudited)	
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.

(In RMB millions, unless otherwise stated)

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.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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

5. NET TRADING INCOME

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

6. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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)

(In RMB millions, unless otherwise stated)

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.

7. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2007	**2006**
	(unaudited)	
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.

8. OTHER OPERATING INCOME/(LOSS), NET

	Six months ended 30 June	
	2007	**2006**
	(unaudited)	
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

(In RMB millions, unless otherwise stated)

9. OPERATING EXPENSES

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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

10. PROVISION FOR IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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

(In RMB millions, unless otherwise stated)

11. INCOME TAX EXPENSE

The 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**
	(unaudited)	
Current income tax expense:		
The 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**
	(unaudited)	
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

(In RMB millions, unless otherwise stated)

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

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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 Six months ended 30 June	
	30 June 2007	31 December 2006	2007	2006
	(unaudited)		(unaudited)	
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)

New corporate income tax law will be effective from 1 January 2008 onwards, which unify the corporate income tax rates for both domestic-invested and foreign-invested enterprises at 25%. Accordingly, the Group has adjusted the deferred tax assets and liabilities balances for the temporary differences of assets or liabilities which are expected to be realised subsequent to 1 January 2008 based on the new tax rate.

Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the new corporate income tax law to the Group cannot be reasonably estimated at this stage.

12. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	(unaudited)	
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

13. 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
	(unaudited)	
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.

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2007	31 December 2006
	(unaudited)	
Cash on hand	37,455	31,446
Balances with central banks other than restricted deposits	103,613	74,704
Unrestricted cash and balances with central banks	141,068	106,150
Mandatory reserve deposits with central banks	718,121	547,802
Other restricted deposits with central banks	64,333	49,705
Restricted balances with central banks	782,454	597,507
	923,522	703,657

The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations.

(In RMB millions, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2007	31 December 2006
	(unaudited)	
Nostro accounts:		
Banks and other financial institutions operating in Mainland China	12,740	6,227
Banks operating outside Mainland China	8,776	9,441
	21,516	15,668
Allowance for impairment losses	(31)	(31)
	21,485	15,637
Placements with banks and other financial institutions:		
Banks operating in Mainland China	26,539	21,481
Other financial institutions operating in Mainland China	2,523	2,778
Banks operating outside Mainland China	134,888	166,755
	163,950	191,014
Allowance for impairment losses	(137)	(145)
	163,813	190,869
	185,298	206,506

Included in nostro accounts and placements with banks and other financial institutions as at 30 June 2007 are balances with original maturity of three months or less in amounts of RMB19,665 million and RMB155,704 million, respectively, which have been included in cash and cash equivalents in the interim condensed consolidated cash flow statement (note 32(a)).

Movements of allowance for impairment losses during the period/year are as follows:

	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2006	28	185	213
Charge/(reversal) for the year	4	(40)	(36)
Write-offs	(1)	—	(1)
At 31 December 2006 and 1 January 2007	31	145	176
Write-offs	—	(8)	(8)
At 30 June 2007 (unaudited)	31	137	168

(In RMB millions, unless otherwise stated)

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2007	31 December 2006
	(unaudited)	
Debt securities (note)	35,044	19,345
Equity investments	41	43
	35,085	19,388
Debt securities analysed into:		
Listed in Hong Kong	—	234
Listed outside Hong Kong	380	173
Unlisted	34,664	18,938
	35,044	19,345

The equity investments are all listed in Hong Kong.

Note: Included in the balance are debt securities of RMB14,983 million (31 December 2006: RMB14,684 million) issued by entities (other than banks and financial institutions) in Mainland China.

17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007	31 December 2006
	(unaudited)	
Debt securities	1,706	1,768
Debt securities analysed into:		
Listed in Hong Kong	182	76
Listed outside Hong Kong	758	754
Unlisted	766	938
	1,706	1,768

18. 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
	(unaudited)	
Gain/(loss) arising from fair value hedge, net:		
— Hedging instruments	76	(205)
— Hedged items attributable to the hedged risk	(65)	195
	11	(10)

(In RMB millions, unless otherwise stated)

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

	30 June 2007 (unaudited)						
	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)

(In RMB millions, unless otherwise stated)

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

	30 June 2007 (unaudited)						
	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 contracts	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)

(In RMB millions, unless otherwise stated)

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
	(unaudited)	
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
	(unaudited)	
Currency derivatives	1,887	2,685
Interest rate derivatives	3,493	2,271
Other derivatives	5	6
	5,385	4,962

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

	30 June 2007	31 December 2006
	(unaudited)	
Analysed by counterparty:		
Banks	61,446	13,779
Other financial institutions	22,664	25,439
	84,110	39,218
Analysed by collateral:		
Securities	3,173	6,418
Bills	60,746	9,989
Loans	20,191	22,811
	84,110	39,218

Under certain reverse repurchase agreements, the Group received collaterals that are permitted to be sold or repledged in the absence of default by the owners of the collateral as at 31 December 2006. The fair value of the collateral received on such terms as at 31 December 2006 amounted to RMB1,989 million. There was no collateral received on such terms as at 30 June 2007.

As at 30 June 2007, included in reverse repurchase agreements is a balance with original maturity of three months or less in the amount of RMB4,602 million, which has been included in cash and cash equivalents in the interim condensed consolidated cash flow statement (note 32(a)).

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2007	31 December 2006
	(unaudited)	
Corporate loans	2,901,861	2,630,916
Personal loans	671,615	587,893
Discounted bills	342,130	412,362
	3,915,606	3,631,171
Allowance for impairment losses	(104,539)	(97,193)
	3,811,067	3,533,978

(In RMB millions, unless otherwise stated)

The composition of corporate loans by legal form of borrower is as follows:

	30 June 2007	31 December 2006
	(unaudited)	
State-wholly-owned enterprises (i)	707,041	648,883
State-controlled enterprises (i)	707,289	672,586
State-invested enterprises (i)	75,106	73,943
Joint-stock enterprises	391,649	348,304
Private enterprises	422,732	354,173
Foreign invested and foreign joint venture enterprises	277,120	257,437
Others (ii)	320,924	275,590
	2,901,861	2,630,916

(i) Included in identified impaired loans and advances of the Group is an amount of RMB47,881 million (31 December 2006: RMB52,745 million) relating to the advances to state-owned enterprises including state-wholly-owned enterprises, state-controlled enterprises and state-invested enterprises.

(ii) The balance included corporate loans granted to borrowers located outside Mainland China.

Movements of allowance for impairment losses during the period/year are as follows:

	Six months ended 30 June 2007 (unaudited)			Year ended 31 December 2006
	Individually assessed	Collectively assessed	Total	Total
At beginning of the period/year	56,991	40,202	97,193	83,692
Charge for the period/year	6,482	8,287	14,769	30,014
Accreted interest on impaired loans (note 3)	(859)	—	(859)	(1,890)
Write-offs	(3,356)	(235)	(3,591)	(11,144)
Transfer out	(2,973)	—	(2,973)	(3,479)
At end of the period/year	56,285	48,254	104,539	97,193

(In RMB millions, unless otherwise stated)

	30 June 2007	31 December 2006
	(unaudited)	
Loans and advances for which allowance for impairment losses is:		
Individually assessed	119,331	128,447
Collectively assessed	3,796,275	3,502,724
	3,915,606	3,631,171
Allowance for impairment losses:		
Individually assessed	56,285	56,991
Collectively assessed	48,254	40,202
	104,539	97,193
Net loans and advances for which allowance for impairment losses is:		
Individually assessed	63,046	71,456
Collectively assessed	3,748,021	3,462,522
	3,811,067	3,533,978
Identified impaired loans and advances (i)	128,661	137,745
Percentage of impaired loans and advances	3.29%	3.79%

(i) Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 30 June 2007 amounted to RMB36,905 million (31 December 2006: RMB41,370 million). The collateral consists of land and properties, equipment and others.

The composition of individually assessed allowance for impairment losses of corporate loans by legal form of borrower is as follows:

	30 June 2007	31 December 2006
	(unaudited)	
State-wholly-owned enterprises	11,401	13,955
State-controlled enterprises	9,982	10,060
State-invested enterprises	3,195	3,387
Joint-stock enterprises	9,585	7,520
Private enterprises	10,459	9,841
Foreign invested and foreign joint venture enterprises	5,478	5,648
Others	6,185	6,580
Total individually assessed allowance for impairment losses	56,285	56,991

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS

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

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	30 June 2007	31 December 2006
	(unaudited)	
Huarong bonds (i)	312,996	312,996
Special government bond (ii)	85,000	85,000
MOF receivable (iii)	215,252	226,378
Special PBOC bills (iv)	434,790	434,790
PBOC and policy bank bonds (v)	93,000	46,999
	1,141,038	1,106,163

Notes:

(i) Huarong bonds are a series of long term bonds issued by Huarong in 2000 and 2001, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bond were used to purchase impaired assets of the Group. The bonds are non-transferable, with a tenure of 10 years and bear fixed interest at a rate of 2.25% per annum. The MOF will provide support for the repayment of the principal of the Huarong bonds if necessary. In addition, with effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

(ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to ICBC in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(iii) MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The amount is repayable by 2010 and bears interest at a fixed rate of 3% per annum. The repayment of principal from the MOF during the period amounted to RMB11,126 million (six months ended 30 June 2006: Nil).

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, which will mature in June 2010 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date; and
- a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date.

(v) PBOC and policy bank bonds

The balance represents bonds acquired with fixed or determinable payments that are not quoted in an active market.

Included in the above are receivables of RMB300,252 million (31 December 2006: RMB311,378 million) due from entities (other than banks and financial institutions) in Mainland China.

(In RMB millions, unless otherwise stated)

(b) Held-to-maturity debt securities, at amortised cost

	30 June 2007	31 December 2006
	(unaudited)	
Held-to-maturity debt securities (note)	1,406,373	1,228,976
Allowance for impairment losses	(49)	(39)
	1,406,324	1,228,937
Analysed into:		
Listed in Hong Kong	683	496
Listed outside Hong Kong	282,876	146,764
Unlisted	1,122,765	1,081,677
	1,406,324	1,228,937
Market value of listed securities	277,100	148,354

Note: Included in the balance are debt securities of RMB284,779 million (31 December 2006: RMB272,608 million) issued by entities (other than banks and financial institutions) in Mainland China.

(In RMB millions, unless otherwise stated)

(c) Available-for-sale investments

Available-for-sale investments comprise the following:

	30 June 2007	31 December 2006
	(unaudited)	
Debt securities, at fair value (i)	511,693	499,108
Equity investments (i):		
At fair value	2,241	1,325
At cost (ii):		
Debt for equity swaps (iii)	3,749	4,236
Others	346	340
	6,336	5,901
Allowance for impairment losses of equity investments	(448)	(467)
	5,888	5,434
	517,581	504,542
Debt securities analysed into:		
Listed in Hong Kong	1,356	1,147
Listed outside Hong Kong	43,534	34,953
Unlisted	466,803	463,008
	511,693	499,108
Equity investments analysed into:		
Listed in Hong Kong	1,339	996
Listed outside Hong Kong	902	329
Unlisted	3,647	4,109
	5,888	5,434
Market value of listed securities:		
Debt securities	44,890	36,100
Equity investments	2,241	1,325
	47,131	37,425

(i) Included in the balances are investments of RMB106,453 million (31 December 2006: RMB90,315 million) issued by entities (other than banks and financial institutions) in Mainland China.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Bank's intention to dispose of them as opportunities arise.

(iii) Many state-owned banks obtained equity interests in certain enterprises in lieu of repayment of loans through debt for equity swap arrangements set by the central government of the PRC (the "Government") in 1999. The Bank in fact retains the risks and rewards of ownership and rights to dispose of these equity interests. By their nature, such equity interests are treated as equity investments of the Group.

(In RMB millions, unless otherwise stated)

(d) Movements of allowance for impairment losses of held-to-maturity debt securities and available-for-sale investments during the period/year are as follows:

	Held-to-maturity debt securities	Available-for-sale equity investments	Total
At 1 January 2006	237	40	277
Charge/(reversal) for the year	(5)	430	425
Disposals	(193)	(3)	(196)
At 31 December 2006 and 1 January 2007	39	467	506
Charge for the period	10	—	10
Write-off	—	(19)	(19)
At 30 June 2007 (unaudited)	49	448	497

(In RMB millions, unless otherwise stated)

22. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost or valuation:						
At 1 January 2006	72,746	2,850	1,533	14,420	1,907	93,456
Additions	918	2,022	332	2,850	80	6,202
Transfers	1,171	(1,964)	50	626	13	(104)
Disposals	(1,161)	—	(443)	(270)	(116)	(1,990)
At 31 December 2006 and 1 January 2007	73,674	2,908	1,472	17,626	1,884	97,564
Additions	126	565	56	598	11	1,356
Transfers	511	(691)	—	121	17	(42)
Disposals	(682)	(155)	(200)	(70)	(90)	(1,197)
At 30 June 2007 (unaudited)	73,629	2,627	1,328	18,275	1,822	97,681
Accumulated depreciation and impairment:						
At 1 January 2006	1,803	185	752	2,552	504	5,796
Depreciation charge for the year	3,363	—	285	5,310	664	9,622
Impairment losses	362	160	—	11	6	539
Disposals	(124)	—	(431)	(156)	(85)	(796)
At 31 December 2006 and 1 January 2007	5,404	345	606	7,717	1,089	15,161
Depreciation charge for the period	1,640	—	140	2,269	226	4,275
Impairment losses	423	—	—	5	3	431
Disposals	(194)	(155)	(193)	(56)	(76)	(674)
At 30 June 2007 (unaudited)	7,273	190	553	9,935	1,242	19,193
Net carrying amount:						
At 31 December 2006	68,270	2,563	866	9,909	795	82,403
At 30 June 2007 (unaudited)	66,356	2,437	775	8,340	580	78,488
Analysis of cost or valuation:						
At 31 December 2006 at cost	4,783	2,908	1,472	6,216	217	15,596
At 30 June 2005 valuation	68,891	—	—	11,410	1,667	81,968
	73,674	2,908	1,472	17,626	1,884	97,564
At 30 June 2007 (unaudited) at cost	5,420	2,627	1,328	6,935	245	16,555
At 30 June 2005 valuation	68,209	—	—	11,340	1,577	81,126
	73,629	2,627	1,328	18,275	1,822	97,681

(In RMB millions, unless otherwise stated)

23. OTHER ASSETS

	30 June 2007	31 December 2006
	(unaudited)	
Interest receivable	44,366	26,109
Repossessed assets (i)	4,740	4,563
Land use rights	24,120	24,365
Settlement accounts	14,062	3,855
Others	15,081	12,633
	102,369	71,525

(i) Collateral assets for loans and advances are repossessed by the Group when the borrowers are unable to honour their repayments, and would be realised in settlement of related outstanding debts. Repossessed assets are recognised when the Group has the right to dispose of these assets. The relevant loans and advances are then written off and any resulting losses are charged to the income statement.

24. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007	31 December 2006
	(unaudited)	
Structured deposits (i)	23,232	25,033
Notes payable (ii)	2,874	2,947
	26,106	27,980

(i) The fair value of structured deposits at 30 June 2007 was RMB80 million less (31 December 2006: RMB258 million higher) than the contractual amount at maturity. The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the period/year presented and cumulatively as at 30 June 2007 and 31 December 2006.

(ii) The notes were issued in September 2004 by ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, at a coupon rate of 4.125% per annum and maturing on 16 September 2009. The differences between the fair value and the amount that the Group would be contractually required to pay upon maturity to the holders of these notes amounted to RMB112 million as at 30 June 2007 (31 December 2006: RMB114 million). The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the period/year presented and cumulatively as at 30 June 2007 and 31 December 2006.

(In RMB millions, unless otherwise stated)

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2007	31 December 2006
	(unaudited)	
Money market takings	39,008	32,824
Deposits	751,193	367,494
	790,201	400,318
Analysed by legal form of counterparty:		
Policy banks	1,327	209
State-owned banks	5,701	3,615
Joint-stock banks	16,405	16,930
Other financial institutions	696,340	329,565
Others	70,428	49,999
	790,201	400,318

26. REPURCHASE AGREEMENTS

	30 June 2007	31 December 2006
	(unaudited)	
Analysed by counterparty:		
Banks	68,175	12,992
Other financial institutions	17,396	35,618
	85,571	48,610
Analysed by collateral:		
Securities	78,790	47,182
Bills	1,729	493
Loans	5,052	935
	85,571	48,610

27. DUE TO CUSTOMERS

	30 June 2007	31 December 2006
	(unaudited)	
Demand deposits:		
Corporate customers	2,212,013	1,985,647
Personal customers	1,191,597	1,105,575
Others	69,414	93,686
Time deposits:		
Corporate customers	1,055,496	929,804
Personal customers	2,163,750	2,211,678
	6,692,270	6,326,390

(In RMB millions, unless otherwise stated)

28. SUBORDINATED BONDS

	30 June 2007	31 December 2006
	(unaudited)	
Subordinated bonds	35,000	35,000

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB35,000 million through open market bidding in 2005. These subordinated bonds included:

(a) 10-year fixed rate subordinated bonds in the amount of RMB13,000 million in aggregate with maturity in 2015, bearing a coupon rate of 3.11% per annum. The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter;

(b) 15-year fixed rate subordinated bonds in the amount of RMB13,000 million in aggregate with maturity in 2020, bearing a coupon rate of 3.77% per annum. The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter; and

(c) 10-year floating rate subordinated bonds in the amount of RMB9,000 million in aggregate with maturity in 2015, bearing a coupon rate which is a specific base rate plus an interest margin of 1.05% per annum. Such specific base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest margin of the bonds will increase by 1% thereafter.

29. OTHER LIABILITIES

	30 June 2007	31 December 2006
	(unaudited)	
Interest payable	59,465	50,863
Settlement accounts	34,859	26,538
Salaries and welfare payables	10,117	6,677
Sundry tax payables	5,606	5,618
Bank drafts	5,741	4,856
Payables for bonds purchased	5,920	25,870
Dividend payable	—	10,146
Payables to the MOF and Central SAFE Investments Limited ("Huijin") (i)	—	24,448
Others	22,930	17,530
	144,638	172,546

(i) The balance as at 31 December 2006 related to the sale of shares held by the MOF and Huijin of RMB12,224 million each through the Bank's H-share offering, which has been settled during the period.

30. SHARE CAPITAL

	30 June 2007		31 December 2006	
	Number of shares	Nominal value	Number of shares	Nominal value
	(millions) (unaudited)	(unaudited)	(millions)	
Registered, issued and fully paid:				
H-shares of RMB1 each	83,057	83,057	83,057	83,057
A-shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	334,019	334,019

SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allowed the share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H-shares and will be valid for ten years. As at that date of this report, no share appreciation right has been granted.

31. RESERVES

(a) Capital reserve

Pursuant to the restructuring in 2005, the paid-up capital, reserves and accumulated losses of ICBC, as determined under the generally accepted accounting principles in the PRC, were converted into the Bank's issued share capital upon its incorporation. In the preparation of the Group's financial statements, the paid-up capital and all the then existing reserves and accumulated losses as determined under International Financial Reporting Standards ("IFRSs") were accordingly eliminated, with the resulting difference dealt with in the capital reserve. Subsequently, during the year ended 31 December 2006, the share premium of new shares issued, after deducting related share issue expenses, were accounted for under the capital reserve.

(b) Surplus reserves

The surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit after incorporating as a joint-stock limited company, determined under the generally accepted accounting principles in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory reserve, the Bank may also appropriate its profit to the discretionary surplus reserve upon approval of the shareholders in general meetings. Subject to the approval of the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(c) Other reserves

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year end balance of its risk assets. As allowed by the MOF, the reserve is to be appropriated over a period of not more than five years, beginning in 2005.

The investment revaluation reserve records the fair value changes of available-for-sale investments.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(d) Distributable profit

The Bank's distributable profit is based on the retained profits of the Bank as determined under the generally accepted accounting principles in the PRC and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute by way of a dividend is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of balances of cash and cash equivalents

	30 June 2007	30 June 2006
	(unaudited)	
Cash on hand	37,455	31,756
Balances with central banks other than restricted deposits	103,613	85,250
Nostro accounts with banks and other financial institutions with original maturity of three months or less	19,665	15,601
Placements with banks and other financial institutions with original maturity of three months or less	155,704	66,362
Reverse repurchase agreements with original maturity of three months or less	4,602	92,554
Investments with original maturity of three months or less (i)	8,387	175,197
	329,426	466,720

(i) Investments included in cash and cash equivalents are analysed as follows:

	30 June 2007	30 June 2006
	(unaudited)	
Available-for-sale debt securities	511,693	443,817
Debt securities held for trading	35,044	48,187
Debt securities designated at fair value through profit or loss	1,706	2,242
	548,443	494,246
Balances with original maturity of over three months	(540,056)	(319,049)
	8,387	175,197

(b) Significant non-cash transactions

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Payable to the MOF capitalised as capital	—	8,028

(In RMB millions, unless otherwise stated)

33. 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
	(unaudited)	
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
	(unaudited)	
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.

(In RMB millions, unless otherwise stated)

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
	(unaudited)	
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 cards limit	98,915	89,477
	710,497	694,494

	30 June 2007	31 December 2006
	(unaudited)	
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
	(unaudited)	
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.

(In RMB millions, unless otherwise stated)

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain the 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
	(unaudited)	
Underwriting obligations	3,250	—

34. DESIGNATED DEPOSITS AND LOANS

	30 June 2007	31 December 2006
	(unaudited)	
Designated deposits	134,462	125,020
Designated loans	133,606	124,189

The designated deposits represent funds that depositors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

The difference between designated deposits and designated loans represents the undesignated amount of deposits, which is included in amounts due to customers.

35. ASSETS PLEDGED AS SECURITY

As at 30 June 2007, the assets of the Group including securities, bills and loans which have been pledged for the repurchase agreements amounted to approximately RMB85,571 million (31 December 2006: approximately RMB48,610 million).

(In RMB millions, unless otherwise stated)

36. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

(a) The MOF

As at 30 June 2007, the MOF directly owned approximately 35.3292% of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds. Details of the material transactions are as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Balances at end of the period/year:		
The PRC government bonds and the special government bond	452,751	431,717
MOF receivable (note 21(a)(iii))	215,252	226,378
Payable to MOF (note 29)	—	12,224

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Transactions during the period:		
Subscription of the PRC government bonds	58,370	60,475
Redemption of the PRC government bonds	19,629	19,070
Interest income on bonds	6,669	5,473
Repayment of MOF receivable (note 21(a)(iii))	11,126	—
Interest income on MOF receivable (note 21(a)(iii))	3,308	3,690
	%	%
Interest rate range during the period is as follows:		
Interest income on bonds	1.6 to 10.2	1.6 to 11.8

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. The management is of the view that transactions with enterprises or legal entities under the control or supervision of the MOF are conducted in the ordinary course of business. With due regard to the substance of the relationship, the management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

(In RMB millions, unless otherwise stated)

(b) Huijin

Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investors' rights and obligations in certain banks and financial institutions. As at 30 June 2007, Huijin directly owned approximately 35.3292% of the issued share capital of the Bank.

In April 2005, the Bank entered into an agreement with Huijin, pursuant to which the Bank purchased from Huijin an option to sell to Huijin a maximum of US$12,000 million in exchange for RMB at a pre-determined exchange rate of US$1 to RMB8.2765. The option is exercisable in 2008 in 12 equal monthly instalments. The Bank will pay a total option premium of RMB2,979 million to Huijin in 12 equal monthly instalments in 2008. The purpose of the option is to economically hedge against the Bank's currency risk arising from part of the US$15,000 million capital injection made by Huijin in 2005.

The Bank values the option using the Garman Kohlhagen Option model. The parameters used for the valuation include relevant market interest rates of RMB and United States dollars ("US$"), the spot exchange rates of RMB against US$ sourced from the PBOC, and the average historical foreign exchange volatility.

The fair value of the option as at 30 June 2007 was RMB9,642 million (31 December 2006: RMB8,696 million), which is included in derivative financial assets. The premium payable in respect of the option was stated at its discounted present value of RMB2,893 million as at 30 June 2007 (31 December 2006: RMB2,849 million) and is included in other liabilities (note 29). The changes in fair value of the option and the changes in the premium payable for the period amounted to RMB902 million (six months ended 30 June 2006: RMB749 million) in aggregate.

In addition, the Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. Details of the material transactions are as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Balances at end of the period/year:		
Deposits	27,773	14,911
Payable to Huijin (note 29)	—	12,224

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Transactions during the period:		
Interest expenses on deposits	375	28
	%	%
Interest rate range during the period is as follows:		
Deposits	0.7 to 5.2	0.7 to 5.0

(In RMB millions, unless otherwise stated)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of its business on normal commercial terms. The management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the period conducted with these banks and financial institutions, and the corresponding balances as at 30 June 2007 are as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Balances at end of the period/year:		
Debt securities purchased	12,994	7,997
Due from these banks and financial institutions	12,041	19,774
Loans and advances	1,008	—
Due to these banks and financial institutions	38,379	21,064

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Transactions during the period:		
Interest income from debt securities purchased	244	199
Interest income from amounts due from these banks and financial institutions	551	52
Interest income from loans and advances	7	—
Interest expense on amounts due to these banks and financial institutions	359	255
	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	2.5 to 8.3	2.5 to 8.3
Due from these banks and financial institutions	0 to 13.0	0 to 5.8
Loans and advances	4.3 to 6.8	N/A
Due to these banks and financial institutions	0 to 5.5	0 to 5.4

The interest rates disclosed above vary across product groups and transactions depending on the maturity, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(In RMB millions, unless otherwise stated)

(c) Shareholders with significant influence

(i) Goldman Sachs Group Inc ("Goldman Sachs")

Goldman Sachs is considered to have significant influence on the Bank in view of its nominated representative serving on the Bank's board of directors. Significant transactions during the period conducted with Goldman Sachs, and the corresponding balances as at 30 June 2007 are as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Balances at end of the period/year:		
Debt securities purchased	7,791	4,993
Deposits	1,523	1,554

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Transactions during the period:		
Interest income from debt securities purchased	182	—
Interest expense on deposits	41	—
	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	3.6 to 6.0	N/A
Deposits	5.1 to 5.3	N/A

The major transactions between the Group and Goldman Sachs comprised debt securities purchased and deposits, as well as the interest income and expense arising from those transactions. In the opinion of the management, the transactions between the Group and Goldman Sachs are conducted under normal commercial terms and conditions.

(ii) National Council for Social Security Fund (the "SSF")

The SSF has a substantial equity interest in the Bank and is considered having significant influence on the Bank. Significant transactions during the period conducted with the SSF and the corresponding balances as at 30 June 2007 are as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Balances at end of the period/year:		
Deposits	13,500	13,500

	Six months ended 30 June	
	2007	2006
	(unaudited)	
Transactions during the period:		
Interest expense on deposits	269	N/A
	%	%
Interest rate range during the period is as follows:		
Deposits	0.7 to 4.7	N/A

The major transactions between the Group and the SSF comprised deposits and the corresponding interest expense. In the opinion of the management, the transactions between the Group and the SSF are conducted under normal commercial terms and conditions.

(d) Associates

Balances with associates at end of the period/year:

	30 June 2007	31 December 2006
	(unaudited)	
Due to associates	19	31

The major transactions between the Group and its associates mainly comprised deposits and placements from banks and other financial institutions and the corresponding interest expenses. In the opinion of the management, the transactions between the Group and its associates were conducted and priced under normal commercial terms and conditions. As the interest expense is not material, it has not been separately disclosed.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
	(unaudited)	
Short-term employment benefits	7,231	6,217
Post-employment benefits	328	224
	7,559	6,441

Companies or corporations in which the key management of the Group, or their close relatives, are shareholders or key management personnel who are able to exercise control or significant influence, are also considered as related parties of the Group.

In the opinion of the management, the transactions between the Group and the aforementioned parties were conducted on terms and conditions similar to those offered to other unrelated customers. Since the transaction volume was not significant, and the transactions were not material, no further disclosure has been made.

(f) Transactions with other state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its numerous authorities, affiliates or other organisations (collectively the "state-owned entities"). During the period, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank balances, entrusted lending, the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of property and other assets.

Management considers that transactions with other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, the management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

37. 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.

(In RMB millions, unless otherwise stated)

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 (unaudited)					
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 (unaudited)					
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

(In RMB millions, unless otherwise stated)

	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/(expenses)	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 ICBC (Asia) Limited, ICIC, ICEA, ICBC (London), ICBC (Almaty), ICBC (Luxembourg) and ICBC Credit Suisse Asset Management.

(In RMB millions, unless otherwise stated)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2007 (unaudited)										
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 (unaudited)										
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

(In RMB millions, unless otherwise stated)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern 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

38. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group exposed to credit risk primarily due to loans, guarantees and other payment commitments.

The principal features of the Group's credit risk management function are:

- Formulating a set of centralised credit management procedures;

- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and post-disbursement loan monitoring;

- A stringent qualification system for the loan approval officers; and

- Utilisation of a series of information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group launches continuing training programs for the credit officers at different levels.

Notwithstanding the credit risk exposures on credit-related assets and due from banks and other financial institutions, credit risk also arises in the following areas.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

In addition, the Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics. The portfolios of the Group's financial instruments are diversified by industry sectors and geographical location.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

INDIVIDUALLY ASSESSED LOANS

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on five tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of the allowance for credit losses. The amount of the impairment loss is recognised in the consolidated income statement. In determining allowances on individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- Its ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

COLLECTIVELY ASSESSED LOANS

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a group of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the group of loans.

Homogeneous Groups of Loans Not Considered Individually Significant

For homogeneous groups of loans, the Group utilises an analysis of historical trends of probability of default and amount of consequential loss, as well as an evaluation of current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually Assessed Loans with No Objective Evidence of Impairment

When no impairment can be identified for individual loans, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows, these loans are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This loss covers those loans that were impaired at the balance sheet date but which will not be individually identified as impaired until some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environments and whether in management's experience these indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a pool, those assets are individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

(In RMB millions, unless otherwise stated)

Collaterals

The amount and type of collaterals required depend on the assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, bills, loans or investment securities;
- For commercial lending, charges over land and properties and other assets of the borrowers; and
- For retail lending, mortgages over residential properties.

Management monitors the market value of collaterals periodically and requests for additional collaterals in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to settle the outstanding claim. In general, the Group does not occupy repossessed assets for business use.

(I) MAXIMUM EXPOSURE TO CREDIT RISK WITHOUT TAKING ACCOUNT OF ANY COLLATERAL AND OTHER CREDIT ENHANCEMENTS

As at the balance sheet date, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2007	31 December 2006
	(unaudited)	
Balances with central banks	886,067	672,211
Due from banks and other financial institutions	185,298	206,506
Financial assets held for trading	35,044	19,345
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		
— Receivables	1,141,038	1,106,163
— Held-to-maturity debt securities	1,406,324	1,228,937
— Available-for-sale debt securities	511,693	499,108
Other assets	70,755	40,381
	8,147,407	7,358,154
Credit commitments	710,497	694,494
Total credit risk exposure	8,857,904	8,052,648

(In RMB millions, unless otherwise stated)

(II) CREDIT QUALITY

Loans and advances to customers

Risk concentrations

The majority of the loans of the Group are granted for use within the Mainland China, and major credit commitments are also related to domestic customers in Mainland China. However, different industrial sectors and different geographical areas in Mainland China have their unique characteristics in terms of economic development. Therefore, each industry and geographical area in Mainland China could present a different credit risk.

The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

30 JUNE 2007 (UNAUDITED)

	Gross loans and advances to customers		Loans covered by collaterals	Overdue loans and advances to customers*	Amount determined to be impaired: Individually assessed	Amount determined to be impaired: Collectively assessed	Total
Manufacturing	730,487	19%	236,438	69,782	64,034	—	64,034
Transportation and logistics	586,842	15%	120,822	11,658	8,777	—	8,777
Power generation and supply	372,902	9%	51,533	6,378	5,439	—	5,439
Retail, wholesale and catering	329,776	8%	72,858	23,851	22,110	—	22,110
Property development	304,942	8%	176,783	12,296	9,344	—	9,344
Education, hospitals and other non-profit making organisations	101,927	3%	6,771	2,951	2,867	—	2,867
Construction	54,313	1%	18,834	1,759	1,671	—	1,671
Others	420,672	11%	89,438	5,533	5,089	—	5,089
Subtotal for corporate loans	2,901,861	74%	773,477	134,208	119,331	—	119,331
Personal mortgage and business loans	575,709	15%	542,946	42,007	—	6,722	6,722
Others	95,906	2%	62,593	8,865	—	2,608	2,608
Subtotal for personal loans	671,615	17%	605,539	50,872	—	9,330	9,330
Discounted bills	342,130	9%	342,130	—	—	—	—
	3,915,606	100%	1,721,146	185,080	119,331	9,330	128,661
Current market value of collaterals held against the covered portion of overdue loans and advances*							161,912
Covered portion of overdue loans and advances*							94,176
Uncovered portion of overdue loans and advances*							90,904

(In RMB millions, unless otherwise stated)

31 DECEMBER 2006

	Gross loans and advances to customers		Loans covered by collaterals	Overdue loans and advances to customers*	Amount determined to be impaired: Individually assessed	Amount determined to be impaired: Collectively assessed	Total
Manufacturing	683,286	19%	223,573	73,070	69,050	—	69,050
Transportation and logistics	536,624	15%	130,575	7,642	6,757	—	6,757
Power generation and supply	346,499	9%	62,597	6,762	6,500	—	6,500
Retail, wholesale and catering	272,480	8%	62,195	26,908	25,597	—	25,597
Property development	256,184	7%	146,688	12,938	10,087	—	10,087
Education, hospitals and other non-profit making organisations	107,537	3%	9,046	3,292	3,233	—	3,233
Construction	53,745	2%	16,719	1,682	1,524	—	1,524
Others	374,561	10%	97,547	6,302	5,699	—	5,699
Subtotal for corporate loans	2,630,916	73%	748,940	138,596	128,447	—	128,447
Personal mortgage and business loans	498,194	14%	476,126	33,000	—	6,642	6,642
Others	89,699	2%	52,092	7,356	—	2,656	2,656
Subtotal for personal loans	587,893	16%	528,218	40,356	—	9,298	9,298
Discounted bills	412,362	11%	412,362	—	—	—	—
	3,631,171	100%	1,689,520	178,952	128,447	9,298	137,745
Current market value of collaterals held against the covered portion of overdue loans and advances*							143,790
Covered portion of overdue loans and advances*							90,786
Uncovered portion of overdue loans and advances*							88,166

* Loans and advances are classified as overdue when either the principal or interest is overdue. For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

The loans and advances of the Group are predominantly granted to non-bank customers in Mainland China. The detailed analysis of gross loans and advances by geographical segment is set out as follows:

	30 June 2007 (unaudited)		31 December 2006	
Head Office	235,840	6%	259,289	7%
Yangtze River Delta	1,003,397	26%	907,125	25%
Pearl River Delta	562,635	14%	513,514	14%
Bohai Rim	692,988	18%	640,213	18%
Central China	506,565	13%	467,142	13%
Western China	579,863	15%	533,444	15%
Northeastern China	204,132	5%	198,427	5%
Overseas and others	130,186	3%	112,017	3%
	3,915,606	100%	3,631,171	100%

(In RMB millions, unless otherwise stated)

Renegotiated assets

The carrying amount of loans and advances to customers that would otherwise be past due or impaired whose terms have been renegotiated is as follows:

	30 June 2007	31 December 2006
	(unaudited)	
Renegotiated loans and advances to customers	49,692	59,592

Debt securities

The following table presents an analysis of credit risk exposure for debt securities held by the Group (by types of issuers and investments) which are neither past due nor impaired:

30 JUNE 2007 (UNAUDITED)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Investments at fair value through profit or loss	Total
Governments and central banks	781,042	944,566	266,327	16,275	2,008,210
Policy banks	47,000	361,492	58,703	4,147	471,342
Public sector entities	—	17,201	68,077	319	85,597
Banks and other financial institutions	312,996	66,196	91,584	987	471,763
Corporate entities	—	16,869	27,002	15,022	58,893
	1,141,038	1,406,324	511,693	36,750	3,095,805

31 DECEMBER 2006

	Receivables	Held-to-maturity investments	Available-for-sale investments	Investments at fair value through profit or loss	Total
Governments and central banks	746,168	847,186	260,383	2,424	1,856,161
Policy banks	46,999	308,649	70,084	2,379	428,111
Public sector entities	—	18,663	61,370	98	80,131
Banks and other financial institutions	312,996	42,675	77,031	908	433,610
Corporate entities	—	11,764	30,240	15,304	57,308
	1,106,163	1,228,937	499,108	21,113	2,855,321

(In RMB millions, unless otherwise stated)

Other credit quality analyses of financial assets

The following table presents an analysis of the credit quality for each class of financial assets that are subject to credit risk:

30 JUNE 2007 (UNAUDITED)

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Balances with central banks	886,067	—	—	886,067
Due from banks and other financial institutions	185,116	—	350	185,466
Financial assets held for trading	35,044	—	—	35,044
Financial assets designated at fair value through profit or loss	1,706	—	—	1,706
Derivative financial assets	14,305	—	—	14,305
Reverse repurchase agreements	84,110	—	—	84,110
Loans and advances to customers (note)	3,721,916	65,029	128,661	3,915,606
Financial investments	3,059,055	—	49	3,059,104
Other assets	69,049	—	3,021	72,070
	8,056,368	65,029	132,081	8,253,478

31 DECEMBER 2006

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Balances with central banks	672,211	—	—	672,211
Due from banks and other financial institutions	206,320	10	352	206,682
Financial assets held for trading	19,345	—	—	19,345
Financial assets designated at fair value through profit or loss	1,768	—	—	1,768
Derivative financial assets	10,539	—	—	10,539
Reverse repurchase agreements	39,218	—	—	39,218
Loans and advances to customers (note)	3,441,188	52,238	137,745	3,631,171
Financial investments	2,834,208	—	39	2,834,247
Other assets	39,209	—	2,034	41,243
	7,264,006	52,248	140,170	7,456,424

Note: The loans and advances to customers that are neither past due nor impaired amounted to RMB3,721,916 million (31 December 2006: RMB3,441,188 million) as at 30 June 2007 are classified as "Pass" or "Special mention" under the 5-tier loan classification system managed by the Group. Management of the Group considers that these loans are exposed to normal business risk and there is no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the balance sheet date.

(In RMB millions, unless otherwise stated)

Ageing analysis of financial assets which are past due but not impaired:

The following table presents the ageing analysis of each class of financial assets that are subject to credit risk which are past due but not impaired as at period/year end date:

30 JUNE 2007 (UNAUDITED)

	Less than one month	One month to two months	Two months to three months	Over three months	Total	Fair value of collaterals held
Loans and advances to customers	42,399	9,124	5,654	7,852	65,029	120,669

31 DECEMBER 2006

	Less than one month	One month to two months	Two months to three months	Over three months	Total	Fair value of collaterals held
Due from banks and other financial institutions	—	—	—	10	10	—
Loans and advances to customers	26,500	7,602	7,010	11,126	52,238	98,104
	26,500	7,602	7,010	11,136	52,248	98,104

(III) COLLATERALS AND OTHER CREDIT ENHANCEMENTS

During the period, the Group took possession of collaterals held as security with carrying amount of RMB5,473 million. These collaterals mainly comprise land and properties and equipments.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the assets and liabilities structure;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

The maturity analysis of assets and liabilities of the Group at the balance sheet date is as follows:

	30 June 2007 (unaudited)							
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:								
Cash and balances with central banks	140,893	—	—	—	—	—	782,629	923,522
Due from banks and other financial institutions (i)	10,039	136,005	46,071	68,940	8,353	—	—	269,408
Financial assets held for trading		2,418	2,358	25,373	2,658	2,237	41	35,085
Financial assets designated at fair value through profit or loss		—	—	97	661	948	—	1,706
Derivative financial assets	—	283	161	6,393	5,986	1,482	—	14,305
Loans and advances to customers	15,162	218,508	406,746	1,153,641	980,306	979,238	57,466	3,811,067
Investments								
— Receivables	—	—	—	—	1,029,038	112,000	—	1,141,038
— Held-to-maturity debt securities	—	46,897	112,839	424,943	552,435	269,210	—	1,406,324
— Available-for-sale investments	—	17,220	45,620	121,381	157,553	169,919	5,888	517,581
— Investments in associates	—	—	—	—	—	—	125	125
Property and equipment	—	—	—	—	—	—	78,488	78,488
Others	21,334	8,546	11,453	20,113	7,950	—	33,122	102,518
Total assets	187,428	429,877	625,248	1,820,881	2,744,940	1,535,034	957,759	8,301,167
Liabilities:								
Financial assets designated at fair value through profit or loss	—	2,862	4,078	6,090	9,690	3,386	—	26,106
Derivative financial liabilities	—	304	258	396	1,010	1,521	—	3,489
Due to banks and other financial institutions (ii)	711,687	129,513	18,661	14,632	212	1,067	—	875,772
Due to customers (iii)	3,612,025	474,486	424,862	1,669,630	512,888	3,093	—	6,696,984
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	87,330	10,200	13,326	33,107	16,748	383	—	161,094
Total liabilities	4,411,042	617,365	461,185	1,723,855	540,548	44,450	—	7,798,445
Net liquidity gap	(4,223,614)	(187,488)	164,063	97,026	2,204,392	1,490,584	957,759	502,722

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(In RMB millions, unless otherwise stated)

	31 December 2006							
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:								
Cash and balances with central banks	106,150	—	—	—	—	—	597,507	703,657
Due from banks and other financial institutions (i)	5,698	131,609	53,611	52,356	2,450	—	—	245,724
Financial assets held for trading	—	2,164	3,654	12,263	1,143	121	43	19,388
Financial assets designated at fair value through profit or loss	—	—	—	207	517	1,044	—	1,768
Derivative financial assets	—	109	197	233	9,157	843	—	10,539
Loans and advances to customers	45,600	177,053	393,317	1,086,543	885,149	859,394	86,922	3,533,978
Investments								
— Receivables	—	—	—	—	994,163	112,000	—	1,106,163
— Held-to-maturity debt securities	—	67,831	113,772	462,029	376,922	208,383	—	1,228,937
— Available-for-sale investments	—	19,731	66,094	120,570	137,802	154,911	5,434	504,542
— Investments in associates	—	—	—	—	—	—	127	127
Property and equipment	—	—	—	—	—	—	82,403	82,403
Others	10,343	428	9,237	13,995	1,460	2	36,060	71,525
Total assets	167,791	398,925	639,882	1,748,196	2,408,763	1,336,698	808,496	7,508,751
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	—	4,889	15,160	5,611	2,320	—	27,980
Derivative financial liabilities	—	157	211	398	896	951	—	2,613
Due to banks and other financial institutions (ii)	347,465	84,682	6,658	9,737	81	305	—	448,928
Due to customers (iii)	3,190,873	558,315	545,112	1,457,948	579,257	1,343	—	6,332,848
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	141,463	7,537	11,242	23,195	6,858	86	—	190,381
Total liabilities	3,679,801	650,691	568,112	1,506,438	592,703	40,005	—	7,037,750
Net liquidity gap	(3,512,010)	(251,766)	71,770	241,758	1,816,060	1,296,693	808,496	471,001

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(c) Market risk

The Group's market risk mainly arises from open positions in interest rate and currency products. The management of these specific risks is summarised in notes 38(e) and 38(d), respectively.

(d) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in US$, Hong Kong dollars ("HK$") and, to a lesser extent, other currencies. These transactions arise from the Group's treasury exposures and foreign operations.

The exchange rate of RMB to US$ is under a managed-floating exchange rate system. The exchange rate of US$ to RMB has gradually risen over the past two years. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

The Group manages its currency risk through various means including entering into hedging activities that are available to the Group.

(In RMB millions, unless otherwise stated)

A breakdown of the relevant assets and liabilities analysed by currency is as follows:

30 JUNE 2007 (UNAUDITED)

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	911,896	7,564	2,515	1,547	923,522
Due from banks and other financial institutions (i)	102,016	142,263	16,324	8,805	269,408
Financial assets held for trading	33,574	1,471	40	—	35,085
Financial assets designated at fair value though profit or loss	—	1,406	300	—	1,706
Derivative financial assets	11,574	1,435	145	1,151	14,305
Loans and advances to customers	3,541,826	139,504	107,458	22,279	3,811,067
Investments	2,816,913	229,736	6,643	11,776	3,065,068
Property and equipment	77,972	230	191	95	78,488
Others	91,283	4,116	5,933	1,186	102,518
Total assets	7,587,054	527,725	139,549	46,839	8,301,167
Liabilities:					
Financial liabilities designated at fair value through profit or loss	2,684	20,495	2,696	231	26,106
Derivative financial liabilities	394	1,873	282	940	3,489
Due to banks and other financial institutions (ii)	713,897	92,354	60,906	8,615	875,772
Due to customers (iii)	6,431,885	115,977	125,441	23,681	6,696,984
Subordinated bonds	35,000	—	—	—	35,000
Others	138,480	13,924	3,536	5,154	161,094
Total liabilities	7,322,340	244,623	192,861	38,621	7,798,445
Net position	264,714	283,102	(53,312)	8,218	502,722
Off-balance sheet credit commitments	500,028	140,757	42,872	26,840	710,497

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(In RMB millions, unless otherwise stated)

31 DECEMBER 2006

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	693,056	7,122	2,049	1,430	703,657
Due from banks and other financial institutions (i)	52,616	168,370	17,057	7,681	245,724
Financial assets held for trading	18,549	817	22	—	19,388
Financial assets designated at fair value though profit or loss	—	1,318	243	207	1,768
Derivative financial assets	8,844	897	240	558	10,539
Loans and advances to customers	3,300,615	127,069	87,635	18,659	3,533,978
Investments	2,622,089	197,735	7,491	12,454	2,839,769
Property and equipment	81,799	331	181	92	82,403
Others	62,941	3,491	3,602	1,491	71,525
Total assets	6,840,509	507,150	118,520	42,572	7,508,751
Liabilities:					
Financial liabilities designated at fair value through profit or loss	1,543	19,333	3,844	3,260	27,980
Derivative financial liabilities	121	1,625	269	598	2,613
Due to banks and other financial institutions (ii)	354,267	77,240	9,113	8,308	448,928
Due to customers (iii)	6,093,667	138,883	84,814	15,484	6,332,848
Subordinated bonds	35,000	—	—	—	35,000
Others	128,433	53,493	4,095	4,360	190,381
Total liabilities	6,613,031	290,574	102,135	32,010	7,037,750
Net position	227,478	216,576	16,385	10,562	471,001
Off-balance sheet credit commitments	454,140	156,451	56,923	26,980	694,494

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(e) Interest rate risk

The Group's interest rate risk arises from the differences in timing between contractual maturities and repricing of interest-bearing assets and liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which have a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and

(In RMB millions, unless otherwise stated)

- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

30 JUNE 2007 (UNAUDITED)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	815,075	—	—	—	108,447	923,522
Due from banks and other financial institutions (i)	192,115	68,940	8,353	—	—	269,408
Financial assets held for trading	5,450	26,328	1,604	1,662	41	35,085
Financial assets designated at fair value through profit or loss	—	97	661	948	—	1,706
Derivatives financial assets	444	6,393	5,986	1,482	—	14,305
Loans and advances to customers	1,206,572	2,604,495	—	—	—	3,811,067
Investments	307,755	693,912	1,623,600	433,788	6,013	3,065,068
Property and equipment	—	—	—	—	78,488	78,488
Others	—	—	—	—	102,518	102,518
Total assets	2,527,411	3,400,165	1,640,204	437,880	295,507	8,301,167
Liabilities:						
Financial liabilities designated at fair value through profit or loss	8,186	12,752	4,555	613	—	26,106
Derivatives financial liabilities	562	396	1,010	1,521	—	3,489
Due to banks and other financial institutions (ii)	807,798	13,872	212	1,067	52,823	875,772
Due to customers (iii)	4,406,890	1,669,528	519,723	3,093	97,750	6,696,984
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	161,094	161,094
Total liabilities	5,232,436	1,696,548	538,500	19,294	311,667	7,798,445
Interest rate mismatch	(2,705,025)	1,703,617	1,101,704	418,586	N/A	N/A

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(In RMB millions, unless otherwise stated)

31 DECEMBER 2006

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	617,383	—	—	—	86,274	703,657
Due from banks and other financial institutions (i)	190,918	52,356	2,450	—	—	245,724
Financial assets held for trading	5,818	12,263	1,143	121	43	19,388
Financial assets designated at fair value through profit or loss	—	207	517	1,044	—	1,768
Derivatives financial assets	306	233	9,157	843	—	10,539
Loans and advances to customers	1,176,901	2,357,077	—	—	—	3,533,978
Investments	344,323	714,235	1,403,026	372,624	5,561	2,839,769
Property and equipment	—	—	—	—	82,403	82,403
Others	—	—	—	—	71,525	71,525
Total assets	2,335,649	3,136,371	1,416,293	374,632	245,806	7,508,751
Liabilities:						
Financial liabilities designated at fair value through profit or loss	7,836	16,343	2,214	1,587	—	27,980
Derivatives financial liabilities	368	398	896	951	—	2,613
Due to banks and other financial institutions (ii)	438,512	9,737	81	305	293	448,928
Due to customers (iii)	4,211,188	1,452,503	570,786	1,343	97,028	6,332,848
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	190,381	190,381
Total liabilities	4,666,904	1,478,981	586,977	17,186	287,702	7,037,750
Interest rate mismatch	(2,331,255)	1,657,390	829,316	357,446	N/A	N/A

(i) Includes reverse repurchase agreements

(ii) Includes repurchase agreements

(iii) Includes certificates of deposit

(In RMB millions, unless otherwise stated)

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and subordinated bonds for which their fair values have not been presented or disclosed above:

	Carrying value	Fair value
30 June 2007:		
Receivables	1,141,038	1,140,798
Held-to-maturity debt securities	1,406,324	1,389,243
Subordinated bonds	35,000	34,136
31 December 2006:		
Receivables	1,106,163	1,106,246
Held-to-maturity debt securities	1,228,937	1,233,124
Subordinated bonds	35,000	34,263

Subject to the existence of an active market, such as a recognised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(a) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instrument evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the bases of pricing models or discounted cash flows.

(b) The fair values of held-to-maturity debt securities and subordinated bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or reprice to current market rates frequently, are as follows:

Assets	**Liabilities**
Cash and balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current period's presentation.

41. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2007.

(In RMB millions, unless otherwise stated)

(a) Differences between the financial statements prepared under International Financial Reporting Standards ("IFRSs") and those prepared in accordance with Chinese Accounting Standards ("CASs") promulgated by the Ministry of Finance of the PRC (the "MOF") in 2006

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.

	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 generally accepted accounting principles in the PRC, 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 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.

(b) Liquidity ratios

	30 June 2007	30 June 2006
RMB current assets to RMB current liabilities	28.5%	50.8%
Foreign currency current assets to foreign currency current liabilities	56.9%	73.0%

The liquidity ratios are calculated based on the financial information prepared in accordance with generally accepted accounting principles in the PRC.

(In RMB millions, unless otherwise stated)

The basis of calculation has changed during the period pursuant to the requirement of Yin Jian Fa [2006] No.75 issued by the CBRC whereby only current assets and current liabilities due within one month are included, and accordingly not directly comparable to the corresponding ratio for 30 June 2006.

(c) Capital adequacy ratio

The Group calculates and reports the capital adequacy ratios in accordance with the guidelines "Regulation Governing Capital Adequacy of Commercial Banks" which were promulgated by the CBRC, together with the "Notice from China Banking Regulatory Commission on Guidance for the Calculation of Capital Requirement of Market Risks for Commercial Banks" issued by the CBRC. The requirements pursuant to these guidelines may be different to those applicable in Hong Kong or other countries.

The capital adequacy ratios and the related components of the Group are computed based on financial information prepared in accordance with generally accepted accounting principles in the PRC.

	30 June 2007	31 December 2006
Core capital adequacy ratio	11.83%	12.23%
Capital adequacy ratio	13.67%	14.05%
Components of capital base		
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	(1,944)	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:		
Unconsolidated equity investments (1)	(2,686)	(1,729)
Goodwill (1)	(1,622)	(1,195)
Net capital base	552,241	530,805
Core capital base after deductions (1)	477,790	462,019
Risk weighted assets and market risk capital adjustment	4,039,565	3,779,170

(1) Pursuant to the relevant regulations, the core capital base after deductions was derived by applying 50% and 100% of deductions in the unconsolidated equity investments and goodwill, respectively.

(In RMB millions, unless otherwise stated)

(d) Foreign currency concentrations other than RMB

	US$	HK$	Others	Total
As at 30 June 2007				
Spot assets	527,403	139,323	46,755	713,481
Spot liabilities	(244,623)	(192,861)	(38,621)	(476,105)
Forward purchases	124,396	85,904	32,704	243,004
Forward sales	(287,324)	(18,146)	(34,603)	(340,073)
Net option position	(87,043)	(1)	(140)	(87,184)
Net long position	32,809	14,219	6,095	53,123
Net structural position	322	226	84	632
As at 31 December 2006				
Spot assets	506,727	118,226	42,491	667,444
Spot liabilities	(290,574)	(102,135)	(32,010)	(424,719)
Forward purchases	73,699	20,541	16,982	111,222
Forward sales	(105,079)	(18,280)	(21,943)	(145,302)
Net option position	(93,387)	(24)	(289)	(93,700)
Net long position	91,386	18,328	5,231	114,945
Net structural position	423	294	81	798

The net option position is calculated using the delta equivalent approach as required under the Banking (Disclosures) Rules. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in fixed assets and premises, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in certain associates.

(e) Cross-border claims

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

Cross-border claims include loans and advances, balances with central banks, balances and placements with banks and other financial institutions, and investment securities.

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

(In RMB millions, unless otherwise stated)

	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2007				
Asia Pacific excluding Mainland China	104,006	3,702	102,090	209,798
— of which attributed to Hong Kong	30,135	1,760	90,741	122,636
Europe	121,622	114	18,650	140,386
North and South America	71,016	81,679	6,408	159,103
	296,644	85,495	127,148	509,287
As at 31 December 2006				
Asia Pacific excluding Mainland China	103,751	1,018	78,519	183,288
— of which attributed to Hong Kong	24,570	854	68,951	94,375
Europe	124,621	123	13,067	137,811
North and South America	46,247	74,264	24,207	144,718
	274,619	75,405	115,793	465,817

(f) Overdue assets

(i) Overdue loans and advances to customers

	30 June 2007	31 December 2006
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	19,442	22,815
Between 6 and 12 months	13,073	16,620
Over 12 months	88,512	94,181
Total	121,027	133,616
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.5%	0.6%
Between 6 and 12 months	0.3%	0.5%
Over 12 months	2.3%	2.6%
Total	3.1%	3.7%

The above analysis includes loans and advances overdue for more than three months as required under the Banking (Disclosures) Rules.

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

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

The allowance for impairment losses on overdue loans and advances to customers amounted to approximately RMB56,180 million (31 December 2006: RMB56,138 million).

(In RMB millions, unless otherwise stated)

(ii) Overdue balances with banks and other financial institutions

	30 June 2007	31 December 2006
Gross balances with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for periods of:		
Over 12 months	220	224
As a percentage of the total gross balances with banks and other financial institutions:		
Over 12 months	0.1%	0.1%

(g) Overdue and impaired loans and advances to customers by geographical segment

30 June 2007	Overdue loans and advances to customers	Determined to be impaired		
		Individually assessed	Collective assessed	Total
Yangtze River Delta	8,869	10,888	598	11,486
Pearl River Delta	19,867	17,537	1,047	18,584
Bohai Rim	25,512	24,463	2,357	26,820
Central China	18,515	18,468	1,196	19,664
Western China	22,152	21,781	1,852	23,633
Northeastern China	24,298	24,634	2,112	26,746
Head Office	742	416	168	584
Overseas and others	1,072	1,144	—	1,144
Total	121,027	119,331	9,330	128,661

31 December 2006	Overdue loans and advances to customers	Determined to be impaired		
		Individually assessed	Collective assessed	Total
Yangtze River Delta	10,137	12,758	499	13,257
Pearl River Delta	22,699	19,108	1,105	20,213
Bohai Rim	27,396	24,593	2,395	26,988
Central China	18,202	19,037	1,034	20,071
Western China	25,234	23,519	1,796	25,315
Northeastern China	27,949	27,682	2,352	30,034
Head Office	665	418	117	535
Overseas and others	1,334	1,332	—	1,332
Total	133,616	128,447	9,298	137,745

The above overdue analysis includes loans and advances overdue for more than three months as required under the Banking (Disclosures) Rules.

(In RMB millions, unless otherwise stated)

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

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

(h) Rescheduled loans and advances to customers

	30 June 2007		31 December 2006	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	49,692	1.3%	59,592	1.6%
Less: Rescheduled loans and advances overdue for more than three months	36,623	0.9%	48,540	1.3%
Rescheduled loans and advances overdue for less than three months	13,069	0.4%	11,052	0.3%

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