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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

(Stock Code: 1398)

## **2010 Interim Results Announcement**

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2010. The Board of Directors and the Audit Committee of the Board of Directors of the Bank has reviewed and confirmed the unaudited interim results.

### **1. Important Notice**

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this announcement contains no false record, misleading statement or material omission; and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of the information in this announcement.

The 2010 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 26 August 2010. All directors were present at the meeting.

The 2010 interim financial statements prepared by the Bank in accordance with the Chinese Accounting Standards for Business Enterprises (“PRC GAAP”) and the International Financial Reporting Standards (“IFRSs”) have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

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

26 August 2010

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yang Kaisheng, President in charge of finance of the Bank, and Mr. Shen Rujun, General Manager of the Finance and Accounting Department of the Bank, hereby warrant and guarantee that the financial statements contained in the Interim Report are authentic and complete.

## 2. Corporate Information

### 2.1 Basic Information

<b>Stock name</b>	工商銀行 (A shares)	ICBC (H shares)
<b>Stock code</b>	601398	1398
<b>Stock exchange on which shares are listed</b>	Shanghai Stock Exchange (“SSE”)	The Stock Exchange of Hong Kong Limited (“SEHK”)
<b>Registered address and office address</b>	No.55 Fuxingmennei Avenue, Xicheng District, Beijing, People’s Republic of China	
<b>Postal code</b>	100140	
<b>Internet website</b>	www.icbc.com.cn, www.icbc-ltd.com	
<b>E-mail</b>	ir@icbc.com.cn	

### 2.2 Contact

#### Board Secretary and Company Secretary

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## 3. Financial Highlights

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

### 3.1 Financial Data

	<b>Six months ended 30 June 2010</b>	Six months ended 30 June 2009	Year ended 31 December 2009
<b>Operating results</b> (in RMB millions)			
Net interest income	<b>143,312</b>	116,038	245,821
Net fee and commission income	<b>36,889</b>	27,744	55,147
Operating income	<b>180,928</b>	148,082	309,411
Operating expenses	<b>61,869</b>	53,048	120,819
Impairment losses	<b>9,693</b>	10,212	23,285
Operating profit	<b>109,366</b>	84,822	165,307
Profit before tax	<b>110,616</b>	85,788	167,294
Net profit for the period	<b>84,965</b>	66,724	129,396
Net profit for the period attributable to equity holders of the parent company	<b>84,603</b>	66,424	128,645
Net cash inflow/(outflow) from operating activities	<b>483,477</b>	(67,265)	403,862
<b>Per share data</b> (in RMB yuan)			
Basic earnings per share	<b>0.25</b>	0.20	0.39
Diluted earnings per share	<b>0.25</b>	0.20	0.39
Net cash flow per share from operating activities	<b>1.45</b>	(0.20)	1.21
	<b>30 June 2010</b>	31 December 2009	31 December 2008
<b>Balance sheet items</b> (in RMB millions)			
Total assets	<b>12,960,381</b>	11,785,053	9,757,146
Total loans and advances to customers	<b>6,354,384</b>	5,728,626	4,571,994
Allowance for impairment losses on loans	<b>151,990</b>	145,452	135,983
Net investment in securities	<b>3,729,253</b>	3,599,173	3,048,310
Total liabilities	<b>12,250,781</b>	11,106,119	9,150,516
Due to customers	<b>10,832,789</b>	9,771,277	8,223,446
Due to banks and other financial institutions	<b>1,100,955</b>	1,001,634	646,254
Equity attributable to equity holders of the parent company	<b>704,279</b>	673,893	602,675
Net assets per share <sup>(1)</sup> (in RMB yuan)	<b>2.11</b>	2.02	1.80
Net capital base	<b>759,791</b>	731,956	620,033
Net core capital base	<b>630,662</b>	586,431	510,549
Supplementary capital	<b>140,838</b>	172,994	121,998
Risk-weighted assets <sup>(2)</sup>	<b>6,698,521</b>	5,921,330	4,748,893
<b>Credit rating</b>			
S&P <sup>(3)</sup>	<b>A-/Positive</b>	A-/Positive	A-/Positive
Moody's <sup>(3)</sup>	<b>A1/Positive</b>	A1/Positive	A1/Stable

- Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.
- (2) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.
- (3) The rating results are in form of “long-term foreign currency deposits rating/outlook”.

## 3.2 Financial Indicators

	<b>Six months ended 30 June 2010</b>	Six months ended 30 June 2009	Year ended 31 December 2009
<b>Profitability (%)</b>			
Return on average total assets <sup>(1)</sup>	<b>1.37*</b>	1.26*	1.20
Return on weighted average equity <sup>(2)</sup>	<b>23.90*</b>	20.86*	20.15
Net interest spread <sup>(3)</sup>	<b>2.28*</b>	2.13*	2.16
Net interest margin <sup>(4)</sup>	<b>2.37*</b>	2.25*	2.26
Return on risk-weighted assets <sup>(5)</sup>	<b>2.69*</b>	2.61*	2.43
Ratio of net fee and commission income to operating income	<b>20.39</b>	18.74	17.82
Cost-to-income ratio <sup>(6)</sup>	<b>28.47</b>	29.85	33.18
	<b>30 June 2010</b>	31 December 2009	31 December 2008
<b>Asset quality (%)</b>			
Non-performing loans (“NPL”) ratio <sup>(7)</sup>	<b>1.26</b>	1.54	2.29
Allowance to NPLs <sup>(8)</sup>	<b>189.81</b>	164.41	130.15
Allowance to total loans ratio <sup>(9)</sup>	<b>2.39</b>	2.54	2.97
<b>Capital adequacy (%)</b>			
Core capital adequacy ratio <sup>(10)</sup>	<b>9.41</b>	9.90	10.75
Capital adequacy ratio <sup>(10)</sup>	<b>11.34</b>	12.36	13.06
Total equity to total assets ratio	<b>5.48</b>	5.76	6.22
Risk-weighted assets to total assets ratio	<b>51.68</b>	50.24	48.67

Notes: \* indicates annualized ratios.

- (1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and at the end of the reporting period.
- (2) Calculated in accordance with the “Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share” (Revision 2010) issued by China Securities Regulatory Commission (“CSRC”).
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average balance of interest-generating assets.

- (5) Calculated by dividing net profit for the period by the average balance of risk-weighted assets and adjustment to market-risk capital at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of non-performing loans.
- (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
- (10) Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.

### **3.3 Differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP**

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, profit for the period attributable to equity holders of the parent company for the six months ended 30 June 2010 and equity attributable to equity holders of the parent company as at 30 June 2010 have no differences.

## **4. Business Overview**

In the face of the complicated and volatile business environment and increasingly fierce competitive situation, the Bank, following its established development strategy and objective, overcame the impact of the international financial crisis, smoothly promoted sound operation and management and continued to maintain stable and healthy development momentum by prudent operations.

- Profit continued to grow relatively rapidly. In the first half of 2010, through accelerating business innovation and optimization of operation structure, the Bank reaped a 27.3% growth in net profit over the same period of last year, which is 24.5 percentage points higher than the growth in the same period in 2009. A more solid foundation was laid to support profit generation and income structure was further improved. As at the end of June, the Bank’s allowance to NPLs reached 189.81%, an increase of 25.40 percentage points over the end of 2009. Thanks to the rebound of yield on loans, stabilization of return on bond investment and continuous decline in deposit interest rate in the first half of 2010, the Bank’s net interest margin increased by 11 basis points when compared with year 2009, and net interest income rose by 23.5%. Due to the development of new businesses and launch of new products, net fee and commission income increased by 33.0%, of which income from the businesses such as corporate wealth management, asset custody, bankcard, settlement and clearing and cash management, rose by more than 30%. At the end of June, the ratio of net fee and commission income to operating income reached 20.39%, up 1.65 percentage points compared to the same period of 2009.

- Total volume of lending was stable and moderate. According to China’s economic and financial policies and actual operational needs of the real economy, as well as the Bank’s business development objectives, the Bank controlled the total volume of lending and the pace of lending growth in a reasonable manner. In the first half of 2010, new RMB loans extended by domestic branches reached RMB524,068 million, up 9.9%, providing due support for the social and economic development, and at the same time, the Bank expedited the adjustment of its credit structure. The Bank continued to provide active support for the State’s key infrastructure areas, revitalization industries and strategic emerging industries, and place strict restrictions on lending to industries with high energy consumption, high pollution and over-capacity. Loans to small business enterprises increased rapidly, with a growth in volume that exceeded that in the entire year 2009 and a growth rate which is 15.0 percentage points higher than the average growth rate of the Bank’s total loans. Trade finance developed quickly, with a growth of 24.9%. Personal loans developed healthily and rapidly with a growth which is 9.9 percentage points higher than the Bank’s overall average.
  
- All business lines grew satisfactorily. The Bank actively accommodated to the changes in cash flow in the market, and stepped up its efforts in improving the deposit base. Customer deposits increased by RMB1,061,512 million, ranking first among domestic banks, and further consolidating the foundation for the development of various businesses. Through a sound development mechanism and innovation of products and services, the development of fee-based businesses and new businesses accelerated and many new advantages became apparent. A total of RMB2.04 trillion of banking wealth management products was issued, representing an increase of 87.8% compared to the same period of 2009. The Bank continued to lead the industry in terms of the number of credit cards issued and consumption via credit cards, and ranked first among domestic banks in terms of credit card overdraft amount. Income from investment banking business continued to maintain relatively rapid growth, exceeding RMB10 billion last year and reaching RMB8,666 million in the first half of 2010. E-banking was further brought into play as an important transaction processing channel, representing an increase of 85.5% in transaction volume compared to the same period of 2009. 54.6% of the Bank’s business transactions were handled via E-banking, up 4.5 percentage points compared to the previous year. The number of new additional corporate settlement accounts ranked first among domestic banks and the Bank maintained its leading position. Net worth of assets under custody exceeded RMB2 trillion, and newly added annuity funds under management increased in multiple amounts. Private banking and precious metal businesses also showed a fast development track.
  
- Reform and innovation progressed rapidly. In the first half of 2010, the Bank successfully completed the reform of RMB fund management system, and took the lead among domestic banks in realizing the full amount and centralized management and internal pricing of RMB funds per transaction domestically, thus further improving the central and simplified operation of funds. The Bank carried out a profit centre reform in the Global Markets Department, Asset Custody Department, Precious Metal Business Department and ICBC Bills Discounting Department, to strengthen the evaluation of

the operations of various business lines providing incentives and restraints, thereby enhancing competitiveness and ability to create value. Significant achievements were made in business operation system, and a data analysis-based and risk control-oriented supervision mode and a centralized and cross-institution remote authorization system have basically taken shape. The coverage of centralized business processing pilot projects was extended, and the Bank's risk identification capability, business processing efficiency and the central, simplified and standardized management capability were further improved. Reform of key county-level sub-branches was fully implemented. The Bank continuously pushed forward product and technology innovation, and expedited the implementation of the fourth-generation application system (NOVA+). In the first half of 2010, 441 new innovative products were introduced, making a total of 2,807 products. The Bank made a new breakthrough in its internationalized development and kept improving its global branch network.

- Risk management was strengthened. In the first half of 2010, the Bank actively rose to the challenges brought by various uncertain factors and risks, by improvement of corporate governance and internal control. The Bank further improved the comprehensive risk management framework at a group level, by adding concentration risk, reputation risk and strategy risk management into the framework, and enhanced the application of internal rating achievements. The construction of the backbone of the projects on market risk internal model approach and operational risk assessment approach have been basically completed, and the Bank successfully passed the preliminary assessment of Basel II implementation. The Bank earnestly implemented the requirements of the “Three Measures and One Guideline” of China Banking Regulatory Commission (“CBRC”), and improved basic credit management. The Bank strengthened the prevention and mitigation of risks arising from local government financing platform loans, real estate loans and loans to industries with high energy consumption, high pollution and over-capacity, quickened the pace of NPLs recovery and disposal and withdrawal from loans with potential risks. In the first half of 2010, NPL balance and NPL ratio further declined, and NPL ratio dropped to a record low of 1.26%.

Presently, the seriousness of the impact of the international financial crisis and the twists and turns of economic recovery have been beyond expectation. Despite the complicated and volatile environment, the Bank still achieved good operating results in the first half of 2010. However, we remain alert that there are many new risks and uncertainties in our business operation and development. We will continue to adhere to our established development strategy, further deepen reform, improve service and management, continuously gain new vitality and develop driving force for business development, to ensure that we can successfully accomplish various business development targets set by the Board of Directors.

## 5. Discussion and Analysis

### 5.1 Income Statement Analysis

In the first half of 2010, in response to the volatile operating environment and increasingly fierce competition, the Bank has continued to push forward the adjustment to business structure and the transformation of growth pattern, accelerated the product innovation, optimized the customer services, strictly controlled cost, strengthened risk management and promoted the sustainable increase in profit. Net profit reached RMB84,965 million, representing an increase of RMB18,241 million or 27.3% over the same period of last year. The annualized return on weighted average equity was 23.90%, representing an increase of 3.04 percentage points over the same period of last year. Operating income rose by 22.2% to RMB180,928 million. As a result of expansion in the volume of interest-generating assets and rebound of the net interest margin, net interest income increased by 23.5% to RMB143,312 million. Non-interest income grew by 17.4% to RMB37,616 million, of which, net fee and commission income increased by 33.0%. Operating expense increased by 16.6% to RMB61,869 million. Cost-to-income ratio was 28.47%, representing a decrease of 1.38 percentage points, maintaining at a low level. Due to the steady improvement of assets quality, allowance for impairment losses declined by 5.1% to RMB9,693 million.

#### *Net Interest Income*

In the first half of 2010, the State carried forward the proactive fiscal policy and moderately loose monetary policy. The Bank seized the market opportunities, properly arranged the credit disbursement, optimized the allocation of credit resources, timely adjusted the investment strategy and structure and also adopted various measures to proactively expand the low-cost liability business and realized a rapid growth of net interest income. In the first half of 2010, net interest income increased by RMB27,274 million or 23.5% over the same period of 2009 to RMB143,312 million, accounting for 79.2% of operating income. Interest income increased by RMB20,588 million or 10.3% to RMB219,865 million, and interest expense decreased by RMB6,686 million or 8.0% to RMB76,553 million.

The table below sets out the average balance of interest-generating assets and interest-bearing liabilities, interest income and expense, as well as average yield and average cost, respectively. Average yield and average cost are annualized.



*In RMB millions, except for percentages*

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Loans and advances to customers	6,120,030	149,722	4.89	5,029,763	137,488	5.47
Investment in securities	3,581,321	51,114	2.85	2,985,050	46,599	3.12
Investment in securities not related to restructuring	2,740,756	42,255	3.08	2,009,491	35,901	3.57
Investment in securities related to restructuring <sup>(2)</sup>	840,565	8,859	2.11	975,559	10,698	2.19
Due from central banks	1,745,274	13,494	1.55	1,507,535	11,221	1.49
Due from banks and other financial institutions <sup>(3)</sup>	637,708	5,535	1.74	810,664	3,969	0.98
<b>Total interest-generating assets</b>	<b>12,084,333</b>	<b>219,865</b>	<b>3.64</b>	<b>10,333,012</b>	<b>199,277</b>	<b>3.86</b>
Non-interest-generating assets	498,887			512,468		
Allowance for impairment losses	(153,695)			(141,187)		
<b>Total assets</b>	<b>12,429,525</b>			<b>10,704,293</b>		
<b>Liabilities</b>						
Deposits	10,095,715	67,982	1.35	8,701,598	76,391	1.76
Due to banks and other financial institutions <sup>(3)</sup>	1,110,332	7,282	1.31	907,904	6,276	1.38
Subordinated bonds	75,000	1,289	3.44	35,000	572	3.27
<b>Total interest-bearing liabilities</b>	<b>11,281,047</b>	<b>76,553</b>	<b>1.36</b>	<b>9,644,502</b>	<b>83,239</b>	<b>1.73</b>
Non-interest-bearing liabilities	384,513			273,424		
<b>Total liabilities</b>	<b>11,665,560</b>			<b>9,917,926</b>		
<b>Net interest income</b>		<b>143,312</b>			<b>116,038</b>	
<b>Net interest spread</b>			<b>2.28</b>			<b>2.13</b>
<b>Net interest margin</b>			<b>2.37</b>			<b>2.25</b>

- Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the reporting period and that at the end of the reporting period.
- (2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills.
- (3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements; and due to banks and other financial institutions includes the amount of repurchase agreements.

#### ◆ Net Interest Spread and Net Interest Margin

In the first half of 2010, the Bank continuously took measures to adjust the structure of assets and liabilities when the benchmark interest rates for RMB deposits and loans were not changed. Net interest spread and net interest margin slightly increased. During the reporting period, the average yield of interest-generating assets decreased by 22 basis points over the same period of last year, lower than the decrease of 37 basis points in the average cost of interest-bearing liabilities. Net interest spread and net interest margin stood at 2.28% and 2.37%, respectively, representing an increase of 15 and 12 basis points as compared to the same period of last year.

The table below sets out the yield of interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin in the first half of 2010, the first half of 2009 and the year of 2009, respectively.

*Percentages*

<b>Item</b>	<b>Six months ended 30 June 2010</b>	<b>Six months ended 30 June 2009</b>	<b>Year ended 31 December 2009</b>
Yield of interest-generating assets	<b>3.64</b>	3.86	3.74
Cost of interest-bearing liabilities	<b>1.36</b>	1.73	1.58
Net interest spread	<b>2.28</b>	2.13	2.16
Net interest margin	<b>2.37</b>	2.25	2.26

#### *Interest Income*

#### ◆ Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB149,722 million, representing an increase of RMB12,234 million or 8.9%. In the first half of 2010, the average balance increased by RMB1,090,267 million or 21.7% over the same period of last year. The scale of growth contributed to an increase of RMB26,820 million in interest income, but the decrease of 58 basis points in yield led to a decrease of RMB14,586 million in interest income. The scale of growth offset the decrease in yield, resulting in the small growth of interest income on loans and advances to customers. Compared with the first quarter of 2010, the average yield of loans and advances to customers rose in the second quarter.

In terms of maturity structure, the average balance of short-term loans was RMB1,689,450 million, interest income derived therefrom was RMB37,119 million, and the average yield was 4.39%. The average balance of medium to long-term loans was RMB4,430,580 million, interest income arising therefrom was RMB112,603 million, and the average yield was 5.08%.

**ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE**

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,250,234	110,729	5.21	3,491,692	105,854	6.06
Discounted bills	247,836	3,945	3.18	499,948	6,054	2.42
Personal loans	1,349,622	32,049	4.75	879,054	22,646	5.15
Overseas and others	272,338	2,999	2.20	159,069	2,934	3.69
<b>Total loans and advances to customers</b>	<b>6,120,030</b>	<b>149,722</b>	<b>4.89</b>	<b>5,029,763</b>	<b>137,488</b>	<b>5.47</b>

In terms of the business line, interest income on corporate loans increased by 4.6% over the same period of last year to RMB110,729 million, accounting for 74.0% of the interest income on loans and advances to customers. The increase was caused by the expansion of volume of corporate loans. The decrease of 85 basis points in average yield was mainly because the re-pricing of existing loans with relatively higher yield was gradually completed in 2009. The average effective interest rates for newly granted loans and re-priced loans of the Bank witnessed a sharp decline as compared with the same period of last year.

Interest income on discounted bills decreased by 34.8% over the same period of last year to RMB3,945 million. The decrease was caused mainly by the downsizing of discounted bills by the Bank to prop up other credit businesses during the reporting period, which led to a significant decrease in average balance. The increase of 76 basis points in the average yield was mainly due to the remarkable increase in SHIBOR-based market interest rate for discounting.

Interest income on personal loans increased by 41.5% over the same period of last year to RMB32,049 million. The increase was caused mainly by the rise in the average balance of personal loans. The decrease of 40 basis points in the average yield was mainly due to the relatively higher effective interest rate for personal housing loans before its reduction in batches in February 2009.

Interest income on overseas and others increased by 2.2% over the same period of last year to RMB2,999 million. The increase was caused mainly by the expansion of overseas loans. The decrease of 149 basis points in the average yield was mainly due to the decline in the average LIBOR and HIBOR in the first half of 2010 as compared to the same period of last year.

#### ◆ **Interest Income on Investment in Securities**

Interest income on investment in securities was RMB51,114 million, representing an increase of RMB4,515 million or 9.7%. Interest income on investment in securities not related to restructuring increased by 17.7% to RMB42,255 million, and the rise was because the Bank properly increased investment in central bank bills, policy bank debentures and quality corporate bonds during the reporting period which led to a rapid increase in the average balance. The decline of 49 basis points in the average yield of investment in securities not related to restructuring was principally because some existing bonds with higher interest rates matured during the reporting period while the average yield of re-investment in RMB bonds was relatively low.

Interest income on investment in securities related to restructuring decreased by RMB1,839 million or 17.2%, which was mainly attributable to the repayment of MOF receivables with relatively higher yield in the first quarter, which resulted in the decrease in the average balance and average yield of investment in securities relating to restructuring.

#### ◆ **Interest Income on Due from Central Banks**

Due from central banks of the Bank mainly include mandatory reserve deposits with central banks and excess reserve deposits. Interest income on due from central banks reached RMB13,494 million, representing an increase of RMB2,273 million or 20.3% over the same period of last year. The growth was due to (1) the increase of customer deposits and rise of ratio of mandatory reserve deposits by The People's Bank of China ("PBOC") in the first half of 2010, leading to fast increase of mandatory reserve deposits; and (2) the increasingly higher liquidity management level of the Bank, leading to a falling ratio of excess reserve deposits with central banks at a lower interest rate.

#### ◆ **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB5,535 million, representing an increase of RMB1,566 million or 39.5%. The increase in interest income was mainly caused by the hike of average interest rate on the domestic money market in the first half of 2010 as compared with the same period of last year. The Bank actively seized this favorable market opportunity, made more efforts on lending and improved the pricing capacity, which resulted in the rise of average yield of due from banks and other financial institutions by 76 basis points.

## *Interest Expense*

### ◆ **Interest Expense on Deposits**

Interest expense on deposits amounted to RMB67,982 million, representing a decrease of RMB8,409 million or 11.0%, and accounted for 88.8% of the total interest expense. The decrease in interest expense on deposits was mainly due to the decrease in the average cost from 1.76% in the first half of 2009 to 1.35%. The decrease in the average cost was mainly attributed to that (1) the Bank actively adjusted the maturity structure of deposits, improved the internal and external interest rate pricing mechanism, expanded the source of low-interest rate deposits and the proportion of average daily balance of demand deposits increased by 4.2 percentage points over the same period of last year; and (2) some of time deposits with relatively higher interest rates matured.

### **ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS**

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2010</b>			<b>Six months ended 30 June 2009</b>		
	<b>Average balance</b>	<b>Interest expense</b>	<b>Average cost (%)</b>	<b>Average balance</b>	<b>Interest expense</b>	<b>Average cost (%)</b>
<b>Corporate deposits</b>						
Time deposits	<b>1,763,274</b>	<b>18,629</b>	<b>2.11</b>	1,560,086	21,377	2.74
Demand deposits <sup>(1)</sup>	<b>3,291,916</b>	<b>10,287</b>	<b>0.62</b>	2,676,108	8,232	0.62
<b>Sub-total</b>	<b>5,055,190</b>	<b>28,916</b>	<b>1.14</b>	4,236,194	29,609	1.40
<b>Personal deposits</b>						
Time deposits	<b>2,884,005</b>	<b>34,810</b>	<b>2.41</b>	2,877,417	43,380	3.02
Demand deposits	<b>1,919,444</b>	<b>3,455</b>	<b>0.36</b>	1,447,515	2,638	0.36
<b>Sub-total</b>	<b>4,803,449</b>	<b>38,265</b>	<b>1.59</b>	4,324,932	46,018	2.13
<b>Overseas deposits</b>	<b>237,076</b>	<b>801</b>	<b>0.68</b>	140,472	764	1.09
<b>Total deposits</b>	<b>10,095,715</b>	<b>67,982</b>	<b>1.35</b>	8,701,598	76,391	1.76

*Note:* (1) Includes outward remittance and remittance payables.

#### ◆ **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB7,282 million, representing an increase of RMB1,006 million or 16.0%. By capitalizing market opportunities arising from funds deposited in relation to new stock issuances, the Bank vigorously developed third-party fiduciary services, improved the internal and external pricing mechanism of interest rates, actively absorbed the low-cost liabilities and increased the average balance of deposits with banks and other financial institutions, and thus effectively lowered the average cost.

#### ◆ **Interest Expense on Subordinated Bonds**

Interest expense on subordinated bonds was RMB1,289 million, representing an increase of RMB717 million or 125.3%. The Bank issued RMB40 billion subordinated bonds in July 2009, of which RMB24 billion applied a fixed interest rate of 4.00%.

#### *Non-interest Income*

In the first half of 2010, non-interest income of the Bank reached RMB37,616 million, representing an increase of RMB5,572 million or 17.4% over the same period of last year, and accounting for 20.8% of operating income.

In line with the changes in market environment and in the customer demands, the Bank improved the development mode and pricing mechanism of fee-based services, expanded the market, consolidated competitive advantages over the peers and widened the income source through product innovation and service enhancement. In the first half of 2010, net fee and commission income was RMB36,889 million, representing a growth of RMB9,145 million or 33.0% as compared to the same period of last year. The net fee and commission income represented 20.39% of the total operating income, representing an increase of 1.65 percentage points. Among others, the Bank realized a relatively fast growth in income from settlement, clearing business and cash management, bank card business, corporate wealth management services and asset fiduciary business. During the reporting period, income from the wealth management services amounted to RMB4,284 million and income from various agency services amounted to RMB4,216 million.

## COMPOSITION OF NET FEE AND COMMISSION INCOME

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	9,546	7,102	2,444	34.4
Investment banking business	8,666	7,143	1,523	21.3
Personal wealth management and private banking services	7,166	5,546	1,620	29.2
Bank card business	6,186	4,355	1,831	42.0
Corporate wealth management services	3,436	1,836	1,600	87.1
Guarantee and commitment business	1,518	1,460	58	4.0
Asset fiduciary business	1,499	1,034	465	45.0
Trust and agency services	524	431	93	21.6
Others	514	384	130	33.9
<b>Fee and commission income</b>	<b>39,055</b>	29,291	9,764	33.3
<b>Less: Fee and commission expense</b>	<b>2,166</b>	1,547	619	40.0
<b>Net fee and commission income</b>	<b>36,889</b>	27,744	9,145	33.0

Income from settlement, clearing business and cash management business was RMB9,546 million, representing an increase of RMB2,444 million or 34.4% as compared to the same period of last year, mainly because the Bank sustained rapid growth of income from RMB settlement, cash and account management business and trade finance.

Income from investment banking business increased by RMB1,523 million or 21.3% to RMB8,666 million, mainly because the Bank achieved rapid increase in income from such innovative businesses as M&A and reorganization, equity finance, assets transfer and trading while seeing continuing growth of income from enterprise information service and management of syndicated loans.

Income from personal wealth management and private banking business was RMB7,166 million, representing an increase of RMB1,620 million or 29.2%. This was mainly due to the rapid growth of income from life insurance products agency services, personal banking wealth management products and private banking.

Income from bank card business increased by RMB1,831 million or 42.0% to RMB6,186 million, mainly due to the notable growth of bank card issuance and consumption which raised the consumption rebate income, installment payment and settlement charges on bank cards.

Income from corporate wealth management services amounted to RMB3,436 million, representing an increase of RMB1,600 million or 87.1%. The increase was mainly due to the increase of commission income, promotion fee and investment management fee resulted from the rapid growth in the sales volume of corporate wealth management products.

Income from assets fiduciary services amounted to RMB1,499 million, representing an increase of RMB465 million or 45.0%, mainly because the development of fund fiduciary services of receipts and payments accounts of the Bank drove the expansion of scale of assets under custody.

### **OTHER NON-INTEREST RELATED GAIN**

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2010</b>	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Net trading income/(expense)	<b>(322)</b>	488	(810)	(166.0)
Net loss on financial assets and liabilities designated at fair value through profit or loss	<b>(124)</b>	(117)	(7)	N/A
Net gain on financial investments	<b>89</b>	3,349	(3,260)	(97.3)
Other operating income, net	<b>1,084</b>	580	504	86.9
<b>Total</b>	<b>727</b>	4,300	(3,573)	(83.1)

Other non-interest income was RMB727 million, a decrease of RMB3,573 million over the same period of last year, mainly because net gain on financial investments of the Bank fell by RMB3,260 million.

### **Operating Expenses**

Operating expenses were RMB61,869 million, representing an increase of RMB8,821 million or 16.6% over the same period of last year. Staff costs amounted to RMB30,784 million, representing an increase of RMB4,347 million or 16.4%. Premise and equipment expenses increased by 17.2% to RMB8,896 million, mainly because the Bank continuously enhanced the investment in service channel building, which led to the increase of expenses relating to depreciation and leasing. Cost-to-income ratio was 28.47%, representing a decrease of 1.38 percentage points and maintaining at a relatively low level.



## *Impairment Losses*

Impairment losses on assets decreased by RMB519 million or 5.1% to RMB9,693 million, of which, impairment loss on loans and advances to customers increased by RMB495 million to RMB9,743 million. The Bank strengthened the control over loan risks, thereby the loan quality was improved gradually. Individually assessed impairment losses decreased by RMB2,138 million to a reversal of RMB1,039 million; in the meantime, the Bank adhered to sound and prudent provisioning policy to strengthen the ability for risk compensation. Collectively assessed impairment losses increased by RMB2,633 million. Impairment losses on other assets decreased by RMB50 million mainly attributable to the reversal of impairment losses on bonds as a result of the repayment of some impaired bonds upon maturity.

## *Income Tax Expense*

Income tax expense increased by RMB6,587 million or 34.6% over the same period of last year to RMB25,651 million, and the effective income tax rate was 23.2%.

## **5.2 Segment Information**

The Bank's principal operating segments are corporate banking, personal banking and treasury operations. The Bank adopts the Performance Value Management System (PVMS) to evaluate the performance of each of its operating segments.

### ***SUMMARY OPERATING SEGMENT INFORMATION***

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2010</b>		<b>Six months ended 30 June 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Corporate banking	<b>93,933</b>	<b>51.9</b>	84,753	57.2
Personal banking	<b>56,745</b>	<b>31.4</b>	42,442	28.7
Treasury operations	<b>29,317</b>	<b>16.2</b>	20,487	13.8
Others	<b>933</b>	<b>0.5</b>	400	0.3
<b>Total operating income</b>	<b><u>180,928</u></b>	<b><u>100.0</u></b>	<b><u>148,082</u></b>	<b><u>100.0</u></b>

## SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	2,745	1.5	11,628	7.9
Yangtze River Delta	41,361	22.9	32,375	21.9
Pearl River Delta	26,941	14.9	21,335	14.4
Bohai Rim	39,474	21.8	30,731	20.7
Central China	25,300	14.0	18,943	12.8
Western China	28,451	15.7	23,063	15.6
Northeastern China	11,884	6.6	6,412	4.3
Overseas and others	4,772	2.6	3,595	2.4
<b>Total operating income</b>	<b>180,928</b>	<b>100.0</b>	<b>148,082</b>	<b>100.0</b>

### 5.3 Balance Sheet Analysis

#### *Assets Deployment*

As at the end of June 2010, total assets amounted to RMB12,960,381 million, representing an increase of RMB1,175,328 million or 10.0% over the end of 2009, of which gross loans and advances to customers (collectively referred to as “loans”) increased by RMB625,758 million or 10.9%, net investment in securities increased by RMB130,080 million or 3.6%, cash and balances with central banks increased by RMB418,697 million or 24.7%. In terms of the asset structure, net loans accounted for 47.9% of total assets, representing an increase of 0.5 percentage point from the end of 2009; net investment in securities accounted for 28.8%, representing a decrease of 1.7 percentage points; and cash and balances with central banks accounted for 16.3%, representing an increase of 1.9 percentage points.

## ASSETS DEPLOYMENT

*In RMB millions, except for percentages*

Item	At 30 June 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	6,354,384	—	5,728,626	—
Less: Allowance for impairment losses on loans	151,990	—	145,452	—
Loans and advances to customers, net	6,202,394	47.9	5,583,174	47.4
Investment in securities, net	3,729,253	28.8	3,599,173	30.5
Cash and balances with central banks	2,111,745	16.3	1,693,048	14.4
Due from banks and other financial institutions, net	349,263	2.7	235,301	2.0
Reverse repurchase agreements	279,136	2.1	408,826	3.5
Others	288,590	2.2	265,531	2.2
<b>Total assets</b>	<b>12,960,381</b>	<b>100.0</b>	<b>11,785,053</b>	<b>100.0</b>

### *Loans*

In the first half of 2010, according to China's economic and financial policies and actual operational needs of the real economy, as well as the Bank's business development objectives, the Bank reasonably managed credit granting, initiatively adjusted credit structure, optimized credit resource allocation, and promoted coordinated development of regional credit. The Bank focused on supporting the credit needs of key industries and enterprises complying with the orientation of national industrial policy, proactively supported green industry development such as the strategic emerging industries and energy-saving and emission-deduction industries, bolstered credit and trade finance needs of small enterprises, and vigorously expanded quality personal credit market to support the rational demands of residents' consumption, so the credit supply maintained steady and moderate. At the end of June 2010, loans amounted to RMB6,354,384 million, representing an increase of RMB625,758 million or 10.9% over the end of 2009, of which, RMB-denominated loans of domestic branches reached RMB5,837,886 million, representing an increase of RMB524,068 million or 9.9%.

## ***DISTRIBUTION OF LOANS BY BUSINESS LINE***

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
<b>Loans of domestic branches</b>	<b>6,036,262</b>	<b>95.0</b>	5,494,428	95.9
Corporate loans	<b>4,384,464</b>	<b>69.0</b>	3,957,786	69.1
Discounted bills	<b>193,900</b>	<b>3.1</b>	329,792	5.7
Personal loans	<b>1,457,898</b>	<b>22.9</b>	1,206,850	21.1
<b>Overseas and others</b>	<b>318,122</b>	<b>5.0</b>	234,198	4.1
<b>Total</b>	<b><u>6,354,384</u></b>	<b><u>100.0</u></b>	<b><u>5,728,626</u></b>	<b><u>100.0</u></b>

Corporate loans increased by RMB426,678 million or 10.8%. In terms of the structure of maturity, short-term corporate loans increased by RMB85,245 million or 7.2%, and medium to long-term corporate loans added by RMB341,433 million or 12.3%. In terms of the product line, working capital loans grew by RMB125,956 million or 10.0%, of which trade finance increased by RMB77,421 million or 24.9%, mainly due to the increased supply to short-term financing business of enterprises in circulation area. Project loans increased by RMB205,914 million or 9.1%, mainly invested in projects under construction or extended projects to ensure the smooth implementation of key construction projects. Property loans increased by RMB94,808 million or 21.7%, mainly due to the fast growth in land reserve loans and commercial housing development loans.

Discounted bills decreased by RMB135,892 million, mainly because the Bank proactively adjusted the business volume of discounted bills in accordance with the credit supply of the Bank and the credit market requirements, to achieve balanced credit supply and earnings target.

Personal loans increased by RMB251,048 million or 20.8%, accounting for 22.9% of loans, up 1.8 percentage points over the end of 2009, mainly because the Bank closely followed the national policy of expanding domestic demand to speed up the market expansion and product innovation in order to proactively satisfy the reasonable demands of personal credit and promote the structural adjustment of personal loans. Personal housing loans added by RMB163,520 million or 18.7%, personal consumption loans grew by RMB52,018 million or 33.0%, personal business loans increased by RMB20,523 million or 14.9%, and credit card overdrafts increased by RMB14,987 million or 40.6%, mainly due to rapid growth in credit card issuance volume and consumption amount, as well as the expansion of credit card installment business.

## DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

*In RMB millions, except for percentages*

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	6,041,165	95.07	5,411,226	94.46
Special mention	233,146	3.67	228,933	4.00
Non-performing loans	80,073	1.26	88,467	1.54
Substandard	25,971	0.41	31,842	0.55
Doubtful	42,003	0.66	43,413	0.76
Loss	12,099	0.19	13,212	0.23
<b>Total</b>	<b>6,354,384</b>	<b>100.00</b>	<b>5,728,626</b>	<b>100.00</b>

Loan quality continued to improve. At the end of June 2010, according to the five-tier classification, pass loans amounted to RMB6,041,165 million, representing an increase of RMB629,939 million over the end of the previous year and accounting for 95.07% of total loans; special mention loans stood at RMB233,146 million, representing an increase of RMB4,213 million and accounting for 3.67% of total loans; outstanding NPLs amounted to RMB80,073 million, down RMB8,394 million, and NPL ratio was 1.26%, down 0.28 percentage point. The continuous decreases in both NPL balance and NPL ratio were attributable to the Bank's intensified efforts on collection and disposal of NPLs and strengthened monitoring of and the withdrawal of loans with potential risks.

## DISTRIBUTION OF LOANS AND NPLs BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	30 June 2010				31 December 2009			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	4,384,464	69.0	67,988	1.55	3,957,786	69.1	76,792	1.94
Discounted bills	193,900	3.1	—	—	329,792	5.7	—	—
Personal loans	1,457,898	22.9	9,973	0.68	1,206,850	21.1	10,029	0.83
Overseas and others	318,122	5.0	2,112	0.66	234,198	4.1	1,646	0.70
<b>Total</b>	<b>6,354,384</b>	<b>100.0</b>	<b>80,073</b>	<b>1.26</b>	<b>5,728,626</b>	<b>100.0</b>	<b>88,467</b>	<b>1.54</b>

The balance of non-performing corporate loans stood at RMB67,988 million, down RMB8,804 million over the end of the previous year, and NPL ratio was 1.55%, down 0.39 percentage point. The balance of non-performing personal loans stood at RMB9,973 million, down RMB56 million, and NPL ratio was 0.68%, down 0.15 percentage point. The quality of personal loans maintained at a relatively favorable level.

## **DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS BY INDUSTRY**

*In RMB millions, except for percentages*

Item	30 June 2010				31 December 2009			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Transportation, storage and postal services	896,999	20.5	10,428	1.16	800,244	20.2	11,178	1.40
Manufacturing	848,494	19.4	29,994	3.53	793,233	20.0	34,571	4.36
Chemicals	136,539	3.1	4,883	3.58	133,243	3.4	6,132	4.60
Machinery	120,871	2.8	3,268	2.70	106,198	2.7	4,680	4.41
Metal processing	105,016	2.4	1,717	1.63	95,682	2.4	1,887	1.97
Textiles and apparels	89,498	2.0	5,215	5.83	84,590	2.1	5,794	6.85
Iron and steel	87,796	2.0	578	0.66	83,816	2.1	489	0.58
Transportation equipment	47,037	1.1	1,576	3.35	44,522	1.1	994	2.23
Telecommunications equipment, computer and other electronic equipment	43,331	1.0	2,747	6.34	41,067	1.0	2,716	6.61
Petroleum processing, coking and nuclear fuel	39,414	0.9	293	0.74	38,226	1.0	346	0.91
Non-metallic mineral	37,588	0.9	2,431	6.47	35,471	0.9	2,943	8.30
Others	141,404	3.2	7,286	5.15	130,418	3.3	8,590	6.59
Water, environment and public utility management	554,699	12.6	250	0.05	510,721	12.9	333	0.07
Production and supply of electricity, gas and water	548,581	12.5	5,333	0.97	531,562	13.4	6,541	1.23
Real estate	503,436	11.5	5,624	1.12	421,804	10.7	6,348	1.50
Leasing and commercial services	334,065	7.6	1,208	0.36	290,410	7.3	1,316	0.45
Wholesale, retail and lodging	323,511	7.4	11,265	3.48	261,261	6.6	12,135	4.64
Mining	116,067	2.6	322	0.28	105,575	2.7	357	0.34
Construction	73,122	1.7	1,161	1.59	62,403	1.6	1,330	2.13
Science, education, culture and sanitation	70,556	1.6	949	1.35	66,809	1.7	1,132	1.69
Others	114,934	2.6	1,454	1.27	113,764	2.9	1,551	1.36
<b>Total</b>	<b>4,384,464</b>	<b>100.0</b>	<b>67,988</b>	<b>1.55</b>	<b>3,957,786</b>	<b>100.0</b>	<b>76,792</b>	<b>1.94</b>

In the first half of 2010, the Bank granted relatively more loans to transportation, storage and postal services, real estate, and wholesale, retail and lodging industries. Total new loans to these industries accounted for 56.4% of new corporate loans. Specifically, loans to the transportation, storage and postal services industry increased by RMB96,755 million or 12.1%, mainly due to increased lending to the highway sub-sector; loans to the real estate industry

increased by RMB81,632 million or 19.4%, principally due to rapid increase in land reserve loans and commercial-use property development loans; loans to the wholesale, retail and lodging industry increased by RMB62,250 million or 23.8%, which was driven by growth of trade finance business.

A relatively larger decline in NPLs occurred in manufacturing; production and supply of electricity, gas and water; wholesale, retail and lodging; transportation, storage and postal services; and real estate industries. The balance of NPLs in transportation equipment sector increased by RMB582 million, mainly due to bad debts of several enterprises affected by the international financial crisis.

### **CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS**

*In RMB millions*

	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
<b>At the beginning of the period</b>	45,500	99,952	145,452
Charge for the period	(1,039)	10,782	9,743
Including: Impairment allowances charged	4,551	40,202	44,753
Impairment allowances transferred	24	(24)	—
Reversal of impairment allowances	(5,614)	(29,396)	(35,010)
Accreted interest on impaired loans	(506)	—	(506)
Write-offs	(3,333)	(213)	(3,546)
Recoveries of loans and advances previously written off	417	67	484
Transfer in from acquisition <sup>(1)</sup>	228	135	363
<b>At the end of the period</b>	<u>41,267</u>	<u>110,723</u>	<u>151,990</u>

*Note:* (1) Transfer in from acquisition represents the impairment allowances transferred in during the acquisition of subsidiaries.

At the end of June 2010, the allowance for impairment losses on loans reached RMB151,990 million, up RMB6,538 million over the end of the previous year. Provision coverage increased by 25.40 percentage points to 189.81%, and the risk tolerance was further strengthened. The allowance to total loans ratio stood at 2.39%.

## DISTRIBUTION OF LOANS BY COLLATERAL

*In RMB millions, except for percentages*

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,567,093	40.4	2,191,909	38.3
Including: Personal housing loans <sup>(1)</sup>	1,037,764	16.3	874,244	15.3
Pledged loans	704,019	11.1	786,739	13.7
Including: Discounted bills <sup>(1)</sup>	193,900	3.1	329,792	5.8
Guaranteed loans	1,011,604	15.9	933,853	16.3
Unsecured loans	2,071,668	32.6	1,816,125	31.7
<b>Total</b>	<b>6,354,384</b>	<b>100.0</b>	<b>5,728,626</b>	<b>100.0</b>

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB2,567,093 million, representing an increase of RMB375,184 million or 17.1% over the end of the previous year. Unsecured loans amounted to RMB2,071,668 million, representing an increase of RMB255,543 million or 14.1%.

## OVERDUE LOANS

Overdue periods	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
3 to 6 months	4,452	0.1	4,175	0.1
6 to 12 months	5,128	0.1	11,090	0.2
Over 12 months	62,640	1.0	61,823	1.1
<b>Total</b>	<b>72,220</b>	<b>1.2</b>	<b>77,088</b>	<b>1.4</b>

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by instalment, the full amount of loans will be deemed overdue if any of the instalments is overdue.

## Renegotiated Loans

Renegotiated loans and advances amounted to RMB13,122 million, representing a decrease of RMB2,489 million or 15.9% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB9,431 million, down RMB1,675 million.



## Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.0% and 22.8% of the Bank's net capital, respectively. The total amount of loans granted to the top ten single customers was RMB173,000 million, accounting for 2.7% of the total loans.

## Investment

In the first half of 2010, the Bank arranged for reasonable investment schedule and optimized the investment structure in accordance with the trends in domestic and foreign financial markets. At the end of June 2010, net investment in securities amounted to RMB3,729,253 million, representing an increase of RMB130,080 million or 3.6% as compared to the end of the previous year.

## INVESTMENT

*In RMB millions, except for percentages*

Item	At 30 June 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	3,321,961	89.1	2,699,254	75.0
Investment in securities related to restructuring	402,321	10.8	895,306	24.9
Equity instruments	4,971	0.1	4,613	0.1
<b>Total</b>	<b>3,729,253</b>	<b>100.0</b>	<b>3,599,173</b>	<b>100.0</b>

Investment in securities not related to restructuring reached RMB3,321,961 million, representing an increase of RMB622,707 million or 23.1% from the end of last year. With respect to the investment portfolio analysis by issuers, investment in bonds issued by the central bank increased by RMB457,695 million or 47.3%; investment in bonds issued by the policy bank increased by RMB114,163 million or 15.0%. With respect to the investment portfolio analysis by remaining maturity, bonds not related to restructuring with a term of less than 3 months and 3 to 12 months increased by RMB323,203 million or 29.5%, up 2.1 percentage points. This is mainly because as a measure to tackle the low yield in the bond market, the Bank proactively revised the investment strategy and shortened the duration of investment portfolio to control interest rate risks. With respect to the investment portfolio analysis by currency, RMB bonds increased by RMB634,040 million or 24.4%, mainly because the Bank closely followed the trend of RMB-denominated debt securities market and increased the investment in bonds in due time; the RMB equivalent of investment in USD bonds decreased by RMB5,819 million or 7.6%, and the RMB equivalent of investment in other foreign currency bonds decreased by RMB5,514 million or 18.6%, mainly due to the Bank's divestment in some foreign currency bonds.

Investment in securities related to restructuring was RMB402,321 million, representing a decrease of RMB492,985 million or 55.1%, accounting for 10.8% of net investment in securities, sharply down 14.1 percentage points from the end of 2009, which was mainly because: (1) MOF receivables have been repaid completely within the reporting period; (2) non-negotiable special PBOC bills with par value of RMB430,465 million was matured and repaid in June 2010.

As at 30 June 2010, part of Huarong bonds have matured with face value of RMB245,354 million. The Bank was noticed by MOF that all the Huarong bonds held by the Bank would be extended for a further period of ten years upon maturity with current annual interest 2.25% remain unchanged and MOF would continue to support the repayment for the principal and interest of Huarong bonds. Please refer to the relevant announcements published by the Bank on the websites of SSE and SEHK on 13 August 2010.

### ***DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER***

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Government bonds	<b>602,740</b>	<b>18.1</b>	570,952	21.2
Central bank bills	<b>1,424,841</b>	<b>42.9</b>	967,146	35.8
Policy bank bonds	<b>873,173</b>	<b>26.3</b>	759,010	28.1
Other bonds	<b>421,207</b>	<b>12.7</b>	402,146	14.9
<b>Total</b>	<b><u>3,321,961</u></b>	<b><u>100.0</u></b>	<b><u>2,699,254</u></b>	<b><u>100.0</u></b>

### ***DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE***

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Investments at fair value through profit or loss	<b>15,704</b>	<b>0.4</b>	20,147	0.6
Available-for-sale financial assets	<b>1,027,881</b>	<b>27.6</b>	949,909	26.4
Held-to-maturity investments	<b>2,075,392</b>	<b>55.7</b>	1,496,738	41.6
Receivables	<b>610,276</b>	<b>16.3</b>	1,132,379	31.4
<b>Total</b>	<b><u>3,729,253</u></b>	<b><u>100.0</u></b>	<b><u>3,599,173</u></b>	<b><u>100.0</u></b>

At the end of June 2010, the Group held RMB985,211 million of financial bonds<sup>1</sup>, including RMB873,173 million of policy bank bonds and RMB112,038 million of bonds issued by commercial banks and non-bank financial institutions, representing 88.6% and 11.4% of financial bonds, respectively.

### *Liabilities*

As at the end of June 2010, total liabilities amounted to RMB12,250,781 million, representing an increase of RMB1,144,662 million or 10.3% from the end of the previous year.

### **LIABILITIES**

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Due to customers	<b>10,832,789</b>	<b>88.4</b>	9,771,277	88.0
Due to banks and other financial institutions	<b>1,100,955</b>	<b>9.0</b>	1,001,634	9.0
Repurchase agreements	<b>9,100</b>	<b>0.1</b>	36,060	0.3
Subordinated bonds	<b>75,000</b>	<b>0.6</b>	75,000	0.7
Others	<b>232,937</b>	<b>1.9</b>	222,148	2.0
<b>Total liabilities</b>	<b><u>12,250,781</u></b>	<b><u>100.0</u></b>	<b><u>11,106,119</u></b>	<b><u>100.0</u></b>

### *Due to Customers*

Customer deposit is the Bank's main source of fund. In the first half of 2010, thanks to the continuous implementation of a proactive fiscal policy and a moderately loose monetary policy, the market liquidity was ample, and the residents' income grew continuously. Leveraging on its competitive advantages in the market, the Bank achieved a steady growth of deposits by guiding the customers to adjust their financial assets allocation. At the end of June 2010, the balance of due to customers was RMB10,832,789 million, representing an increase of RMB1,061,512 million or 10.9% compared with that of the end of 2009, of which, corporate deposits increased by RMB574,393 million or 12.0%, and its proportion in the total deposits increased by 0.6 percentage point; and personal deposits increased by RMB432,558 million or 9.3%, and its proportion in the total deposits decreased by 0.7 percentage point. In terms of the maturity structure, the balance of demand deposits grew by RMB532,265 million or 10.7%, and the balance of time deposits increased by RMB474,686 million or 10.6%.

<sup>1</sup> Financial bonds refer to the debt securities issued by financial institutions on the bond market, including the debt securities issued by policy banks, commercial banks and non-banking financial institutions but excluding the debt securities related to restructuring and central bank bills.

## **DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE**

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
<b>Corporate deposits</b>				
Time deposits	<b>1,914,605</b>	<b>17.7</b>	1,625,829	16.6
Demand deposits	<b>3,448,278</b>	<b>31.9</b>	3,162,661	32.4
<b>Sub-total</b>	<b>5,362,883</b>	<b>49.6</b>	4,788,490	49.0
<b>Personal deposits</b>				
Time deposits	<b>3,038,107</b>	<b>28.0</b>	2,852,197	29.2
Demand deposits	<b>2,054,883</b>	<b>19.0</b>	1,808,235	18.5
<b>Sub-total</b>	<b>5,092,990</b>	<b>47.0</b>	4,660,432	47.7
<b>Overseas</b>	<b>221,591</b>	<b>2.0</b>	185,640	1.9
<b>Others<sup>(1)</sup></b>	<b>155,325</b>	<b>1.4</b>	136,715	1.4
<b>Total</b>	<b>10,832,789</b>	<b>100.0</b>	<b>9,771,277</b>	<b>100.0</b>

*Note:* (1) Mainly include outward remittance and remittance payables.

### ***Due to Banks and Other Financial Institutions***

The balance of due to banks and other financial institutions was RMB1,100,955 million, an increase of RMB99,321 million or 9.9% compared with that at the end of the previous year. As a result of the ample liquidity in the market and by capitalizing market opportunities such as those arising from funds deposited in relation to new stock issuances, the Bank actively promoted the development of third-party fiduciary services and achieved a relatively rapid growth of deposits from banks and other financial institutions.

## 5.4 Other Financial Information To Be Disclosed According To Regulatory Requirements

### Major Regulatory Indicators

		Regulatory criteria	30 June 2010	31 December 2009	31 December 2008
Liquidity ratio <sup>(2)</sup>	RMB	>=25.0	33.1	30.7	33.3
	Foreign currency	>=25.0	56.9	61.1	83.5
Loan-to-deposit ratio (%) <sup>(3)</sup>	RMB and foreign currency	<=75.0	59.5	59.5	56.4
Percentage of loans to single largest customer (%) <sup>(4)</sup>		<=10.0	3.0	2.8	2.9
Percentage of loans to top 10 customers (%) <sup>(5)</sup>			22.8	20.9	20.4
Loan migration rate	Pass		2.0	3.5	4.6
	Special mention		2.6	9.9	9.3
	Sub-standard		14.2	31.3	39.4
	Doubtful		4.5	18.1	10.2

Notes: (1) The regulatory ratios in the table are calculated in accordance with related regulatory requirements and accounting standards applicable to the corresponding period. The comparative figures are not restated.

(2) Calculated by dividing the balance of current assets by the balance of current liabilities.

(3) Calculated by dividing loan balance by deposit balance. Deposit balances exclude fiscal deposits and outward remittance.

(4) Calculated by dividing loans to the single largest customer by net capital base.

(5) Calculated by dividing loans to the top 10 customers in aggregate by net capital base.

## 5.5 Capital Adequacy Ratio

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC. As at the end of June 2010, capital adequacy ratio and core capital adequacy ratio of the Bank were 11.34% and 9.41% respectively, representing a decrease of 1.02 and 0.49 percentage points respectively from the end of 2009, mainly because (1) pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by CBRC, the general provision for loan impairment included in supplementary capital has not been greater than 1% of the total loans since the second quarter of 2010, which led to a decrease in supplementary capital of the Bank; and (2) the Bank's businesses grew rapidly, and risk-weighted assets increased accordingly.

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

<b>Item</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>Core capital</b>	<b>667,384</b>	622,121
Share capital	334,019	334,019
Reserves <sup>(1)</sup>	328,044	283,061
Minority interests	5,321	5,041
<b>Supplementary capital</b>	<b>140,838</b>	172,994
General provisions for loan impairment	63,544	97,994
Long-term subordinated bonds	75,000	75,000
Other supplementary capital	2,294	—
<b>Total capital base before deductions</b>	<b>808,222</b>	795,115
<b>Deductions</b>	<b>48,431</b>	63,159
Unconsolidated equity investments	20,398	19,559
Goodwill	25,012	24,621
Others	3,021	18,979
<b>Net capital base</b>	<b>759,791</b>	731,956
<b>Net core capital base</b>	<b>630,662</b>	586,431
<b>Risk weighted assets and market risk capital adjustment</b>	<b>6,698,521</b>	5,921,330
<b>Core capital adequacy ratio</b>	<b>9.41%</b>	9.90%
<b>Capital adequacy ratio</b>	<b>11.34%</b>	12.36%

*Notes:* (1) Mainly include valid portion of capital reserve and undistributed profits, surplus reserve and general provision.

To ensure continuous, stable and sound development of business and to further enhance comprehensive competitiveness, risk mitigation capability and sustainable profitability, the Bank proposed to replenish its capital base by issuing and listing of A Share convertible corporate bonds and issuing A Shares and H Shares to existing shareholders by way of a rights issue. After the completion of the above issues, the capital base of the Bank will be effectively replenished and the capital adequacy level of the Bank will be enhanced. For relevant details on the financing, please refer to the section headed “Significant Events — Fund Raising”.

## 5.6 Outlook

In the second half of 2010, Chinese government will continue to reinforce economic restructuring, and intensify strategic supports to major infrastructure industry, strategic resources industry, information industry, new- and high-tech industry and low-carbon and environment-friendly industry. Furthermore, the government will robustly advance the implementation of major industries revitalization planning, and exploit the industrial development potential of Central China, Western China and other strategic areas to facilitate the upgrade of various sectors. As a result, major sectors and emerging industries of China will face a new round of opportunities for development, while the outdated industrial capacity will be eliminated more rapidly.

Pursuant to current domestic and international environment and recent policies of financial regulatory authorities, it is estimated that the moderately loose monetary policy with strong relevance and flexibility will be maintained, and “expanding support to some areas while controlling it to other areas” will become a major feature of macro-economic control in the second half of 2010.

In general, the implementation of industrial and regional development strategies will create large opportunities for the Bank’s development. However, uncertainties in domestic and international economic environment and increasingly rigorous financial supervision also present challenges to business expansion of domestic commercial banks. Specifically, the increasingly intense competition may affect the rebound of interest spreads; the monetary policy and market liquidity may be adjusted due to changes in economic environment, bringing uncertainties in credit extension and credit regulatory policy; and the management and control over local government financing platform and real estate market also pose challenges to business expansion of banks.

In the second half of 2010, the Bank will, pursuant to the Strategic Development Plan for 2009–2011 and the annual work plan, continue to advance operational transformation by changing development pattern and adjusting credit structure, to expand market by speeding up innovation and enhancing services, and to handle various risks by strengthening risk management and improving internal control process. Specifically, the Bank will take the following strategies and measures. Firstly, the Bank will properly control the scale and pace of credit extension and reinforce efforts in credit restructuring. Paying close attention to macro-economic control as well as major industrial and regional policies of the government, the Bank will adjusted bank-wide credit policies in a timely and effective manner, continue to support the development of major industries, emerging industries and environment-friendly industries, offer more credit supports to small enterprises, and input more resources in strategic development regions designated by the government. Secondly, the Bank will accelerate business innovation, robustly develop intermediary business and emerging business, raise the contribution of non-credit business to profit, and actively change the development pattern. Thirdly, the Bank will continue to carry out the “Year of Service Value” program, improve services, and enhance satisfaction of customers. Fourthly, the Bank will strengthen risk management and take efforts in risk prevention and control in compliance with regulatory requirements.

## 6. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

### 6.1 Changes in Share Capital

#### *DETAILS OF CHANGES IN SHARE CAPITAL*

*Unit: Share*

	At 31 December 2009		Increase/decrease during the reporting period (+, -)	Expiration of the lock-up period	At 30 June 2010	
	Number of shares	Percentage (%)			Number of shares	Percentage (%)
I. Shares subject to restriction on sales	13,180,811,324	3.9	-13,180,811,324		0	0.0
1. Shares held by foreign investors	13,180,811,324	3.9	-13,180,811,324		0	0.0
II. Shares not subject to restrictions on sales	320,838,038,702	96.1	13,180,811,324		334,018,850,026	100.0
1. RMB-denominated ordinary shares	250,962,348,064	75.1	0		250,962,348,064	75.1
2. Foreign shares listed overseas	69,875,690,638	21.0	13,180,811,324		83,056,501,962	24.9
III. Total number of shares	334,018,850,026	100.0	0		334,018,850,026	100.0

*Note:* “Foreign shares listed overseas”, namely H shares, are within the same meaning as defined in the “No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding” (Revision 2007) of CSRC.

#### *DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTIONS ON SALES*

*Unit: Share*

Name of shareholder	Number of shares subject to restrictions on sales at the beginning of the period	Number of shares released from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales at the end of the period	Reason for restrictions on sales	Date on which shares become tradable
The Goldman Sachs Group, Inc.	13,180,811,324	13,180,811,324	0	0	Voluntary lock-up	28 April 2010



## 6.2 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 1,359,853 shareholders, including 161,880 holders of H shares and 1,197,973 holders of A shares.

Particulars of Shareholding of The Top 10 Shareholders of the Bank (particulars of shareholding of H share holders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar)

*Unit: Share*

Total number of shareholders 1,359,853 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2010)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 30 June 2010)

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
Central Huijin Investment Ltd.	State-owned	A shares	35.4	118,316,816,139	0	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	35.3	118,006,174,032	0	None
HKSCC NOMINEES LIMITED	Foreign legal person	H shares	20.5	68,509,650,594	0	Unknown
The Goldman Sachs Group, Inc.	Foreign legal person	H shares	3.9	13,180,811,324	0	None
American Express Company	Foreign legal person	H shares	0.2	638,061,117	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	410,751,739	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	334,202,554	0	None
Fortune SGAM Selected Sectors Fund	Other domestic entities	A shares	0.1	249,418,455	0	None
E-Fund 50 Index Securities Investment Fund	Other domestic entities	A shares	0.1	227,418,659	0	None

The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

### **6.3 Changes of the Controlling Shareholders and De Facto Controller**

During the reporting period, the Bank's controlling shareholder and the de facto controller remained unchanged.

## **7. Directors, Supervisors and Senior Management**

At the end of the reporting period, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank comprises 16 directors, including four executive directors, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Ms. Wang Lili; six non-executive directors, namely Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng; and six independent non-executive directors, namely Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Mr. Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung.

The Board of Supervisors of the Bank consists of six members, including two shareholder supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi; two external supervisors, namely Ms. Dong Juan and Mr. Meng Yan; and two employee supervisors, Mr. Zhang Wei and Mr. Chang Ruiming.

The Senior Management of the Bank consists of twelve members, Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong, Ms. Wang Lili, Mr. Li Xiaopeng, Mr. Luo Xi, Mr. Liu Lixian, Mr. Yi Huiman, Mr. Zhang Hongli, Mr. Wang Xiquan, Mr. Wei Guoxiong and Mr. Gu Shu.

During the reporting period, the Bank did not implement share incentives, and none of the incumbent directors, supervisors and members of the Senior Management held shares, share options or were granted restricted shares of the Bank, which remained unchanged during the reporting period.

## **8. Significant Events**

### **8.1 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 (“Hong Kong Listing Rules”))**

During the reporting period, the Bank fully complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices (Appendix 14 to the Hong Kong Listing Rules).

### **8.2 Profits and Dividends Distribution**

Upon the approval by shareholders at the Annual General Meeting for the Year 2009 on 18 May 2010, the Bank has distributed cash dividends totaling approximately RMB56,783 million, or RMB1.70 per ten shares (pre-tax), for the period from 1 January 2009 to 31 December 2009 to the shareholders whose names appeared on the register of shareholders as at 26 May 2010. The Bank will not distribute the interim dividends for 2010, nor will it convert any reserves to share capital.

### **8.3 Use of Proceeds from the IPO**

The funds raised from the Bank’s IPO were used for the purposes as disclosed in the prospectus, namely, strengthening the capital base to support the ongoing growth of the Bank.

### **8.4 Material Investment of Funds not Raised from the IPO**

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

### **8.5 Material Legal Proceedings and Arbitration**

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 30 June 2010, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB2,059 million. The Bank does not expect any material adverse effect from the abovementioned legal proceedings on the Bank’s business, financial position or operational results.

### **8.6 Material Asset Acquisition, Sale and Merger**

#### ***Acquisition of Shares in The Bank of East Asia (Canada) and Sale of Shares in ICEA***

On 4 June 2009, the Bank and The Bank of East Asia, Limited (“BEA”) entered into two agreements for the acquisition of 70% equity interests in The Bank of East Asia (Canada) and the disposal of 75% equity interests in Industrial and Commercial East Asia Finance Holdings Limited (“ICEA”) (the “acquisition and disposal”), respectively. Such acquisition and disposal have been completed on 28 January 2010.

## *Acquisition of Shares of ACL BANK Public Company Limited in Thailand*

At the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, the implementation of the voluntary tender offer, and the possible delisting tender offer in respect of ACL Bank Public Company Limited (“ACL”) was approved. After the Bank obtained all necessary approvals, it had made the voluntary tender offer to ACL, and the completion of the settlement under the voluntary tender offer took place on 21 April 2010. The Bank has acquired 1,546,286,553 ordinary shares and 282,048 preference shares of ACL, representing approximately 97.24% of the total issued shares of ACL. The Bank had started the approval and implementation procedures for the delisting of ACL hereafter. As at the disclosure date of this Report, the delisting approval and implementation procedures are still underway.

## *Privatization of ICBC (Asia)*

On 28 July 2010, the Board of Directors of the Bank reviewed and approved the Proposal on the Privatization of Industrial and Commercial Bank of China (Asia) Limited. The Bank proposed to privatize Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”) by means of a scheme of arrangement. According to the scheme of agreement, the cancellation consideration per scheme share of ICBC (Asia) shall be HKD29.45. As at the disclosure date, ICBC (Asia) has issued 1,352,061,533 shares, of which 984,364,740 shares were held by the Bank, representing 72.81% of the total shares of ICBC (Asia) and 367,696,793 shares were held by shareholders other than the Bank, representing 27.19% of the total shares of ICBC (Asia). The total cash payment for the proposed privatization of ICBC (Asia) by the Bank will be approximately HKD10,828.67 million. The privatization of ICBC (Asia) by the Bank is still subject to the approval of the General Meeting of ICBC (Asia), (Hong Kong) Court Meeting, relevant regulatory authorities in Mainland China and Hong Kong and Hong Kong High Court.

For the details of the proposed privatization of ICBC (Asia) by the Bank, please refer to the relevant announcements published by the Bank at the websites of SSE and SEHK on 10 August 2010.

## **8.7 Fund Raising**

On 25 March 2010 and 18 May 2010, the meeting of the Board of Directors and the Annual General Meeting for the Year 2009 of the Bank considered and approved the Proposal in respect of Public Issuance and Listing of A Share Convertible Corporate Bonds of Industrial and Commercial Bank Limited respectively, pursuant to which the proposed issuance of the A Share convertible corporate bonds with an aggregate amount of no more than RMB25 billion was approved. The proceeds from the proposed issuance of the A Share convertible corporate bonds, after deduction of the expenses relating to the issuance, will be used to replenish the capital base of the Bank. The Bank’s application for the issuance of the A Share convertible corporate bonds has been considered and approved by the Public Offering Review Committee of the China Securities Regulatory Commission on 18 August 2010 and the Bank has obtained the approval from the China Securities Regulatory Commission (Zheng Jian Xu Ke [2010] No. 1155) on 25 August 2010.

On 28 July 2010, the meeting of Board of Directors of the Bank considered and approved the Proposed Rights Issue of A Shares and H Shares of Industrial and Commercial Bank of China Limited. It is expected that the gross proceeds of the A Shares and H Shares rights issue will be no more than RMB45 billion and the final amount of gross proceeds shall be determined by the Board of Directors based on the subscription price and number of shares to be issued at the time of the rights issue and pursuant to the authorization of the shareholders' meetings. All the proceeds from the rights issue, after deduction of the expenses relating to the issuance, will be used to strengthen the capital base of the Bank.

Please refer to the relevant announcements of the Bank published at the websites of SSE and SEHK, for detailed information on the approval and implementation of the Bank's issuance of A Share convertible corporate bonds and A Shares and H Shares rights issue.

## **8.8 Connected Transactions**

During the reporting period, the Bank had not entered into any material connected transactions.

## **8.9 Material Contracts and Performance of Obligations Thereunder**

### *Material Trust, Sub-contract and Lease*

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

### *Material Guarantees*

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

### *Material Events Concerning Entrusting Other Persons for Cash Management*

No such matters concerning entrusting other persons for cash management occurred in the Bank during the reporting period.

## **8.10 Occupation of Funds by Controlling Shareholders**

No funds of the Bank were occupied by the controlling shareholders.

## **8.11 Commitments Made by the Bank or its Shareholders Holding 5% Shares or Above**

During the reporting period, the shareholders holding 5% shares or above did not make any new commitments. As at 30 June 2010, all of the commitments made by shareholders were properly fulfilled.

## **8.12 Commitments Made by the Shareholders Holding 5% Shares or Above in Relation to Additional Shares Subject to Restrictions on Sales**

None.

## **8.13 Sanctions Imposed on the Bank and its Directors, Supervisors and Members of the Senior Management**

During the reporting period, neither the Bank nor any of its directors, supervisors or members of the Senior Management was subject to any investigation by competent authorities, compulsory enforcement by judicial and disciplinary authorities, transfer to judicial department or pursuit of criminal responsibilities, investigation, censure or administrative penalty by CSRC, prohibition of securities market access, punishment by other administrative departments for improper personnel engagement or public reprimand by the stock exchanges.

## **8.14 Purchase, Sale or Redemption of Shares**

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

## **8.15 Securities Transactions of Directors and Supervisors**

The Bank has adopted a set of codes of conduct concerning the securities transactions by Directors and Supervisors which is not less stringent than the standards set out in the Model Code for Securities Transaction by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, the Bank is satisfied that during the reporting period, all Directors and Supervisors have complied with the provisions of the aforesaid codes of conduct.

## **8.16 Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors**

As at 30 June 2010, none of the directors or supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

## 8.17 Review of the Interim Financial Report

The 2010 interim financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and international standards on review engagements, respectively.

The interim financial report has been reviewed by the Audit Committee of the Board of Directors.

## 8.18 Warning and Explanation on the Prediction that the Accumulated Net Profits from the Beginning of the Year to the End of the Next Reporting Period May be Negative or Have Substantial Changes Compared to the Same Period of Last Year

Not applicable.

## 8.19 Other Major Events

### *SECURITIES INVESTMENT*

S/N	Stock (Fund) code	Short name	Holding at the end of the period (10,000)	Initial investment cost (RMB Yuan)	Book value at the end of the period (RMB Yuan)	Book value at the beginning of the period (RMB Yuan)	Accounts
1	966 (Hong Kong, China)	CHINA INSURANCE	5,023.21	178,411,093	1,113,056,295	1,107,932,708	Available-for-sale financial assets
2	485105	ICBCCS Enhanced Income Bond Fund A	14,186.32	150,000,000	158,163,237	153,808,038	Available-for-sale financial assets
3	601998	CNCB	2,586.20	149,999,600	139,654,800	212,844,260	Available-for-sale financial assets
4	1688 (Hong Kong, China)	ALIBABA	1,002.80	131,782,620	135,596,417	158,931,968	Available-for-sale financial assets
5	—	Global Total Return Bond Fund	400.00	35,219,600	37,368,968	35,867,641	Trading financial assets
6	000430	*ST ZTDC	612.00	2,000,000	33,598,800	43,268,400	Available-for-sale financial assets
7	485107	ICBCCS Credit Value-added A	3,000.86	30,000,000	33,267,534	33,969,735	Available-for-sale financial assets
8	—	China & Hong Kong Vision Fund	294.64	25,943,039	26,783,438	19,995,928	Trading financial assets
9	—	Asia Selection Growth Fund	292.40	25,745,160	26,719,442	19,492,288	Trading financial assets
10	481001	ICBCCS Core Value Equity Fund	7,260.65	20,000,000	23,190,513	34,691,381	Available-for-sale financial assets
<b>Total</b>			—	<u>749,101,112</u>	<u>1,727,399,444</u>	<u>1,820,802,347</u>	—

Note: (1) The share and fund investments listed in the table represent the securities investment recognized by the Bank as available-for-sale and trading financial assets as at the end of the reporting period, including the investments in shares issued by other listed companies and open-end fund or close-end fund (top 10 by the book value at the end of the period).

(2) The shares in CHINA INSURANCE, ALIBABA, Global Total Return Bond Fund, China & Hong Kong Vision Fund and Asia Selection Growth Fund were held by ICBC (Asia), a controlling subsidiary of the Bank; ICBCCS Enhanced Income Bond Fund A, ICBCCS Credit Value-added A and ICBCCS Core Value Equity Fund were held by ICBC Credit Suisse Asset Management Co., Ltd., a controlling subsidiary of the Bank.

## SHARES IN UNLISTED FINANCIAL INSTITUTIONS

<b>Company</b>	<b>Initial investment cost (RMB Yuan)</b>	<b>Number of shares held (10,000)</b>	<b>Shareholding percentage (%)</b>	<b>Book value at the end of the period (RMB Yuan)</b>
China UnionPay Co., Ltd	146,250,000	11,250.00	3.84	146,250,000
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500
Guangdong Development Bank Joint Electronic Teller Services Limited	52,465,475	2,498.18	0.21	52,465,475
	8,208,370	0.0024	0.03	7,886,681
Bangkok BTMU Limited	4,272,984	20.00	10.00	4,272,984
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,617,582
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,469,432
Guilin City Commercial Bank	420,000	113.61	0.19	1,289,934
Bank of Nanchang	300,000	39.00	0.03	522,646
Taiping General Insurance Co., Ltd.	<u>243,550,678</u>	N/A	12.45	<u>—</u>
<b>Total</b>	<u><u>562,787,447</u></u>	—	—	<u><u>320,076,234</u></u>

*Note:* The shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and Industrial and Commercial Bank of China (Macau) Limited (“ICBC (Macau)”), controlling subsidiaries of the Bank; shares in Bangkok BTMU Limited were held by ACL, a controlling subsidiary of the Bank; shares in Luen Fung Hang Insurance Co., Ltd. were held by ICBC (Macau), a controlling subsidiary of the Bank, and shares in Taiping General Insurance Co., Ltd. were held by ICBC (Asia), a controlling subsidiary of the Bank.



## 9. Financial Report

### 9.1 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

#### 9.1.1 Unaudited Interim Consolidated Income Statement

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Interest income	219,865	199,277
Interest expense	(76,553)	(83,239)
NET INTEREST INCOME	143,312	116,038
Fee and commission income	39,055	29,291
Fee and commission expense	(2,166)	(1,547)
NET FEE AND COMMISSION INCOME	36,889	27,744
Net trading income/(expense)	(322)	488
Net loss on financial assets and liabilities designated at fair value through profit or loss	(124)	(117)
Net gain on financial investments	89	3,349
Other operating income, net	1,084	580
OPERATING INCOME	180,928	148,082
Operating expenses	(61,869)	(53,048)
Impairment losses on:		
Loans and advances to customers	(9,743)	(9,248)
Others	50	(964)
OPERATING PROFIT	109,366	84,822
Share of profits and losses of associates and jointly-controlled entities	1,250	966
PROFIT BEFORE TAX	110,616	85,788
Income tax expense	(25,651)	(19,064)
PROFIT FOR THE PERIOD	84,965	66,724
Attributable to:		
Equity holders of the parent company	84,603	66,424
Non-controlling interests	362	300
	84,965	66,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
— Basic and diluted (RMB yuan)	0.25	0.20

## 9.1.2 Unaudited Interim Consolidated Statement of Comprehensive Income

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Profit for the period	<b>84,965</b>	66,724
Other comprehensive income (after-tax, net):		
Net gain/(loss) on available-for-sale financial assets	<b>4,491</b>	(2,243)
Net loss on cash flow hedges	<b>(70)</b>	(1)
Share of other comprehensive income of associates and jointly-controlled entities	<b>(94)</b>	(1,061)
Foreign currency translation differences	<b>(1,757)</b>	5,543
Subtotal of other comprehensive income for the period	<b>2,570</b>	2,238
Total comprehensive income for the period	<b>87,535</b>	68,962
Total comprehensive income attributable to:		
Equity holders of the parent company	<b>87,188</b>	68,378
Non-controlling interests	<b>347</b>	584
	<b>87,535</b>	68,962

### 9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	30 June 2010 (unaudited)	31 December 2009 (audited)
<b>ASSETS</b>		
Cash and balances with central banks	2,111,745	1,693,048
Due from banks and other financial institutions	349,263	235,301
Financial assets held for trading	14,735	18,976
Financial assets designated at fair value through profit or loss	969	1,171
Derivative financial assets	8,735	5,758
Reverse repurchase agreements	279,136	408,826
Loans and advances to customers	6,202,394	5,583,174
Financial investments	3,713,549	3,579,026
Investments in associates and jointly-controlled entities	36,220	36,278
Property and equipment	94,219	95,684
Deferred income tax assets	17,276	18,696
Other assets	132,140	109,115
<b>TOTAL ASSETS</b>	<b>12,960,381</b>	<b>11,785,053</b>
<b>LIABILITIES</b>		
Financial liabilities held for trading	1,426	—
Financial liabilities designated at fair value through profit or loss	7,202	15,831
Derivative financial liabilities	10,248	7,773
Due to banks and other financial institutions	1,100,955	1,001,634
Repurchase agreements	9,100	36,060
Certificates of deposit and notes payable	4,505	1,472
Due to customers	10,832,789	9,771,277
Income tax payable	16,850	22,231
Deferred income tax liabilities	180	178
Subordinated bonds	75,000	75,000
Other liabilities	192,526	174,663
<b>TOTAL LIABILITIES</b>	<b>12,250,781</b>	<b>11,106,119</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
Issued share capital	334,019	334,019
Reserves	223,780	221,114
Retained profits	146,480	118,760
	<b>704,279</b>	<b>673,893</b>
Non-controlling interests	5,321	5,041
<b>TOTAL EQUITY</b>	<b>709,600</b>	<b>678,934</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,960,381</b>	<b>11,785,053</b>

## 9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Reserves								Subtotal	Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves					
Balance as at 1 January 2010	334,019	106,961	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,114	118,760	673,893	5,041	678,934
Profit for the period	—	—	—	—	—	—	—	—	—	84,603	84,603	362	84,965
Other comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	—	2,585	(15)	2,570
Total comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	84,603	87,188	347	87,535
Dividend — 2009 final	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	43	—	—	—	—	—	43	(43)	—	—	—
Appropriation to general reserve (ii)	—	—	—	57	—	—	—	—	57	(57)	—	—	—
Change in shareholdings in a subsidiary	—	(19)	—	—	—	—	—	—	(19)	—	(19)	21	2
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	108	108
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(196)	(196)
Balance as at 30 June 2010 (unaudited)	<u>334,019</u>	<u>106,942</u>	<u>37,527</u>	<u>84,279</u>	<u>3,606</u>	<u>(3,681)</u>	<u>(4,144)</u>	<u>(749)</u>	<u>223,780</u>	<u>146,480</u>	<u>704,279</u>	<u>5,321</u>	<u>709,600</u>

(i) Represents the appropriation to surplus reserves made by subsidiaries.

(ii) Represents the appropriation to general reserve made by subsidiaries.

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Reserves								Subtotal	Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves					
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the period	—	—	—	—	—	—	—	—	—	66,424	66,424	300	66,724
Other comprehensive income	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	—	1,954	284	2,238
Total comprehensive income	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	66,424	68,378	584	68,962
Dividend — 2008 final	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to general reserve	—	—	—	15	—	—	—	—	15	(15)	—	—	—
Change in shareholdings in a subsidiary	—	(3)	—	—	—	—	—	—	(3)	—	(3)	22	19
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(57)	(57)
Balance as at 30 June 2009 (unaudited)	<u>334,019</u>	<u>106,309</u>	<u>24,650</u>	<u>69,370</u>	<u>5,910</u>	<u>(3,909)</u>	<u>(4,076)</u>	<u>(561)</u>	<u>197,693</u>	<u>84,225</u>	<u>615,937</u>	<u>4,504</u>	<u>620,441</u>
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the period	—	—	—	—	—	—	—	—	—	128,645	128,645	751	129,396
Other comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	—	(2,963)	440	(2,523)
Total comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	128,645	125,682	1,191	126,873
Dividend — 2008 final	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to surplus reserves (i)	—	—	12,834	—	—	—	—	—	12,834	(12,834)	—	—	—
Appropriation to general reserve (ii)	—	—	—	14,867	—	—	—	—	14,867	(14,867)	—	—	—
Change in shareholdings in a subsidiary	—	99	—	—	—	—	—	—	99	—	99	(99)	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	80	80
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(86)	(86)
Others	—	550	—	—	—	—	—	—	550	—	550	—	550
Balance as at 31 December 2009 (audited)	<u>334,019</u>	<u>106,961</u>	<u>37,484</u>	<u>84,222</u>	<u>(897)</u>	<u>(1,919)</u>	<u>(4,082)</u>	<u>(655)</u>	<u>221,114</u>	<u>118,760</u>	<u>673,893</u>	<u>5,041</u>	<u>678,934</u>

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB29 million and RMB30 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB54 million.

### 9.1.5 Unaudited Interim Consolidated Statement of Cash Flows

(In RMB millions, unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>110,616</b>	85,788
Adjustments for:		
Share of profits and losses of associates and jointly-controlled entities	<b>(1,250)</b>	(966)
Depreciation	<b>5,396</b>	4,768
Amortisation	<b>652</b>	686
Amortisation of financial investments	<b>(4,080)</b>	(1,745)
Impairment losses on loans and advances to customers	<b>9,743</b>	9,248
Impairment losses on assets other than loans and advances to customers	<b>(50)</b>	964
Unrealised foreign exchange difference	<b>823</b>	4,339
Interest expense on subordinated bonds	<b>1,289</b>	572
Accreted interest on impaired loans	<b>(506)</b>	(727)
Gain on disposal of available-for-sale financial assets, net	<b>(56)</b>	(3,300)
Net trading (gain)/loss on equity investments	<b>5</b>	(17)
Net gain on disposal of property and equipment and other assets (other than repossessed assets)	<b>(82)</b>	(143)
Dividend income	<b>(33)</b>	(49)
	<b>122,467</b>	99,418
Net decrease/(increase) in operating assets:		
Due from central banks	<b>(314,443)</b>	(185,366)
Due from banks and other financial institutions	<b>9,754</b>	1,157
Financial assets held for trading	<b>4,367</b>	1,927
Financial assets designated at fair value through profit or loss	<b>221</b>	190
Reverse repurchase agreements	<b>196,622</b>	(757,665)
Loans and advances to customers	<b>(620,246)</b>	(873,566)
Other assets	<b>(19,877)</b>	(6,260)
	<b>(743,602)</b>	(1,819,583)

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	<b>(8,621)</b>	3,459
Due to banks and other financial institutions	<b>98,859</b>	365,042
Repurchase agreements	<b>(26,960)</b>	2,229
Certificates of deposit and notes payable	<b>(3,033)</b>	441
Due to customers	<b>1,053,044</b>	1,309,795
Other liabilities	<b>22,486</b>	14,206
	<u><b>1,135,775</b></u>	<u>1,695,172</u>
Net cash inflow/(outflow) from operating activities before tax	<b>514,640</b>	(24,993)
Income tax paid	<b>(31,163)</b>	(42,272)
	<u><b>483,477</b></u>	<u>(67,265)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and other assets	<b>(4,468)</b>	(3,220)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	<b>502</b>	356
Purchases of financial investments	<b>(1,244,773)</b>	(510,348)
Proceeds from sale and redemption of financial investments	<b>1,122,604</b>	438,524
Investments in associates and jointly-controlled entities	<b>(823)</b>	(5)
Acquisition of subsidiaries	<b>(2,929)</b>	—
Disposal of a subsidiary	<b>(528)</b>	—
Dividends received	<b>607</b>	58
	<u><b>(129,808)</b></u>	<u>(74,635)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid on subordinated bonds	<b>(119)</b>	(182)
Dividends paid on ordinary shares	<b>(56,783)</b>	(55,113)
Dividends paid to non-controlling shareholders	<b>(135)</b>	(38)
	<u><b>(57,037)</b></u>	<u>(55,333)</u>

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>296,632</b>	(197,233)
Cash and cash equivalents at beginning of the period	<b>409,394</b>	607,291
Effect of exchange rate changes on cash and cash equivalents	<u><b>(1,334)</b></u>	<u>(425)</u>
 CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	 <u><b>704,692</b></u>	 <u>409,633</u>
 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES INCLUDES:		
Interest received	<b>212,693</b>	196,755
Interest paid	<u><b>(67,880)</b></u>	<u>(80,011)</u>

## 9.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) and IFRIC interpretations as of 1 January 2010. The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

IFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions has been amended to clarify the accounting for group cash-settled share-based payment transactions. The adoption of this amendment did not have any impact on the financial position nor performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items has been amended to address the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position nor performance of the Group.

IFRIC 17 Distributions of Non-cash Assets to Owners provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

Apart from the above, in May 2008 the IASB has issued its first omnibus of *Improvements to IFRSs*\* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to IFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments had been adopted by the Group as at 31 December 2009. The amendment to IFRS 5 is applied prospectively and has no impact on the financial position nor financial performance of the Group.

\* *Improvements to IFRSs (2008)* contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

In April 2009, the IASB has issued its second omnibus of *Improvements to IFRSs*\*\* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009 have been early adopted by the Group in the year ended 31 December 2009. The amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 and IAS 39 are applied from 1 January 2010. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group.

\*\* *Improvements to IFRSs (2009)* contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

The Group has not adopted any other standard, interpretation or amendment that was issued but is not yet effective.



### 9.3 Notes to Unaudited Interim Condensed Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

#### 9.3.1 Net Interest Income

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	113,660	108,730
— Personal loans	32,114	22,704
— Discounted bills	3,948	6,054
Financial investments (ii)	51,114	46,599
Due from central banks	13,494	11,221
Due from banks and other financial institutions	5,535	3,969
	<u>219,865</u>	<u>199,277</u>
Interest expense on:		
Due to customers	(67,982)	(76,391)
Due to banks and other financial institutions	(7,282)	(6,276)
Subordinated bonds	(1,289)	(572)
	<u>(76,553)</u>	<u>(83,239)</u>
Net interest income	<u>143,312</u>	<u>116,038</u>

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

- (i) Included in interest income on loans and advances to customers for the period is an amount of RMB506 million (six months ended 30 June 2009: RMB727 million) with respect to the accreted interest on impaired loans.
- (ii) Included in interest income on financial investments for the period is an amount of RMB178 million (six months ended 30 June 2009: RMB701 million) with respect to interest income on impaired debt securities.

### 9.3.2 Net Fee and Commission Income

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Settlement, clearing business and cash management	9,546	7,102
Investment banking business	8,666	7,143
Personal wealth management and private banking services (i)	7,166	5,546
Bank card business	6,186	4,355
Corporate wealth management services (i)	3,436	1,836
Guarantee and commitment business	1,518	1,460
Assets fiduciary business (i)	1,499	1,034
Trust and agency services (i)	524	431
Others	514	384
	<hr/>	<hr/>
Fee and commission income	39,055	29,291
Fee and commission expense	(2,166)	(1,547)
	<hr/>	<hr/>
Net fee and commission income	<u>36,889</u>	<u>27,744</u>

- (i) Included in personal wealth management and private banking services, corporate wealth management services, assets fiduciary business and trust and agency services above is an amount of RMB3,857 million (six months ended 30 June 2009: RMB3,228 million) with respect to trust and other fiduciary activities.

### 9.3.3 Net Trading Income/(Expense)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Debt securities	540	337
Equity investments	(5)	17
Derivatives	(857)	134
	<hr/>	<hr/>
	<u>(322)</u>	<u>488</u>

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Financial assets	<b>36</b>	62
Financial liabilities	<b>(160)</b>	(179)
	<u><b>(124)</b></u>	<u>(117)</u>

### 9.3.5 *Net Gain on Financial Investments*

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Dividend income from unlisted investments	<b>32</b>	49
Dividend income from listed investments	<b>1</b>	—
Dividend income	<b>33</b>	49
Gain on disposal of available-for-sale investments, net	<b>56</b>	3,300
	<u><b>89</b></u>	<u>3,349</u>

### 9.3.6 *Other Operating Income, Net*

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Gain/(loss) from foreign exchange and foreign exchange products, net	<b>119</b>	(366)
Net gain on disposal of property and equipment, repossessed assets and others	<b>238</b>	422
Sundry bank charge income	<b>79</b>	34
Others	<b>648</b>	490
	<u><b>1,084</b></u>	<u>580</u>

### 9.3.7 Operating Expense

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Staff costs:		
Salaries and bonuses	<b>20,834</b>	17,879
Staff benefits	<b>5,749</b>	5,050
Contributions to defined contribution schemes	<b>4,023</b>	3,508
Early retirement benefits	<b>178</b>	—
	<u><b>30,784</b></u>	<u>26,437</u>
Premises and equipment expenses:		
Depreciation	<b>5,396</b>	4,768
Minimum lease payments under operating leases in respect of land and buildings	<b>1,833</b>	1,363
Repairs and maintenance charges	<b>743</b>	676
Utility expenses	<b>924</b>	785
	<u><b>8,896</b></u>	<u>7,592</u>
Amortisation	<b>652</b>	686
Other administrative expenses	<b>8,261</b>	7,040
Business tax and surcharges	<b>10,350</b>	8,850
Others	<b>2,926</b>	2,443
	<u><b>61,869</b></u>	<u>53,048</u>

### 9.3.8 Impairment Losses on Assets other than Loans and Advances to Customers

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	<b>1</b>	(1)
Financial investments:		
Held-to-maturity investments	<b>(86)</b>	205
Available-for-sale financial assets	<b>(115)</b>	693
Other assets	<b>150</b>	67
	<u><b>(50)</b></u>	<u>964</u>

### 9.3.9 Income Tax Expense

#### (a) Income Tax

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Current income tax expense:		
PRC		
— Mainland China	24,922	18,276
— Hong Kong and Macau	245	210
Overseas	125	141
	<u>25,292</u>	<u>18,627</u>
Adjustment in respect of current income tax of prior periods	<u>474</u>	<u>—</u>
	25,766	18,627
Deferred income tax expense/(credit)	<u>(115)</u>	<u>437</u>
	<u><u>25,651</u></u>	<u><u>19,064</u></u>

(b) *Reconciliation between Income Tax and Accounting Profit*

The PRC income tax has been provided at the statutory rate of 25% 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. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax	<u><b>110,616</b></u>	<u>85,788</u>
Tax at the PRC statutory income tax rate	<b>27,654</b>	21,447
Effects of different applicable rates of tax prevailing in other countries/regions	<b>(50)</b>	(58)
Non-deductible expenses (i)	<b>320</b>	336
Non-taxable income (ii)	<b>(2,593)</b>	(2,445)
Profits and losses attributable to associates and jointly-controlled entities	<b>(313)</b>	(241)
Adjustment in respect of current income tax of prior periods	<b>474</b>	—
Others	<u><b>159</b></u>	<u>25</u>
Tax expense at the Group's effective income tax rate	<u><b>25,651</b></u>	<u>19,064</u>

- (i) The non-deductible expenses mainly represent non-deductible impairment provision and write-off.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax.

**9.3.10 Dividends**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Dividends on ordinary shares declared and paid:		
Final dividend for 2009: RMB0.17 per share (2008: RMB0.165 per share)	<u><b>56,783</b></u>	<u>55,113</u>

### 9.3.11 *Earnings per Share Attributable to Ordinary Equity Holders of the Parent*

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u><b>84,603</b></u>	<u>66,424</u>
Shares:		
Weighted average number of ordinary shares in issue (million)	<u><b>334,019</b></u>	<u>334,019</u>
Basic and diluted earnings per share (RMB yuan)	<u><b>0.25</b></u>	<u>0.20</u>

Basic earnings per share was calculated as profit for the period attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue. The Group had no potentially dilutive ordinary shares in issue during the periods.

### 9.3.12 *Derivative Financial Instruments*

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of 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.

At the end of the reporting period, the Group had derivative financial instruments as follows:

30 June 2010 (unaudited)							
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	276,195	424,921	32,624	1,828	735,568	5,090	(5,133)
Option contracts purchased	3,552	1,574	224	—	5,350	77	—
Option contracts written	3,409	1,597	224	—	5,230	—	(97)
	<u>283,156</u>	<u>428,092</u>	<u>33,072</u>	<u>1,828</u>	<u>746,148</u>	<u>5,167</u>	<u>(5,230)</u>
Interest rate contracts:	23,691	53,641	131,429	35,808	244,569	3,159	(4,621)
Swap contracts	3,395	3,438	13,039	—	19,872	229	(229)
Forward contracts	174	—	441	—	615	2	—
Option contracts purchased	174	—	441	—	615	—	(2)
Option contracts written	27,434	57,079	145,350	35,808	265,671	3,390	(4,852)
Other derivative contracts	171	—	7	—	178	178	(166)
	<u>310,761</u>	<u>485,171</u>	<u>178,429</u>	<u>37,636</u>	<u>1,011,997</u>	<u>8,735</u>	<u>(10,248)</u>
31 December 2009 (audited)							
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	214,305	247,253	18,413	7,063	487,034	2,827	(3,933)
Option contracts purchased	2,952	1,249	136	—	4,337	30	—
Option contracts written	3,029	1,641	137	—	4,807	—	(36)
	<u>220,286</u>	<u>250,143</u>	<u>18,686</u>	<u>7,063</u>	<u>496,178</u>	<u>2,857</u>	<u>(3,969)</u>
Interest rate contracts:							
Swap contracts	35,185	36,999	110,244	41,586	224,014	2,526	(3,439)
Forward contracts	3,619	3,415	16,349	—	23,383	221	(222)
Option contracts purchased	—	264	444	—	708	4	—
Option contracts written	—	264	444	—	708	—	(4)
	<u>38,804</u>	<u>40,942</u>	<u>127,481</u>	<u>41,586</u>	<u>248,813</u>	<u>2,751</u>	<u>(3,665)</u>
Other derivative contracts	273	1	34	—	308	150	(139)
	<u>259,363</u>	<u>291,086</u>	<u>146,201</u>	<u>48,649</u>	<u>745,299</u>	<u>5,758</u>	<u>(7,773)</u>



### *Cash flow hedges*

The Group's cash flow hedges consist of currency swap contracts and interest rate swap contracts that are used to protect against exposures to variability of future cash flows arising from floating rate foreign currency denominated liabilities during the period/year. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, and will be recycled into the profit or loss when the forecast cash flows affect the income statement. The ineffective portion is immediately recognised in the income statement.

Among the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedges are set out below.

30 June 2010 (unaudited)							
	Notional amounts with 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
Currency swap contracts	—	—	353	—	353	1	—
Interest rate swap contracts	—	—	3,773	163	3,936	—	(78)
	—	—	4,126	163	4,289	1	(78)

  

31 December 2009 (audited)							
	Notional amounts with 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 swap contracts	—	2	654	194	850	3	(5)

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedges for the current period (six months ended 30 June 2009: Nil).

### *Fair value hedges*

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets due to movements in market interest rates and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets, respectively.

The effectiveness of the hedges 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 is presented as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	<b>(350)</b>	(214)
— Hedged items attributable to the hedged risk	<b>352</b>	190
	<b>2</b>	(24)

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

	<b>30 June 2010 (unaudited)</b>					<b>Fair values</b>	
	<b>Notional amounts with remaining life of</b>					<b>Fair values</b>	
	<b>Within three months</b>	<b>Over three months but within one year</b>	<b>Over one year but within five years</b>	<b>Over five years</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>
Currency swap contracts	—	—	816	76	892	24	(32)
Interest rate swap contracts	708	1,810	12,566	1,821	16,905	5	(944)
	<b>708</b>	<b>1,810</b>	<b>13,382</b>	<b>1,897</b>	<b>17,797</b>	<b>29</b>	<b>(976)</b>

  

	<b>31 December 2009 (audited)</b>					<b>Fair values</b>	
	<b>Notional amounts with remaining life of</b>					<b>Fair values</b>	
	<b>Within three months</b>	<b>Over three months but within one year</b>	<b>Over one year but within five years</b>	<b>Over five years</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	635	1,942	13,350	1,900	17,827	56	(676)
	<b>635</b>	<b>1,942</b>	<b>13,404</b>	<b>1,900</b>	<b>17,881</b>	<b>56</b>	<b>(696)</b>

The credit risk weighted amounts in respect of the above derivatives of the Group as at the end of the reporting period are as follows:

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Currency derivatives	<b>8,257</b>	4,722
Interest rate derivatives	<b>2,993</b>	2,544
Other derivatives	<b>189</b>	169
	<u><b>11,439</b></u>	<u>7,435</u>

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC. The amounts calculated are dependent on, among other factors, the creditworthiness of the customers and the maturity characteristics of each type of contracts. The amounts differ from the carrying amount or the maximum exposure to credit risk.

### **9.3.13 *Financial Investments***

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Receivables	<b>610,276</b>	1,132,379
Held-to-maturity investments	<b>2,075,392</b>	1,496,738
Available-for-sale financial assets	<b>1,027,881</b>	949,909
	<u><b>3,713,549</b></u>	<u>3,579,026</u>

### 9.3.14 Components of Other Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	<b>6,026</b>	(2,113)
Less: Income tax effect	<b>(1,543)</b>	990
Transfer to the income statement arising from disposal/impairment	<b>8</b>	(1,120)
	<b>4,491</b>	(2,243)
Cash flow hedges:		
Losses arising during the period	<b>(78)</b>	(1)
Less: Income tax effect	<b>6</b>	—
Transfer to the income statement	<b>2</b>	—
	<b>(70)</b>	(1)
Share of other comprehensive income of associates and jointly-controlled entities	<b>(94)</b>	(1,061)
Less: Income tax effect	<b>—</b>	—
Transfer to the income statement	<b>—</b>	—
	<b>(94)</b>	(1,061)
Foreign currency translation differences	<b>(1,757)</b>	5,543
Less: Transfer to the income statement	<b>—</b>	—
	<b>(1,757)</b>	5,543
	<b>2,570</b>	2,238

### 9.3.15 Commitments and Contingent Liabilities

#### (a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Authorised, but not contracted for	<b>2,832</b>	4,177
Contracted, but not provided for	<b>3,158</b>	6,125
	<b><u>5,990</u></b>	<u>10,302</u>

#### (b) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments of the Group in respect of non-cancellable operating leases were as follows:

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Within one year	<b>2,536</b>	2,570
After one year but not more than five years	<b>5,878</b>	6,022
After five years	<b>1,815</b>	1,616
	<b><u>10,229</u></b>	<u>10,208</u>

#### (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.

Bank 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 contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Bank acceptances	249,487	209,967
Guarantees issued	220,685	210,243
Financing letters of guarantees	75,330	78,643
Non-financing letters of guarantees	145,355	131,600
Usance letters of credit	141,335	113,416
Sight letters of credit	53,909	50,019
Loan commitments	619,952	457,956
With original maturity of not more than one year	289,535	216,253
With original maturity of more than one year	330,417	241,703
Undrawn credit card limit	236,826	198,086
	<u>1,522,194</u>	<u>1,239,687</u>
	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Credit risk weighted amounts of credit commitments	<u>582,978</u>	<u>507,149</u>

The credit risk weighted amount refers to the amount computed in accordance with the rules promulgated by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

(d) *Legal proceedings*

There were a number of legal proceedings outstanding against the Bank and/or its subsidiaries as at the end of the reporting period.

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Claimed amounts	<u>2,059</u>	<u>2,131</u>

In the opinion of the management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

(e) *Redemption commitments of government bonds*

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these 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 2010, the Bank had underwritten and sold bonds with an accumulated amount of RMB159,398 million (31 December 2009: RMB149,506 million) to the general public, and these government bonds have not yet matured nor been redeemed. 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 end of the reporting period, the amount of unexpired securities underwriting obligations was as follows:

	<b>30 June 2010 (unaudited)</b>	31 December 2009 (audited)
Underwriting obligations	<u>—</u>	<u>1,800</u>

### 9.3.16 *Segment Information*

(a) *Operating segments*

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

## 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, corporate wealth management services, custody activities and various types of corporate intermediary services.

## Personal banking

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

## Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

## Others

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

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

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 expense arising on internal fund transfer are referred to as "internal net interest income/expense". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.



	Corporate banking	Personal banking	Treasury operations	Others	Total
<b>Six months ended 30 June 2010</b>					
<b>(unaudited)</b>					
External net interest income/(expense)	87,758	(6,590)	62,144	—	143,312
Internal net interest income/(expense)	(16,830)	49,269	(32,439)	—	—
Net fee and commission income (i)	22,674	14,065	150	—	36,889
Other income/(expense), net	331	1	(538)	933	727
Operating income	93,933	56,745	29,317	933	180,928
Operating expenses	(28,942)	(26,300)	(4,510)	(2,117)	(61,869)
Impairment losses on:					
Loans and advances to customers	(5,189)	(4,554)	—	—	(9,743)
Others	(179)	—	200	29	50
Operating profit/(loss)	59,623	25,891	25,007	(1,155)	109,366
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,250	1,250
Profit before tax	59,623	25,891	25,007	95	110,616
Income tax expense					(25,651)
Profit for the period					84,965
Other segment information:					
Depreciation	2,253	2,284	667	192	5,396
Amortisation	270	229	102	51	652
Capital expenditure	2,001	1,619	906	84	4,610
<b>As at 30 June 2010 (unaudited)</b>					
Segment assets	4,854,668	1,522,991	6,493,495	89,227	12,960,381
Including: Investments in associates and jointly-controlled entities	—	—	—	36,220	36,220
Property and equipment	35,822	35,812	10,575	12,010	94,219
Other non-current assets (ii)	12,771	7,991	3,886	8,897	33,545
Segment liabilities	5,795,683	5,235,303	1,210,333	9,462	12,250,781
Other segment information:					
Credit commitments	1,285,368	236,826	—	—	1,522,194

(i) All from external customers.

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2009 (unaudited)					
External net interest income/(expense)	84,337	(23,803)	55,504	—	116,038
Internal net interest income/(expense)	(17,168)	55,841	(38,673)	—	—
Net fee and commission income (i)	17,303	10,403	38	—	27,744
Other income, net	281	1	3,618	400	4,300
Operating income	84,753	42,442	20,487	400	148,082
Operating expenses	(26,206)	(18,988)	(6,912)	(942)	(53,048)
Impairment losses on:					
Loans and advances to customers	(6,601)	(2,647)	—	—	(9,248)
Others	(55)	—	(896)	(13)	(964)
Operating profit/(loss)	51,891	20,807	12,679	(555)	84,822
Share of profits and losses of associates and a jointly-controlled entity	—	—	—	966	966
Profit before tax	51,891	20,807	12,679	411	85,788
Income tax expense					(19,064)
Profit for the period					<u>66,724</u>
Other segment information:					
Depreciation	2,127	1,691	889	61	4,768
Amortisation	327	221	134	4	686
Capital expenditure	1,358	1,047	565	34	3,004
As at 31 December 2009 (audited)					
Segment assets	<u>4,472,851</u>	<u>1,262,155</u>	<u>5,966,772</u>	<u>83,275</u>	<u>11,785,053</u>
Including: Investments in associates and a jointly-controlled entity	—	—	—	36,278	36,278
Property and equipment	37,546	30,736	17,079	10,323	95,684
Other non-current assets (ii)	13,893	7,668	4,761	5,794	32,116
Segment liabilities	<u>5,165,238</u>	<u>4,787,973</u>	<u>1,143,877</u>	<u>9,031</u>	<u>11,106,119</u>
Other segment information:					
Credit commitments	<u>1,041,601</u>	<u>198,086</u>	<u>—</u>	<u>—</u>	<u>1,239,687</u>

(i) All from external customers.

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

*(b) Geographical information*

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (i.e., in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Indonesia, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Thailand, British Virgin Islands and New York).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo and Suzhou;

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

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

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

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

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and jointly-controlled entities.

Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
<b>Six months ended 30 June 2010</b>										
<b>(unaudited)</b>										
External net interest income	60,388	22,711	13,145	10,872	11,873	16,621	4,378	3,324	—	143,312
Internal net interest income/(expense)	(55,547)	8,729	7,021	20,929	8,057	6,488	4,403	(80)	—	—
Net fee and commission income (i)	1,396	9,274	6,287	6,910	5,127	4,876	1,758	1,331	(70)	36,889
Other income/(expense), net	(3,422)	647	488	763	243	466	1,345	197	—	727
Operating income	2,815	41,361	26,941	39,474	25,300	28,451	11,884	4,772	(70)	180,928
Operating expenses	(5,047)	(11,617)	(7,560)	(11,412)	(9,898)	(10,498)	(4,328)	(1,579)	70	(61,869)
Impairment losses on:										
Loans and advances to customers	(164)	(2,075)	(672)	(2,459)	(1,778)	(1,907)	(334)	(354)	—	(9,743)
Others	201	2	(9)	(75)	(45)	(1)	(24)	1	—	50
Operating profit/(loss)	(2,195)	27,671	18,700	25,528	13,579	16,045	7,198	2,840	—	109,366
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	1,250	—	1,250
Profit/(loss) before tax	(2,195)	27,671	18,700	25,528	13,579	16,045	7,198	4,090	—	110,616
Income tax expense										(25,651)
Profit for the period										84,965
Other segment information:										
Depreciation	601	917	625	810	873	992	467	111	—	5,396
Amortisation	199	123	47	56	96	92	27	12	—	652
Capital expenditure	729	378	295	381	432	311	87	1,997	—	4,610

(i) Mainly from external customers.

## Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 30 June 2010 (unaudited)										
Assets by geographical area	6,299,412	2,556,170	1,735,197	3,125,598	1,666,275	1,790,998	767,374	506,170	(5,504,089)	12,943,105
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	36,220	—	36,220
Property and equipment	7,950	17,909	10,370	15,130	14,454	15,902	8,685	3,819	—	94,219
Other non-current assets (i)	7,463	6,258	2,260	4,201	5,533	4,578	1,979	1,273	—	33,545
Unallocated assets										17,276
Total assets										12,960,381
Liabilities by geographical area	5,695,046	2,548,645	1,729,307	3,115,960	1,664,140	1,789,088	763,179	432,475	(5,504,089)	12,233,751
Unallocated liabilities										17,030
Total liabilities										12,250,781
Other segment information:										
Credit commitments	254,969	320,983	251,541	325,138	84,655	92,688	40,930	151,290	—	1,522,194

- (i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

## Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2009 (unaudited)										
External net interest income	56,920	18,073	10,823	4,570	8,305	13,116	1,709	2,522	—	116,038
Internal net interest income/(expense)	(51,631)	8,482	5,764	20,676	7,161	6,423	3,241	(116)	—	—
Net fee and commission income (i)	1,151	6,794	4,509	5,624	3,913	3,589	1,275	889	—	27,744
Other income/(expense), net	5,188	(974)	239	(139)	(436)	(65)	187	300	—	4,300
Operating income	11,628	32,375	21,335	30,731	18,943	23,063	6,412	3,595	—	148,082
Operating expenses	(3,556)	(9,792)	(6,230)	(10,173)	(8,629)	(9,638)	(3,780)	(1,250)	—	(53,048)
Impairment losses on:										
Loans and advances to customers	(204)	248	(1,228)	(3,515)	(2,018)	(1,595)	(336)	(600)	—	(9,248)
Others	(862)	(3)	(2)	(15)	13	(34)	(23)	(38)	—	(964)
Operating profit	7,006	22,828	13,875	17,028	8,309	11,796	2,273	1,707	—	84,822
Share of profits and losses of associates and a jointly-controlled entity	—	—	—	—	—	—	—	966	—	966
Profit before tax	7,006	22,828	13,875	17,028	8,309	11,796	2,273	2,673	—	85,788
Income tax expense										(19,064)
Profit for the period										66,724
Other segment information:										
Depreciation	544	794	563	771	779	849	417	51	—	4,768
Amortisation	235	110	42	61	94	100	29	15	—	686
Capital expenditure	831	661	264	324	308	363	65	188	—	3,004

- (i) All from external customers.

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
As at 31 December 2009 (audited)										
Assets by geographical area	5,823,910	2,427,925	1,461,854	2,965,139	1,491,357	1,636,235	719,400	385,725	(5,145,188)	11,766,357
Including: Investments in associates and a jointly-controlled entity	—	—	—	—	—	—	—	36,278	—	36,278
Property and equipment	7,981	18,492	10,792	15,661	14,977	16,623	9,081	2,077	—	95,684
Other non-current assets (i)	6,303	6,172	2,269	4,365	5,546	4,576	1,905	980	—	32,116
Unallocated assets										18,696
Total assets										<u>11,785,053</u>
Liabilities by geographical area	5,409,113	2,376,668	1,433,407	2,927,875	1,470,073	1,607,198	712,231	292,333	(5,145,188)	11,083,710
Unallocated liabilities										22,409
Total liabilities										<u>11,106,119</u>
Other segment information:										
Credit commitments	<u>215,103</u>	<u>244,798</u>	<u>167,451</u>	<u>288,195</u>	<u>73,463</u>	<u>84,286</u>	<u>31,815</u>	<u>134,576</u>	<u>—</u>	<u>1,239,687</u>

- (i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current asset.

## 10. Issue of Results Announcement and Interim Report

This announcement will be released on the websites of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2010 Interim Report prepared in accordance with IFRSs will be released on the websites of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)), and will be despatched to holders of H Shares of the Bank. The 2010 Interim Report and its summary prepared in accordance with PRC GAAP will be released simultaneously on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)).

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

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

26 August 2010

*As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Jiang Jianqing, Mr. Yang Kaisheng and Ms. Wang Lili as executive directors; Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng as non-executive directors; and Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung as independent non-executive directors.*