

2008 08 21



**Industrial and Commercial Bank of China Ltd.**

**2008 Interim Results Announcement  
(IFRS)**

*August 2008*



# Disclaimer

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# Financial Highlights

(RMB billion)	1H08	1H07	<i>Change</i>
<b>Operating Income</b>	<b>155.0</b>	<b>117.6</b>	<b>+31.8%</b>
<b>Net Fee and Commission Income</b>	<b>24.5</b>	<b>16.5</b>	<b>+48.0%</b>
<b>Net Fee and Commission Income as % of Operating Income</b>	<b>15.8</b>	<b>14.1</b>	<b>+174bps</b>
<b>Profit after Tax (IFRS)</b>	<b>64.9</b>	<b>41.4</b>	<b>+56.8%</b>
	1H08	end 2007	<i>Change</i>
<b>ROAA<sup>(1)</sup> (%)</b>	<b>1.44</b>	<b>1.02</b>	<b>+42bps</b>
<b>Weighted Average Return on Equity<sup>(1)</sup> (%)</b>	<b>22.80<sup>(1)</sup></b>	<b>16.23</b>	<b>+657bps</b>
<b>Cost/income Ratio<sup>(2)</sup> (%)</b>	<b>28.5</b>	<b>35.0</b>	<b>-656bps</b>
<b>NPL Ratio(%)</b>	<b>2.41</b>	<b>2.74</b>	<b>-33bps</b>
<b>NPL Coverage Ratio(%)</b>	<b>116.08</b>	<b>103.50</b>	<b>+1258bps</b>
<b>Capital Adequacy Ratio(%)</b>	<b>12.46</b>	<b>13.09</b>	<b>-63bps</b>

(1) Annualized

(2) Excluding business tax and surcharges



# Agenda

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*Business Operation*



Financial Performance



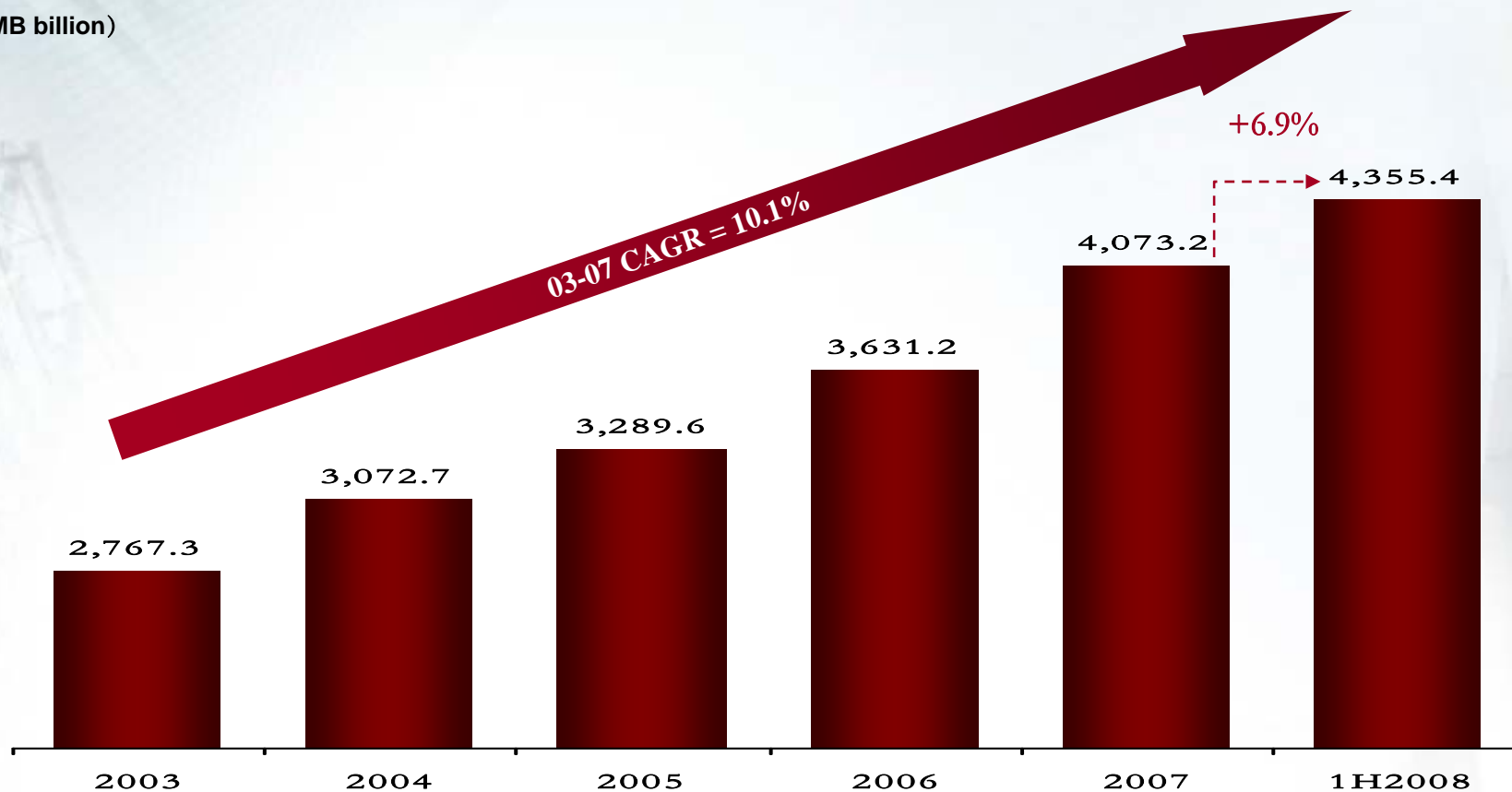
Development Strategy



# Moderate and Balanced Loan Growth

## Steady Loan Growth

(RMB billion)



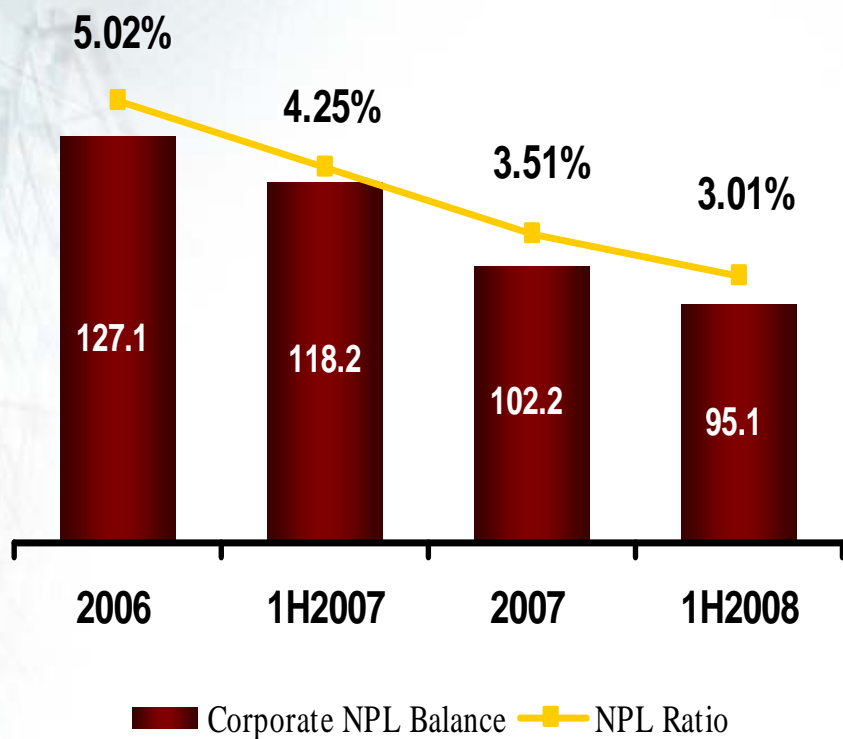
(1) Loans disposed of in 2003 and 2004 excluded



# Sound Asset Quality

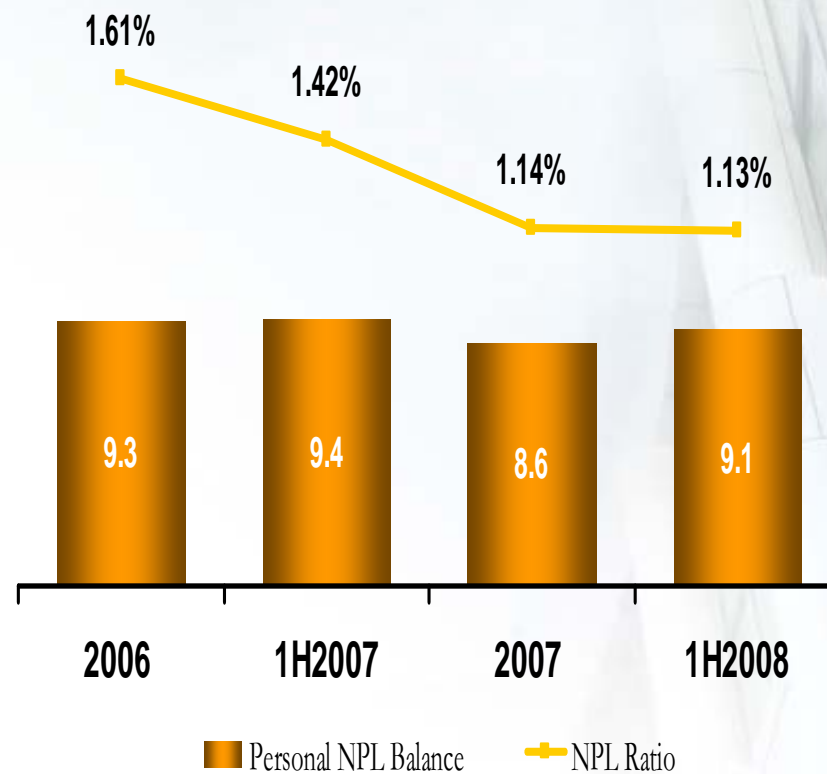
## Dual Decline of Corporate Outstanding NPL and NPL Ratio

( Domestic only, RMB billion)



## Better Quality Retail Lending

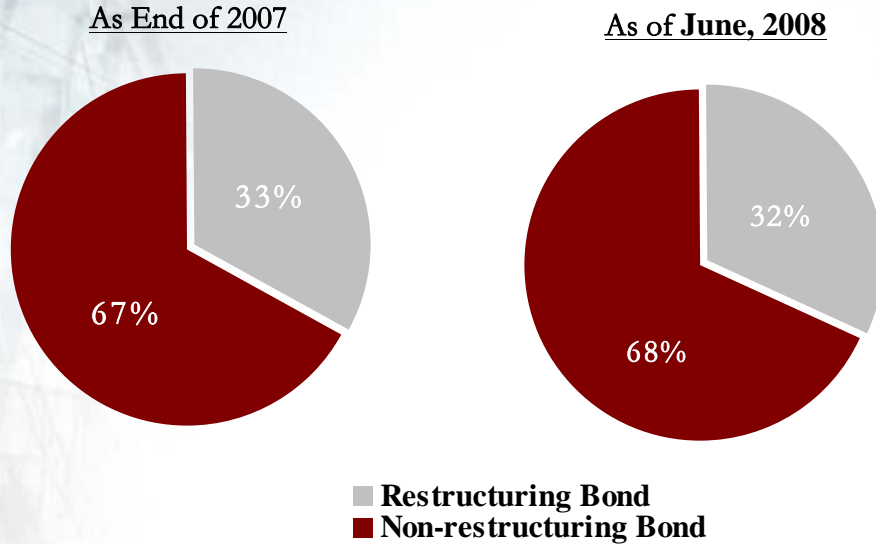
( Domestic only, RMB billion)





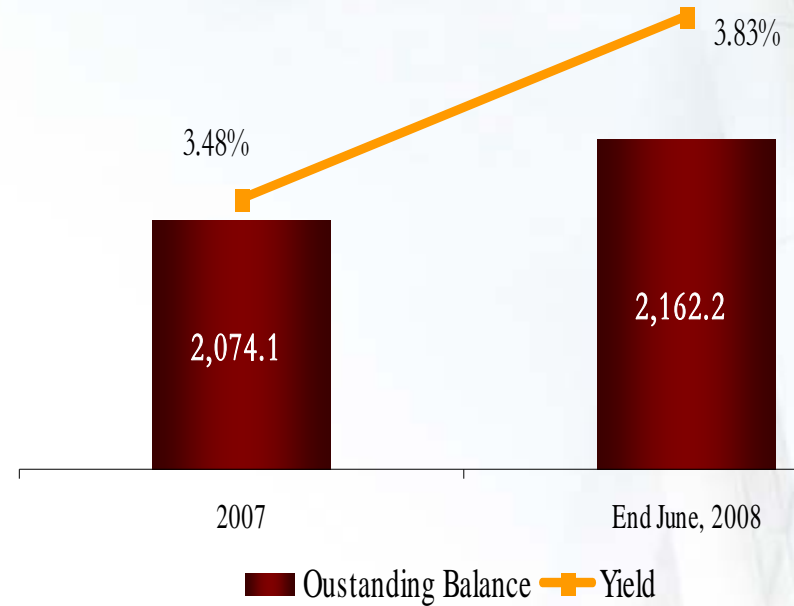
# Improved Treasury Mix with Higher Yield

## Higher Percentage of Non-restructuring Bonds



## Improving Yield of Non-restructuring Bonds

(RMB billion)





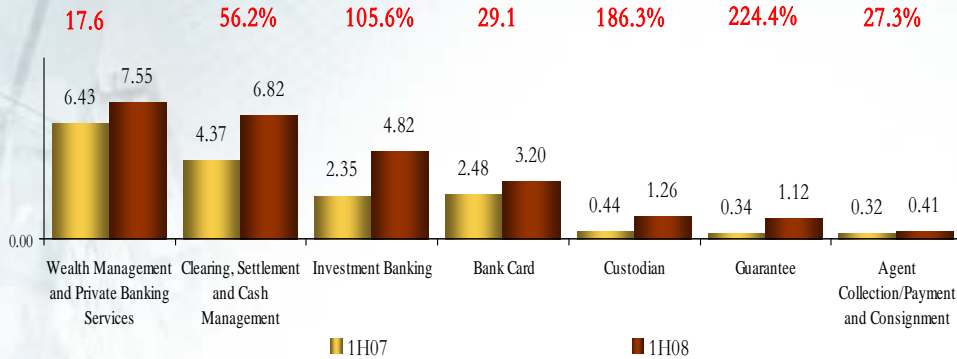


# Innovative and Sustained Development of Fee and Commission Business

## Diversified Fee and Commission Income

(RMB billion)

YoY growth



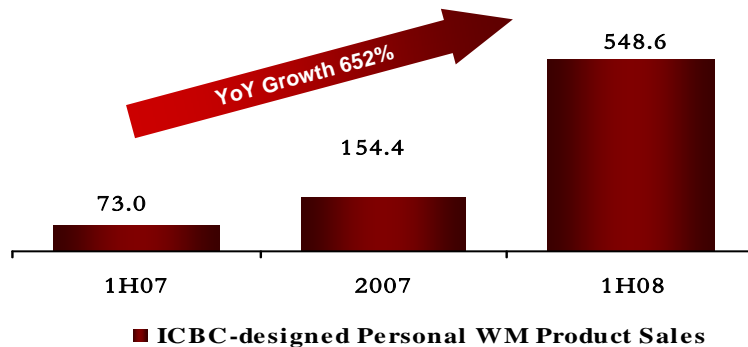
## Market Leader

Traditional Business	Ranking	Emerging Business	Ranking
RMB Settlement Volume	1	Custody	1
Settlement Volume as member of Shanghai Gold Exchange	1	Commercial Paper Underwriting	1
Agent Sales of T-bond	1	Sales Volume of Bank Wealth Management Product	1
Agent Sales of Mutual Funds	1	Annuity Fund	1

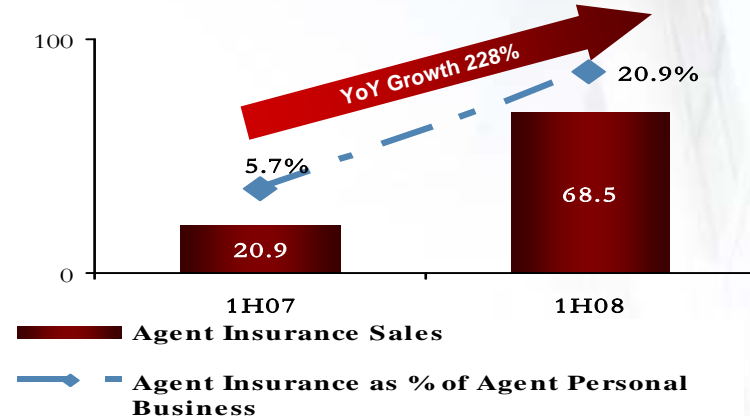
## Innovative and Sustained Development of Wealth Management Services

(RMB billion)

### Booming ICBC-designed WM Product



### Higher Percentage of Agent Insurance Policy Sales





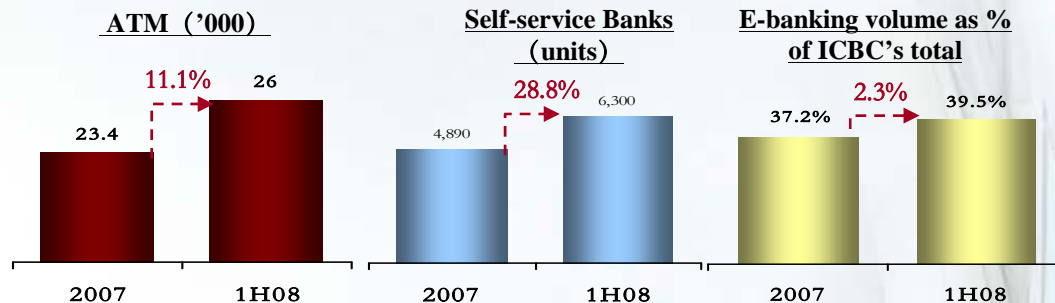


# Unrivalled Customer Base and Distribution Network

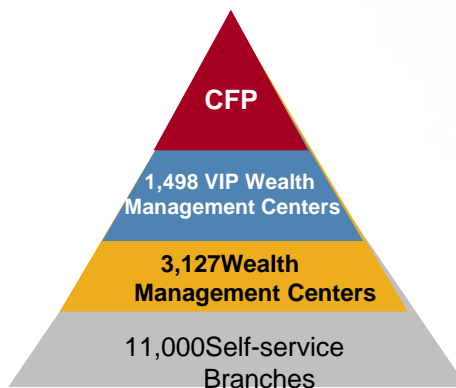
## Expanding Customer Base

	June, 2008	Growth from End of 2007
Corporate Customers ('000)	2,990	10
Cash Management Customers ('000)	79	34
Small Enterprise Customers ('000)	47	4.7
Internet Banking Customers ('000)	1270	30
Personal Customers (mm)	185	9.5
Mid to High End Customers (mm)	19.82	10.3
Potential Customers (mm)	53.04	3.4
Elite Premium Account (mm)	3.8	26.7
Internet Banking Customers (mm)	48.5	24

## Rapid Growing E-Banking



## Optimized Distribution Network, Kick off Private Banking



Private banking Customers

➤ As of June 30th, 2008, ICBC had 348 clients.

Private banking Financial Assets

➤ As of June 30th, 2008, their total assets amounted to RMB 3322 mm.

Private banking Wealth Management Product

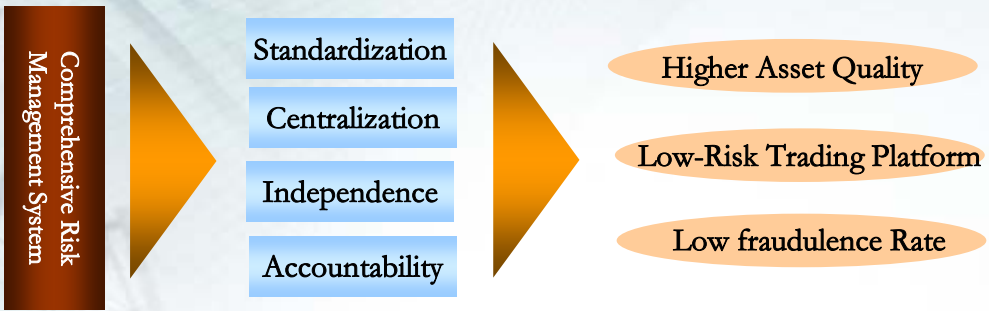
➤ ICBC designed and sold six dedicated Private Banking products, totaling RMB 945 mm.

- Differentiated Customer Service Driving Up Income
- Great Opportunity for Cross-selling and Prompt New Product Promotion



# Further Enhanced Comprehensive Risk Management System

## Comprehensive Risk Management System



## Improving Risk Management Capability

### Market Risk

- Successful launching core market risk management system, establishing a centralized risk measuring, monitoring, controlling and managing platform.
- VAR-based quantification of market risks on overall trading account portfolio, one of leading banks in China

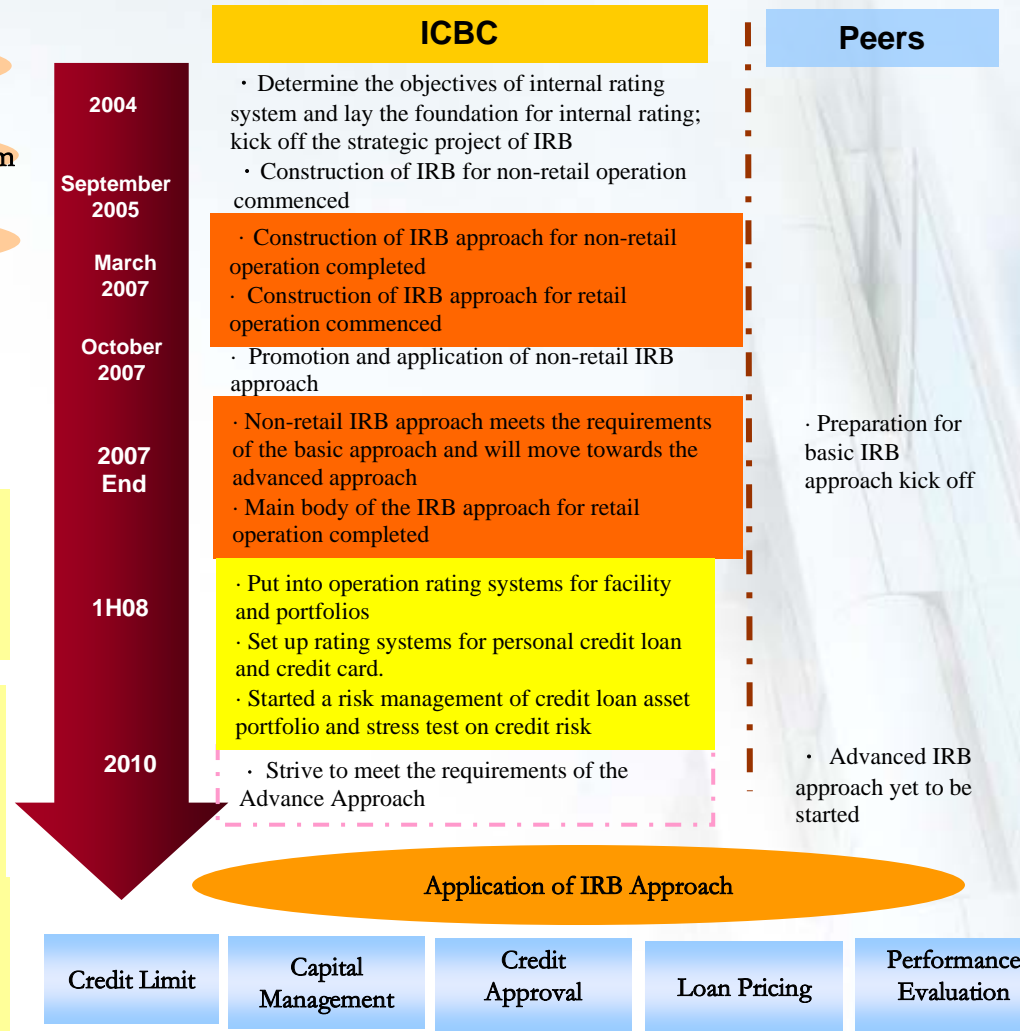
### Liquidity Risk

- Adjusting internal capital transfer price and encouraging branches to engage in low-cost liability business.
- Improving competitiveness in attracting deposits from other financial institutions
- Putting into operation an internal capital collection/payment system

### Operation Risk

- Taking the lead to launch Advanced Approach for Operational Risks. It is expected that development and system construction of Advanced Approach will finish by 2010, trial operation and regulator's approval complete between 2010 and 2012, and Advanced Approach will be fully adopted in 2013

## Industry-leading Position of IRB Approach

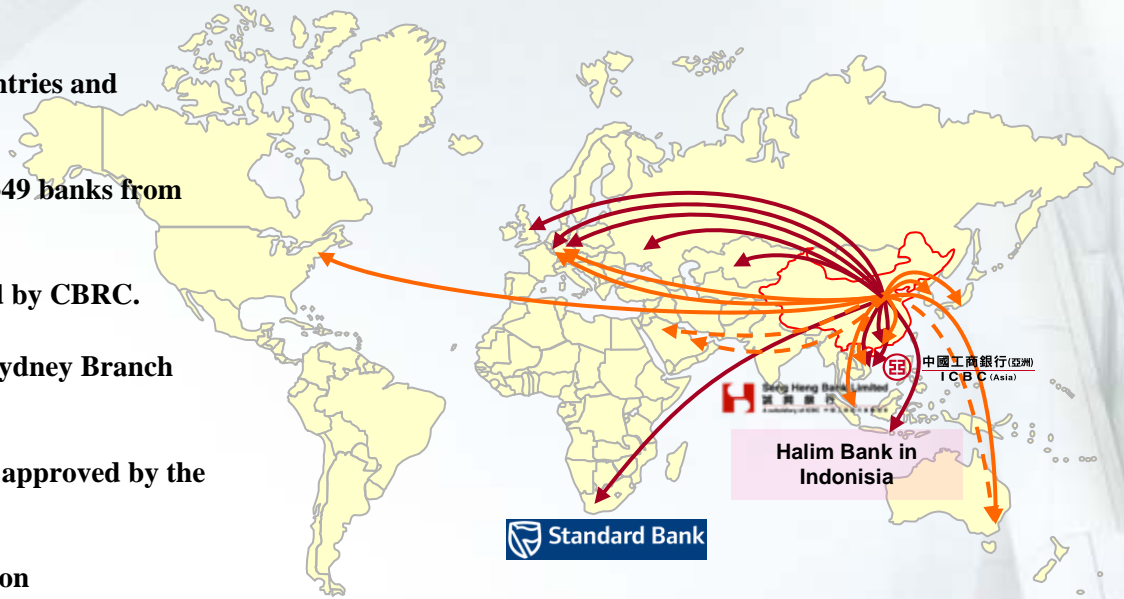




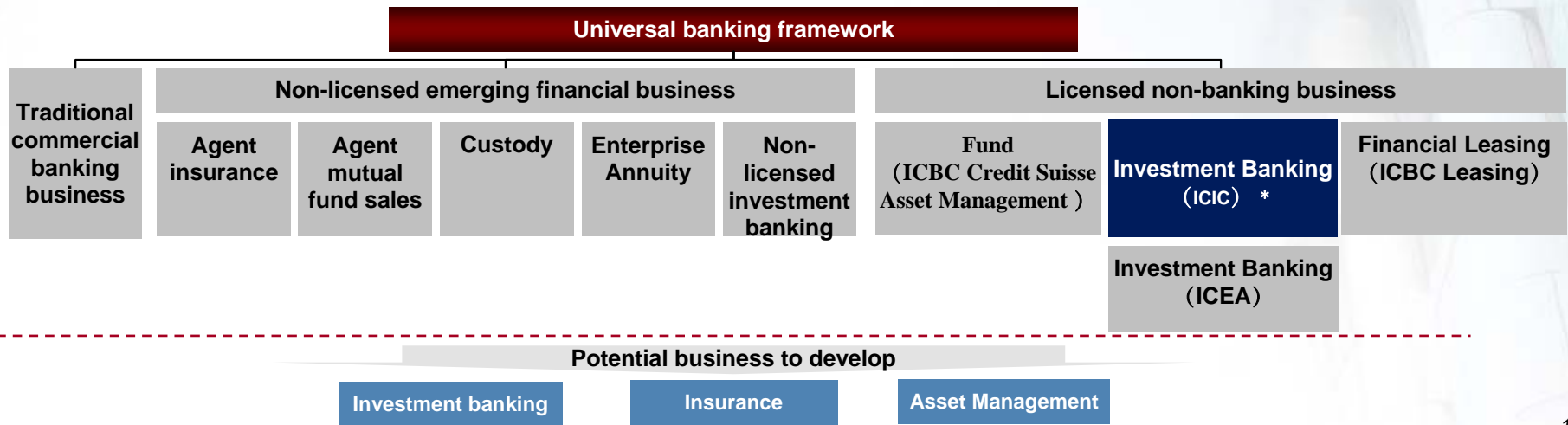
# International Expansion and Universal Banking

Going Global by Acquisition and Setting up Branches

- 126 overseas institutions covering 14 countries and regions.
- Correspondent bank relationship with 1349 banks from 122 countries and regions.
- Vietnam subsidiary application approved by CBRC.
- Doha Branch, ICBC (Middle East) and Sydney Branch approved by local regulators.
- August 5th, 2008, New York Branch was approved by the Federal Reserve.
- Consolidated management after acquisition



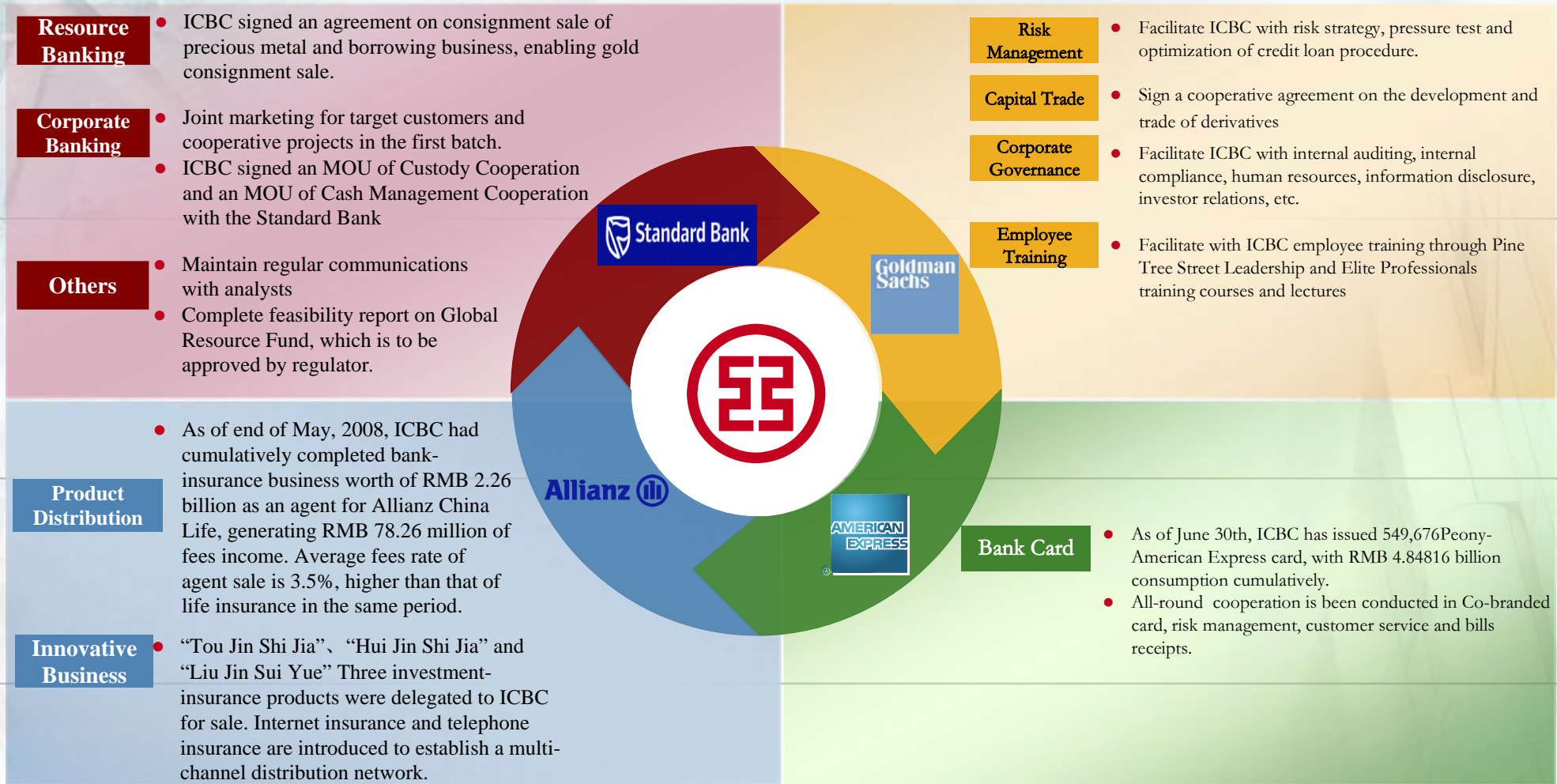
Integrated Operation



\* IB license was approved by Hong Kong Monetary Authority in May, 2008



# In-depth Cooperation with Strategic Partners







# Social Responsibility

**Our goal: Building a World-class Commercial Bank with a Good Sense of Responsibility**

## Institutionalized Green Credit Loan

- Differentiated treatment to borrowing enterprises based on their environmental performance. 99.8% of them are compliant with national environmental policy with 99.87% loan balance
- Veto; special green credit loan check
- Withdrawal from energy-intensive and polluting industries
- Focus on environmental risk management rather lending
- Support green products
- A long-term mechanism for green credit loan is in place.

## Brand Bank Ready for the Olympics

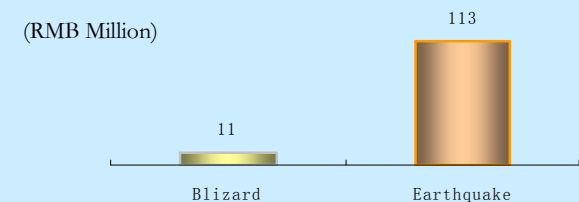
- Standardized service procedure, wealth management expertise
- People-oriented facility within outlets
- Maximize workforce over the counter based on scientific calculation
- Increase the percentage of electronic banking and self-service banking

## Disaster Relief and Post-disaster Reconstruction

- South China Blizzard
  - Accelerate lending approval procedures while containing risk.
- Wenchuan Earthquake
  - Financial support for reconstruction with a cooperative agreement with Chengdu government.
  - Easy access to banking service in quake-hit area
  - All outlets in quake-hit area operational by May, 24<sup>th</sup>.

## Charities

- ICBC has donated RMB 11 million to South China and RMB 113 million to the quake-hit area in Sichuan





# Unparalleled Core Competitiveness and Widely Acclaimed Product and Service



**GLOBAL FINANCE**

- “Bank of the Year in China”
- “Best Custodian in China”
- “Best Bank of Corporate Loan”

**THE ASSET**

- “Bank of Best Deal in China”
- “Bank of Domestic Custodian”
- “Best Cash Management Bank of China”

**The Banker**

- “Top China Bank for Core Competitiveness”
- “Best Deal in South Africa”
- “16th in Global Financial Brands 500”
- “Best Deal in China”

**THE ASIAN BANKER**  
Banking & Business Intelligence for the Financial Services Community

- “Best Retail Bank in China”
- “Best Large Scale Retail Bank of China”
- “Best Multi-channel Bank in China”



# Agenda

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Business Operation



***Financial Performance***



Development Strategy

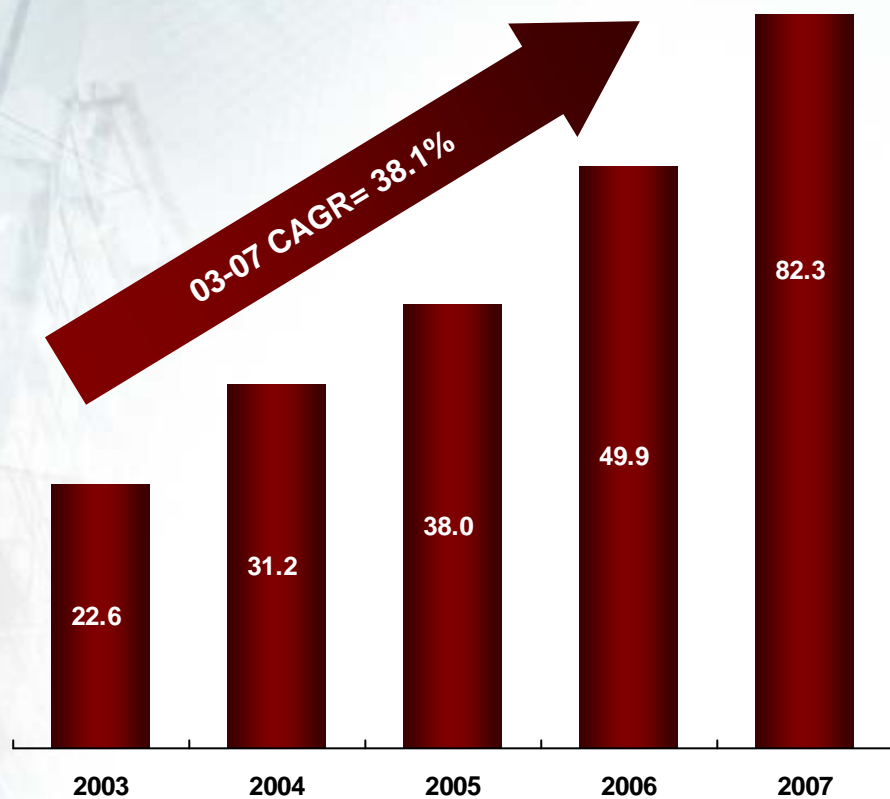




# Stronger Profitability

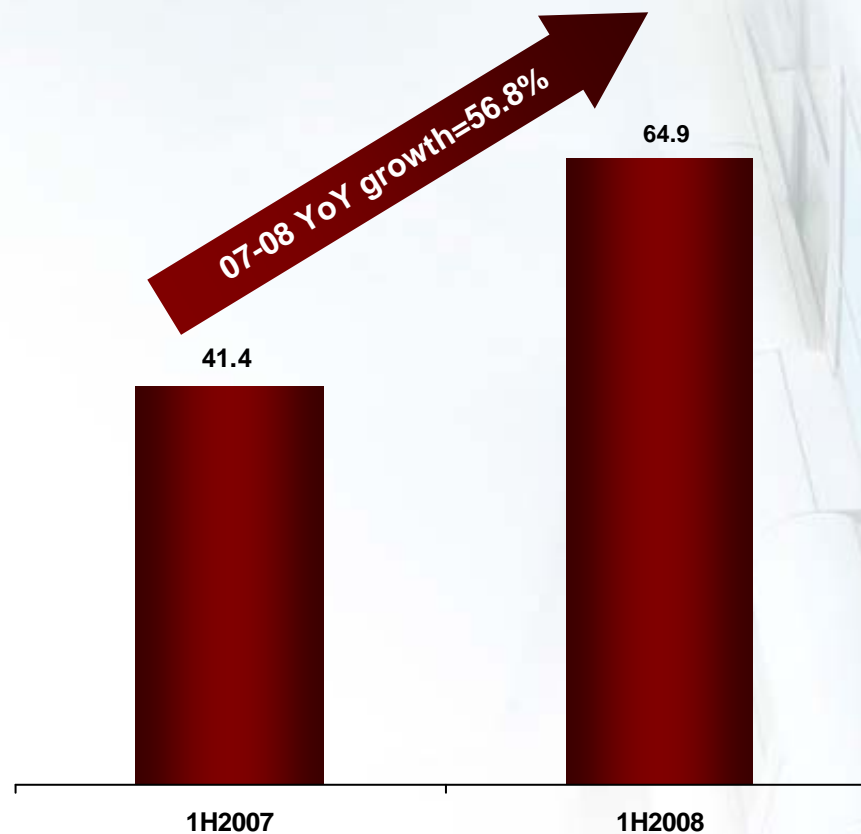
## Sustained Growth of After-Tax Profit

(RMB billion)



## Surging YoY Profit Growth

(RMB billion)

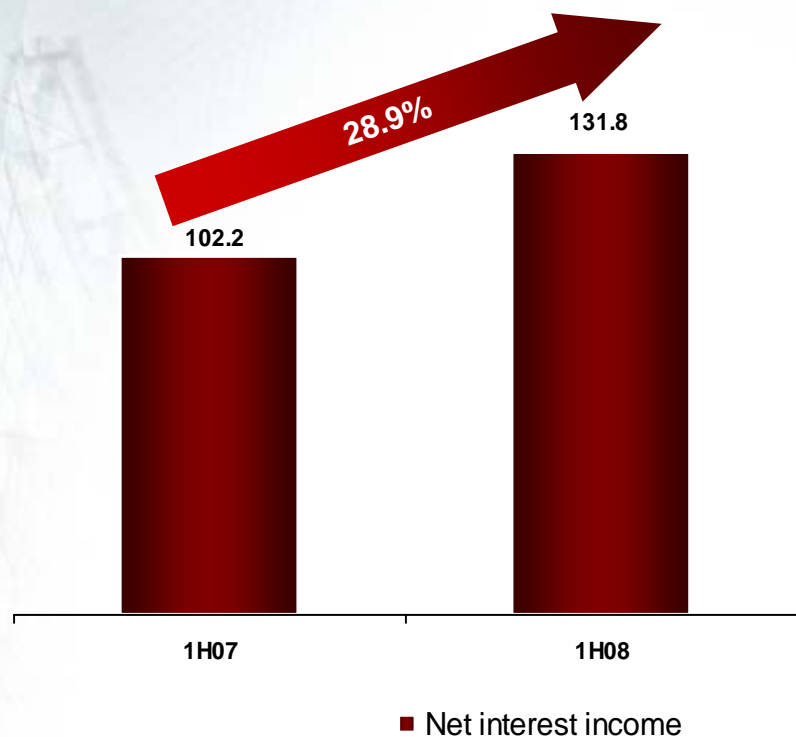




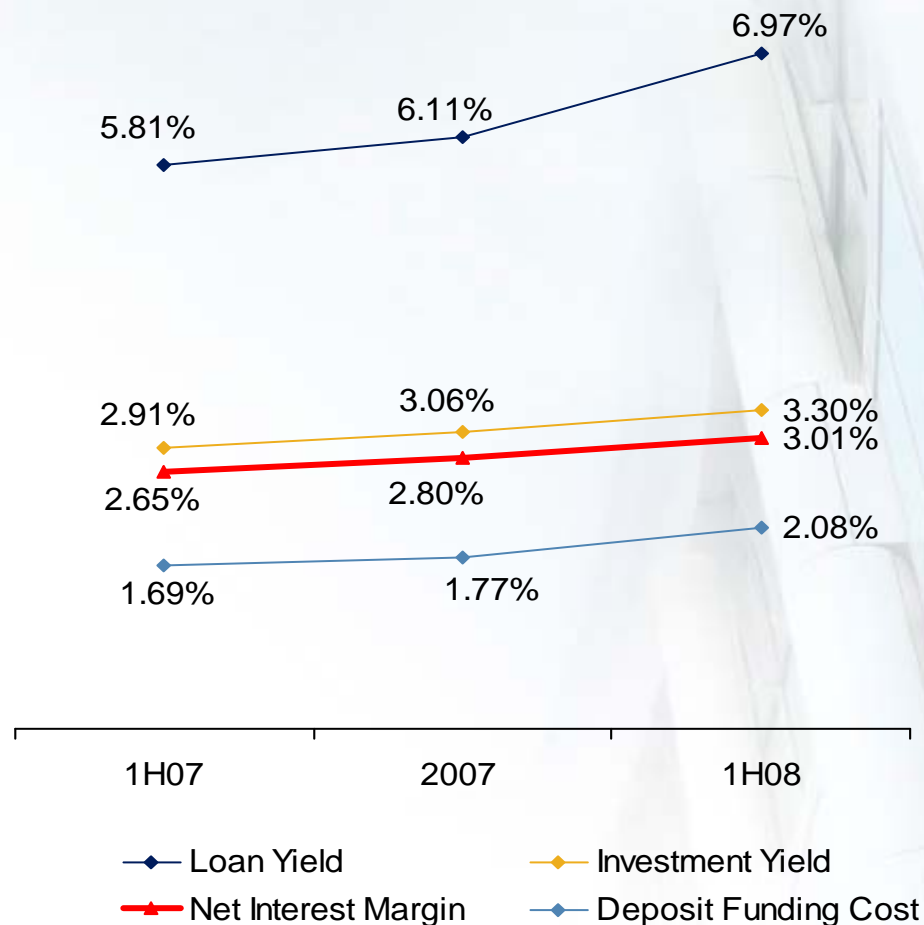
# Stable Net Interest Margin, NIM 3.01%

## High Growth in Net Interest Income

(RMB billion)



## Stable Net Interest Margin

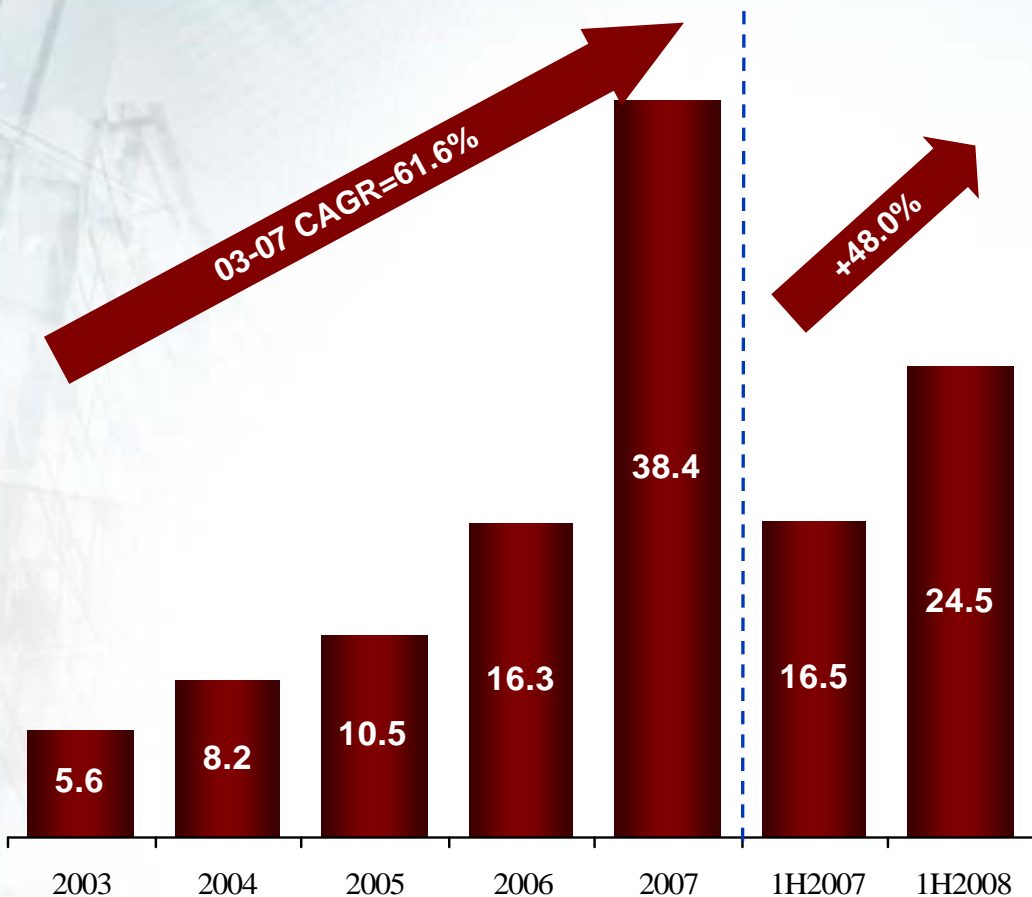




# Fast Growing Fee and Commission Income

## Rapid Growth in Net Fee and Commission Income

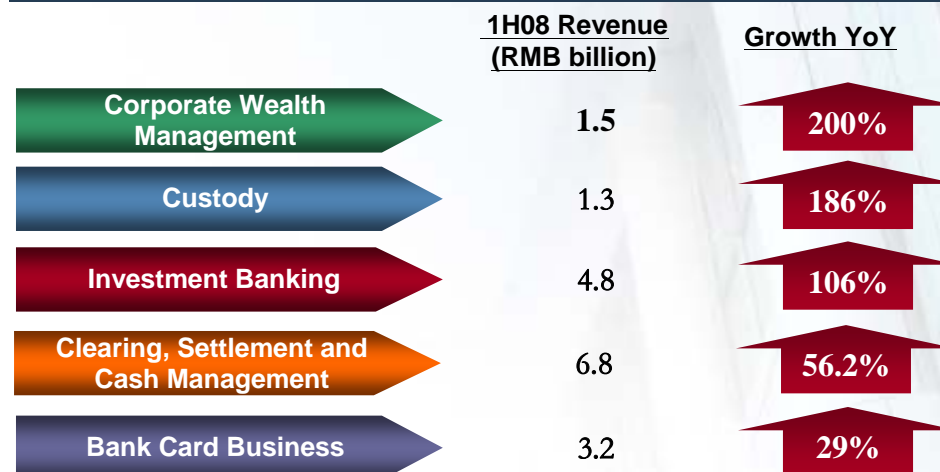
(RMB billion)



## More Contribution from Net Fee and Commission Income



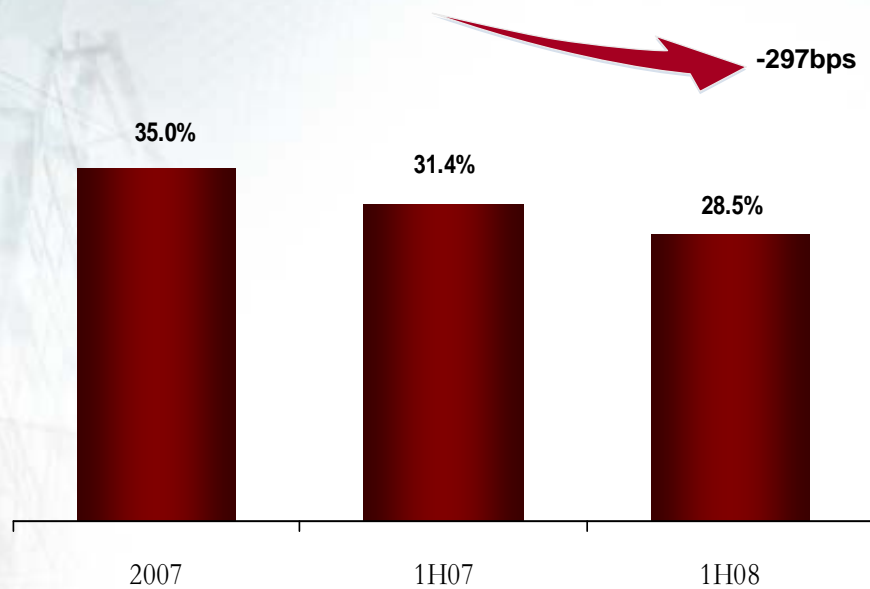
## Record High in Fee-Based Business Segments



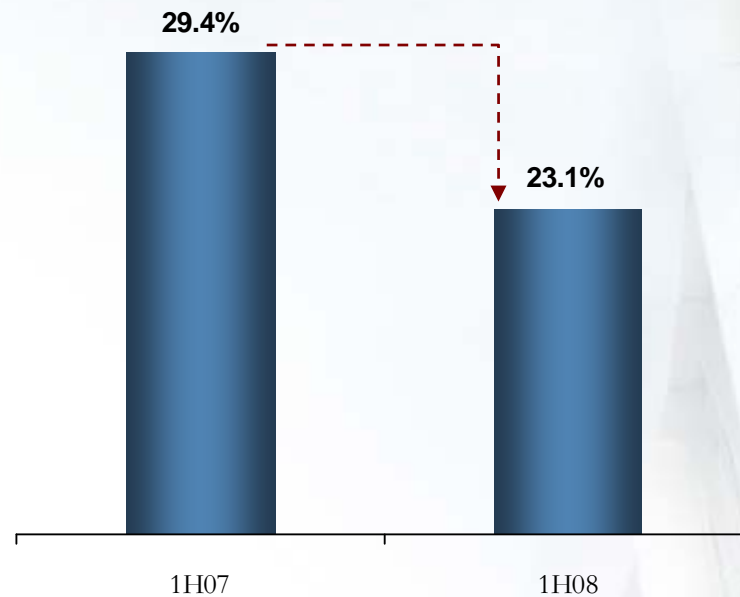


# Efficient Cost to Income Ratio, Reduction in Tax Rate

## More Competitive Cost-to-Income Ratio



## Reduction in Effective Tax Rate

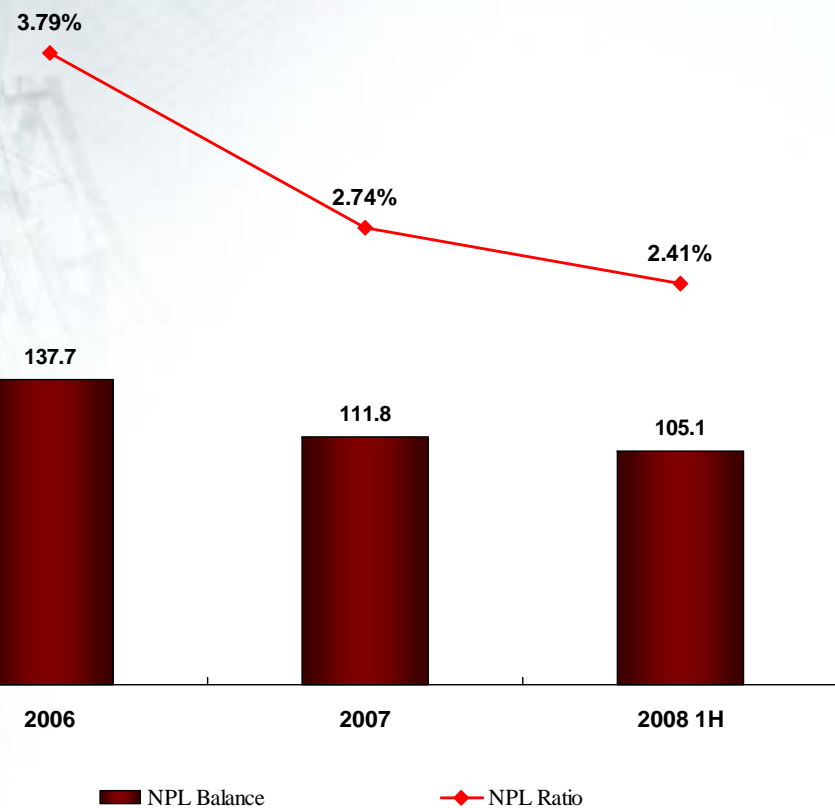




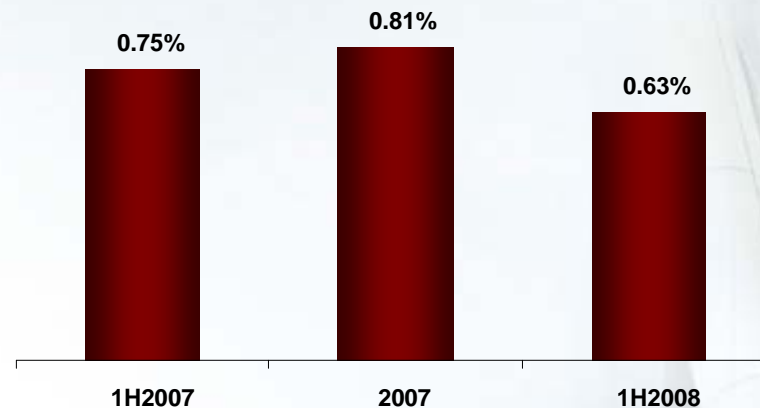
# Asset Quality with Prudent Provisioning, NPL ratio 2.41%

## Decline in Both NPL Balance and NPL Ratio

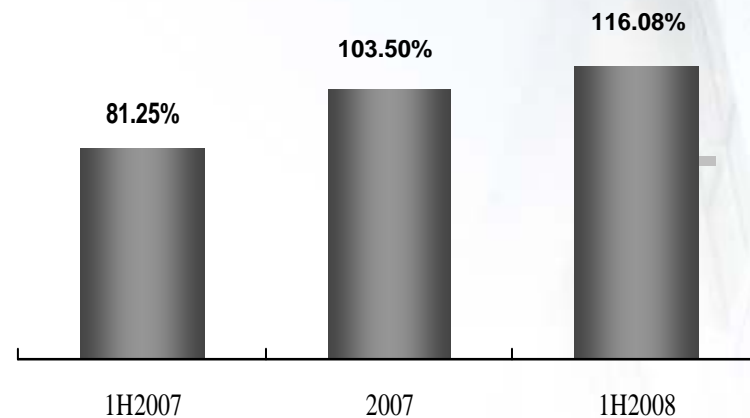
(RMB billion)



## Remarkably Reduced Credit Cost



## Improving NPL Coverage

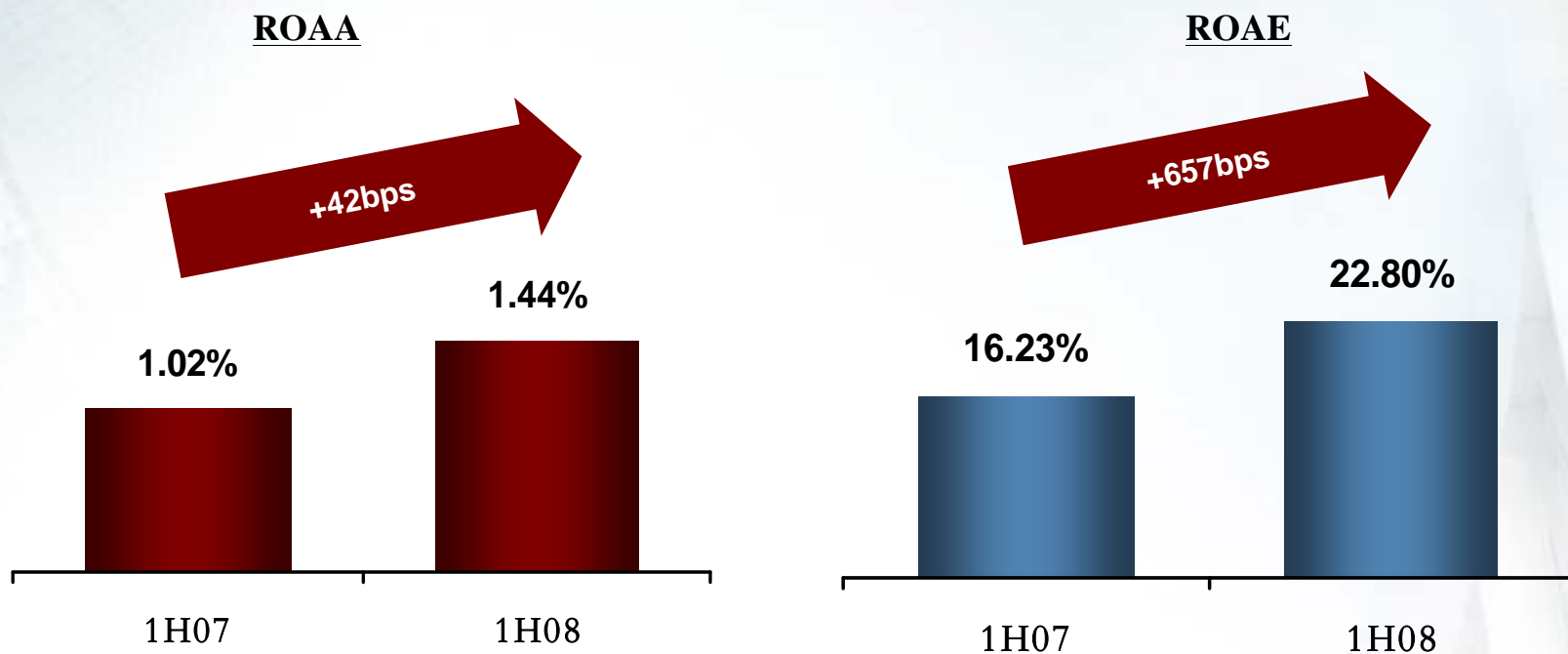


(1) Annualized based on 1H08 data



# Extraordinary Returns to Shareholders, ROAE 22.80%

## Extraordinary ROAA and ROAE (1)



(1) Annualized based on 1H08 data



# Agenda

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Business Operation



Financial Performance



*Development Strategy*





# Development Strategy of ICBC

## Strategic Goal:

- **To be most profitable, preeminent, respectable and leading international commercial bank**

## Strategic Initiatives:

- Actively push forward the business transformation and earnings mix optimization: establish the most preeminent customized retail bank platform, optimize loan book mix, accelerate the development of treasury businesses, facilitate the innovation of fee and commission based businesses, and maintain fast and sustainable growth of fee and commission income;
- Comprehensively enhance competitiveness and the development capability. Promote product innovation, enhance service standard, optimize layout of distribution network, raise corporate image and branding, and strengthen corporate culture;
- Explore the way towards universal banking within China's law and policy framework;
- Stably promote international expansion, enhance cross sectors capability and international competitiveness;
- Optimize the corporate governance, enhance buildup of comprehensive risk management system and internal control mechanism, fulfill our social responsibility.